

# Public–private partnerships in education: insights from the field

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Despite extensive attention (positive and negative) devoted to the philosophical, public policy and political dimensions of public–private partnerships (PPPs) in education, little attention has been devoted to their managerial implications as well as the broader organizational context (strategic alliances) within which they are a special case. In this paper we seek first to identify what they are and then examine PPPs in education that have been recently created and are operating in England. It is worth noting that PPPs appear to be indistinguishable from the larger set of strategic alliances in fields other than education, and their recent arrival in education reflects its evolution towards a multi-sector, alliance-oriented field.

## Introduction

Although partnerships among different firms are now an ubiquitous phenomenon (Gulati, 1998), writing about public–private partnerships *in education* moves us immediately into the political arena. Despite the variety of labels (alliances, partnerships, networks, etc.) attached to these relationships among firms, most are characterized as ‘voluntary arrangements . . . involving exchange, sharing, or co-development of products, technologies, or services’ (Gulati, 1998, p. 293). These collaborative arrangements are often motivated by some combination of risk sharing, obtaining access to new markets and technologies, speeding products and services to market, and pooling complementary skills (Powell *et al.*, 1996, p. 116).

Despite the inherent logic of inter-firm collaboration in the broader world, similar behaviour *in education* has been confused, mislabelled and politicized. Because education has been characterized largely by public funding and public provision, collaboration with non-public firms has raised the broader issue of ‘privatization’ of education or as part of the attacks against the ‘managerialist’ conspiracy of central government (see Thrupp, 2003). Reviews of private sector involvement in the UK and USA education can be found (Sagawa, 2000; Fitz & Beers, 2002). However, the treatment of inter-firm relations and sector locations of firms are seldom evaluated independently or with reference to any organizations other than those in education.

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The purpose of this paper is not to engage in the political rhetoric of the left or the right in defence of or attack on the merits of state or market provision. We are mindful of the warning articulated by Caldwell and Keating, who sum up the dilemma of writing in this area as:

Public private partnerships are novel and often contentious in countries where the concept of public has been synonymous with government. In these instances, a public school is considered to be a school that is owned, funded and operated by government, with teachers and those supporting the work of teachers at the school site being employees of government. The points of contention may be ideological, educational or pragmatic. An ideological objection would derive from the perceived weakening of commitment to public education when government relinquishes its traditional role in any of the aforementioned elements. This may be expressed as a belief that the establishment of a public private partnership is tantamount to the privatisation of public education. An educational objection would be raised when the nature of the non-public entity or the benefit it derives are perceived to be inconsistent with the nature and purpose of public education. A pragmatic objection may be upheld when the expected benefits are not realised by either partner. (Caldwell & Keating, 2004, p. 2)

But framing PPPs as an *issue* is inherently distinct from PPPs as a *subject of study*, a perspective we employ in order to examine their causes and consequences as organizational innovations. As a subject of study, PPPs combine distinct topics of organizational governance: sectors and relationships. Not unlike most organizations in other parts of society, educational organizations are evolving along one or both of two dimensions: one on 'relationships' among organizations and the other on the economic 'sectors' of each participating organization.

Relationships involve the rules by which organizational entities relate to each other and/or to clients.<sup>1</sup> While many LEAs continue to govern through schools structured as hierarchies to deliver education, others have partnered with market-based companies. Increasingly, education organizations are experimenting with a third form of relationship that falls roughly between the poles of hierarchy and market (Smith & Wohlstetter, 2001; Wohlstetter *et al.*, 2004). These voluntary 'networks' (or partnerships or alliances) of schools are more characteristic of alliances found in other fields (see, e.g., Gulati, 1998) and constitute the 'third P' of PPPs.

We have sought to avoid the macro critique of policy, instead researching the operation of public-private partnerships in practice. Our aim is to more fully understand their operation and to provide insights into the leadership and management implications of such changes in the organizational structure of educational provision. We aim, then, to avoid where we can normative references to what 'should be' pursued in public-private partnerships, and instead seek to understand what 'has been' and 'is being' pursued by educational organizations.

With this rudimentary two-dimensional framework, it is also possible to identify what PPPs are *not* and why. PPPs should not be confused either with 'privatization' or with 'outsourcing'. Privatization in education immediately calls up the image of privatization in the industrial or commercial sector. In those sectors, for privatization to take place it is normally assumed that one set of assets in the form of an

organization is sold to the private sector from the public sector and total control and ownership passes between them. (Electricity, gas supply companies and telecoms during the period of the Thatcher government are the images of privatisation in the UK; there are no major analogies in the US.) This is not the pattern that is emerging in education. What is happening, instead, is that various partnerships are being established where organizations in the for-profit and the not-for-profit sectors are undertaking activities either for or with organizations in the public sector (local or national education authorities).

Contracting out (outsourcing), more technically analogous to PPPs, also misses the essence of collaboration in PPPs that is distinct from sole reliance on markets. Contracting out often assumes distance between the payer and the provider – one party ‘contracts out’ entirely one product or activity to another party in an ‘arm’s-length’, purely ‘business-like’ manner. Based on data from our two case studies involving an LEA and a school’s relationships with private providers (discussed in detail later) such arm’s-length characterizations are inaccurate: we describe the payer–provider relationship, instead, as a ‘messy partnership’. By ‘messy’ we do not mean to convey concepts of ‘disorganized’, ‘dysfunctional’, ‘chaotic’ or any other connotation that may be considered pejorative. Rather, our intent is to suggest that these partnerships are complex, multi-layered and, most significantly, evolving, i.e., much more than the simple, singular ‘arm’s length’ relationships associated with formal inter-organizational contracting. Such a partnership exists when services are partly contracted to another party but with inbuilt links back into the paying organization that bind the organizations across functional activities. The ‘out’ of outsourcing is, by itself, inaccurate and misleading.

