

PUBLIC-PRIVATE PARTNERSHIPS: PUBLIC AFFAIRS MANAGEMENT IN THE TWILIGHT ZONE OF PUBLIC AND PRIVATE SECTOR

1. INTRODUCTION

During the last decade many countries have experienced an increasing interest in public-private partnerships described as “a new generation of management reforms” (Pollitt 2003, 53) overcoming deficits of earlier waves of privatization and marketization and constituting a “new global paradigm” (Hood 1995). They are seen as inevitable in order to allow for increasing investment in public services (Giddens 2002) and enjoy a prominent position in public management reform discourses (Osborne and Gaebler 1992; Naschold 1997; Pollitt 2003).¹ Moreover, the idea of private-public partnerships fits well into current discourses of a “network society” (Castells 1996), “co-production” of public sector bodies and private agents (Llewellyn and Saunders 1998) and “public governance” implying a fundamental change in the role of government from provider to enabler, and to an erosion of traditional sector barriers (Kickert et al. 1997; Ziekow 2002; Kooiman 2003). Current connotations in the German academia are that of an “activating”, a “negotiating” or a “cooperative” state (Schuppert 2000). Public-private partnerships are equally promoted by governments, the European Union, international organizations such as the Worldbank Group, UNDP, UNEP and private sector actors making the term a worldwide “buzzword” with multiple meanings, often encompassing all kinds of cooperation between private and public sector from simple contracting-out to joint organizational or informal arrangements (Linder 1999; McQuaid 2000; Pollitt 2003).

Not surprisingly, this current popularity – dominated by experiences of Anglo-Saxon countries with a pragmatic *public interest* administrative culture – has also seized continental-European countries with a distinct legalistic *Rechtsstaat* tradition, and in Germany and Austria, it has also become popular to advocate public-private partnerships. They have increasingly found their way both into government programs² and academic discussion (Budäus and Eichhorn 1997; Eilmansberger et al. 2003; Gesellschaft für öffentliche Wirtschaft 2004; Sack 2005). In spite of this increasing interest, practical implementation especially of complex infrastructure projects entailing a transfer of risk to private parties is still comparatively sparse (Beirat 1998; Roggencamp 1999; Bastin 2003; BMWA 2004). Such cooperation is contractually formalised in various forms of Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) models and intends to develop synergies with identities and responsibilities of the partners remaining intact (Kouwenhoven 1993; Budäus and Grüning 1997). This form of public-private partnership for Austria – similar to Germany – has to be understood as a new form of organizational practice where “implementation has hardly left the stage of pilot projects” (Beirat 1998, 10).

Against this background, the collapse of a leading public-private partnership initiative in Austria – the so called ADONIS-project³ presented as “showpiece for a public-private partnership model in Austria” and “the first of its kind worldwide” – in 2003 is of special interest. The project was initiated by the Austrian federal government to set up a country-wide security radio network for all “flashing blue light organizations” (police, fire brigade, ambulance and army). Coordinated by the Federal Ministry of Interior it was conceptualized as a public-private partnership with total capital expenditure estimated to range between EUR 250 and 370 million. It was designed as a 15 year concession contract where a private sector consortium was to design, build, finance and operate public service infrastructure with public sector’s involvement limited to output specifications, contracting and facilitation (i.e. a build-own-operate-transfer model). The operator should recover the capital expenditure through charges paid by the network users. Soon after its

formation in late 2002, various implementation problems arose leading to increasing conflicts between the contract parties – the Federal Ministry of Interior and a consortium of a German MNE and some of the largest private sector companies in Austria – and a rapid escalation with the project being cancelled in June 2003. Both parties harshly blamed each other⁴ and the private partner claimed a loss of about EUR 187 million. In mass media, the project was broadly covered and referred to as collapse, chaos, fiasco, flop or nightmare-project alluding to its explosive nature for both sides.

The paper investigates why, in spite of the high strategic relevance and expectations from both sides, this public-private partnership collapsed so dramatically. It provides an explorative study of the arguments and rationales the partners used in public affairs management to explain, describe and justify the partnership and its collapse to gain a better understanding of the difficulties and dynamics of public-private partnerships in general.

2. RESEARCH FOCUS AND THEORY

As outlined by Rosenau (2000, 217), not much is known about the success and failure of public-private partnerships. The increasing importance of mixed public-private or hybrid organizations creates new research challenges (Noordegraaf and Stewart 2000, 439) especially for Continental European countries with their distinct institutional context. Empirical studies indicate that in spite of all the euphoria not only in Germany and Austria but also in the Netherlands (e.g. Teisman and Klijn 2000 and 2002; Klijn and Teisman 2003) or Scandinavia (Collin and Hansson 2000; Greve 2003), implementation of public-private partnerships is rather low and the gap between announcement and reality of partnership as a new governance scheme seems to be substantial.

