

**Commitment or Contract:
What Drives Performance in Public Private Partnerships?**

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Abstract:

As the practice of outsourcing business activities has become more common than ever, partnerships have increasingly been forged. The aim is to ensure superior performance through long-term integrative, organizational relationships characterized by trust and cooperation. Strategic human resource management highlights the importance of human resource (HR) practice for competitive reasons and enhanced organizational performance. However, companies' strategic decisions on outsourcing are primarily driven by economic and financial aspirations. As a result, the HR issues fundamental to the effectiveness of the outsourcing practice are often overlooked. Based on a distinctive outsourcing activity involving a public-private partnership, we aim to reveal how the outsourcing process influences employee commitment and citizenship behavior (willingness to go the extra mile), and to provide insights for strategists, executives and HR managers to enhance their strategic HR practices in line with their outsourcing decisions.

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Commitment to the employing organization used to be seen as the distinctive quality of a good worker. While this is still the case, we can no longer take employee commitment for granted, particularly with the emergence of triangular or inter-organizational employment relationships where a third party is involved as an employing and/or managing organization.

In this article we explore a unique, new form of employment relationships entailed in the Private Finance Initiative (PFI) between a National Health Service (NHS) Trust hospital (hereafter the Hospital) and a private consortium. PFI is a specific type of the Public Private Partnership, and involves the public organization contracting public services out to private business over about 30 years (Allen, 2001). The Hospital has contracted out to the consortium the management of its facilities management services (i.e. domestic, catering, and portering). However, the staff delivering the services remains employed by the NHS Hospital, but seconded to the private partner company.

We raise an interesting question here: what drives the service performance, the PFI contract itself or the strategic human resource management (HRM) approach adopted by the Hospital and its private partner? In seeking an answer to this question, we illustrate a case study based on evidence from 15 interviews with the staff at different levels and 101 questionnaires completed by service frontline employees. Moreover, we compare the

contractual relations and HRM practices under the PFI scheme and the earlier competitive tending projects.

Promoting commitment through strategic HRM

The purpose of strategic HRM is to contribute to the success of the organization through a set of carefully crafted and internally consistent HRM policies and practices. This requires the HRM system to be fully integrated into the organization and form a part of its competitive strategies, and to mediate its values and contribute towards the achievement of its objectives.

Several HRM practices and “bundles” of “high performance work practices” have been identified as ‘strategic’ in the sense that, if correctly implemented, they will translate into superior organizational outcomes (Bowen and Ostroff, 2004). Of late HR strategists have increasingly considered the role of positive work attitudes and behavior as key drivers of outstanding work performance and competitive advantage.

From this perspective, the role of strategic HRM is to design and implement a “high commitment work system” (see Figure 1) to consciously build positive work attitudes among employees. The essence is that the HRM system must instill a set of values to enable employees to develop a sense of commitment and loyalty to the organization (i.e. *affective commitment*), i.e. to become emotionally involved with it by identifying with its values and goals, and to develop a desire to stay with it (i.e. *continuance commitment*) and willingness to help it succeed. Research has consistently related employee commitment to such positive workplace behaviors as high attendance, low staff turnover, and dedication to work (Meyer et al., 2002).

Take in Figure 1

Moreover, workplace behavior, inspired by commitment and loyalty, is likely to extend beyond contract and job performance to include *citizenship behavior*, i.e. helpfulness and support to fellow workers and customers, and participation in organizational life for the good of the organization. Recent surge in interests in employee commitment and the derived citizenship behavior stems from the improved organizational effectiveness that can be accredited to these two factors.

Commitment and the complexities of inter-organizational relationships

Little is known as to how collaboration between two or more organizations – inter-organizational relationships – affects employees' perception of the workplace environment and the work attitudes and behaviors they develop. This is rather surprising as contractual relations between organizations are widely common and ever more sophisticated forms of collaborative networks are continuously emerging. Deakin and Michie (1999) have argued that outsourcing contracts and partnership deals have emerged “as the foremost organizing mechanism of economic activity” as business organizations seek to create for themselves a low-risk environment of certainties and predictabilities.

What sets inter-organizational relationships apart from the individual organization is that they are normally infused by cultures, values, traditions, and policies of two or more organizations working together across different markets or industries. This raises an important question: can employees be expected to develop emotional attachment to more than one organization? More specifically, can HRM policies and practices be formulated to

reflect and mediate shared or congruent values and goals, which are consistently understood and implemented by employees?

Outsourcing: a challenge to commitment?

Short-term outsourcing contractual relations are probably the most common form of inter-organizational relationships at present. Conditions in the outsourcing market pose a particular challenge to the idea of commitment-oriented HRM policies and practices for a number of reasons.

