Key Organisational Concepts in PFI Projects

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Abstract: PFI (Private Finance Initiative) is a collaborative venture; therefore it must have an established clarity of purpose. The purpose should be common to all the parties involved in the procurement, construction and concession period. The clarity of purpose provides something to aim for and serves as a fundamental unifying force for the collaborative venture. PFI is a form of business partnering; therefore special challenges become apparent when two (or more) organisations (both public and private) are involved in a collaborative effort.

In order to create synergy and ensure a common purpose for collaboration across organisational boundaries a common vision must be developed regarding the desired outcome and the establishment of clear and measurable objectives.

It is important to clarify the roles, responsibilities and accountabilities in PFI procurement since collaboration across organisational boundaries where specifics of organisations (public and private) such as policies, procedures, practices and politics are different. In such collaboration the parties are expected to be creative and innovative. The inevitable fuzzy boundaries, with respect to roles and responsibilities should be managed with the utmost care since there are overlapping roles and responsibilities; there is a need for new ways of doing things for new situations and opportunities for innovation. It must be kept in mind that the values; beliefs and guiding principles; customs; strategies and success measures are different between public and private parties. Whilst the public sector is: structured, bureaucratic and organised and the private sector is: flexible, spontaneous and entrepreneurial (able to do whatever it takes to get the job done) this creates potential tensions within the PFI project delivery.

In any PFI project a significant number of parties are involved in the collaboration/partnering scheme and the contractual arrangements can be complex. Effective project management, which is considered to be a key determinant for project success, will save time and cost overruns and solve the problems which could not be anticipated at contract signing.

PFI requires the building of teams across organisational boundaries of different collaborating parties and opens up new ways of working. Partnering in a PFI project encourages a relationship of trust and mutual support towards goals that are perceived as common instead of conflicting. Successful procurement therefore requires an effective project procurement structure.

This paper proposes new organisational structures which have been developed from the detailed analysis of two PFI road projects and triangulated against further PFI projects. The new structures have been accepted by both SPV and granting Authority representatives as a major improvement for future PFI projects.
Keywords: Collaboration, Governance, Organisational Structure, Partnering, PFI, Roads, Trust.

1. Introduction

PFI requires the building of teams across organisational boundaries of different collaborating parties and opens up new ways of working. Partnering in a PFI project encourages a relationship of trust and mutual support towards goals that are perceived as common instead of conflicting. Successful procurement therefore requires an effective project procurement structure (Akbiyikli, 2005). Such a structure has to provide:

1. Clear chain of reporting;
2. Defined areas of responsibility;
3. Defined levels of decision-making and authority.

A detailed analysis of these issues is excluded from the paper. However, Collaboration Partnering and Governance which underpin these issues will be detailed in the text.

2. Concepts of Collaboration, Partnering and Governance

2.1 Collaboration

PFI is a both creative process and a creative product. The structure of the PFI contract has to define the basis for the future long-term operational and managerial relationship between the Public Sector (Authority) and the private sector Special Purpose Vehicle (SPV). A Special Purpose Vehicle is a legal entity created by a firm (known as Sponsor) by transferring assets to the SPV, to carry out some specific purpose. SPVs have no purpose other than the transaction(s) for which they were created, and they can make no substantive decisions; the rules governing them are set down in advance and carefully circumscribe their activities. The legal form for a SPV may be limited partnership, a limited liability company, a trust, or a corporation. In short, SPVs are essentially robot firms that have no employees, make no substantive economic decisions, have no physical location, and can not go bankrupt (Gorton and Souleles, 2005). The overall aim of the relationship between the Public Sector and the SPV is to work together.

Kanter (1994) defines collaboration as:

“creating new value together rather than mere exchange, getting something back for what you put in”.

Préfontaine et al, (2000) define collaboration for public service delivery referring to:

“the reciprocal and voluntary support that two or more distinct public sector agencies, or public and private administrations, including non-profit organisations (NPOs), provide each other in order to deliver a public service, i.e. one that is part of the government mission”.

Co-operation between the public and private sectors can take many forms such as joint ventures, concessions and privately financed investment projects (PFI scheme). The common
factor for all of these different models is that the public sector delegates an element of day-to-day control over service delivery to a private sector entity. Team-working on PFI projects and an effective governance structure is therefore crucial.