### **Motivation for partnerships**

PPPs *are* like outsourcing in that both are voluntary, managerially initiated decisions. As such, the motivations to pursue and perceived benefits of PPPs are central elements (see Oliver, 1990; Gulati, 1995). At one level, many PPPs in education are created in a ‘problem’ or ‘deficit model’ context. This would be seen where there is a real and/or perceived failure of the public sector LEA and relations with a private sector partner are ‘mandated’ by government in an attempt to improve performance and standards. At another level, a ‘non-deficit’ or ‘opportunity’ model can be seen operating where an LEA seeks to ‘leverage up’ the resources it can bring to bear on the education service to enhance performance.

Just as the motivations of senior management behind any decision may well be a complex blend of tradeoffs, so too are those behind the formation of PPPs, on the ‘private’ side as well as on the ‘public side’. When one looks at LEAs and their partnership relationships, deficit and non-deficit can be seen almost as willing and non-willing partners, but that would be misleading: both parties need to be sufficiently willing. Indeed, both parties have to believe that they will gain more than they give in order to take on the relationship. There is obviously a range of

motivations to pursue partnership formation. Weiss's (1987) study of (non-education) partnering motivations is representative both of the range and the non-exclusive nature of reasons for partnering:

- better quality of services 73%
- solves our problems 58%
- financial benefit 58%
- professional values (shared) 34%
- uncertainty reduction 27%
- legal mandate 21%
- political advantage 12%

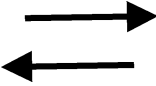
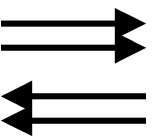
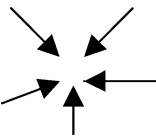
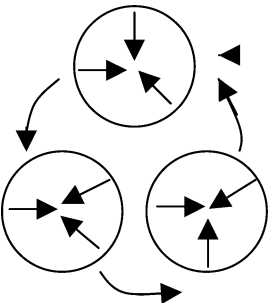
Most of these reasons would be put forward by proponents of public-private partnership today in the UK, although not necessarily in the same order.

### **Ways of partnering**

Relevant research in this area is somewhat problematic for two reasons: much of the literature from the education field is concerned with policy formulation and not implementation, and much of the literature on implementation examines firms from a wide variety of firms across all sectors. Seminal work by Coase (1937) reformulated economists' views of organization as a governance structure, instead of a 'black box'. As such, hierarchies in firms and markets among firms were alternative means for organizing similar kinds of transactions. Later, Williamson (1975, 1985) built on Coase's insights to develop much greater theoretical and empirical understanding about the conditions under which, for the production of a specific good or service, firms elect to enter the marketplace or create production capacity within the firm. At its most basic, Williamson postulated that when transactions involve uncertainty about their outcome, recur frequently and require substantial 'transaction-specific investments' (of money, time or energy that cannot be easily transferred to other functions), firms are more likely to place them within hierarchically organized firms. On the other hand, when exchanges are straightforward, non-repetitive and require no transaction-specific investments, firms are more likely to engage across a market interface.

The 'buy vs. make' decision is made with the goal of minimizing alternative types of transaction costs: the inefficiencies of bureaucratic organization versus the costs associated with market transactions. Two general issues associated with transactions, all else equal, favour hierarchies over markets. One, the inability of economic actors to write contracts that cover all possible contingencies ('bounded rationality') is mitigated when transactions are internalized. When transactions take place solely within the firm's governance structure, there is no need to have to anticipate contracting contingencies. Second, the rational pursuit by economic actors of their own advantage ('opportunism') is more easily managed and monitored by authority relations within a firm than through market relationships.

Table 1. Ways of partnering

Ways of working	Involvement with others	Actions	Skills
<p>NETWORKING</p> 	<p>Informal, minimal</p>	<p>Share information</p>	<ul style="list-style-type: none"> <li>● Listening skills</li> <li>● How to share information</li> <li>● Access to the right people</li> </ul>
<p>COORDINATING</p> 	<p>More formal, but organizations still work independently</p>	<p>Exchange ideas and provide access to services and products</p>	<ul style="list-style-type: none"> <li>● Organizational skills</li> <li>● Team player</li> <li>● Understand organization-specific jargon</li> <li>● Understand the vision and priorities of partner</li> </ul>
<p>COOPERATING</p> 	<p>Formal, with some integration of work, but organizations still remain autonomous</p>	<p>Develop ideas and norms for working together</p>	<ul style="list-style-type: none"> <li>● Understand group dynamics</li> <li>● Negotiation skills</li> <li>● Team-building skills</li> <li>● Understand partners' functional mandates</li> <li>● Ability to adjust to organizational change</li> </ul>
<p>COLLABORATING</p> 	<p>Formal, with direction provided by an inter-organizational governing group; joint endeavours; may be co-mingling of funds</p>	<p>Create structures to facilitate joint development of ideas, services and products, including; shared leadership arrangements, joint decision-making processes, coordinated communication</p>	<ul style="list-style-type: none"> <li>● Ability to impact or make policy decisions</li> <li>● Access to staff and material resources</li> <li>● Understand organizational development and change process</li> <li>● Facilitation skills</li> <li>● Ability to perform in non-hierarchical structure</li> </ul>

There is extensive literature in the business sector on the advantages and disadvantages of contracting out (see Gilley & Rasheed, 2000). Thus, for a number of years there existed a simple dichotomy between markets and hierarchies, even when early researchers noted numerous inter-firm relationships that were not characteristically 'pure' forms of either. In education, traditional outsourcing activities such as purchasing textbooks were near the 'markets' side, while more complex schooling provision such as student counselling would sit closer to the 'hierarchies' side. This (now) simplistic view of organization provision was challenged by Goldberg (1980, p. 338) and others, who contended that activities 'take place within long-term, complex, multiparty contractual (or contract-like) relationships; behaviour is in various degrees sheltered from market forces.' The grey area between the poles of hierarchies and markets suggested a continuum where transactions among firms might fall. More recently, however, transactions that fell between the hierarchy/market poles have been characterized as distinct organizational forms, separate and apart from either of the pure forms.