First, by contracting out certain operations, the outsourcing company seeks to reduce costs, improve quality of production/service or both. “Good” employment relations and sophisticated, attitude-building HRM practices are typically preyed on by the grim forces at work in the outsourcing market; uncompromising, hard-driving, low-cost oriented HRM (see Figure 2) is considered more efficient in delivering the low costs the bidding companies commit to.

Take in Figure 2

Second, longer-term employment relationships are often difficult to maintain in the outsourcing context, because of the relatively short duration of outsourcing contracts and potential termination in case of performance failures. In many cases the employment contract lasts as long as the outsourcing deal, not long enough for employees to develop bond of affection for their company.

Third, given the short-duration of fixed-term outsourcing contracts, incentives for contractors to invest in their staff and offer them training and promotional opportunities are

weak or even none at all. Investment in staff demonstrates the company's commitment to them and care for their well-being. Without such evident commitment, contractors are less likely to foster a sense of loyalty among the workforce.

Due to the competitive nature and short-termism that characterize the outsourcing market, subcontracting is frequently associated with degraded employment terms and conditions, efforts to increase efficiency by propping-up work intensity (getting fewer people to work harder), and strong disciplinary management practices (Cappelli, 2000). In terms of staff management and employee performance, detrimental HRM outcomes (such as high staff turnover, absences, low moral and disaffection) and risks of failures (in terms of performance lapses, quality inconsistencies, and cost fluctuations) are often seen as symptomatic characteristic of the outsourcing context (see Figure 2). Such perceptions illustrate some of the complexities of staff management in inter-organizational relationships.

New Public Management: From competitive tendering to partnerships

Since the late 1970s, New Public Management, a new approach to the management of the public services and state-owned enterprises has emerged to promote a greater use of private business in delivering public services and, in some cases, the privatization of public enterprises.

The principles of the New Public Management were increasingly implemented in the NHS from the early 1980s on. In practice, this induced NHS hospitals to resort to "competitive tendering" (fixed-term outsourcing of few years duration) of their ancillary (i.e. non-clinical) services and concentrate on their "core" (i.e. clinical) activities. The competitive tendering

projects were intended to save costs and improve efficiency and service quality within the public sector.

In some public services, outsourcing delivered the expected benefits. However, research has indicated that the quality and performance of other services deteriorated when outsourced. For example, Bach (1998) and Walsh and Deery (2006) found that outsourcing of the ancillary services within the NHS tended to be accompanied by intensification of the work with employees receiving lower bonus payments than they had previously enjoyed as NHS employees. Therefore, in health and the provision of welfare services the short-termism of the competitive tendering approach proved to be counter-productive.

Partly informed by the adverse outcomes of competitive tendering, the 1990s saw the development of longer-term Public Private Partnerships (PPP) guided by the notion of “relational contracting” based on the idea that the commitment to work together is equally, if not more, important than the formal, legal agreement between parties. The best known and most advanced form of PPP in the UK is the PFI, a scheme of long-term partnerships of private businesses and public organizations, involving private financing of public projects and management of public services by the private partners (HM Treasury, 2006).

Employment relations and staff management play an important role in PFI projects. Partnership contracts seek to ensure that quality and performance targets and cost efficiency are not achieved at the expense of staff employment terms and conditions. Thus, public sector employees are transferred to the private partner under TUPE (Transfer

of Undertakings Protection Employment) regulation that guarantees broadly comparable employment terms with the private partner.

Within the NHS another employment arrangement, the Retention of Employment (RoE) model, has been introduced to the PFI scheme. This model only applies to the ancillary services within the NHS's five 'soft' facilities management (i.e. portering, domestics, catering, laundering, and security) (Department of Health, 2007). Under the RoE model, employees continue their employment with the NHS and enjoy NHS employment terms and conditions, but are *seconded* under the private partner's management. Only staff under "working supervisors" (inclusive) can be seconded under the RoE model. Management staff from "senior supervisors" upwards are TUPE transferred and are employed by the private partner. The rationale behind the TUPE transfer of senior and middle management staff to the private partner is that as, the private partner's employees, they are better equipped to manage risks born by the private partner in the partnership contract.

Driving performance: commitment or contract?

The approach to outsourcing is fundamentally different between the two types of outsourcing arrangements: competitive tendering and PFI partnerships. Competitive tendering is characterized by short-term, arms-length relationship, in which the public organization defines problems and delivery specifications. PFI partnerships, on the other hand, are based on joint decision making and production, aiming at delivering effectiveness for both parties. Relational transparency – trust and mutuality – is imperative.

The approach to employment relations and HRM policies and practices is widely different between the two types of contractual relations. Short-term outsourcing contracts tend to target employment terms and working conditions as a cost factor to minimize, whereas the PFI scheme actively seeks to promote positive work attitudes through good employment relations and best practice approach to staff management. The question is, however, if such positive attitudes and supportive behavior can be promoted within the complexities of triangular employment relationships.