Austria is an interesting case due to several reasons. It is characterized by a legalistic *Rechtsstaat* tradition⁵ with a relatively strong differentiation of private and public sector, the latter with an overriding juridical and political rationality (e.g. Ziller 2003; Hammerschmid and Meyer 2005). Public sector in Austria traditionally relies on a complex and tight system of legal regulations with a sophisticated system of juridical protection centered upon a constitutional and an administrative court, a closed career system with public executives mostly having no private sector experiences, a strong hierarchy with ultimate political and legal responsibility lying with the Minister (*ministerial responsibility*) and a high relevance of various forms of checks and control. In an international comparison Naschold (1996, 43) described the Austrian public sector as traditional bureaucratic regulatory model with only a modest use of market instruments and called it the “home of legalistic administration”.

Discourses on public-private partnership as new governance structure often feature a rational choice logic. For public and private sector actors the decision to enter a partnership is understood as weighing up possible benefits and possible risks against the background of specific – more or less conflicting – self-interests. In general, advantages are seen to tend to outweigh risks if the right organizational and procedural arrangements are in place (Savas 2000; Bastin 2003; Handley-Schachler 2003). The importance of clear goals and responsibilities, an efficient and fair sharing of risks, incentives, monitoring and political support within an enabling regulatory environment are described as critical success factors (e.g. BMWA 2004). Such recommendations – explicitly or implicitly – are theoretically informed from rational choice approaches such as institutional economics, public choice and game theory (e.g. Budäus and Grüning 1997; Roggencamp 1999; McQuaid 2000; Savas 2000; Schaeffer and Loveridge 2002; Hart 2003). Based on methodological individualism, existence and decline of governance structures – with networks as one of the elementary forms of governance besides market and hierarchy (Williamson 1985) – are explained with reference to individual rationality at the micro

level. Partnerships are analysed as arenas in which scarce and specialized resources are allocated and efficient governance arrangements have to take into consideration transaction costs, information asymmetries between principal (the public sector) and agent (the private sector), the rules of the game, power structures or assignment of user rights and contributions as theorized by agency theory (Alchian and Demsetz 1972) and public choice theory (Ostrom and Ostrom 1971). Game theory (Axelrod 1984; Scharpf 1997) with policy processes interpreted as series of games regards the negotiations between the two partners as crucial element for the success or failure of partnerships and also offers a wide range of recommendations to foster cooperative behavior.

In Austria, similar to Germany, the debate of public-private partnerships is characterized by a strong focus on legal aspects with a similar rational choice molding (e.g. Ziekow 2002; Eilmansberger et al. 2003; Mittendorfer and Weber 2004). One finds the common argument of an optimum contract structure being the primary condition for a successful cooperation. Following rational choice approaches, conflicts or the collapse of partnership agreements consequently are related to conflicting interests of the partners, principal-agent problems, insufficient contractual agreements and organizational as well as procedural deficits.

An alternative explanation to this emphasis on the rational and political nature of public-private partnership dynamics is offered by neoinstitutional theory understanding partnerships as an organizational practice with symbolic meanings embedded in a national institutional context. In contrast to rational choice approaches, sociological neoinstitutionalism based on the pioneering work of Meyer and Rowan (1977) and DiMaggio and Powell (1983) or a similar strand in political science (March and Olsen 1989) puts its focus on the institutional embeddedness of organizations. Individual preferences, organizational interests as well as the repertoire of behaviors and social practices are shaped by their institutional environment. Along a tradition of interpretive sociology, the functioning of a social system is understood to rely on a mutual

understanding among actors about appropriate forms of behavior and on the common definition of an objective and socially constructed reality (Berger and Luckmann 1966).

Institutions create powerful pressures for organizations to seek legitimacy and strive for social conformity through the adoption of legitimized templates of structure and action (DiMaggio and Powell 1991). Organizational structures and practices consequently appear to be institutionally influenced in ways which cannot be explained by an instrumental rationality of efficiency and competitive interaction between organizations. By “designing a formal structure that adheres to the prescriptions of myths in the institutional environment, an organization demonstrates that it is acting on collectively valued purposes in a proper and adequate manner” (Meyer and Rowan 1977, 349). The relevance of institutionalization processes seems to be of special relevance for the public sector (Tolbert and Zucker 1983), but recent empirical evidence also indicates that such effects similarly can be observed for private sector and financial markets (e.g. Zajac and Westphal 2004).