These new and different forms of organization are characterized by Powell (1990, p. 324) as follows: 'Network forms of organisation, with their emphasis on lateral forms of communication and mutual obligation, are particularly well-suited for a highly skilled labour force, where participants possess fungible knowledge that is not limited to a specific task but is applicable to a wide range of activities.' Increasingly, then, more attention has been devoted to understanding inter-firm (and also intra-firm) relationships that are neither purely hierarchical nor purely market-oriented.

One of these perspectives emphasizes the social and interpersonal characteristics of individual actors engaged in 'partnering' (see, for example, Berliner, 1997, p. 4, as portrayed in Table 1). This 'interpersonal communication' perspective (our phrase) emphasizes and delineates various communication skills and small-group processes that are associated with partnering and, by inference, distinct from characteristic communication associated with pure forms of hierarchical (e.g., directives) and market (e.g., haggling) communication. Despite its inherent value with regards to communication behaviours, this perspective does not address a range of contextual and conditional dimensions of inter-organizational partnering behaviour. The dimensions of inter-firm partnering relationships include communication (Table 1), but include much more than communication (Table 2). Our analysis of education partnerships in the UK would be that PPPs indeed take the form of collaborating, but our interest here is to distinguish collaborating from behaviour which is typically associated with hierarchical and market-oriented inter-firm relationships.

Drawing on the conceptual framework created by Powell and others (1990), Powell and Smith-Doerr (1994) and Powell *et al.* (1996), we portray three types of organizational relationships – hierarchies, markets and partnerships – and the behaviour that is characteristic of each. As with hierarchies and markets, partnerships are 'held together' and operate through a variety of governance mechanisms and conditions, formal as well as informal. Organizations can use their own structures and operate through their own internal hierarchical structures and/or they can contract out to the market and/or they can create partnerships. Partnerships

described here have elements both of hierarchies and markets as well as unique features. Consequently, partnerships are more accurately described as a third form of organizational activity. This is illustrated in Table 2.

The array of dimensions in Table 2 indicates both the multiple characteristics of organizational relationships associated with partnerships and to a lesser degree the conditions that both foster and mitigate the value of partnerships as the governance mechanism of choice. For example, complementary strengths among partnering firms are both a characteristic of PPPs, but serve as a condition which fostered partnership development initially between those firms. There is also a greater sense of interdependence between firms in PPPs, rather than purely dependent or independent relationships, as well as a greater sense of ‘win win’ than is typically associated with the formal bureaucratic tone of hierarchies and the suspicion associated with pure market relationships. Causes and characteristics of inter-firm relationships, including PPPs, are heavily commingled.

### Criteria for ‘successful’ partnerships

As partnerships have emerged as distinct alternatives to hierarchical and market-oriented forms of organizations and because causes and characteristics of inter-firm relationships are so commingled, it is perhaps not surprising that an extensive normative literature has also emerged that presumes the inherent value of inter-firm partnerships. This perspective assumes that inter-firm partnerships are worth pursuing and proceeds with steps to take to ensure ‘successful’ partnerships, including identifying elements of what partnerships ought to look like and how they ought to function. In all instances the ‘unit of analysis’ has moved from the single organization to ‘my organization, your organization, and our relationship’. For example, trust and confidence between partners are argued as paramount for success of a partnership (Das & Teng, 1998). Rationalistic steps to take for successful partnering have been formulated, such as those by Berliner (1997, p. 2):

Table 2. Dimensions of markets, hierarchies and partnerships

	Markets	Hierarchies	Partnerships
Features			
Operational relationships	Inter-firm contracts	Employee relations	Complementary strengths
Means of communication	Prices	Routines Procedures	Relationships
Conflict resolution	Haggling	Supervised	Reciprocity
Degree of flexibility	High	Low	Medium
Level of commitment	Low	Medium/High	Medium/High
Tone or climate	Precision	Formal	Open – mutual benefit
Parties’ choices	Suspicion Independent	Bureaucratic Dependent	Interdependent

1. identifying a shared concern about a real problem;
2. find the right mix of participants;
3. develop an appropriate organizational structure;
4. specify the roles and responsibilities of leaders and participants;
5. carry out the partnership's activities;
6. evaluate the partnership's structure and activities; and
7. confront problems and use them as opportunities to build relationships among partners.

Other frameworks are more conditional, focusing as much attention on how to pursue partnerships (e.g., Waide, 1999, pp. 243–250):

1. Preserving the organizations' core values when entering into partnerships.
2. Maintain absolute integrity in the internal and external operations of your organization.
3. Enter partnerships only with organizations that have comparable credibility.
4. Enter partnerships only with organizations whose values and mission are similar to yours.
5. Understand that people relationships are crucial for the effectiveness of collaborative endeavours.
6. Understand clearly what makes the critical difference for each partner's mission and organizational effectiveness.
7. Commit adequate time to plan for and build collaborative effort.
8. Fix responsibility and financial accountability.
9. Understand that networking, both internally and externally, is an important leadership function in the new collaborations.