Methods

We conducted a case study of the NHS Hospital to illustrate how the PFI contract and the HRM policies and practices drive performance outcomes, respectively. Between February 2006 and July 2007, we researched work attitudes (commitment), workplace behavior (citizenship behavior), and performance of employees working for the Hospital but seconded to a private partner under a PFI contract signed in 2004. The employees worked in three ancillary services: portering, domestics, and catering. The new PFI private partner was to finance and build a new hospital, maintain it for 33 years, and manage the three ancillary services previously outsourced in all hospital buildings on the site.

Previously, the three services had been outsourced to different contractors under the competitive tendering arrangements. The decision to outsource was primarily based on cost considerations. In 2002 the Hospital brought two of the services back in-house and the staff was re-employed by the Hospital. The third service remained outsourced for two more years. The main reason for not continuing outsourcing the two services was the disappointing outcomes of the competitive tendering arrangement, failures to meet

performance and quality specifications, and unstable and detrimental employment relations that severely undermined the contractors' abilities to reliably deliver the services.

We collected 114 survey questionnaires from a total of around 300 frontline service employees working in the three service departments. These questionnaires were distributed and collected during the private organization's monthly team talks, an avenue for disseminating policies and local practices. Of 114 questionnaires, 101 were entered in the final analysis (after deducting 13 non-usable ones), an effective response rate of 33%. We used 7-point Likert scales (1 indicates strongly disagree or least satisfactory, 4 indicates neutral or average, and 7 indicates strongly agree or most satisfactory).

In addition, fifteen semi-structured interview were conducted with two HR Managers and the Contract Manager of the Hospital, the General Manager, the HR Manager, three working supervisors, and seven frontline service staff of the private partner. The interviews aimed to understand the complicated organizational structure of the NHS; employment relations and HRM practices; the lines of responsibilities between the HR departments of the Hospital and the private partner; the management of the partnership contract; and NHS' previous experience of outsourcing under the competitive tendering arrangement. The interview data helped to interpret the findings drawn from the quantitative data collected by the staff survey. It also allowed us to compare the Hospital's experience of the two outsourcing arrangements.

Findings

Both the PFI contract and the HRM policies and practices contribute to the performance outcomes. Between the two outsourcing arrangements, the competitive tendering and the

PFI partnership, the Hospital's and employees' experience of the above two aspects differ widely. Below we summarize our findings, comparing the partnership experience with competitive tendering, from five viewpoints.

Contract management

An important objective of the PFI scheme is to create certainties of both costs and delivery capabilities. Much groundwork was put in by both parties to the PFI partnership prior to the completion of the contract. The Hospital's management compiled a "wish list" of output specifications in order to enable the private partner to accurately plan for the resources required to deliver the outsourced services.

The PFI scheme stipulates that, if costs turn out to be higher than eventually determined by the contract, the additional costs are to be born by the private partner. The cost certainty is, therefore, mostly enjoyed by the Hospital while the risk of failing to accurately estimate cost factors is born by the private partner. Despite thorough planning, certain costs were underestimated at the preparation stage, in particular, the costs relating to the restructuring of the portering department. For this reason, the PFI contract proved to be more costly for the private partner than anticipated.

Another aspect of managing the contract is the monitoring of performance and quality delivery. Each service, managed by the private partner, is monitored by the NHS's monitoring officers and each task performed and quality delivered is contrasted against performance requirements set by the Hospital (sometimes in cooperation with the private partner) or national (i.e. cleaning) standards. Both parties have worked towards developing

clear and unambiguous performance/quality measurements to accurately determine levels of performance and verify failures.

Despite being efficient, the monitoring system has certain drawbacks. It emerged from our interviews that many employees felt uncomfortable and even found it degrading to have their work inspected by the monitoring team. Furthermore, relations between the supervisors responsible for staff performance and the monitoring officers remained somewhat strained as the supervisors felt they were being 'policed' by the monitoring officers. Efforts to develop positive work attitudes among employees are therefore undermined by feelings of suspicion and distrust towards the monitoring system.

Culture, values and objectives.

In the PFI project, the integration of management structures, the depth and extent of cooperation and long-term contractual relationship requires the two partners to develop consistent cultural environment, congruent values, and compatible objectives. This is essential for the consistent management of staff within the complexities of the collaboration between the two organizations *and* stable and reliant delivery of the contracted services.

For the private partner the challenge is to internalize the Hospital's culture and values, and work towards its objectives. This has proved to be rather an effortless exercise as the private partner's values and strategy are based on the idea of collaboration. The company's values are for this reason congruent with, and supportive to, those of the Hospital.

This gives employees important support and guidance in their work. Each monthly team talk is centered on one of the company's six core values which clarify the purpose of working in the hospital, and expectations about job performance and workplace behavior, and helps maintain consistent management practices. This is in stark contrast with employees' experience of the competitive tendering arrangement where the contractors were perceived to be motivated solely by the potential profits that could be extracted from the short-term collaboration with the NHS regardless of the NHS's grand ideals of servicing society at large.

