Safeguarding public values by project-based construction clients
Leads for future research

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SAFEGUARDING PUBLIC VALUES BY PROJECT-BASED CONSTRUCTION CLIENTS: LEADS FOR FUTURE RESEARCH

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In an environment with large interdependencies like the construction industry, project-based public construction organisations are challenged to seek for 'new' ways to safeguard public values and project outcomes. Public bodies increasingly depend on private parties to achieve public values. Hence, due to the character of their tasks, they remain social-politically responsible. In order to find leads for future research into safeguarding public values by construction clients, an explorative literature study was conducted. The fields of institutional logics, public organisation science and public value management were used to gain insights in relevant multi-level organisational concepts considering the meaning of public values in the daily practice of public clients. Hybridity was found as characteristic of public-private partnerships. Furthermore, the management of institutional complexity as a central task for public construction clients implies the importance of monitoring ambidexterity and accountability. Future research into the understanding of safeguarding public values at all levels of public construction clients must centralise these concepts in order to contribute to the professionalization of public construction clients.

Keywords: project-based organisations, hybridity, ambidexterity, accountability

INTRODUCTION

Due to their social-political responsibilities, public clients are expected to actively contribute to the innovation and improvement of the building sector. Today's 'public' understanding of inefficiency, ineffectiveness, frantic salaries and attention to scandals (Entwistle and Martin 2005) have however made many actors in the construction industry falter. The Dutch construction sector recently experienced a severe case of construction fraud and financial abuses in the semi-public sector. In Rotterdam, the purchase and renovation of a historic cruise ship by a housing association from a commercial standpoint led to a substantial financial loss, causing a nearing bankruptcy of the organisation endangering the living conditions of thousands of people. Also in other countries, problems with Design-Build-Finance-Maintain -Operate contracts are no exceptions, since quality standards are often not reached and finances are incomplete.

Over the last couple of years the public sector has been subject to some major movements. In public service delivery of the built environment, such as infrastructure, real estate and urban development, a trend called 'socialisation' is most crucial (van der Steen *et al*., 2013). Socialisation led to a transition from top-down privatisation and citizen participation initiated by the government towards bottom-up active citizenship and

social entrepreneurship. Public service delivery in construction (often) takes place by so called project-based organisations; a variety of organisational forms that involve the creation of temporary systems for the performance of project tasks. These can either be entire firms or multi-firm consortiums or networks (Sydow *et al*., 2004). Public organisations are increasingly depending on private parties to achieve their goals entering in public-private collaborations. These goals concern public values if the public body is ultimately responsible (WRR 2000). Public values are embedded in different ways from sector to sector. In the construction industry public values, for example, manifest in procurement principles of transparency, objectivity and non-discrimination.

Public clients enter in public-private partnerships for expediency reasons and to create added value (Eversdijk 2013). The heterogeneous nature of these networks, alliances or partnerships is flexible by nature, constituted by different dimensions in hierarchy, formality (regulations) and collaboration. However, they also introduce competing market and community logics and thereby conflicting demands (Reynaers and de Graaf 2014, Fossestøl *et al*., 2015). Public-private partnering reshapes principles of public administration using a certain contracting approach.

The debate about whether or not public values are safe in private hands and how and to what extent private parties can be held accountable for achieving public values is relevant in studying the daily practice of construction clients. Public actors are challenged to align their organisation with their changing role. They need to find appropriate management logics, skills, methods, mechanisms and strategies to create public value in various (collaboration) 'structures' between public and private parties. As public actors don't have many examples to follow due to the complexity and specificity of most construction projects, they are faced which questions like 'To what extent and in which circumstances is outsourcing possible and desirable?', and 'To what extent can private parties be held accountable for achieving public values when they are carrying the risks?'

A multitude of studies has been executed in the area of public administration and public service delivery. However it remains unclear what the meaning of public values is in the daily practice of public construction clients and how it might be measured (Mills *et al*., 2009). Furthermore, we know little about how public (construction) actors deal with public value conflicts (de Graaf *et al*., 2014). We know that hybridity is pursued to be flexible enough to manage institutional complexity. Hence, we know little about the actual deployment of this hybridity, other than the choice for a certain approach in value trade-offs (Smets *et al*., 2014). For public parties it is concluded that the socialisation in creating public values implies a major change in their task in the public value process (Bao *et al*. 2013, de Graaf *et al*., 2014). Yet, it appears that the actual influence of the role change on project-based public clients remains unclear.