Among a smaller set of research initiatives on partnerships are those that draw empirical data from partnerships that have elected to 'stay together,' providing a preliminary and partial measure of 'success'. From such research, Kanter (1994) has concluded that 'successful partnerships manage the relationship, not just the deal,' and outlines 'I's' that appear to play a significant role in successful inter-company relationships (p. 100):

- *Importance.* The relationship fits major strategic objectives of the partners, so they want to make it work. Partners have long-term goals in which the relationship plays a key role.
- *Interdependence.* The partners need each other. They have complementary assets and skills.
- *Investment.* They invest in each other. They show tangible signs of long-term commitment by devoting financial and other resources to the relationship.
- *Information.* Communication is reasonably open. Partners share information required to make the relationship work, including their objectives and goals, technical data and knowledge of conflicts, trouble spots or changing situations.



- *Integration*. The partners develop linkages and shared ways of operating so they can work together smoothly. They build broad connections between many people at many organizational levels.
- *Institutionalization*. The relationship is given formal status, with clear responsibilities and decision processes. It extends beyond the particular people who formed it, and it cannot be broken on a whim.
- *Integrity*. The partners behave toward each other in honourable ways that justify and enhance mutual trust.

These and similar works on ‘successful’ partnerships tend to conflate inquiry about the causes and conditions of PPPs with normative recipes that outline the steps one *should* take to insure that PPPs are ‘successful’. In so doing, they downplay the issues that arise in trying to determine whether partnerships (in contrast to internal restructuring or pure contracting out) constitute a viable governance alternative. Many of the ‘success’ conditions described in pure form above serve equally as a basis for determining whether partnerships should even be considered – many theoretically possible partnerships arrangements may be better governed by alternative arrangements. Our interest here is more to understand ‘average’, not ‘perfect’ partnership, and to consider more what drives organizations into partnerships relations rather than some other form of governance.

Framing PPPs as distinct organizational forms, different from hierarchies and markets, but at the same time remaining somewhat agnostic about what constitutes ‘success’ in a partnership, we then set about to conduct research public–private partnerships in education, limiting our focus to partnerships in the operation of education services in the UK.

## The research

The locus of our research is PPPs involving LEAs and their schools on one hand and private sector service providers on the other, many of which are less well known to the general public. Within the last few decades, several dozen private sector education service provider firms have emerged in the UK, some starting *de novo* while others have longer histories in other countries. Some of the larger private education service providers (see Indepen and Bannock Consulting, 2003) include the following:

3Es	CfBT	Parkman
Amey	Hyder Business Services	PriceWaterhouse Coopers
Atkins	Jarvis Education Services	Serco Learning
Capita	Mouchel	Tribal Group
CEA	Nord Anglia	VT Education

Initially, we identified and researched six examples of partnerships involving a subset of these firms to build a broad understanding of the field, and then focused on two of them to build a more detailed analysis and, hence, to better understand the

phenomenon. Preliminary inquiry into the six examples of partnerships entailed between one and four interviews per partnership, each interview lasting approximately one hour. The primary purpose of these interviews was to ascertain the value and feasibility of deeper inquiry into the partnership. In selecting the six and then the two, we sought to make sure we included partnerships at each of two different levels or strands in the education system – one focusing largely on relationships with a LEA and the other on a school. We have masked the identities of all organizations involved here, public as well as private. The two private providers are called Fairchild and Arrow; the two involved LEAs are called Downingham and Wiltsholme, and the one involved school is called Knights College.

One partnership focused on the not-for-profit private sector company, Fairchild, and its partnership with Downingham LEA, to turn around a failing school facing closure and replace it with a successful one. Fairchild grew out of the success of Knightshurst City Technology College during the 1990s, and focuses on management contracts to establish new schools or improve existing schools. The second is a case study of Wiltsholme County Council, which has entered into a ten-year contract with Arrow to run its School Improvement Service in partnership with the LEA. Arrow was established 30 years ago as not-for-profit organization that has provided educational services on a global basis. The aim of the former case (Fairchild) is to turn a failing school facing closure into a successful school; the aim of the latter case (Arrow) is to enhance the provision already existing by adding the resources of a new partner.

The first case study involved interviewing key personnel in the Downingham LEA – the Assistant Director of Education and two advisers – regarding their motivation for seeking an external partner to turn around the failing school, and to interview the key personnel in Fairchild – the managing director and senior education director – to understand their concept of the partnership and their role. These interviews were followed up by interviews and questionnaires in the case study school to assess both staff and pupils' perceptions of what the school was like as an LEA school previously and what the differences were after it began operation as a Fairchild school. These interviews were with the headteacher, assistant headteacher, seven teaching staff, seven non-teaching staff and 12 students. Questionnaires were given to all staff and all children in Years 7, 10, 11, and their parents.

The second case study involved Arrow and Wiltsholme LEA. The purpose of this partnership was to improve the service to schools of the School Improvement Service of the LEA. Here we interviewed the CEO of Wiltsholme and two directors of Arrow about their understanding of the purpose and nature of the partnership. Subsequently, we interviewed six officers and advisers working with schools as to their understanding of the change of focus and delivery as an Arrow organization compared with being solely an LEA operation. These interviews were of an hour and an half each and in total nine interviews were undertaken. Transcripts were produced and coded, and all were content analysed.

In structuring our analysis of the emerging pattern of relationships, we have split this research into two parts. First, this paper draws on the research interviews and questionnaires from the school and LEA exemplars to provide an overview document. Second, additional reports will focus on detailed case analyses of the LEA and school examples.

These new partnerships are portrayed through four interdependent factors:

1. preconditions for partnerships;
2. change dimensions that emerge as a result of partnerships;
3. partnering mechanisms; and
4. success indicators of the partnerships.