However, the integration of the two organizations and the culture of the collaboration have only been partial and mostly limited to the three contracted services. Elsewhere within the Hospital, the partnership has been met with suspicion and seen as just another outsourcing deal, and the private partner as just another contractor. Such misconceptions have had negative impact on the workplace climate by spawning *us and them* mentality with employees working under the private partner's management feeling they are seen by other hospital staff as "contract workers" rather than part of the NHS workforce.

HRM policies and practices.

What makes the PFI scheme different from other forms of outsourcing arrangements is the Retention of Employment (RoE) model. The model applies only to staff working in the NHS's ancillary services. Staff up to working supervisors remain employed by the NHS but is managed by the private partner in accordance with the Hospital's HRM policies and practices.

Besides delegating some of the HR tasks to the private partner (for example, recruitment, selection, and appraisals), the contract between the two organizations leaves considerable scope for the private partner to implement practices compatible with, and supportive to, the Hospital's HRM policies (for example, communication, involvement, training, and career development). Both organizations base their HR policies on similar values, emphasizing dignity and respect, staff development, involvement and participation. Accordingly, employment relations and HRM practices are strongly commitment-oriented.

The commitment orientation of the partner's HRM practices and policies is supported and accentuated by the approach of the PFI scheme to employment relations. Thus, prior to the consolidation of the partnership contract the private partner was able to realistically plan the number of employees needed to run each of the three services given the NHS's output specifications. As the staff was employed by the Hospital, incentives to extreme efficiency management were eliminated. Thus, whereas the short-term outsourcing contracts had strongly incentivized previous contractors to cut staff in the name of efficiency (*"the [contractor's] way of doing things was to cut the staff down to the bare minimum and drive people hard"*), the realistic approach of the PFI scheme prompted the collaborating partners to significantly increase staff levels in all departments to ensure reliability and quality of the services.

Staff attitudes and workplace behavior.

Reflecting on the sad experience of the Hospital's former employees under the competitive tendering, a Hospital HR Manager commented: *"they were such demoralized bunch of staff. They were completely unmotivated, they had no sense of purpose, no sense of pride, they didn't feel they belonged to anyone"*. Conversely, our survey results (see Figure 3)

reveal employee sentiments towards the two organizations working in partnership, particularly the private partner.

Take in Figure 3

The transfer process. The effort to rebuild staff moral and commitment started prior to the formal establishment of the partnership with a series of meetings where the Hospital's HR managers introduced the partnership and the RoE model to staff. In general, employees felt well supported by the Hospital through the transfer (RoE) process; they felt their managers and supervisors being particularly supportive and felt well informed about the partner. However, they felt they could have been given better chance to voice their concerns on the transfer procedures (see Figure 3).

Opinions differed markedly between the three departments with staff working in domestics generally feeling most supported, while porters felt they had relatively little support from both organizations. This may relate to the "state" of each department at the time the partnership was formed. Our interviews revealed that within the three departments, the work conditions and management were the poorest in portering and staff attitudes, accordingly, at their lowest. Low moral and disillusionment among the porters may, therefore, have contributed to feelings of suspicion, disinterest, and low expectations about the possible benefits from the transfer.

Commitment. By the time we did our survey the partnership had only existed for about two years. During this relatively short time employees had developed reasonably strong sense of commitment towards the private partner. Domestic and catering staff in domestics scored higher than portering staff. Again, the low score in the portering department may

relate to conditions in the portering department as it had the longest way to go in terms of developing positive work attitudes. In addition, that department has undergone a series of changes and restructuring that possibly has had adverse effects on the development of positive work attitudes. As shown in Table 1, employees' perception of the partner's support after the transfer is significantly correlated with affective and continuance commitment, as well as citizenship behavior.

It seems that, while employees have developed a sense of commitment and loyalty towards their new managing organization, their ties with their employing organization, the Hospital, have weakened with employees seeing themselves primarily as the private partner's staff. This may relate to lesser involvement in organizational life within the Hospital after the transfer. Moreover, a sense of weaker attachment to the employing organization may be accentuated by the perception that other Hospital staff see the seconded employees less as a part of the Hospital and more as contracted workforce. Symbolic gestures may play a role in generating such sentiments. For example, the seconded employees wear the private partner's uniform, carrying its logo. Other Hospital employees wear readily identifiable NHS uniforms.

Absenteeism and staff turnover. Under the outsourcing contracts of the competitive tendering period, the problems of absenteeism and staff turnover were rife in the three outsourced services, especially portering. The commitment-oriented HR practices, followed under the PFI contract, have played a major part in improving attendance levels and in reducing staff turnover within the three departments but has, nonetheless, failed to stamp out these problems altogether. Thus, while absenteeism is no longer a *general* problem as in the days of competitive tendering, it appears to be confined to a group of

relatively few employees; “*there are certain individuals who have these patterns; every Friday because it is the day after payday, every Monday because they have had a long weekend*”.

