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# From the Outside Looking In: Limits to Partnerships

Mark Prebble, March 2013

### **Abstract**

Partnerships between the government and community groups are advocated by many academics and practitioners, but few have examined the limits to partnerships. A simple theory of government (involving the efforts of “reasonable people” in an “ideal state”) is used to explore the issues in creating sustainable partnerships. A graphical presentation is used to demonstrate that successful partnerships rely on more than good management; their success also depends on their effects on the rest of the polity, and the response to those effects. Three conditions for sustainable partnerships are derived: benefit, support and acceptability. Attention to good network management, political risks and sound public administration can improve the prospects for a successful and sustainable partnership, but eventually there are limits to partnerships.

Key Words: Partnership; Reasonable Person; Ideal State; Limits; Public Value

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# From the Outside Looking In: Limits to Partnerships

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## Introduction

Several decades ago public administration was about process and propriety. Then under the rubric of New Public Management, the focus moved to flexibility and efficiency. More recently networks, partnerships and collaboration have achieved more prominence.

Among academics, one of the drivers for this emphasis on partnerships is strategic management and the quest for public value (see Moore 1995, Benington and Moore 2011, Alford and O'Flynn 2012). Others have been advocating widespread use of partnerships as part of a fundamental shift in the nature of government (see Kooiman 2003, Bevir and Richards 2009, Pedersen *et al* 2010, Ferlie *et al* 2011, Ryan 2012). And others have looked at partnerships as a management tool to better meet the needs of communities (see Bingham and O'Leary 2008 and Turrini *et al* 2010).

But if academics see advantages from a variety of perspectives, practitioners have also been interested because they think partnerships work. In official reports from Whitehall (Kelly *et al* 2002) to Canberra (Moran 2010), and in roundtable discussions around the world (Bourgon 2011) the use of partnerships to develop community solutions to thorny problems has had strong practitioner support.

This paper is another voice in support of public/private partnerships to support communities, but it focuses on the issue of when partnerships will not work. If partnerships were always the appropriate solution, perhaps they would have swept the world already, but they haven't.

It could be that partnership is hard and the effort of continual consultation and consensus is sufficient to deter all but the most dedicated. That suggests making successful partnerships is a management challenge which can be addressed by advice on how to build and maintain networks and alliances. Some have taken this approach (Agranoff 2006, Emerson, Nabatchi and Balogh 2012, Provan and Lemaire 2012) and others have looked at obstacles to the success of networks focusing mainly on management issues (McGuire and Agranoff 2011).

This paper argues that success in public/private partnerships is not just a matter of applying advice from a management manual. That is because an official working within a partnership arrangement continues to be part of the government. A clear understanding of the role of the official and the prospects of the partnership depends on understanding the nature of government. Irrespective of management processes, if a partnership conflicts with requirements of democratic accountability, it is unlikely to endure. The question is not how does the partnership feel from the inside, but how does it look from the outside? Accordingly, this paper starts from a simple theory of government to explain limits to what might be achieved through partnerships, and when a partnership is unlikely to succeed.<sup>1</sup>

In essence the argument is that partnerships exist to meet the needs of specific communities, but the government works for the whole of the polity. Where support for a community is compatible with the interests of the polity as a whole, a partnership can be successful (if it is well run). Where a partnership ignores or conflicts with the wider interests of the polity it is likely to face an uncertain future even if it is successfully delivering results for the target community.

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<sup>1</sup> This paper summarises a longer analysis. Those who wish to follow the arguments in full are referred to [Prebble \(2013\)](#).

The next section introduces the theory of government that underlies this paper, using the concept of the *ideal state* and the associated idea of an *ideal partnership*. It uses a graphical presentation similar to introductory economics, but it is not driven by the standard economic concepts of rationality and self-interest. The analysis is further developed to show that no partnership could be ideal, and to derive three necessary conditions for a partnership to be successful and sustainable. These conditions are then briefly amplified to explore the practical limitations on public/private partnerships.