In this paper we intend to contribute to the development of construction clients by presenting the main findings from an explorative literature study into safeguarding public values. The fields of institutional logics, public organisation science and public value management are used to gain insights in relevant multi-level organisational concepts considering the meaning of public values in the daily practice of public clients and identify leads for future research in this area.

RESEARCH CONTEXT AND RESEARCH APPROACH

One of the core professional tasks of public clients is to ensure public value, nowadays often achieved by commissioning in innovative public-private collaborative structures (Noordegraaf 2015). Considering the complexity of this task, safeguarding public values

needs to reflect various organizational levels and a diversity of professional fields. The pressure to professionalise has become more complicated in the public domain. Societal changes constrain professionalism and professional powers in multiple respects and opportunities for establishing content are weakened (Noordegraaf 2015). In this context, the construction industry seeks for innovative ways of procuring and stable partnerships to achieve their organisational aims of ensuring the quality of the built environment.

To select relevant research perspectives representing these different levels, an earlier graphical network analysis of the existing literature exploring the field of public construction clients by Eisma *et al.*, (2014) is used. This network analysis showed a multidisciplinary compilation of a range of 18 groups of topics, spread over six major research themes on issues in the field of the public client and displayed promising links to other scientific fields such as social sciences, public administration, business administration and innovation sciences (Eisma *et al.*, 2014).

The selection of literature perspectives for this study was guided by the relation to the different organizational levels in combination with a certain researcher's judgement on the potential of different perspectives which the explorative nature of this study allows. The following three research fields were selected:

- Institutional Logics, reflecting on the institutional system and culture on a strategic level, discussing different belief systems that shape the cognition and behaviour of actors. This entails an important internal aspect, namely directing policy making, for example expressed in portfolio management
- Public Organization Science, applying organisation science in the context of public administration leading to the discussion about societal problems and critical challenges faced by organisations involved in public value creation. This reflects the strategic level were internal procedures guide the shaping of external interaction, such as risk management by contracts
- Public Value Management, focussing on the management of conflicting values discussing practical implementations of finding the public sector balance in both creating and management of public values. This relates to the operational level were external interactions are managed on a daily basis, for example deploying dealing mechanisms

Next, Scopus was used to select relevant literature from the three research fields using different search queries, starting with the combinations of the different themes and terms as public administration and construction. Specific journals where found to be most informative, such as Construction Management and Economics, Public Administration, Public Management Review, Research in Sociology of Organisations, and Engineering, Construction and Architectural Management. MAXQDA and Atlas.ti were used to structure the literature by coding and to develop an overview of topics (code list) that describe the basic concepts of the themes. Using a snowball method - selecting new search queries from intermediate provisional code lists - an iterative process of selection and analysis of scientific literature was realized. Eventually 82 international (peer reviewed) articles were selected. Then, the final code list was used to map the relationships between the different concepts (codes) coming from the different literature perspectives. This way the binding factors between the perspectives, using safeguarding of public values by public construction clients as the core, were found. Finally, we reflected on the contribution of the different research perspectives and identified leads for future (empirical) research. Figure 1 depicts how the three research fields of institutional logics, public organisation science, and public value management lead to the