Similarly, staff turnover is no longer considered a problem but remains, nonetheless, at significant levels, around 25 per cent. This is mostly due to a rather high proportion of overseas staff (57% of the total) that tends to stay for a relatively short time in their jobs while completing education or finding another employment more suitable to their professional skills and educational qualifications. In spite of this, average tenure stands at 3.7 years, which can be considered reasonably long given the turnover level.

Citizenship behavior. Our findings indicate that, with the exception of the porters, staff in the three ancillary services had, in a relatively short span of time, developed quite a strong sense of commitment and loyalty to the private partner. That prompts the question if these positive attitudes have any bearing on workplace behavior, in particular, citizenship behavior. We measured two types of citizenship behavior: civic behavior (participation in organizational life for the good of the organization), and helping behavior (assistance and support to fellow workers).

For both types of behaviors, domestic and catering staff scores higher than portering staff. (see Figure 3). It is worth noting that work systems, i.e. job tasks, mode of supervision, and work processes, may impose restrictions on employees' scope to exhibit citizenship behavior and job discretion, particularly helping behavior. Thus, tasks tend to be routinized in both domestics and catering, and allocated to certain individuals leaving little room for discretionary behavior at work. Whereas portering work may be less routinized and involve

more variations in terms of tasks and possibly greater job discretion, as porters tend to work more on an individual basis, which limits the support they might enjoy from their workmates.

Take in Table 1

Performance and service quality.

Across the three services the performance level defined as “satisfactory” by the contract is 90%. In case task and quality failures increase above 10%, financial penalties may be applied. The failure rate has been very low with all services performing well above the 90% limit. The high performance level can be attributed to five factors.

The first is the early planning stage where a match was created between the requirements set by the contract and the resources necessary to meet these requirements. The second is the private partner’s heavy emphasis on staff training and skills development which markedly raised the competence of the staff. The third factor can also be attributed to the commitment orientation of the partners’ HRM approach; improved attendance and staff turnover levels, which have contributed significantly to the reliability of service delivery and overall performance. The fourth factor is the constant monitoring and communication between the partners, aiming at rectifying faults and weaknesses in operations and work procedures that might lead to failures.

The final factor is the performance of employees. When asked if the overall workload had increased after the transfer to the private partner, the porters scored much higher than domestics and catering staff (see Figure 4). These findings are a little puzzling as staff levels were increased when the private partner took over the management of the three

services. In addition, improved attendance at work can also be expected to have eased the workload somewhat.

This raises an intriguing question: is the high performance level attributed to greater work intensity driven by pressure to achieve the output specifications stipulated by the PFI contract or more efficient HRM?

When presented with these findings, the Hospital's Contract Manager suggested that changes in job descriptions, work processes, and mode of supervision may have projected the impression among staff that they now had to work harder than previously. In other words, "*they may not necessarily work harder but they probably work smarter*".

Two questions addressed the issue of "smart working" or the private partner's ability to deliver *quality* and *efficiency* through HRM. When asked if the quality of the work was *much higher* after the transfer, the porters reported a worse quality of work after the transfer, while domestic and catering staff reported an improved work quality (see Figure 4), indicating quality improvement had been realized in the two departments.

All departments reported improved work efficiency after the transfer (above 4.0), with domestic and catering staff scoring higher than portering staff (see Figure 4). Employees' perception of smart working (working more efficiently and delivering better quality) is positively associated with monitoring measurements of actual performance within the three departments.

Take in Figure 4

Conclusion

Partnership arrangements, a relatively recent form of collaboration between public and private sector organizations, have developed in response to relatively high risks of unreliability and performance failures, commonly associated with more conventional forms of outsourcing. Partnerships put the accent on the *relational* aspect of the contract instead of relying solely on its *commercial* value and stipulations. To this end, features such as the integration of management structures, shared objectives and value congruence, trust and sharing risks are perceived as the basic elements on which a successful collaboration rests.

This article has explored one form of partnership, the UK's PFI scheme, through a case of collaboration between an NHS hospital and a private consortium. In terms of performance, cost certainties, and reliability, the PFI has proved to be overtly superior to the earlier experience of competitive tendering. This can be attributed to three key elements of the set-up of the contract between the two organizations: clear and unambiguous output specifications and cost certainties, effective and learning-oriented monitoring system, and commitment-oriented HRM system and practices.

The recognition of work and employee attitudes as central to superior outcomes is perhaps what sets partnership arrangements the most apart from more conventional forms of outsourcing. Our evidence supports this notion: strategic or commitment-oriented HRM policies and practices can lend vital support to efforts to achieve superior performance and delivery of excellent services. This observation becomes even starker when contrasted against the experience of the competitive tendering period.