## The Ideal State

The analysis begins from an understanding of the nature of government, and of the people involved in any aspect of partnerships. When combined with definitions of partnerships (specifically involving public and private sector participants) and of public values, this paper aims to construct from first principles a simple theoretical understanding. The first building block is a series of definitions as follows.

*People:* In this paper, people are assumed to be *reasonable*. Reasonable people have limited information (that is, information has a cost), and have the following characteristics:

1. Heuristic thinking: people have capacity for rational thought, but a propensity to intuitive decision-making.
2. Heterogeneous preferences: Preferences for any state are distributed across the population.
3. Pragmatism: that is, there are no ideological priors about the government or its role.

*Government:* Government is a social creation which exists to achieve improvements in social states beyond what could be achieved without a government. The feature that sets government apart is its lawful power to require compliance from those within the government's area of control.

*Public value:* Public value derives from actions of the government (and associated entities) that affect the lives of people – the public. Public value is a net concept which measures the gain to the public from government activity.

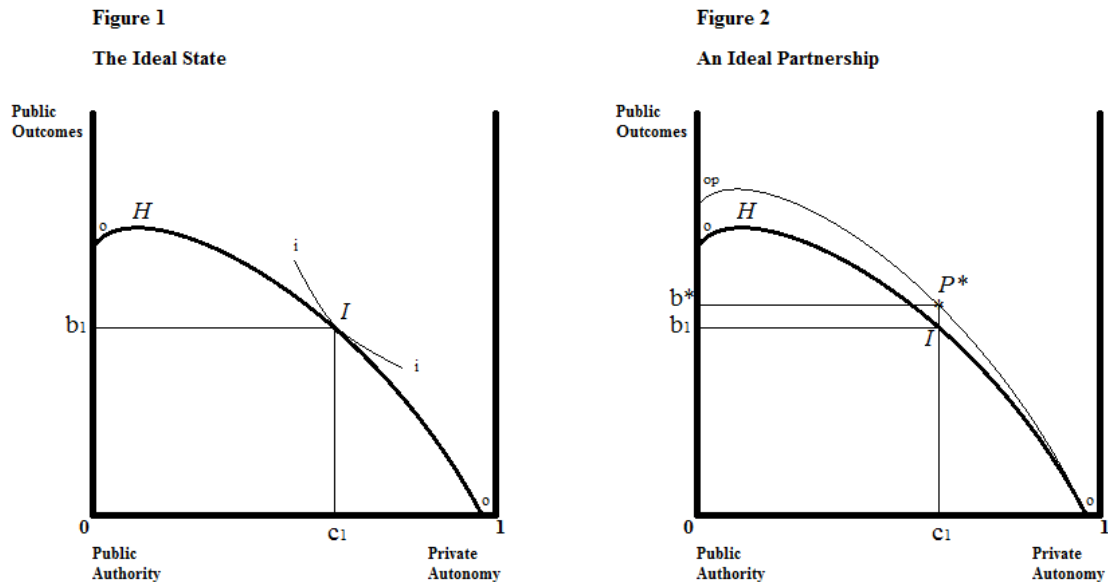
*Partnerships:* A partnership is some arrangement or pattern of behaviour by which (some part of) the government works with a community to adapt the provision of government services, where each community is a subset of the polity which the government serves.

Having defined people as reasonable and explained the government as a means of applying public authority for the public good, it is possible to show graphically how government actions might combine with public responses to achieve public outcomes. Figure 1 illustrates the concept of an ideal state. (For the derivation of the ideal state see Prebble 2012).

In Figure 1 the vertical axis is a combined measure of all aspects of well-being and prosperity (outcomes) arising as a result of government activity. The horizontal axis measures public authority (rising from right to left) and its inverse, private autonomy (rising from left to right). At the origin public authority is maximised; as it drops, private autonomy increases.