The service delivery focused nature and the extended duration of the PFI projects require a team to oversee the whole life of the project. Furthermore, effective co-ordination and integration is crucial and necessary. This necessity for effective co-ordination and integration of the stakeholders in the case study projects upon which this paper is based was a cardinal issue for both the public and private sectors.

The most common commercial arrangement in project collaboration is a contractual agreement that confirms the cost, time, resource expectations of each party against the project goals. The collaboration in PFI is translated into a formal Project Agreement (PA) between the Authority (Public) and SPV (private) parties as to the purpose of their collaboration and the sharing of responsibilities, resources, risks and benefits. The formal written agreement is for a defined period of time.

Different factors affect the performance of collaboration in projects. These factors are related either to: the project’s environment; to the partners involved; to the collaboration process; to the project development process; to the governance methods used to organise and manage the project (Préfontaine et al, 2000).

The critical success factors for collaboration are given in Table 1.
Table 1: Critical Success Factors for Collaboration  
(Adapted from Préfontaine et al, 2000)

<table>
<thead>
<tr>
<th>COLLABORATION CRITICAL SUCCESS FACTORS (CSF)</th>
<th>EXPLANATION</th>
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<tbody>
<tr>
<td>CSF 1: Political, Social, Economic and Cultural Environment</td>
<td>These are factors associated with the macro-environment and they are significant in identifying the institutional, industrial and technological frameworks. They provide the opportunity to more efficiently identify those macro environmental factors that enable or inhibit collaboration for public service delivery.</td>
</tr>
<tr>
<td>CSF 2: Institutional, Business and Technological Environment</td>
<td>This dimension deals with the more immediate environment of the collaboration project associated with the institutional environment or regulatory framework, the project’s sector of activity or industry and the specific features of the technologies used.</td>
</tr>
<tr>
<td>CSF 3: Partners’ Objectives and Characteristics</td>
<td>This dimension establishes the basis for compatibility and complementarities of various partners by closely examining the objectives, motivations and characteristics of each.</td>
</tr>
<tr>
<td>CSF 4: The Collaboration Process</td>
<td>This dimension develops in stages that each requires the presence of specific conditions to ensure success. At each stage, the collaboration process evolves in such a way as to ensure a negotiation-decision-action-evaluation process that takes into account the degree of project completion and the evaluation of relationships among partners.</td>
</tr>
<tr>
<td>CSF 5: Models of Collaboration</td>
<td>The specific features of the implemented collaboration model. It is defined by its mode of governance (which determines the power at this dimension, it is important to identify the power structure), by the very nature of the collaboration in terms of sharing responsibilities and benefits among partners and by the organizational methods or measures used for co-operative management.</td>
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PFI is a collaborative venture and it reflects the UK government’s preference for the form of collaborative working with the private sector (Akbiyikli, 2005). In the UK the collaboration is via partnering.

2.2 Partnering

Partnering was first applied in the UK in the North Sea oil and gas industries in the early 1990s. Major industry players such as BP were driven to this new model in an attempt to achieve profitability from what would have been otherwise uneconomic oilfields. The new approach proved successful in achieving significant cost savings in platform construction for the employers and in creating increased profits for the participating partners (Baird and Bennett, 2001).
Partnering is a difficult concept to define. It has to do with human relationships and interactions, with stakeholders’ interests, with the balance of power (McGeorge and Palmer, 2002). Barlow et al. (1997) conclude that partnering is best considered as a set of collaborative processes. Processes which emphasize the importance of common goals and raise such questions as how such goals are agreed upon, at what level are they specified and how are they articulated? It can mean different things to different people and there are numerous definitions of partnering which are currently in use. The one offered by Egan (1998) defines partnering as follows:

‘Partnering involves two or more organizations working together to improve performance through agreeing mutual objectives, devising a way for resolving disputes and committing themselves to continuous improvement, measuring progress and sharing the gains’.

The definition offered by Bennett and Jayes (1995) emphasizes effectiveness, culture and relationships based on trust and understanding:

‘Partnering is a management approach used by two or more organizations to achieve specific business objectives by maximizing the effectiveness of each participant’s resources. The approach is based on mutual objectives, an agreed method of problem resolution, and active search for continuous measurable improvements’.