The reality behind this simple conclusion is, however, far from being simple and straightforward. The contract between the two organizations is an extensive, complex, and extremely detailed document. While it aims at remedying the deficiencies of more conventional forms of outsourcing relations, it creates new complications and inconsistencies. Some of these reflect the complexities of the collaboration. Thus, the positive work attitudes and behaviors, which are sought to be developed through strategically designed HR practices, are undermined by the operation of the monitoring system. In other cases, management's handling of certain processes have resulted in rather unfortunate outcomes as in a failure to introduce and "market" the PFI collaboration throughout the entire organization (the Hospital). This has resulted in skepticism towards the collaboration among the Hospital staff and the RoE employees feeling that they are no longer seen by other Hospital staff as NHS workers, but an appendage to the organization.

The internal inconsistencies and contradictions are no inherent attributes of the PFI scheme or the PFI collaboration studied here, but unforeseen and unintended outcomes that have emerged as the collaboration has got underway. The ongoing dialogue between the partners and joint management – an elemental feature of the partnership ideal – makes it possible to deal with such problems and work towards reversing or remedying unfortunate outcomes.

On the other hand, typical adverse outcomes of more conventional outsourcing contracts, such as unreliable performance and quality lapses, are more of a structural nature, generated by competitive bidding processes, prioritization of cost effectiveness, and the non-integrative and *arms-length* character of the contractual relationship.

The emergence of the partnership model, its development and subsequent diversification to fit various organizational circumstances reflects an ongoing process of learning through trials and errors. Much has been achieved in the case studied here. Yet, the learning is ongoing as new and unforeseen situations continue to emerge. These may be rooted in contract stipulations, the actual design of the collaboration, or management's handling of issues.

At a more general level, the question to be asked is: to what degree can the principles of the partnership ideal be implemented in order to improve relationships and outcomes under more conventional, short-term outsourcing contracts? A first step might be to reflect on, and draw lessons from, past experience. In our case, that is what the Hospital did, in which case the benefits of cost-effective labor and arms-length relations eventually came at a price too high.

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Figure 1. Strategic HRM: High commitment work system