The shape of the relationship between government activity (as measured by the use of public authority) and public outcomes is predictable. Each increase in public authority (using the same technology) will tend to enhance the intended public outcome, but by a decreasing amount as government activity increases, until it peaks at a maximum when added authority is ineffective. That relationship is drawn as the outcome curve o-o in Figure 1.

The public value of a public outcome depends on the views of the public. Trade-off curve *i-i* represents the collective views of the public about the range of outcomes that result from the direct and indirect effects of government activity. Point *I* is the outcome that society prefers. It represents the best possible public value using available technology; it is the ideal state.



However, though point *I* is ideal, it is not possible. For practical purposes the ideal state is an aspirational goal, bedevilled by information costs, transaction costs, inertia, opportunism and associated chaos. Despite those problems, the aim of government employees is to produce outputs that will achieve the best possible public value, as represented by the ideal state.

Officials' efforts to achieve higher public value involve three types of effort.

- First, they may attempt to increase outputs by improving productivity of public activities; this would lift the outcome curve as a *direct* result of their efforts.
- Second, they may devise methods to encourage or cajole the public into more positive responses to public endeavours; improved compliance or increased volunteering would lift the outcome curve as an *indirect* result of public activity.
- Third, by implementing different combinations of public activities, officials might achieve a shift along the outcome curve which could result in a move to a higher trade-off curve and therefore to higher public value.

In this paper, partnerships are an example of the second activity, as officials use partnerships to encourage more participation among target communities.

### The Ideal Partnership

Partnering is one way to mitigate the problems of information costs and heterogeneity. Rather than delivering one policy set for everyone, government employees might work with different communities to identify nuances of preference about the nature of programs so that different groups might get closer to their preferred position.

A successful partnering program might aim for a result like  $P^*$  in Figure 2. In Figure 2 there is an additional outcome curve, *op-o*; that curve is the outcome curve for a partner community.

It is drawn above the outcome curve for the polity, because the process of partnership has produced a *complementary indirect* effect as members of the community have altered their behaviour in response to the provisions of the partnership. Altered behaviour might involve taking up available services, such as more parents voluntarily presenting children for inoculation.

At  $P^*$  the partner community enjoys better outcomes; it receives those benefits at no cost in terms of increased use of public authority, so the rest of the polity is unaffected. In this case public value is enhanced because the partner community receives improved outcomes and the rest or the population (the residual, R) are unaffected. The point  $P^*$  represents an ideal partnership, in a similar way that  $I$  represents the ideal state for the polity as a whole.

However, like the ideal state, the ideal partnership is effectively unattainable, because it is hard to envisage a partnership program that involves no change in the use of public authority.

### Partnerships and Public Value

The most likely change in the use of public authority as part of a partnership is the provision of extra public resources. That case is shown in Figure 3. That figure shows outcome curves for the polity and for the partner community, as in Figure 2, but the result for the partner community is not  $P^*$ , but  $P_1$ . At  $P_1$  additional public authority is engaged because the partner community receives more resources than it received under mainstream practices. Inevitably there is a cost to be carried by the rest of the polity. Their position moves from  $I$  to  $R_1$ ; they are less well-off as a result of the partnership.

Sustainability of a partnership depends on how the rest of the polity views the imposition of additional costs. It may be that the costs are too small to be salient, or the residual may accept that the special needs of the partner community demand extra and different services. But if the rest of the polity resents carrying the costs of the partnership it may be unsustainable.