identification of three core concepts of safeguarding public values: ambidexterity, accountability and hybridity in public private partnering. In this paper we describe the results of this study.
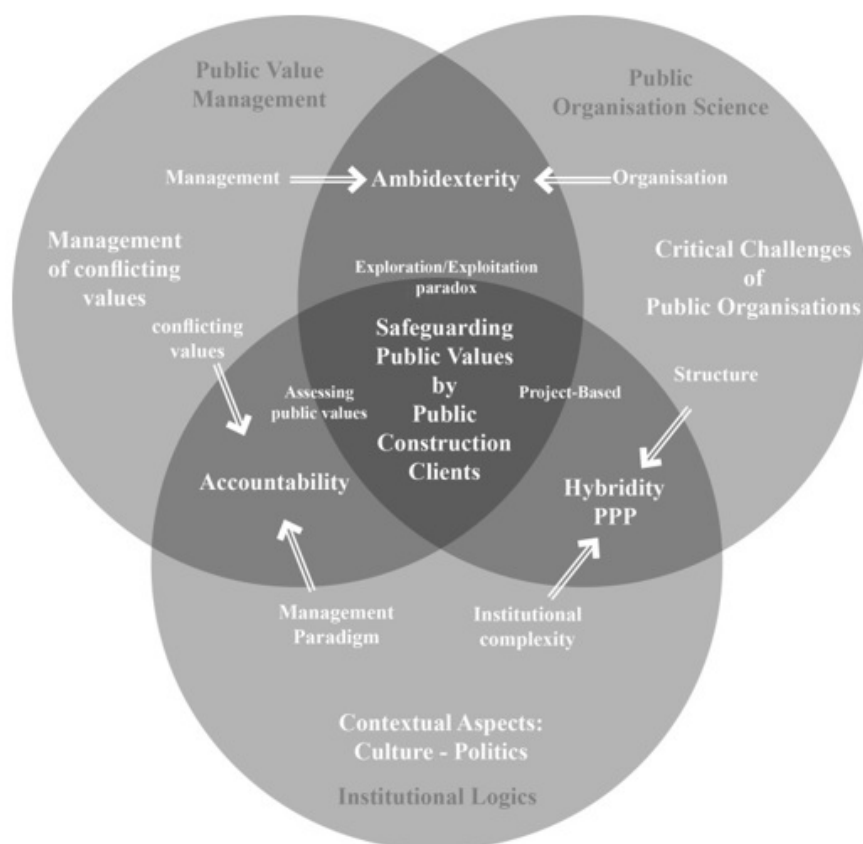

Figure 1. Overview of research fields and concepts leading to leads for future research on safeguarding public values in public commissioning

FINDINGS

Hybridity

Public-private partnerships are in line with the public value thinking paradigm, in which the importance of combining logics is recognized (Bennington 2011, Coule and Patmore 2013, van der Steen *et al.*, 2013, Casey 2014). Growing interdependencies in public service delivery cause new dynamics between the public construction client and the contractor. The public client confines itself to drawing up a set of functional requirements, subsequently the market provides solutions. In this collaboration public clients have to deal with clashes and incompatibilities between values in community and market logics. They get faced with institutional complexity as described in institutional logics literature. In market logics the basis for strategy is profit maximization and performance values such as effectiveness and efficiency are dominant (de Graaf and Paanakker 2014, Smets *et al.*, 2014). On the other hand, in community logics, relations of affect, loyalty, common values and personal concern are pursued and procedural values such as integrity and transparency are dominant (de Graaf and Paanakker 2014, Smets *et al.*, 2014). As soon as public actors do not treat values as commensurable they find themselves in a value conflict. In the collaborative public service delivery process these value conflicts are central.

Entering in a public-private partnership public clients are thus confronted with multipole logics. But what does this imply for the structure of public organisations? As we can understand from public organisation science literature, the position of an organisation on the public-private continuum, the 'publicness', is referred to with the concept of hybridity (Smets *et al.*, 2014). This position is (partly) determined by the extent to which organisations are constrained by political control, how organisations are funded and financed and the extent to which organisations perform public and private tasks (Besharov and Smith 2014). Construction clients itself can be internally hybrid, we can make the distinction between government and governed by the public law, these are organisations that are required to use tendering, and semi-public and private, these organisations are not required to use tendering (bron).

The project-based nature of the construction industry brings along another difficulty. Long-term collaborative relationships are needed to develop sustainable approaches to improve project performance (Clifton and Duffield 2006). Project-based organisations are limited by the short term focus of participating. The short-term focus on efficiency, based on exploitation of existing knowledge and technologies, conflicts with the long-term focus on innovation and strategic development, based on exploration of new knowledge and technologies (Eriksson 2013). Therefore public construction clients have to deal with value-conflicts on a daily basis. The management of competing values is referred to as good governance (de Graaf *et al.* 2014, de Graaf and Paanakker 2014). Public construction clients are challenged to balance competing values while honouring the structures of authority and regime (Bao *et al.*, 2013).

Ambidexterity

The second core concept of ambidexterity purely refers to the ability to excel at two contradictory things simultaneously (Eriksson 2013). An interpretation of ambidexterity in (good) governance is the use of multiple management paradigms to approach public value conflicts. Public value management literature describes management paradigms prioritizing certain values above others, choosing one or multiple logics. This choice results in different response strategies to institutional complexity. These response strategies could be related to different types of ambidexterity. These types reflect the way an organisation gets organised, as gets discussed in public organisation science literature. It is about whether or not different rules, for example regarding the priority of certain values, apply for different parts of or groups in an organisation.