With the concept of institutional logics, neoinstitutionalism offers an interesting theoretical concept for understanding public-private partnership dynamics and possible conflicts between the partners opening the need for public affairs management to legitimize action. Friedland and Alford (1991) in their influential article stress the importance of understanding society as a potentially contradictory inter-institutional system with a set of differentiated and specialized cognitive and normative systems (Scott 1987, 500). Institutional logics are thereby understood as sets of “material practices and symbolic constructions which constitute a field’s organizing principles and which are available to organizations and individuals to elaborate” (Alford and Friedland 1991, 248). They are historically-variant belief systems carried by the participants in a field to guide and focus their attention and give meaning to their activities; they specify what goals or values are to be pursued and indicate the appropriate means for pursuing them. Economic forces impinge on organizations, but how actors interpret the meaning and the consequences of those economic forces is contingent on these institutional logics (Thornton

2002, 82). Within a relatively new focus on institutional change, a number of empirical studies (eg. Fligstein 1990; Cooper et al. 1996; Brock et al. 1999; Thornton and Ocasio 1999; Scott et al. 2000; Kitchener 2002; Thornton 2002; Zajac and Westphal 2004; Reay and Hinings, 2005; Suddaby and Greenwood 2005) have highlighted the central role of institutional logics for the emergence of new organizational structures or practices. They have been described as “key to understanding organizational change” (Brock et al. 1999, 3) as new governance structures are largely based on “changing logics leading the way” (Scott et. al. 2000, 174). Due to their vagueness institutional logics open room for interpretations, translations and local variations and, at the same time, securing agreement with common values and identity features.

According to neoinstitutional theory we can not expect consensus within a society about which beliefs are appropriate for what types of activities (Scott 1987; Friedland and Alford 1991). Any activity or organizational practice can have multiple meanings and can be the focus of conflicting and contradictory institutional understandings and demands. This also allows actors to draw on different or multiple logics to pursue interest and legitimize action towards stakeholders (Dacin/Goodstein/Scott 2002; Suddaby and Greenwood, 2005).

Especially during periods of transition between dominant logics, actors are likely to use explanations from both logics (Johnson, Smith and Codling 2000). Studies also confirm that reconciling competing institutional logics is notoriously difficult and instable (Cooper et al. 1996).

For public-private partnerships at the “twilight zone” of public and private sector (Collin and Hansson 2000) with identities and responsibilities of the partners remaining intact (Kouwenhoven 1993; Budäus and Grüning 1997), we can assume the occurrence of such struggles between competing logics.⁷ Public sector forms a distinct area of institutional life in the sense of an organizational field (Sahlin-Andersson 1996) and especially Continental European countries within a *Rechtsstaat* tradition seem to be characterized by pronouncedly different

public and private sector institutional logics. Due to its legalistic *Rechtsstaat* tradition as described elsewhere (e.g. Naschold 1996; Ziller 2003; Hammerschmid and Meyer 2005), considerable sector differences regarding the various dimensions of institutional logics (Thornton and Ocasio 1999; Thornton 2002) exist in Austria (see table 1).

	public sector institutional logic	private sector institutional logic
identity	sovereign state backed by the power of coercive sanctions and full responsibility for "state tasks"	business organization within a competitive environment
legitimacy	based on democratic representation, public interest and legality legitimacy through procedure (logic of appropriateness)	based on market and business success legitimacy through results (logic of consequentiality)
authority structure	unitary and hierarchical system of authority based on a comprehensive and broad political-administrative accountability and a tight hierarchy of rulings and comprehensive formal controls	contractual system of equal partners based on managerial autonomy under authority of CEO and company owners
focus of attention	primacy of politics and balancing conflicting interests	primacy of private good and monetary criteria such as profits or efficiency
governance mode	governance based on inputs, procedural rules, bureaucracy, controls and professionalism	governance based on results and performance measurement
investment logic	procedural logic of investments	market return as primary logic of investments

table 1: different public and private sector institutional logics

Rational choice approaches are also aware of domain differences, but mostly treat them as different motives, goals and interests (e.g. Budäus and Grüning 1997; Schaeffer and Loveridge 2002; Hart 2003) and thereby imply a high level of intentionality, consciousness and rationality. In this paper I assume that dynamics of organizational practices such as public-private partnerships may be driven by symbolic as well as substantive considerations (Zajac and Westphal 1995; Creed, Scully and Austin 2002) and investigate the actors' rationalizations for the failure of the ADONIS partnership to explore the relevance of both theoretical perspectives outlined and the question about which institutional logic will be drawn on by the partners to legitimize action towards stakeholders in the public sphere.