The concept of partnering can be confusing as to what it is and what it is supposed to achieve. As noted in McGeorge and Palmer (2002):

‘Partnering is more than a set of goals and procedures; it is a state of mind, a philosophy. Partnering represents commitment of respect, trust, co-operation, and excellence for all stakeholders in both partners’ organisations’.

A partnering relationship is not a soft option. It requires significant input, both of time and effort if the benefits are to be delivered (HM Treasury, 1992).

From these different definitions, partnering is a concept which provides a framework for the establishment of mutual objectives among the parties and stakeholders in a construction activity and this framework enthuses trust, cooperation and teamwork into a project process, which enables the combined effort of the project parties to focus upon procurement and project objectives fostering a collaborative bond to everyone’s benefit. Successive UK construction industry review reports; (Latham, 1994; Technology Foresight Report, 1995; Egan, 1998; NAO, 2001) emphasised the importance of partnering arrangements in order to facilitate team working across contractual boundaries. Latham (1994) set the agenda by stating that improvement begins with clients and particularly with government committing itself to become a best practice client and promoting excellence in design. Technology Foresight Report (1995) stated that the vision for construction is one, which sustains high levels of productivity, profitability and responsibility. Egan (1998) underlined that the UK construction industry is underachieving, has low profitability and invests too little capital in training, research and development and listed five key drivers of change, namely: committed leadership; focus on the customer; integrated processes and teams; a quality driven agenda; and commitment to people.
The NAO (2001) stated that, if established reliably, partnering should provide the public sector with greater assurance that value for money is being achieved due to the appointment of contractors competitively; clearly measurable targets for improving construction quality, delivery times and achieving cost reductions; and, commitment from both parties (public and whole Supply Chain) for continuous improvement and collaborative working.

In short the conclusion is that the partnering concept lies on four main dimensions, which are: Good relations, HOT (Honesty, Openness, Trust), Integrity and Co-operation. These issues are important partnering and collaboration features of PFIs. The main dimensions of a partnering concept are shown in Fig.1.

![Diagram of Main Dimensions of Partnering Concept](image)

**Fig.1: Main Dimensions of Partnering Concept (Akbiyikli, 2005)**

According to Bennett and Jayes (1998) the defining features of successful partnering are:

1. Mutually agreed objectives and goals;
2. Inter – organisational trust;
3. Mechanism for problem resolution;
4. Continuous improvement related to benchmarking;
5. Proactive management of relationships.

Crowley and Karim (1995) proposed the key characteristics and the associated attributes for partnering organisations. Attributes to some key characteristics of partnering is shown in Table 2.
Table 2: Attributes to some Key Characteristics of Partnering
(Adapted from Crowley and Karim, 1995)

<table>
<thead>
<tr>
<th>KEY CHARACTERISTIC</th>
<th>ASSOCIATED ATTRIBUTE</th>
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<tbody>
<tr>
<td>Mutual Trust</td>
<td>Developing confidence</td>
</tr>
<tr>
<td></td>
<td>Encouraging open communication</td>
</tr>
<tr>
<td></td>
<td>Exchanging ideas</td>
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<tr>
<td></td>
<td>Sharing resources</td>
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<tr>
<td>Long-term commitment</td>
<td>Constant improvement of technology and methods</td>
</tr>
<tr>
<td></td>
<td>Reinforcing of the mutuality of the parties</td>
</tr>
<tr>
<td>Aversion to Litigation</td>
<td>Producing feeling of camaraderie among parties</td>
</tr>
<tr>
<td>Shared vision</td>
<td>Setting common project objectives and goals</td>
</tr>
<tr>
<td>Win-win attitude</td>
<td>Neither party win due to the other’s loss</td>
</tr>
<tr>
<td>Freedom of speech and openness</td>
<td>Parties being encouraged to identify and address problems</td>
</tr>
<tr>
<td>Innovation</td>
<td>Open exchange of views and ideas solving day-to-day problems</td>
</tr>
<tr>
<td>Equity</td>
<td>The needs, concerns and objectives of each party being cooperatively addressed</td>
</tr>
<tr>
<td>Shared risk</td>
<td>The uncertainties of project life being jointly shared</td>
</tr>
</tbody>
</table>

According to McGeorge & Palmer (2002) there are two different categories of partnering: project partnering and strategic partnering. Project partnering can be stepping stone to strategic partnering. Strategic partnering is sometimes referred to as “multi-project partnering” or less frequently as “second-level partnering” and “project partnering” as “single project partnering” or “first-level partnering”.