Preconditions are those attributes of the partnership that appeared to be required in order for the possibility of a partnership to exist. Change dimensions refer to the types of changes that appeared to be pursued through the partnership. Mechanisms for partnering describe the means or vehicles that bound the organizations to each other. Finally, success indicators are those products and by-products of the partnership that appear to provide value to the partnering relationship.

#### *Preconditions for partnerships*

Partnerships do not happen frequently or randomly. They appear to occur only when certain preconditions exist. We had to ask ourselves and others: ‘What was “special” about Downingham and Wiltsholme LEAs that caused people to create partnerships here and not in other LEAs?’ In our analyses of the two partnerships, six interlocking pre-conditions surfaced as necessary in order for the partnership to be pursued in the first place.

*A large, difficult but ‘solvable’ problem.* In both LEAs there was a widespread perception of a problem. In Downingham, the problem was a school that had received a ‘failing’ status designation from its inspection and subsequently was due for closure. In Wiltsholme, the problem was the LEA itself in that Ofsted perceived that it could be performing at a higher level than had recently been the case. These problems are by no means unique to these LEAs, but they were perceived as sufficiently serious by the individuals whose responsibility it was to run and/or improve schooling.

*Creative thinking.* This is a somewhat subjective assessment, but it relates to an aptitude to undertake novel and untested measures to address large and/or long-standing problems. It is reflected in the desire and ability of senior LEA managers to engage in strategic conversations with the wider education and non-education world to search out alternative strategies to address their problems. These searches led to the consideration of the concept of bringing in external partners. Perhaps more than the other preconditions, this attribute describes the predisposition of *individuals* who

were in positions of responsibility and authority to act as agents for their LEAs. It must include a way of thinking within the organization that, however good you are, you can learn from other ways of doing things.

*Aligned incentives.* Closely related to the nature and difficulty of the problem was the alignment of incentives between LEA and companies with which the LEA might partner. The incentive of the LEA was to solve an ongoing problem that was tarnishing its organizational reputation locally. To achieve that, it also had to be perceived as acting urgently to address the problem. Finally, in addition to seeking to avoid the negative consequences associated with the problem, it valued the prestige that might well accrue from solving the problem. The incentives of the partner companies were different from those of the LEAs, but the two sets of incentives were aligned and reinforced each other. The companies sought a financially viable relationship from which they could derive suitable revenue from their services. In addition to earning revenue, the companies sought to grow their own capacity and capability through such an engagement with an LEA. Lessons and skills learned in this engagement could be applied in other partnerships or activities. Furthermore, these firms valued the perception of contributing to the 'public good' through their services to a public education agency. Finally, such an engagement would better position the companies for further contracts in the education marketplace.

*Willingness to pursue the tendering process.* Ultimately, it was the willingness of the LEAs to pursue the tendering process – despite the uncertainties, risks, negative reactions, etc. – that led to the partnerships we studied. Several factors contributed to this willingness. Both LEAs were embedded in county councils that were favourably predisposed to the concept of engaging external partners for public work. (This is not necessarily the case with all or even most other local authorities.) In both instances and with some of the individual personnel involved, there was a history of personal experience with partnerships. These factors contributed to the willingness to commit scarce resources to the process, and in so doing, invest in a relatively uncertain venture. Like the other preconditions, willingness was necessary, but not sufficient.

*Ability to attract and then negotiate with prospective partners.* As with the precondition of entrepreneurial thinking, this ability was largely an individual characteristic of the people who were responsible for leading the tendering process, especially in attracting organizations with appropriate interests and capabilities, and then negotiating with them. Technical competencies complemented persuasive capabilities, ranging all the way from framing the problem as professional services to be performed, to designing working relationships between existing LEA (and school) educators and educational specialists currently employed by the organizations, to attracting interest and then securing viable bids of sufficient quantity and quality, to awarding the contract or service agreement, to reconfiguring operations to accommodate working in an inter-organizational partnership. These tasks demanded

a certain level of technical sophistication and skills among the key individuals, without which the process had much less chance of going forward.

*Capacity to undertake partnerships.* Although a partnership can ultimately contribute to the overall capacity of an organization by adding expertise, knowledge and experience that would otherwise be unavailable to it, it is also the case that the organizations have to possess a certain level of capacity and capability to consider, pursue and then enter a partnership. It is a large and complex process that is not funded, and only organizations with some degree of excess capacity and sufficient capability can divert resources (human and otherwise) into the process.

Perhaps the most valuable of these resources are the time, attention and capability of senior managers. In order for any complex service to be considered for tendering, it must *first* be understood, measured and monitored at some minimum level. For example, if the true costs of various internally provided services are not known, it is extraordinarily difficult for both parties to determine the value to themselves of any tendering proposal.

The presence of these preconditions increased the feasibility of partnering, but they are separate and distinct from the nature and content of the resulting partnerships.

#### *Change dimensions that emerge as a result of partnerships*

It is difficult to solve problems without at the same time framing them as required changes. The match between ‘problems’ and ‘changes’ is not always obvious. Poor performance in a school and ambitions for improved performance in an LEA both require action. The very act of seeking partners in this environment required that at some time during the pursuit of partners, problems had to be framed as specific changes that were required. (The underlying presumption – that certain changes were feasible and reasonable ways to address the problem – had to be shared, at least in general terms by the LEA and the partner firm.) We discuss below the major changes that are being addressed by the partnerships, rather than the more abstract problems with which the changes are associated.