3. METHOD AND DATA

The analysis is based on the media coverage of the ADONIS-project and supplemented by accessible parliamentary and Audit Office materials as additional sources. To track the dynamics and problems of this partnership, use and content of accounts found in speaker statements are investigated, combining elements of both quantitative and qualitative research tradition. I content-analyze through what accounts the speakers and especially the partners explain and give meaning to this new organizational practice and later its collapse. In more detail, I examine the extent to which the two partners draw on and make use of similar or different accounts. As it is an exploratory study, there is no explicit testing of hypotheses. This approach should allow both a better understanding of the institutional context as “explanations are constrained to be legitimate and acceptable in the social context” (Pfeffer 1981, 4) and open the possibility to gain access to institutional logics, as they become manifest when organizational actors try to explain to themselves or justify to others the selection of specific means, ends and the linkage between them (Fligstein 1990). Accounts are explanations for a given action by framing it within the context of a larger body of taken-for-granted knowledge (Lamertz and Baum 1998, 102). However, accounts can also be strategically and manipulatively used by actors as a rhetorical device for demonstrating and establishing appropriateness and rationality of behavior. They serve to state the “organization’s worthiness and acceptability” (Oliver 1991, 158) and affirm a legitimate social identity (Elsbach 1994). The method of analyzing accounts has been applied by institutional research focusing on active management of legitimacy bolstering new structures or practices (Lamertz and Baum 1998; Greenwood, Suddaby and Hinings 2002; Zajac and Westphal 2004; Meyer 2004; Suddaby and Greenwood 2005) or controversial effects (e.g. Elsbach 1994) with socially legitimate language.

It has also been suggested to use verbal accounts rationalizing the establishment and development of specific organizations or organizational practices as method to gain access to institutional logics or frames of references (e.g. Elsbach 1994; Zajac and Westphal 1995 and 2004; Meyer 2004). The ADONIS case seems to be well suited for such a research not only due to the novelty of private-public partnerships in Austria but due to the later conflict and collapse. Neoinstitutional research has pointed to the special role of strategically using links to institutional logics to provide rational accountings in case of failures, which call for extended legitimating work (Meyer and Rowan 1977, 350; Fligstein 1990, 11).

As this analysis is based on accounts found in newspaper articles, specific features of the press as a central arena or stage for political issues (Hilgartner and Bosk 1988; Baumgartner and Jones 1993) and a pivotal monitor of organizational action (Deephouse 2000) have to be taken into consideration. Public media provides a forum where organizations and stakeholders debate what constitutes a good organization, practice or decision and which organizations have good reputations (Gamson et al. 1992). They act as social transmitters of the meaning of organizational action to the broader community of social actors on whom organizations depend for critical support and legitimacy (Lamertz and Baum 1998; Deephouse 2000; Meyer 2004). Press serves a face-saving function for organizations (Elsbach 1994) and equally plays a critical role in the legitimization of new organizational practices. As a consequence a strong element of strategic sense-making by organizations (Oliver 1991) is inherent in media accounts. These features make media accounts a suitable method both to record and map events and indicate social evaluation and legitimacy as applied in research combining institutional theory and impression management perspective (e.g. Dutton and Dukerich 1991; Elsbach 1994; Lamertz and Baum 1998).

The occurrence and content of accounts in the press also captures sense-making activity by the press itself. The press as intermediary between organizations and the public acts as a negotiator and creator of meaning (Abrahamson 1996). Research, particular on agenda setting theory (Dearing and Rogers 1996), suggests that the media influences public knowledge and opinions and handles information with its own logic of making the news (Dearing and Rogers 1996). On the other side, there are “pressures at multiple levels for the media to record thoroughly important events, issues, and opinions about them for the public” (Deephouse 2000). Overall, mass communication research indicates that media record public knowledge and opinion but also mediate public knowledge and opinions (eg. Dutton and Dukerich 1991; Elsbach 1994; Deephouse 2000, 1095). Also we can assume that while the choice of accounts and the content by the press is flexible and a product of intentional activity, it largely will reflect norms and belief systems of their targeted audience.

The paper monitors the media coverage of the ADONIS-project over its whole “life” from the planning stage in 2001 till the end of 2003, half a year after the final collapse. The core data has been retrieved from the Austrian Press Agency archive including all press agency reports, mass media, business press, and press releases . All articles found with the textmarkers “ADONIS” and/or “Mastertalk” (the name of the private partner consortium) were collected with the initial sample consisting of 298 articles. For the coding, all articles which did not include any speaker statement were excluded, resulting in a sample size of 193 articles with 325 speaker statements. I thereby defined as a speaker statement any reference of a distinct speaker presenting reasons or accounts for the formation of the ADONIS project or its later problems and tensions. For the content analysis these speaker statements were used as primary recording unit. Because each speaker statement may contain multiple accounts, the sample consists of 128 accounts for setting up the ADONIS project and 545 accounts for problems, tensions and the final collapse. These accounts were collected by two coders and clustered

according to their content through an iterative approach. In a further step, all accounts were coded according to these content types.