Project partnering has become increasingly established as a non-adversarial and performance enhancing approach to contracting. In the case of PFI the project and strategic versions merge because of the long time-scale of the project concession.

Fundamentally the PFI partnering process is about team building, which is why the function of internal partnering is so important in achieving a successful outcome. The processes of partnering must be seen as a means to an end and must not be seen as an end in itself. The PFI partnering process attempts to establish working relationships amongst the stakeholders through a mutually developed, formal strategy of commitment and communication. It attempts to create an environment where trust and teamwork prevent disputes, to foster a cooperative bond to everyone’s benefit, and facilitate the completion of a successful project. PFI Partnering requires a process of change. Partnering is the key to the holistic approach, which must first be brought to the project and then incorporated into the whole team performance.

In general the partnering process falls into three phases: the pre-project stage, the implementation stage and the completion/feedback stage details of which are excluded from this paper.

If the PFI option appears to deliver lower costs over the life-time of the project than the PSC, the preferred bidder and the public sector work together to prepare the full business case (FBC). “Officially” in a PFI project the partnering between parties starts at this stage of the procurement process (Akbiyikli, 2005). In “reality” it must start much earlier.
There is conformity over the general concept of partnering as a co-operative relationship between business partners formed in order to improve performance in the delivery of projects but there is considerable variation of definition. The detailed analysis of the case study PFI road projects (A92, NSDR and A55) indicated that partnering has to be practiced and learnt over a series of PFI projects.

2.3 Governance

The concept of Governance has become important in the discipline of public administration, business administration and in the related areas. The popularity of this concept needs to be conceptualised in multi-level and multi-actor contexts. This concerns the classical public government and also the relationship of collaborative alliances of public-private organisations. Governance can be defined as, ‘the process whereby an organisation or society steers itself.’ (Rosenau, 1995). Broadly speaking, governance consists of the systems of rules, norms, processes and institutions through which power and decision-making are exercised. According to the World Bank (1994) good governance is thought to have four components:

1. Representative legitimacy;
2. Accountability;
3. Competence and appropriateness;
4. Respect for due process.

The authors consider items 1 and 2 as particularly significant components since they raise special concern for the parties in a PFI project. Items 3 and 4 are fundamental to all forms of procurement, and as such have been excluded from detailed analysis with this paper.

The area of legitimate representation in public – private partnerships raises both normative and operational issues. The normative issues are very important since there are many parties in a PFI project: central or local government authorities, lenders, sponsors, banks, insurance companies, Special Purpose Vehicle (SPV) shareholders and diverse subcontractors. The normative issues determine whose, of the above said parties’, interests should be represented and whose should not.

The accountability concept is concerned with being held responsible for one’s actions. Both the public and private sectors have well established mechanisms of accountability. In the private sector, the project management team is accountable to the company’s shareholders. In the public sector, administrative structures report to political structures that are ultimately accountable through the contestability of political power.

However, the accountability in public-private partnering may be less straightforward, partly because accountability is dependent upon the clear specification of objectives, activities, roles and responsibilities. It will be more easily achieved through formal partnering where accountability roles are spelt out. In a PFI concession contract between the public sector (Granting Authority) and private sector (Special Purpose Vehicle), both parties are losing their sharp boundaries; and both the public and private organisations are becoming more and more interrelated, losing control upward and downward. The aim of this is to create an organisational condition that supports product and process innovation; and in PFI the way the product is achieved is a novated procurement form. In this novated procurement the SPV will be required to be a party so that it undertakes to enter into, and be bound by, any assumption of its rights and obligations by a third-party purchaser as appointee of the debt funders (Fox
and Tott, 1999). Such an assumption will be effected by means of a novation of the relevant project document. A novation is an agreement by which all parties to a contract agree that a third party is to stand in the place of one of the original parties (ibid). The role of the public sector in the provision of infrastructure has changed significantly since the implementation of PFI procurement policy in the UK, and this will continue. PFI has required a considerable change in public sector working practices. Through PFI, government has become attracted to the clarity of roles and responsibilities that contracting can provide.