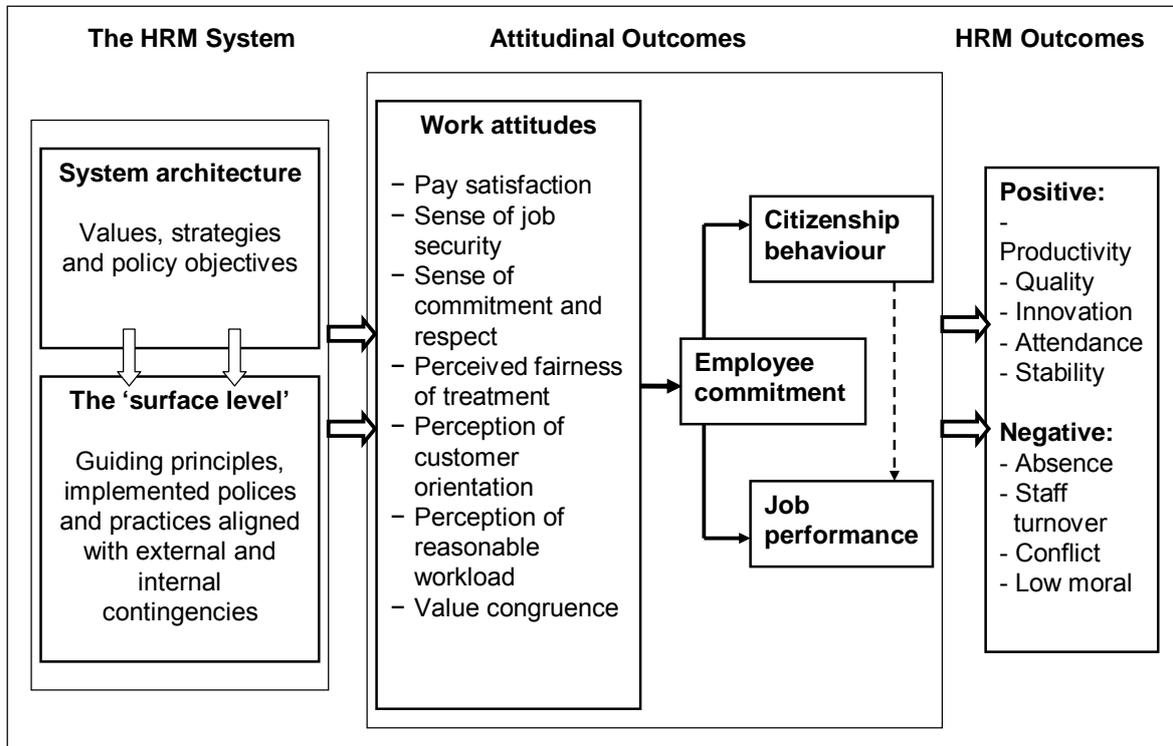


Figure 2. Low-cost oriented HRM: Practices, outcomes and risks

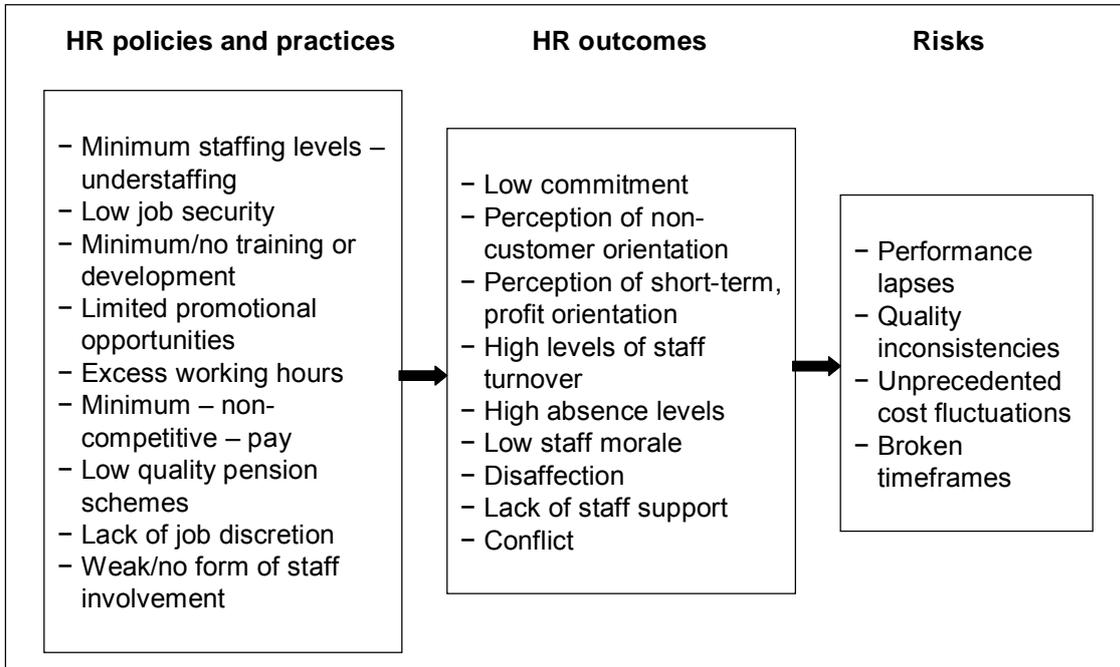
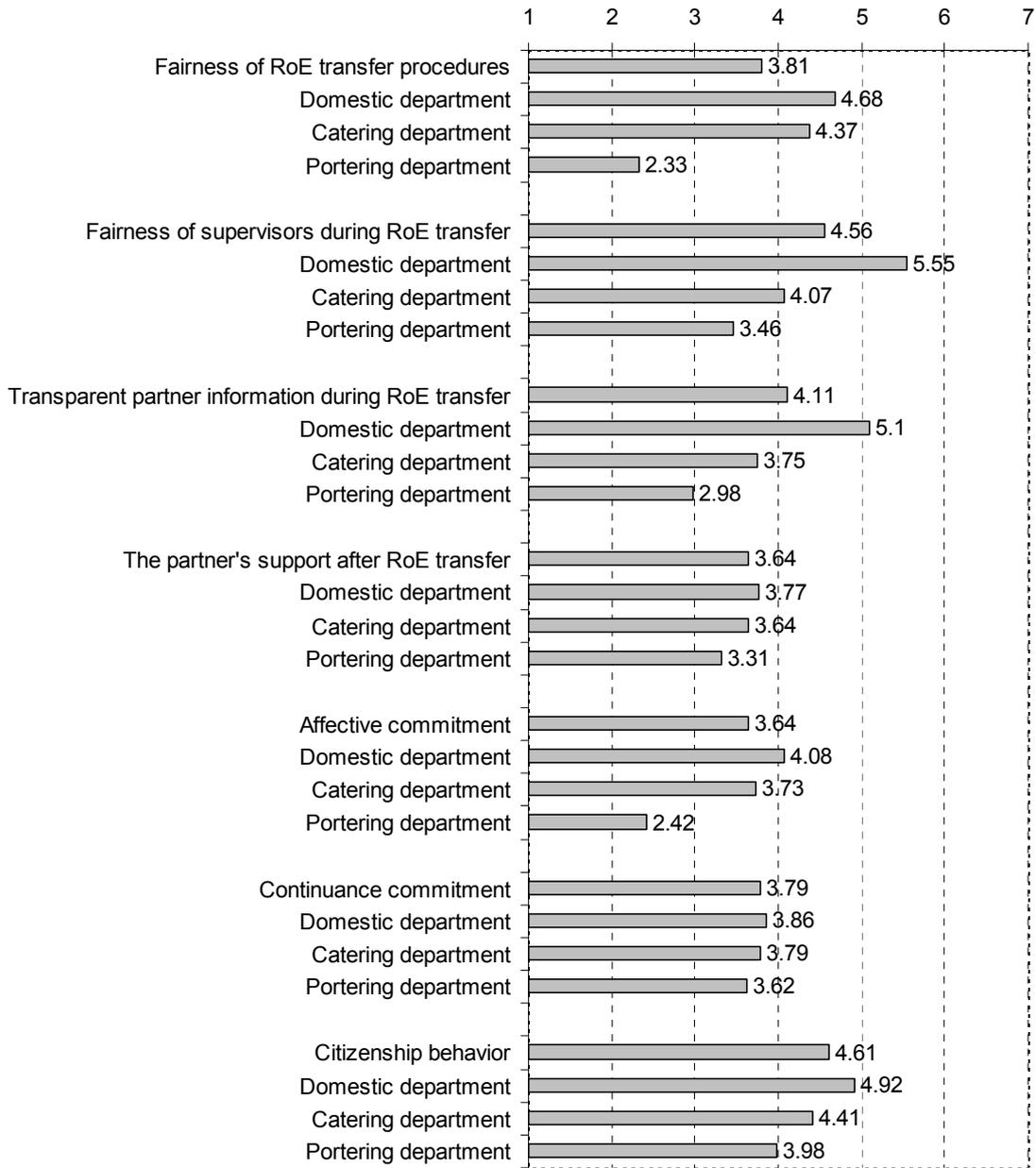
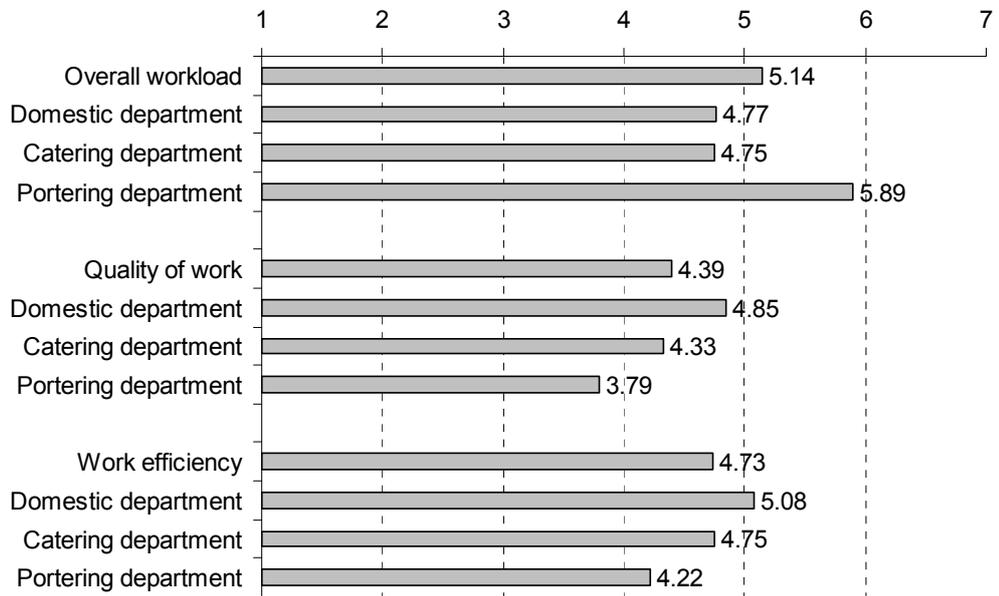


Figure 3. Employee perceptions, commitment and citizenship behavior



Note: Results are based on a seven-point Likert scale, 1, least; 4, average; 7, most.

Figure 4. Job performance after the RoE transfer



Note: Results are based on a seven-point Likert scale, 1, much worse than before the transfer; 4, about the same; 7, much better than before the transfer.

Table 1. Descriptive statistics

	Mean	Standard deviation	Correlations						
			1	2	3	4	5	6	7
1. Fairness of RoE transfer procedure	3.81	1.71	1						
2. Fairness of supervisors during RoE transfer	4.56	1.89	0.57**	1					
3. Transparent partner information during RoE transfer	4.11	1.82	0.65**	0.54**	1				
4. The partner's support after RoE transfer	3.64	1.64	0.26	0.40**	0.57**	1			
5. Affective commitment	3.64	1.82	0.43**	0.42**	0.57**	0.66**	1		
6. Continuance commitment	3.79	1.52	0.11	0.27	0.16	0.40**	0.38**	1	
7. Citizenship behavior	4.61	1.36	0.37**	0.42**	0.48**	0.37**	0.61**	0.34**	1

** Correlation is significant at the $p < 0.01$ level.