For our sample of 325 speaker statements, we coded as content variables the name of the speaker, speaker type (public partner, private partner, other public sector actor, other private sector actor or journalist), assessment of the partnership (positive, critical, ambivalent, no reference) and the accounts. In addition, for both the public and the private partner the assessment of their counterpart was coded (positive, critical, ambivalent, no reference).

Apart from frequency and correlation analyses, the results also include an analysis of the differences between public and private sector partner. I used the Mann-Whitney U rank sum test as the most widely-used significance test for comparing two independent samples. This non-parametric test is appropriate for ordinal data and assesses whether the degree of overlap between the two observed distributions is less than would be expected by chance. The accounts were transformed to a dichotomous form (yes/no) for this analysis.

Before presenting the results of the media analysis regarding the speakers' rationalization of the events, a short description of the main features, events and dynamics of the ADONIS project will be given.

4. RISE AND FALL OF A PROMINENT PUBLIC-PRIVATE PARTNERSHIP IN AUSTRIA

The ADONIS project reaches back to the year 1996 when the Minister of Interior presented a plan to modernize police radio communication, which was cancelled due to the Finance Minister's objection. A new initiative under the next Minister favored a public-private partnership approach with acquiring private capital along a strict federal budget consolidation program as an important driver for choosing this design. From the beginning, the project attracted a high level of political and public attention. Based on the events, I distinguished four different phases: a

pre-PPP phase from 2001 till the contract signature in July 2002; a *phase of consensus* till the first critical arguments between the partners appearing in the press in March 2003; a *phase of discord* till the mutual cancellation of the contract in June 2003 and a *post-PPP phase* till the end of 2003. Media attention grew steadily from 12.9% of all speaker statements in the pre-PPP phase to 36.9% of all speaker statements in the post-PPP phase. The relatively equal share of speaker statements by public partner (30.2%) and private partner (38.8%) also indicates a similar access and voice of these speakers in the media which was highly stable over the course of time.⁸

A look at the speaker statements, which included an assessment of the partnership or the partner, clearly confirms the escalating path of the project (see table 2).

phase	partnership assessment by speaker*			partner assessment by speaker*	
	all speakers	public partner	private partner	public partner	private partner
pre-PPP	+ 22.6 (n=31)	+ 22.2 (n=6)	+ 40.0 (n=10)	- (n=0)	- (n=0)
consensus	+ 38.9 (n=36)	+ 44.0 (n=9)	+ 71.5 (n=14)	+ 100.0 (n=3)	+ 100.0 (n=1)
discord	- 56.1 (n=82)	- 80.7 (n=30)	- 21.7 (n=23)	- 100.0 (n=30)	- 92.3 (n=13)
post-PPP	- 68.0 (n=75)	- 32.5 (n=26)	- 90.6 (n=32)	- 100.0 (n=29)	- 95.8 (n=48)
total	- 33.9 (n=224)	- 28.5 (n=71)	- 25.3 (n=79)	- 90.4 (n=62)	- 92.0 (n=62)

* difference between % positive and % negative assessments

n ... number of speaker statements including assessment of project or partner

table 2: assessment of partnership and partner by speakers in the media

Whereas the first two phases were characterized by a strongly positive assessment of the partnership as a whole and a harmonious relationship between the partners, the data draw a distinctively negative picture for the latter two phases. The correlations between phase and partnership assessment (Spearman-Rho $-.389^{**}$) respective partner assessment (Spearman-Rho

$-.313^{**}$) are both highly significant. They especially show how increasing tensions regarding the project led to both partners intensively blaming each other.

The pre-PPP phase was dominated by a European-wide tendering process whereby the Austrian federal government in September 2001 invited companies to formally express their interest. During the bid phase all three tendering consortia – consisting of Austrian companies with each an MNE technology provider – communicated repeatedly their expectations regarding the financial modalities. They stressed the importance of blue-light organizations – with the *Länder* (the state level in the Austrian federal system) as main financier – and other commercial users (eg. transport and logistics enterprises) to be included in the net to allow a commercial break-even.