The ultimate Governance goal is to establish collaboration and partnering to achieve value for money and transfer of risk to the party that is able to manage it. In order to achieve this goal the partnering governance arrangement must have the following features at the strategic management level (ACCA, 2002):

1. Mechanism for dealing with coordinating, managing and controlling objectives and strategy;
2. A partnering structure that is supportive of the goal and anticipates potential conflicts between parties;
3. A transparent system;
4. Mechanisms to steer the private sector (governing role); placing at the heart of the governance structure the governing body which must have a public responsibility mindset that consists in controlling, overseeing and safeguarding public principles and interests.

As of April 2003, 569 PFI contracts had been signed in the UK, 418 of which were operational. A considerable number of projects were construction and property related, including hospitals, prisons, roads, schools and office accommodation (OGC, 2003 a and b). Given the scale of PFI, it is imperative that both the public and private sector should look to manage PFI better, by (CBI, 1996):

- Refining policy and processes;
- Adapting culturally;
- Acquiring new skills.

The NAO report (2001) on successful PFI pointed out the key issues which awarding authorities needed to bear in mind when developing and managing relationships with the private sector. The research, based on analysis of 121 PFI projects let prior to 2000, revealed that PFI projects should be approached in the spirit of partnership, in terms of business understanding and establishing a common vision of working together. The NAO highlighted in the report that the PFI process poses a key project management challenge. In the same report it is also pointed out that, in order to manage a long-term PFI contract effectively, granting authorities need to have staff equipped in skills which include:

- Thorough understanding of the project;
- Familiarity with the contractual terms and how they are supposed to operate;
- Good communication skills;
- Good relationships skills.

3. PFI in Roads

Public infrastructure represents the physical assets and their related actions that serve the economic and social needs of the public. The quality and efficiency of the infrastructure affects the quality of life, the health of the social system, and the continuity of economic and
business activity. A nation’s strength is reflected in its infrastructure assets and good public infrastructure facilitates a higher quality of life (Ergün et al, 2004). Clarification of the relationship between public infrastructure and economic development is provided by the World Bank study (Queiroz and Guatam, 1992). It shows a very strong association between economic development, in terms of per capita gross national product (GNP), and road infrastructure. Road transport is important in economic activity and a good road system gives a nation a competitive advantage in moving goods efficiently and economically.

Public infrastructure has been defined in different ways, for example:

“Infrastructure is services and facilities that support day to day economic activity. Infrastructure includes roads, electricity, telephone service, and public transportation. Infrastructure has traditionally been provided and maintained by the government. However, some nations are currently experimenting with privatisation of some elements of infrastructure” (ICONS Glossary, 2004).

In order to stimulate infrastructure investment, public authorities seek to involve the private sector in the creation of new infrastructures. The private sector invests, constructs and maintains the constructed asset and provides the services required by the public sector. Current World Bank estimates point to financing needs of about 7% of GDP (Gross Domestic Product) for all developing countries – for both new investment and maintenance (O&M) expenditures – and as much as 9% of low-income countries’ GDP. Some 70% of all infrastructure investments were publicly financed over the 1990s, with an additional 8% funded by official development aid, and calls on the public sector have increased as private investment has declined. At the same time, the scope for private participation in infrastructure remains substantial, to be achieved by leveraging the mobilisation of additional private capital per unit of available public sector resources. During the 1990s some 22% of spending on infrastructure was private.

In the UK, the government has introduced the private finance initiative (PFI) in order to promote the construction of new infrastructure and roads. The participation of the private sector in road projects has led to the creation of a new organisational structure to realise the project.

4. Research Methodology

Risk Management (RM); Critical Success Factors (CSFs); Whole Life Cycle Costing (WLCC); Competitive Advantage (CA) have been identified as essential requirements to enable the appraisal of the value of a PFI road project over the concession period which facilitates the determination of the best value design solution, provision of a functional road and long-term budgetary forecasts (Akbiyikli, 2005). These areas, as a part of a PhD research, have been analysed and frameworks have been proposed that represent and structure these issues. The frameworks have been validated by the project respondents of the case studies.