Figure 3  
Partnership Costs

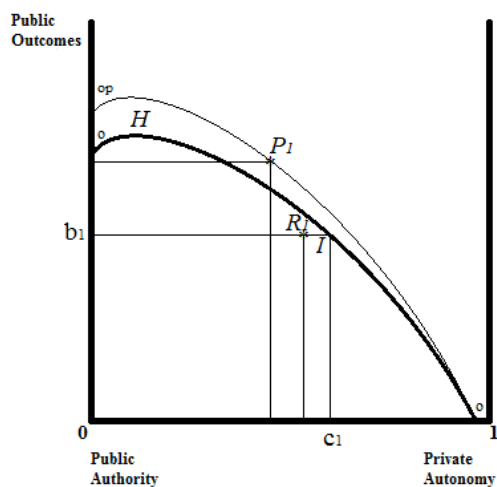


Figure 4  
Partnership Constraints

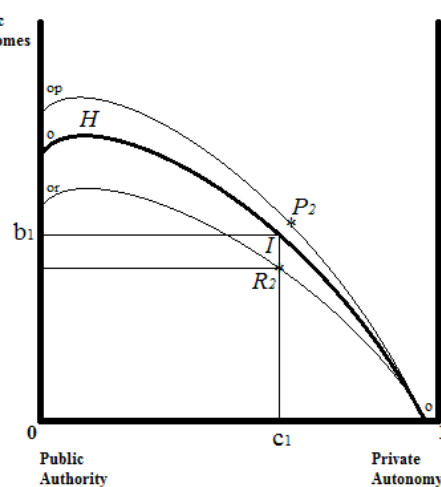


Figure 4 explores another possibility. Many partnerships exempt target communities from various eligibility rules that apply to the mainstream. In a successful partnership this greater flexibility encourages a *complementary indirect* response from the partner community (as shown by the raised outcome curve op-o). The result for the partner community is at  $P_2$ ; this is to the right of  $P^*$ , reflecting the reduced obligations faced by that community.

Partnerships that derive their results from relaxed regulations for partner communities can produce an *offsetting indirect* effect in the rest of the polity. If the rest of the population is concerned by relaxed provisions enjoyed by partner communities, they may become less compliant in various areas, including in payment of tax. If the disillusionment is sufficient, the outcome curve for the residual of the population might drop; this is shown as or-o in Figure 4. In that case the legitimacy of the government has been called into question by the partnership and overall public value has been reduced.

### **Necessary Conditions for Enhancing Public Value**

The three partnership results shown in Figures 2 to 4 illustrate the way that partnerships can enhance public value, but also the limits to that effect. First, partnerships can only succeed if they lift results for partner groups, and this generally requires some complementary indirect response from the partner community. Second, where partnerships are supported by extra resources provided from the rest of the polity, their ongoing success depends on the level of support for that transfer. Third, where partnerships are characterised by relaxed regulation of a partner, community public value can only be enhanced if the rest of the community is indifferent to (or accepts) those special provisions.

This can be rephrased in slightly more formal terms as follows:

The necessary conditions for partnering to enhance public value on a sustainable basis are:

1. **Benefit:** the partnership must deliver results that are better for the target community than were achieved in the mainstream program;
2. **Support:** the costs (resource or otherwise) to the rest of the polity must be less than the benefits to the partner community and the transfer of benefits must have sufficient endorsement for the partnership to continue; and
3. **Acceptability:** the administration of the partnering program must generate minimal (or favourable) reaction from the rest of the polity.

In terms of graphical presentation in this paper, these conditions translate as: for public value to increase, partner communities must reach preferred places along or above the outcome curve, and the residual must remain somewhere close to the ideal state position  $I$ , because either they agree that special support for the partner community bestows public value or they are indifferent to the existence of the partnership. This suggests that the necessary conditions for a successful partnership program are wider than successfully managing the relationship between the partners.

### **Implications for Partnering**

The three conditions for successful partnering that are derived above apply in real situations, and they push government employees in different directions, and towards different intellectual traditions: management, politics and administration.

*Benefit.* The first condition stipulates that the partnership must benefit the target community. That requires attention to a raft of management issues such as joint goal specification, shared knowledge, mutual trust, and inclusive leadership. That means lots of careful listening, considering others' points of view, making compromises, and keeping promises. It

demands an approach to management that extends beyond the organisation to partner groups and the needs of the target community.