A first response is one of reducing complexity by choosing a dominant logic and avoiding, dismissing and ignoring others (symbolically complying) (de Bruijn and Dicke 2006). This response can be related to a structural view towards ambidexterity, separating exploration and exploitation activities in different business units (Eriksson 2013). A second approach to institutional complexity is about navigating and balancing (de Bruijn and Dicke 2006). Logics are separated per task by adhering to them on an individual basis. This response can be seen as a sequential view towards organisational ambidexterity (Eriksson 2013). The temporal separation through focusing on first one type of activity and then the other one (de Bruijn and Dicke 2006).

Due to the project-based nature of the construction industry, many structural and sequential solutions to ambidexterity, which have been found successful in other industries, are not working satisfactorily (Eriksson 2013). In order to improve both exploration and exploitation in construction projects the current structural and sequential solutions need to be combined with contextual ambidexterity (Eriksson 2013). Contextual ambidexterity refers to a capability to simultaneously and synchronously

pursue exploration and exploitation within a business unit or work group (Eriksson 2013). This contextual view towards organisational ambidexterity can be linked to a third response to institutional complexity. A response involving the ability of organisations to integrate different logics into the processes whereby they perform their tasks. In this response, hybridization is the result of the ability to actively- and even creatively – manage the complexity of the various logics.

At project-level, exploration and exploitation are explicitly affected by client's procurement procedures. Contextual ambidexterity is strived for by project teams searching for alternative procurement procedures (Eriksson 2013).The common competitive tendering procedure counteracts itself since the lowest bid price enhances exploitation but hinders exploration. Simply changing contracts from Design-bid-build to Design-build will not solve the ambidexterity problem in construction projects. Where in performance contracts room is left for the contractors to imply the 'how' within the limits of the output specifications set by clients, it might be interesting to look into whether or not this room is utilized by private parties to express their logics an beliefs as well as the managerial influence a client might have to informally shape the collaboration in the execution phase also reflecting their logics and beliefs. By using cooperative procurement procedures different actors and their activities can be integrated in order to enhance contextual ambidexterity (de Bruijn and Dicke 2006, Eriksson 2013). Further research into appropriate procedures and practical implementation is needed.

Accountability

Next, due to the expansion in the use of networks of interdependent public and private parties in public service delivery, the accountability and reliability discussion becomes more prominent (Michels and Meijer 2008). In the discussion of safeguarding public values it needs to be clear which values should be secured. This needs to relate to the one to account to. As public construction clients are both politically and socially responsible for value standards in the living environment there are multiple accountholders. This means dealing with multiple views, thus different often conflicting values, as described in public value management literature. In order to deal with conflicting demands, the public client can choose a management paradigm, suiting the institutional logic, to guide constellation of values and the choice for certain safeguarding strategies in public value management. The traditional, vertical, hierarchical mechanism of accountability no longer adequately fits the current social and administrative developments (van Wart 2013). In addition, more horizontal, informal, mechanisms of accountability should be deployed. Both mechanisms can together form a hybrid accountability arrangement (Michels and Meijer 2008). Public accountability can then be safeguarded, but only if a number of requirements have been met. In the first place, the horizontal accountability arrangements must fit the type of government structures. Moreover, horizontal forms of accountability, just as vertical accountability, must meet the requirements of the democratic constitutional state, that is, transparent responsibilities, well defined interested parties, a good information supply, debate opportunities and sanctioning options (Michels and Meijer 2008). Thus public-value trade-offs need to be imitable, decision-making should be transparent.

In order to achieve imitability public construction clients can apply different strategies and mechanisms. Different constellations of values can be made based on interpretations of relationships among the different values, using the 3 dimensions of proximity, hierarchy and causality (Jørgensen and Bozeman 2007). This can result in different compositions, such as procedural and performance values. Or for example between

ethical values, democratic values and professional values (de Graaf and Paanakker 2014). In order to achieve good governance the way certain public values are safeguarded in necessary value trade-offs is important. Safeguarding strategies need to reflect the interdependency of different public and private parties. The interdependencies imply that not one party is able to impose its own views on others, and decision making results from interaction. The essence is that all parties agree about the rules of the game, thus creating a 'negotiated' environment (de Bruijn and Dicke 2006). As there are various accountholders in different public environments - political, juridical, administrative and social - there might be overlapping accountability relationships within various negotiated environments. The question might not be one of safeguarding public values, but one of safeguarding public responsibility.