5. Dis-functions between Public Sector and Private Sector Organisational Structures

Separately in traditional contracting both public and private sectors have completely different raison d’etre organisations and objectives. It has to be kept in mind that values, beliefs, guiding principles, customs and success measures are different between these two sectors.
The public sector is structured, bureaucratic and organised. On the contrary the private sector is flexible, spontaneous and entrepreneurial. These parameters create a dis-function in policies, procedures, practices and politics of the organisations in a project organisation. In traditional contracting this dis-function also creates dis-location of the organisations.

The case study results indicated a dis-function between the organisational structures of the public sector and the private sector. A dis-location was also noted between the operational collaboration at the site level. A section from interviews on the A92 PFI road project between Dundee and Arbroath is given below.

**Rifat**: “Mr. JR, after studying the organisation charts and your comments about partnership in the project I thought about the PFI’s partnering philosophy (honesty-openness-trust) and collaboration and I propose you two governance structures for discussion. One of them is a “generic organisational structure for the public sector” in dealing with a PFI project; and the other is “a project collaboration organisational structure at operational level”. The first organisational structure is internal for the Council and the other one is for the project site level. At the site level teams that cut across public and private organisations should be formed into a structure creating a team-based design in order to solve day-to-day problems and deliver service. I think this can contribute to a step forward to partnering between Council and private sector. I would like to hear your opinion and suggestion.”

**JR**: “My immediate reaction to these proposals is positive. The first one concerns our own Council’s structure in future PFI projects. Currently we are heavily depending on external consultants as it is also indicated in your proposal. They are very costly. I feel that we must have in-house skills and training in order to be better project managers in future PFI projects. We have different skills in our organisation. We know traditional contracting. Change must come from the top.

The other proposal for the site level can be implemented easily. This project based governance committee will open up new ways of working in partnering in all stages of the project. I believe that this organisational structure will promote less conflicts, increased skills and collaboration across the Council and private sector partners at site”. (Interview, A92 case study, 13.05.2004).

Below is given a conclusion paragraph from the Workshop held in Rugby with the Morgan Est (SPV and Construction Contractor) managers on 01.10.2004 for the validation of the case study findings.

“Finally RA explained to the managers a proposal for a project collaboration structure at site (operational) level; and explained the need for such an organisational structure to decrease the “them” and “us” attitude at sites. This structure would have a “team-based design” as a necessity of PFI’s partnering philosophy; telling them that the same proposal was also explained to Council’s site representative in the A92 project. RA explained that this team-based organisation, which was called as “project governance committee” was designed to solve problems and deliver service which demanded certain traits and skills of the people in the committee from both sides. The managers fully supported such a team-building (“committee”) concept at project level composed of representatives from public and private sectors working in partnering and encouraging the work in a relationship of trust and mutual support to common project goals”. 

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Fig. 2 is proposed to promote and increase the understanding, co-operation and skills within the public sector organisations for PFI deals and their project management. The idea behind the proposal of Fig. 3 to the parties is that partnership is an “ideal” to be reached between public and private contracting parties in PFI and has implications for monitoring and HOT (Honesty-Openness-Trust) relationships. The proposal which is ad hoc (project dependent temporary organisations) and is meant to increase the integration of the two contracting parties towards common project objectives and increase the collaborative efforts in pursuit of shared goals. The concept of adhocracy refers to the opposite of bureaucracy, or the absence of hierarchy. All members of the organisation have the authority to make decisions and to take actions affecting the future of the organisation. Such adhocracies are team based and temporary in nature. They are typically staffed by professionals with a high level of expertise and flexibility for adaptation and problem solving with minimal supervision. Influence in an adhocracy is through professional expertise rather than positional authority. The operative adhocracy is concerned with innovation and problem solving directly for the client (Minzberg, 1979).

The proposal establishes a relationship between the private sector (supply side) and the public sector (demand side) of the project for joint action; forcing them to work together in a mutually beneficial relationship creating a collaborative advantage. In order to get this advantage the parties must create a “project organisation” that is not public or private sector organisational structure. The proposed project organisational structure was meant to be “a vehicle” or “an instrument” for the contracting parties to work in co-operation for their mutual benefit in delivery of both works and service and to achieve continuous performance improvement. This proposal is an attempt to create a basis for longer term relationship both in structural linkages and goals of the two separate organisations by moving members outside their traditional areas and tight links to new systems and operations having great interdependency with sharing power for mutual benefits and gains.