*Enhance the capacity and capability of senior LEA or school staff.* A certain capability on the part of senior LEA staff was *both* a precondition and a change requirement. The capability required to initiate and create the partnership had to be supplemented with added capability to implement and operate productively within the partnership. In both cases, the very act of undertaking the relatively complex and heretofore untried task of tendering these services taxed LEA capabilities, but also provided a form of ‘on-the-job training’ for LEA senior staff. Indeed, the process of interacting with competing organizations, while time-consuming, enabled LEA staff to sharpen priorities and to develop penetrating analyses of their LEAs as well as the capabilities and competing proposals of the organizations under consideration. The nature of

that added capability differed between the two detailed cases – one focusing on LEA operations and the other focusing on operations in a secondary school. In both cases, the tendering process itself contributed to the necessary development of senior LEA staff.

*Change the staff or the mind set of the existing staff.* Some of the problems required actual changes in staff. These changes were a central part of the Downingham story (from Knights Manor to Knights College), and to a much lesser degree in the Wiltsholme story. In Knights Manor there was a major attempt to staff the new school with staff who were committed to radical change, and within normal LEA procedures there was a significant change in teaching staff. The previously declining school had been reduced to 20 full-time staff and six part-time staff, with a third on long-term supply or temporary contracts. In the end, seven of the full-time staff were transferred to the new school. Staff changes of this magnitude represent a dramatic and quick way to change the skills, attitudes and culture in an organization. Later on in the school's development, Knights Manor had a 'Fresh Start' designation, which provided an increment of added financial resources, however this was not available at the time of radical staff and other changes. In contrast to staff changes in Downingham, only one staff member was changed in Wiltsholme (Head of the School Improvement Unit) and that was an addition.

*Change the perception that no significant change was likely to take place.* One of the recurring problems that surfaced from the case studies and was shared by LEA staff, school staff and parents alike was the initial scepticism that the large problems were likely to be solved. The problems had been in existence for a considerable period of time and had not been solved despite previous attempts. There was little justification for thinking that the problems would be successfully addressed this time or, initially, that a partnership could be a vehicle for solving them. Yet, the very act of undertaking the tendering process itself helped to change some of this scepticism.

*Raise expectations of 'acceptable practices'.* Closely related to the prior perception of 'this time we're serious' was the need to change the perception of 'acceptable practice'. This change focuses more directly on the widely accepted, routine ways of operating the school (Downingham) or the LEA office (Wiltsholme). In changing and upgrading the definition of 'acceptable' the large messy problem was ultimately seen to be those current practices which had been acceptable, but now no longer were.

*Change schooling practices and services.* Ultimately, the messy problem begins to be tackled only when 'standard operating procedures' change. Although the services provided by the LEA are inherently different in kind from instructional practices in a secondary school, improvement in both settings could occur (but not, of course, be guaranteed) only with changes in what each organization 'typically' did. In Wiltsholme, for example, the standard reviews of a school's Key Performance

Indicators became more consequential for both schools and the LEA, as this was part of the contract delivery terms. In a similar vein, schools gained greater input into resource allocation decisions for school improvement and, as a consequence, began to factor prices into decisions about the resources that had previously been ‘free’ but often ‘scarce’ or ‘of less than appropriate quality’. Among changes at the school level in Downingham, the internal organization of the school had moved to a flat structure, distributing responsibilities more broadly among teaching staff than had been the case. Communication, instructional management and record-keeping functions were rebuilt as an integrated, web-, voice-, and paper-based system, and the school’s cyber-café, feeding, independent learning and socializing functions were reconfigured.

In both cases individual changes in standard operating procedures, ethos and culture were discernable changes in behaviours, each contributing to and reinforcing attitudinal changes.

### *Mechanisms for partnering*

Three types of mechanisms bind the partnership organizations – written agreements in the form of service agreements or contracts, staffing relationships and decision-making procedures – and these reflect both the unique features of partnerships and the features that are also found in hierarchical or market relationships. Both of our case studies revealed examples of all three of the mechanisms described below.

*Formalizing the partnership through service agreements or contracts.* Underlying the partnerships is at least one written, complex and detailed formal agreement stipulating the terms and conditions of the partnering agreement, including assignment of responsibilities, authorities, parameters, deliverables, rewards and consequences of non-performance. These highly formal, legalistic documents represent a form of *transition* from the early stages of tendering, firm solicitation and negotiation to the initiation and operation of the partnership. As such, they are detailed, constructed with an eye toward legal defensibility and include a large number of possible but not necessarily likely contingencies. Partly as a reflection of the nature of these agreements, the Wiltsholme/Arrow contract ran to 937 pages. Given what both parties have learned about each other and about this form of contracting, it is likely that they would probably construct a much shorter agreement were they to undertake the task today, which suggests their transitional utility. Sometime after Wiltsholme and Arrow established their agreement, Arrow negotiated a similar one with a second LEA. As a result of the experience gained in Wiltsholme, this contract is a little over 100 pages. These formal contracts are *transitional* in the sense that after they are created, they are seldom referenced. (These formal agreements would be likely to come back into play only if working relationships had broken down and the partners had to resort to legal means to seek remedies.)