On April 5th 2002, the ADONIS project was awarded to Mastertalk, a joint-venture of the Austrian affiliate of a MNE technology provider with a long tradition of contracts for the Austrian public sector, and city of Vienna community services. The decision was argued on a business case with the lowest annual costs for the federal government. A complaint of a defeated consortium at the federal authority of appeal led to legal arguments reaching the constitutional court and causing a delay of three months. In July 2002 the claim was refused and the contract was finally awarded, marking the start of the consensus phase. The Ministry of Interior gave approval to a commercial use of the net under condition of clear separation between public and commercial users, making a second sender-frequency – to be approved by the public telecom regulator – necessary. Mastertalk on the other side agreed to fixed annual user fees for the 24,500 users guaranteed by federal government, and additional users (the *Länder* blue-light organizations) to be acquired by the private partner according to the business plan. The contract left technical specifications, tariffs and localities open for later agreement. The completion of the entire system with about 1,300 transmitting aerials was scheduled for 2005.

Media coverage of the project showed a significant rise in the fourth quarter 2002 (14.2%). In October 2002, the private partner made two important organizational decisions. He increased

the number of consortia partners by selling shares to a major regional bank and the largest Austrian energy provider, supplying the consortium with strongly needed financial resources. At the same time a widely known manager with the reputation of being a “tough turnaround manager” was announced as new CEO to take charge of marketing and client acquisition tasks. By the end of October, Mastertalk faced a critical setback in its plans for a commercial use of the net. The public telecom regulator refused to issue the necessary license substantiated with the bid being below the minimum-offer. Mastertalk’s activities at that time were focused on acquiring “blue-light” users at the *Länder*-level – crucial for the commercial viability of the project –, though not proceeding very successfully due to reservations of these potential users towards high tariffs and commercial openness.

In November 2002, the official project launch was presented in a joint press conference by both partners announcing details of the agreed business plan. Both partners were committed to an additional commercial network, although not prior to 2005 due to the still outstanding license. The core security-network rollout, however, was still announced to be on time.

The next months were shaped by upcoming complications: Mastertalk’s – in the end unsuccessful – attempts to gain additional shareholders, blue-light organizations at *Länder* level making their commitment to the net dependent on a financial guarantee by *Länder* and local governments, and negotiation processes severely complicated by the necessity for Mastertalk to negotiate the conditions with nine *Länder*, numerous local governments and a broad range of blue-light organizations separately.

In March 2003, the short phase of consensus with an overall positive assessment of the partnership (see table 2) came to an end. First messages appeared in the media, that the Ministry of Interior already was assessing possibilities of an exit-scenario due to fears of a rising budgetary burden as a consequence of the small number of acquired ADONIS users. Estimates

of only 40,000 final users at this time were in stark contrast to the 120,000 potential users estimated just four months earlier, making a rise of fees necessary for Mastertalk.

The next quarter, the media coverage reached a peak with 39.1% of all statements falling into this period. In April 2003, a test operation in selected regions was commenced finalizing Phase 0 of ADONIS in time with 90 radio base stations and already EUR 40 million invested. At that time the Ministry of Interior criticized Mastertalk for not fulfilling its contractual obligation to “actively acquire blue-light organizations” and mentioned the possibility to exit the contract. A further critique raised related to technical difficulties during the network rollout for the Lower-Austrian red-cross organizations resulting in their threat – as the largest ambulance service of Austria – not to join the project. As a consequence the Ministry of Interior refused to accept the completion of Phase 1. In one of the newspapers the project was now described to have turned into a “nightmare-project”. Public discussions about ADONIS became more and more frequent from May 2003 on with parliamentary opposition accusing the Minister of “serious failings” and “chaotic conditions”.

In May 2003, parallel to a request of Mastertalk for re-negotiations to solve the fee-dispute, the Ministry of Interior issued an official letter to Mastertalk management, accusing them to “act unprofessionally”, “not keeping time schedules” and having “submitted insufficient project plans”. Mastertalk was formally given a deadline to propose a solution for the project shortcomings and a guarantee for keeping the project on track. The mutual accusations between Mastertalk and Ministry of Interior increased, focusing on technical shortcomings being defended by Mastertalk as “normal” difficulties of complex projects. Mastertalk required extra-arbitration negotiations and a last, though unsuccessful, attempt for an amicable solution was started in June. As shown in table 2, during this phase of discord the public partner acted more confrontational whereas the private partner downplayed the problems.

June 26th 2003 both partners mutually cancelled the ADONIS contract simultaneously. Mastertalk and its owners also announced a damage suit claiming a loss of about EUR 100 million, later raised to EUR 187 million, with a decision still standing out. Only a few days after the contract failure, Mastertalk announced almost all 90 employees for dismissal and the CEO resigned. In one of his last statements, he called the ADONIS project his “mission impossible”. The political opposition also acted sharply upon the failure and placed a parliamentary request and announced to consider further parliamentary means, ranging from simple request to a direct charge of the Minister.