The co-located and integrated team proposal is meant to mutually strive for best value and innovative solutions in the whole life of the project; to remove waste and inefficiency and move away from adversarial approaches. This approach will promote improvements in time, cost, quality and certainty and develop a learning culture within and between the public and private sector parties in the project.

The generic organisational structure of PFI road project and the project collaboration structure are described in the next section.

6. Proposal of Generic Organisational Structures

A generic organisational structure for a Granting Authority in a PFI project is shown in Fig. 2 and a project collaboration structure at operational level in a PFI project is shown in Fig. 3.
This is a proposal after discussions with the Public sector and the SPV representatives in case study projects (Akbiyikli, 2005). The public sector in any PFI project including roads has to work hard in order to foster a constructive long-term relationship with the private sector provider. The Public sector’s project management structures must be appropriate to the needs of the public sector and must fit the existing public sector decision-making structures. After discussions with the above mentioned stakeholders the researcher concluded that the public organisational structure for PFI road project must be such that:

- It will have mechanisms to deal with coordinating, managing and controlling the project objectives (VFM and risk transfer);
- It will have a structure that creates a transparent system;
- It will have mechanism to steer the private sector which must have a public responsibility and accountability mindset that consists in controlling and protecting public interests;

Fig. 2: A Generic Organisational Structure for Public Sector in a PFI Project 
(Akbiyikli, 2005)
- Keep continuity in experienced personnel;
- This structure is thought to be involved in determining the viability and scope of the project, in activities leading to the contract and in contract management;
- The structure is thought to exist throughout the PFI Procurement Process;
- Necessary training has to be given to the staff in the organisation;
- Advice is needed both (primarily) in-house and external consultants in legal, financial and commercial skills;
- Main idea behind the organisational structure is hands-off monitoring philosophy – “Getting better VFM from the PFI”.

Beliefs and guiding principles, customs, strategies and success measures are different in public and private sectors. The public sector is structured, bureaucratic and organised and the private sector is flexible, spontaneous and entrepreneurial. The aim of the proposal is to develop a PFI project based core team between public and private parties to develop an organisational framework that is capable of setting the direction, coordinating operational activities and problem solving within the PFI project and opens up new ways of working. This project based organisational structure is proposed as a necessity after discussions with the stakeholders in the case study projects and the aim was to create an organisational condition that supports product and process innovation and eliminate arbitration (Akbiyikli, 2005).

![Fig. 3: A Project Collaboration Structure at Operational Level of a PFI Project (Akbiyikli, 2005)](image-url)

At the operational level (construction and concession periods) the need for a fast response to PFI project environmental changes requires an organisational design that is not inhibited by a public structure designed for more stable conditions. Teams that cut across public and private organisations should be formed into a structure creating a team-based design. The team has to solve problems and deliver service. Because of the holistic approach to the PFI project – that
is, design, build, finance, and operate – the teams can consist of the appropriate expertise to handle the project at each stage of its life-cycle.

7. Conclusions

This paper detailed the PFI as a collaborative venture and as a form of business partnering creating synergy and ensuring a common purpose across organizational boundaries of the public and private sectors. The paper considered PFI as a creative process and product needing a long-term operational and managerial relationship between the public and private sector parties with an overall aim to work in collaboration and partnering. In this respect the paper detailed the concepts of collaboration, partnering and governance. Team-working on PFI projects and an effective governance structure is crucial since the service delivery focused nature and the longevity of the PFI projects require effective co-ordination and integration of the stakeholders from both public and private sectors. The paper argued that the PFI partnering process is fundamentally about team building across organizational boundaries requiring a process of change which has to be incorporated into the whole team performance throughout the whole life-cycle of the project. Based on case study research the paper proposed two organizational structures for PFI road projects; one for the public sector to promote and increase the understanding, co-operation and skills within the public sector organizations for PFI deals and the other, which is “ad hoc”, is meant to increase the integration of the contracting parties in a PFI project towards common project objectives and increase the collaborative efforts in pursuit of shared goals and to achieve continuous performance improvement at project level.

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