*Staffing the partnership through cross-seconding of staff and employment specifications.* The nature of the partnership is reflected in the way it (not just the individual partnering organisations) is staffed, and it is here where our benign connotation of ‘messy’ is most in evidence. For example, the primary means whereby the partnership in Downingham was staffed was through the school governing body. The school was created as a voluntary aided school (even though it had no faith affiliation) and Fairchild took the role of foundation governors. The school Principal was recruited by Fairchild, appointed by the school governors and paid by the governors from funds provided by the LEA, reported to the school governing body and not directly to the senior management of Fairchild, even though Fairchild had contracted to operate the school. However, Fairchild has an ongoing responsibility to monitor and intervene in the management of the school if necessary under its contract with Downingham LEA. Similarly in Wiltsholme, the lead project manager for Arrow took on the title of Wiltsholme’s Head of School Improvement. The way he carries out Arrow’s school improvement contract is through the LEA’s four principal school inspectors, LEA employees who technically, while reporting to him, are ultimately accountable to the LEA director. (There is one other inspector without a specific portfolio of schools, who reports to him as well. He *was* an LEA employee and is now an Arrow employee.) In both cases the partnership is staffed in a manner that might appear blurred and/or messy *if viewed only from the perspective of one or the other of the partner organizations*. From the perspective of the *partnership*, however, a certain degree of intentional line-crossing is both necessary and desirable as a means of carrying out the obligations and promises of joint work.

*Operating the partnership through decision-making procedures.* Similar to the staffing mechanism, the nature of the partnership is reflected in how the partnership, as well as the individual partnering organizations, is operated. How are decisions made which affect the partnership? How is performance monitored and accountability assured?

In both cases the primary focus of operation is the client organization (school in Downingham and LEA in Wiltsholme), with the partnership and the firm playing critical but supporting roles. The decision-making and procedural routines in Downingham are not unlike those that one would expect in a typical secondary school, and similarly for Wiltsholme in a typical LEA. It is primarily at selected points of change and/or challenges facing the client organization where the distinct impact of the partnership is felt.

#### *Success indicators of partnerships*

‘Success’ is a relative term, meant here to suggest that in the two case studies it appears that to date the key actors involved implicitly believe, and at times have explicitly stated, that the benefits associated with the partnership outweigh the costs. The benefits described below are net of the non-trivial transaction costs associated



with partnerships as outlined by previous authors, suggesting that the nature of these benefits is still very formative and fluid and could change in the future as the relationships between costs and benefits evolve. Nonetheless, they seem to cluster around five overlapping themes currently.

*Increased focus on core tasks.* By defining the nature of the activities to be covered in the contract and by assessing the partner on those activities, two benefits emerge. First, there is a fundamental reassessment of the key or core tasks to be undertaken, leading to greater focus. Second, the ability to reject political and other interference which seeks to widen the range of activities can more successfully be resisted as these activities lie outside the contracted activities. In both the school and LEA setting, greater clarity of purpose and less interference with ‘getting on with the job’ was reported.

*Enhanced service quality through enhanced human capital.* At the LEA and school level, partners had undertaken research to verify measures of improved service quality. In the school setting the participants reported the ability to attract high-quality people and the unique ability to change radically the existing workforce. In the LEA setting, the enhancement in human capital was seen as a response to new leadership and to greater involvement and commitment by existing staff to a new sense of purpose and focus. There had been no change in existing staff.

*Improved performance on outcomes – both processes and products.* At the school level, extensive research with pupils, parents and teachers reported improved learning outcomes as measured by KS3 and GCSE results and improved learning processes as reported by attitude surveys and interview data. At the LEA level, interviews with a cross-section of staff reported improved working processes and relationships with schools. Service delivery data were being completed and analysed and, to date, show improvement.

*Proactive leadership style.* The act of entering into and then operating within the partnership was both a reflection of and a contribution to a sense that the leadership of the organization was willing to and able to take on large, complex problems in the organization. Indeed moving to this sort of partnership in itself requires a proactive leadership style.

*Increasingly entrepreneurial culture and attitude reflected in behaviour.* The combined effects of the first four themes appear to cascade over the involved parties, providing a greater sense of empowerment and fostering a more entrepreneurial culture. Individuals were more willing to reconsider possible improvements in accepted practices and to ask ‘why not?’ The partners were encouraged to be creative in the way they approached contractual and other possibilities for work.

## **Conclusions and implications**

The two education PPPs we examined are reflective in many ways of the larger and broader historical work in inter-organizational strategic alliances, but at the same time suggest possible departures. Certainly inter-organizational communication in our two case studies reflects much of the earlier work on that distinguishes alliances from internal bureaucratic communication and ‘pure’ market transactions (e.g., Powell, 1990). On the other hand, the four interdependent factors we found (preconditions, change dimensions, partnering mechanisms and success indicators) differ from other alliance frameworks (both descriptive and normative) in that we found (and placed) significantly greater emphasis on circumstances and context for partnerships than appeared in many of the studies cited earlier. It is within this broad framework of organizational context that the findings from our two case studies appear most likely to contribute to our understanding of PPPs in education. Three dimensions of organizational context come to mind: sector locations of the partnering organizations; necessary, but not sufficient, conditions for the partnering organizations; and differences in transaction costs unique to partnerships. These are discussed briefly and separately here.

### *The importance of sector location*

Many of the prior studies on inter-organizational relationships have either (1) ignored the sector locations of partnering firms (e.g., Powell, 1994), (2) presumed that all of the partnering firms being studied were located in the same (usually for-profit) sector (e.g., Williamson, 1975, 1985), or (3) nominally addressed the topic of ‘public–private partnerships’ without distinguishing between these and other combinations of partnering firms. In each case the sector location of partnering firms is underplayed. While we elected to examine partnerships between public and private education organizations, we ascertained dimensions of relationships that, by and large, may well have characterized any pair of organizations. Further, our selection for in-depth analysis of two private partners from the non-profit sector left us with little we could learn about any distinctions between private non-profit and private for-profit partners. The under-examined topic that persisted throughout the case studies was the special nature of a partnership between a *public* and a *private* educational organization.