This last phase was characterized by a high intensity of both partners blaming each other (see table 2) and – in contrast to the discord phase – the private partner now assessing the project overwhelmingly critical, whereas the public partner acted more moderately, having already the preparation for a project re-launch. The Ministry of Interior confirmed its willingness to implement a nationwide common radio network for all blue-light organizations. In October 2003, it issued a new tender under a changed project name and restarted the tender process. The project was back to the start with the question of the technology to be chosen and the possibility of a commercial use still left open. Private sector interest in the project was continuously high with five consortia announcing their interest.

In the next chapter, based on a detailed analysis of the accounts presented by the speakers, the reasons and rationales for this continuous escalation will be outlined to provide a better understanding for dynamics of the project and the partners’ reactions.

5. LEGITIMIZING THE FAILURE IN THE PUBLIC SPHERE

Complexity, scope and political relevance of the ADONIS project make an analysis of possible reasons for the collapse a quite complicated task due to a broad spectrum of interrelated

causes difficult to disentangle and with quite different interpretations.⁹ The data picture a broad spectrum of reasons presented by the various speakers to explain both the formation and later collapse of the partnership (see table 3).

accounts for the formation of the partnership			accounts for tensions, problems and collapse of the partnership		
	n			n	
1. easing budget burden	11	8.6%	Project features and conception	272	49.9%
2. technical advantages	32	25.0%	commercial attractiveness	26	4.8%
3. organizational advantages	18	14.1%	number of participants	95	17.4%
4. commercial success	19	14.8%	resource problems (time / cost)	51	9.4%
5. public interest - security	38	29.7%	public security interests	21	3.9%
6. public interest - economical	10	7.8%	contract	32	5.9%
			process	33	6.1%
			project complexity	14	2.6%
			public partner	105	19.3%
			public partner attitude	45	8.3%
			public partner coordination	13	2.4%
			public partner competence	29	5.3%
			public partner finance	18	3.3%
			private partner	87	16.0%
			private partner attitude	1	0.2%
			private partner coordination	2	0.4%
			private partner competence	69	12.7%
			private partner finance	15	2.8%
			context	81	14.9%
			Austria in general	24	4.4%
			public procurement law	21	3.9%
			fragmented polity	36	6.6%
total	128	100%		545	100%

table 3: media accounts explaining and arguing the public-private partnership

A large majority of accounts is related to the partnership tensions and collapse. Even after the collapse the need to justify why the project had been set up as a partnership seemed to be rather low with 69.6% of all formation accounts having been recorded in the first two conflict-free phases. The accounts given for the formation show a strong resemblance to functional reasoning as found in management literature on public-private partnerships stressing an increased problem-solving capacity and advantages for both partners, whereby argumentation

on advantages for public security (29.7%) and technical advantages (25.0%) were the most widely used accounts.

A large spectrum of accounts to argue the partnership tensions and collapse was found. These accounts were categorized and condensed to four main themes. With 49.9% the majority of accounts argued the problems and final failure with the partnership features and basic conception laying ground for fundamental conflicts of interest. According to this argumentation, the main problem was an underestimated low demand by blue-light organizations – mostly due to high tariffs – for the planned net (17.4%) leading to increasing conflicts between the partners. On one side the government – with budget consolidation as central policy goal – insisted on the agreed user fees not showing any willingness to pay for more than the agreed participants versus the private partner arguing a business case and demanding higher fees. 4.8% of the accounts explained the ADONIS problems with lacking commercial attractiveness for the private partner. A second fundamental divergence of interests concerned the openness of the system for commercial users in trade-off with government's security goals (3.9%). Also a relatively high number of accounts argued the tensions and the collapse with resource problems (9.4%) – costs high above the estimated level and a too ambitious time-setting leading to considerable delays –, organizational and procedural deficits (6.1%) and insufficient contractual agreements (5.9%). 2.6% of the accounts also argued the collapse with very high project complexity and immature technology.

The second largest theme for accounting and explaining the collapse (35.3%) were deficits regarding one of the partners, whereby the arguments relatively evenly pointed to both partners. Not surprisingly most of these accounts came from the partners themselves along the continuously escalating “blame game” of mutual accusations (see also table 2). 74.7% of all accounts diagnosing private partner deficits came from the public partner and 65.7% vice versa.

Interestingly, accounts relating to the private partner mostly pointed to competence deficits (12.7%), whereas the public partner was primarily criticized for an inadequate attitude (8.3%) argued as a lacking commitment for cooperation and willingness to stick to agreements, often directly related to the Minister. Less important but still present were accounts explaining the collapse with each of the partners' lack of financial resources (3.3% resp. 2.8%) and coordination deficits among the partners themselves (2.4% resp. 0.4%).