This can be understood as the network safeguarding mechanisms where decision making results from interaction, consultation and negotiation (de Bruijn and Dicke 2006). However as de Bruijn and Dicke (2006) mention, in reality, a combination with other safeguarding mechanism. For example a free market, where competing on public values is central, or hierarchy, enforcing public values through regulations. This was, for example the case when the Dutch Building Act changed the obligations regarding the mandatory outdoor space. After scrapping the mandatory outdoor space from the national Building Act in 2003 believing in the market mechanism, consumer organisations and municipalities expressed their concerns in 2007 about the future value of the housing stock when the market mechanism proved to be insufficient and after parliamentary questions and a research by an external agency the building act was partially restored. And another example where a disastrous outcome of a fire in a temporary cell-block of the detention- and expand centre Schiphol-East due to a permit given on the basis of limited information and lack of knowledge, deviations in building plans and unrealistic expectations in the emergency plan as well as a lack of alignment between the user organisation and the fire department, led to changes in the building regulations.

DISCUSSION AND CONCLUSION

The aim of this study was to find leads for future research into safeguarding public values by public clients in public-private partnering, today of growing importance because of the increasing dependency of private parties to achieve public goals. The explorative literature study gave insight in relevant multi-level organisational concepts considering the meaning of public values in the daily practice of public clients. Considering the complexity of the core professional tasks of public clients to ensure public value, safeguarding public values needs to reflect various organizational levels and a diversity of professional fields. We explored what the different literature perspectives have to offer in the sector specific public value debate. Relevant because of the dynamics in public service delivery and the accompanied pressure to professionalise as a public commissioning agency. We identified three core concepts of safeguarding public values: ambidexterity, accountability and hybridity in public private partnering.

A first leading concept, hybridity, becomes relevant in discussing the increasing use of public-private partnerships in the construction industry. Growing interdependencies in public service delivery cause new dynamics between the public construction client and the contractor. As the public client only sets functional requirements and lets the market provide solutions its role changes. Managing institutional complexity, combining different institutional logics of public and private parties in achieving public goals, and aligning multiple logics with the right organisational structure, becomes part of the managerial role of the public client. As literature tells us, the flexibility of hybridity can

be used to achieve good governance, combining logics in value trade-offs. But the public value debate on responsibility and accountability issues remains. This is a lead to study the hybridity of networks more specifically on the distribution of operational responsibilities and the tasks regarding safeguarding and creating public values, and the various public roles this entails. In addition the potential of deployment of internal hybridity in the practice of balancing competing management logics becomes interesting.

Another crucial concept, discussing the exploration/exploitation paradox characteristic to the commissioning aspect, is ambidexterity. Contextual ambidexterity on project level was found to be essential in the project-based construction industry were procurement procedures need to be adjusted to the collaborative, interdependent, nature. Where in performance contracts room is left for the contractors to imply the 'how' within the limits of the output specifications set by clients, it might be interesting to look into whether or not this room is utilized by private parties. For instance to express their logics and beliefs. Or the managerial influence a client might have to informally shape the collaboration in the execution phase also reflecting their logics and beliefs.

Departing from the accountability prerequisite of the 'public' characteristic, the assessment of public vales relates to the choice of a specific management paradigm following from Institutional Logics and dealing with conflicting values. Findings show the need to achieve a hybrid accountability structure reflecting the collaborative structure. Also the importance of creating a 'negotiated environment' as core from where a safeguarding strategy can be established, is considered. The overlapping of accountability relationships within various negotiated environments makes you wonder if the question should be one of safeguarding public responsibility, instead of safeguarding public values.

In order to provide better insight into the nature and impact of characteristics of public-organisations and actors as determinants of their professionalism as public commissioning entities, we propose the following. To start, look at reasons and motives behind the tactical considerations of the public client in the context of the collaboration, the organisation as well as the project. Next, look into the effect on the operational level with regard to ensuring different public values. After which results can be used to achieve a safeguarding-strategy. A long-term plan for the function of the organization of society in which the organization indicates the objectives it wants to achieve by any means and ways how to achieve these objectives. In studying these strategic, tactic and more operational aspects in the construction industry one should consider two differentiations. The distinction between works- and service contracts. And the distinction between sub-industries, such as civil engineering, utility building and residential building. This might lead to different outcomes due to the specific character of the different types of projects.

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