Organizational research from quite different traditions (e.g., public administration, theory of bureaus, and government reform) appears to be relevant here – research which explicitly compares the structure, performance, culture and incentives of public, private non-profit and private for-profit organizations. The underlying premise of this research is that, above and beyond all other circumstances, sector location does in fact shape organizational behaviour. This perspective is exemplified through Osborne and Gaebler’s (1992) arguments of the sector-related comparative advantages of firms. According to Osborne and Gaebler, each of the three economic

sectors – non-profit, for-profit and public – possesses distinct advantages and strengths, making partnering across sectors particularly beneficial.

From this perspective, cross-sectoral alliances are motivated largely by a pursuit of the comparative advantages enjoyed by organizations outside of one's own sector. Organizations in the *non-profit sector* are generally focused on 'moral codes and individual responsibility for behaviour' and tend to be strong in areas that require 'compassion and commitment to individuals' (Osborne & Gaebler, 1992, p. 46). They are particularly successful at meeting client needs and working in areas that 'require extensive trust' or need 'hands-on personal attention (such as day care, counselling, and services to the handicapped or ill)' (Osborne & Gaebler, 1992, p. 46). Fairchild and Arrow could arguably fit this characterization. Organizations in the *for-profit sector* are particularly effective at innovating, quickly adapting to change and performing highly technical tasks (Osborne & Gaebler, 1992), and bring access to financial capital, managerial effectiveness and efficiency, and entrepreneurship. Finally, organizations in the *public sector* are focused on the public interest and bring an understanding of governmental structures, policy management and administrative regulations. Public organizations are also particularly effective at providing uniform and continuous services (Osborne & Gaebler, 1992). Downingham and Wiltsholme LEAs, as well as Knights College, fit this public sector characterization.

Organizations that partner across sectors can access the unique strengths of firms in other sectors and thereby enhance their capacity for high-quality service delivery, suggesting that, all else equal, cross-sector alliances may be more likely for *public education agencies* seeking complementary capacities. Subsequent work in this area would draw on alliance research that more intentionally examines differences in organizational behaviour attributable to sector location (e.g., Osborne & Gaebler, 1992).

#### *Necessary but not sufficient conditions for PPPs*

Other contextual circumstances (than economic sector location) play a significant role in explaining when PPPs are pursued. In individuals, 'desire' or 'skills' are, by themselves, insufficient. For illustration, high-quality, innovative leadership skills as well as excess organizational capacity seem to be disproportionately in demand for creating and operating these kinds of partnerships. These contextual circumstances existed in the two case studies, but it is difficult to ascertain how 'deep a bench' of entrepreneurial leadership and organizational capacity is required or available across English LEAs and schools, let alone the broader political context to support partnership development. The situations and circumstances surrounding these case studies were important ingredients contributing to the decisions to enter into partnerships for school improvement, and it is not obvious how widespread a 'critical mass' of these necessary conditions exists in other educational contexts. These two case studies may represent atypical education agencies, and partnerships should not be construed as beneficial in all circumstances or merely because one or more

individuals desire to pursue PPPs. Private firm involvement in one school may have a significant impact, but whether the specific factors that make an individual school successful can be replicated over a large number of schools is unclear.

*Applying transaction cost analysis to public private partnerships*

Much of the (especially early) analysis of governance arrangements within and among firms viewed hierarchies and markets – but not partnerships – as alternatives to each other. Some of the understanding about conditions favouring partnerships may well rest with the content of the transactions. Transactions are inherently content-specific, and the two case studies explicitly examined two content-specific topics – professional development and school performance. Recalling briefly the characterization of Williamson's arguments, transactions associated with these topics are perfectly characteristic of *neither* markets *nor* hierarchical governance arrangements. As framed in the cases, these topics required transactions that involved 'uncertainty about their outcomes', but they did not 'recur frequently'. On the other hand, they did require substantial 'transaction-specific investments', but it required them of both organizations. These problems, as framed by the (public) education agency heads (non-recurring and complex), may simply have not lent themselves easily to being addressed either solely in-house or solely in the market place.

Referring specifically to the work of Powell (1990), it could be argued that neither pure market nor purely hierarchical arrangements would have satisfactorily addressed the transaction cost problems of these particular topics as they were defined. The inherent benefits of a purely market relationship with outsiders, including expertise and symbolic signalling to employees, could well have been more than offset by high transaction costs. As revealed in the case study, the transaction costs (bounded rationality and opportunism) inherent in having 'outsiders' were significantly mitigated through the (messy) partnership relationships described earlier.

Our research to this point suggests that (only) *under certain circumstances* public-private partnerships may yield a number of potential benefits associated with education service delivery. If PPPs are examined through a descriptive and conditional rather than a normative lens, the key question should be: given the nature of the organization and character of the problem or issue and its impact on transactions, what governance re-arrangements (hierarchical, market, partnership) have the highest likelihood of addressing the problem at the lowest transaction cost? Partnerships are but one alternative.

Our research, given the notes of caution, suggests that enhanced provision is indeed possible. More narrowly, from the perspective of inherently entrepreneurial educational leaders, partnerships may provide another means (in addition to hierarchies and markets) for organizing to improve organizational performance. However, for that to be the case, the preconditions for partnering, the change dimensions involved in partnering and the mechanisms for partnering have to be

given serious consideration if success is to be achieved in these new partnership ventures.

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### **Note**

1. We have intentionally not referred to the extensive and growing body of research on relationships that are associated with ‘social networks’, ‘network theory’ and ‘social capital’, as reflected in the work of Coleman (1988) and Burt (1992) among many. Despite substantial complementarity and some overlap, that work tends to focus on the further development of social network theory, of which inter-organizational strategic alliances are a small part. We, on the other hand, are more interested in understanding emerging forms of educational organization that we observe in practice.

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