*Support:* The support condition has two parts. First, if the partnership confers less benefit than it costs then it cannot be said to create public value; that follows directly from the definition of public value. Second, the condition states that if enough members of the wider polity perceive that members of partnerships are benefiting at their expense and they do not like that result, then the partnership will not endure. This is not a management issue as management is traditionally understood – it is the stuff of politics. That is why Mark Moore (1995) suggests that officials must practice strategic management, including “managing upwards”, to address political issues.

The detail of how to manage upward is a contentious matter (see Alford (2008) and Rhodes and Wanna (2009) for contrasting perspectives). But whatever the context, officials need a good understanding of issues of political mandate and responsibility, lest they are swamped by a political backlash to a well-meaning program for a needy community.

Officials involved in partnerships must look beyond the members of the target community to judge how the relationship will be considered in wider political discourse. Matters that are accepted within the partnership may need regular re-explanation to parliament or the media. Politicians and social commentators may need to be reminded of the social gains that are offered by a successful partnership. In some cases officials may have to face the reality that a partnership that could confer real benefits to a target community may never have sufficient wider political support to be viable. Some causes that seem worthy to an official may be too unpopular to succeed. No amount of good management can overcome a lack of mandate.

*Acceptability:* The acceptability condition comes into question not when there is specific resentment about benefits delivered to a particular community (that relates to the support condition), but when the administration of the program offends a wider sense of what is proper or reasonable. The fact that partnerships are intended to allow flexible responsiveness to communities raises the essential problem: government officials are supposed to work for the whole of the polity, but partnerships are intended to make them more sensitive to the needs of particular communities. If public authority is used in a way that seems improper to those who are not in the partnership, that may be sufficient to undermine the legitimacy of the program. Worse, it might undermine the legitimacy of the government.

These issues direct the official towards traditional concerns of public administration, especially accountability. If critics can point to sloppy accounting, questionable payments, dodgy tendering, weak evaluations or concerns from auditors, then the best-intentioned schemes can get into trouble. The heart of some partnerships is an aim to reduce compliance costs facing communities to give them greater control of their lives. But if flexible community control implies idiosyncratic administration and informal arrangements based on trust, there is an increased risk of irregular behaviour. This increases the chance that the acceptability condition will not be met.

All the diligent effort involved in building trust within a partnership – with consultation, flexibility and reciprocity – must be balanced by equal diligence in administration. Approvals must follow proper processes; transactions must be arms-length; everything must be recorded and everyone must be accountable. These are the behaviours that make bureaucrats unpopular, but they are fundamental to maintaining the legitimacy of government. If legitimacy is undermined by well-meaning attempts to bend the rules in support of needy communities, so too the ability to produce public value may be undermined across many government programs. What matters is not just trust within the partnership, but wider trust in government as a whole.

## **Conclusion**

This paper has used simple theorising to arrive at practical advice for officials. Partnerships can be valuable as a means of providing benefit to target communities, and that can add to public value for society as a whole. Most writers in the field seem to believe that attentive management of a network is sufficient to ensure successful collaboration. A few have identified characteristics of government (such as public accountability – see Alford and Hughes, 2008) which limit the potential of public/private partnerships, but the issue has received little attention in the past. It is now clear that the view from the outside is critical to successful public/private partnerships.

If officials ignore the wider political context as they address the needs of their partners, they run the risk that the partnership will be unsustainable. In addition, if officials allow the needs and preferences of their partners to overturn careful and thorough process, they jeopardise the long-term viability of the partnership and may undermine the effectiveness of government.

More broadly, this paper introduces the concept of the ideal state. Like any theoretical construct, the ideal state is simplistic, but it allows us to focus on the core business of government – the application of public authority. The theory brings out the significance of legitimacy and the links between the behaviour of officials and the legitimacy (and therefore the effectiveness) of government. That seems a useful basis for considering issues of good government, including partnerships.



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