The results also indicate the relevance of contextual-institutional factors influencing the dynamics. 14.9% of the accounts referred to more general problems and difficulties within the Austrian institutional context indicating more durable and fundamental problems of public-private partnerships in Austria. These accounts argued the tensions of ADONIS with the fragmented polity of nine constitutionally independent *Länder* and autonomous local governments causing considerable difficulties for an Austrian wide project (6.6%), the Austrian system in general (e.g. "typical for Austria") (4.4%) and the regulatory-legal context, especially a public procurement law under change (3.9%).

A total of 71.4% of all accounts for the tensions and collapse were recorded in the latter two periods. But also in the first two consensual phases accounts relating to tensions and problems were already present, mostly concerned with legal and procedural problems of the tendering and skeptical voices of tendering enterprises regarding the number of participants guaranteed by the government .

For the phase of discord, the data show a dominance of three accounts – number of participants, resource problems and the private partner's missing competencies in adequately handling these problems – totaling 64.1% of all accounts during this period. The ex-post rationalization, in contrast, was dominated by partner accounts (53.0%), reflecting the

increasing mutual blaming of the partners, but also a stronger presence of accounts related to contractual deficits (10.0%).

I tested account differences between the public and the private partner through a Mann-Whitney-U test which made a transformation of the variables necessary. I tested the partner accounts not according to what partner they did point at, but according to the account content (attitude, coordination, competence, finance). The results of this test are presented in table 4 and 5.¹⁰

	mean rank		Z value	P
	public partner (n=98)	private partner (n=126)		
1. easing budget burden	115.36	110.28	-1.810	.070
2. technical advantages	111.64	113.17	-.353	.724
3. organizational advantages	113.00	112.11	-.235	.814
4. commercial success	109.07	115.17	-1.565	.117
5. public interest – security	114.07	111.28	-.621	.535
6. public interest – economica	107.50	116.39	-2.847	.004

P = Asymp. Sig. (2-tailed)

Table 4: Mann-Whitney-U test for accounts on formation of partnership

With one exception the U-test on accounts for the formation with one exception shows no significant differences between public and private sector partners. Both partners strongly argued the partnership formation with technical-functional advantages and organizational advantages but also seemed to strategically link to the interests and norms of the partner, especially with accounts on commercial success, public interest and easing of budget burden. The Minister stated to “appreciate it, when the private partner will make a profit as this will strengthen the own bargaining power” and the private partner on several occasions pointed to budgetary advantages for the government. The only statistically significant difference was found for accounts emphasizing the economical advantages of the partnership for the public in form of

subcontracts for the Austrian economy, an argumentation brought forward only by the private partner.

		mean rank		Z value	P
		public partner (n=98)	private partner (n=126)		
project	commercial attractiveness	102.14	120.56	-4.012	.000
	number of participants	110.71	113.89	-.516	.606
	resource problems	126.36	101.72	-4.541	.000
	public security	117.57	108.56	-2.386	.017
	contract process	105.93	117.61	-2.710	.007
	project complexity	114.29	111.11	-.793	.428
		112.71	112.33	-.117	.907
	partner	partner attitude	95.29	125.89	-5.338
partner coordination		110.00	114.44	-1.990	.047
partner competence		139.29	91.67	-6.592	.000
partner finance		110.14	114.33	-.913	.361
context	Austria in general	102.00	120.67	-4.236	.000
	public procurement law	113.86	111.44	-.738	.460
	fragmented polity	112.64	112.39	-.062	.951

P = Asymp. Sig. (2-tailed)

Table 5: Mann-Whitney-U test for accounts on tensions and collapse of partnership

Regarding accounts for conflict and tensions, the results show considerably stronger differences in the argumentation of both partners with highly significant differences in the use of six accounts and a significant difference regarding one more account. Especially noticeable seems a major difference in accounts regarding the mutual blaming of the partners. Whereas the public partner mostly argued the collapse with private partner competence deficits – being the single most important account (35.2% of all accounts) –, the private partner overwhelmingly argued on the public partner attitude, with 17.5% also the single most important account.

Further accounts nearly exclusively used by the private partner were a general reference to a generally unfavorable national setting in Austria, lacking commercial attractiveness and contractual problems. On the other side, resource problems, which can be interpreted as

reflecting the traditional input-orientation of the public sector are far more widely used by the public partner as well as accounts on public security with skepticism regarding the commercial opening of the net.

Regarding the other accounts – e.g. number of participants, project complexity, fragmented polity, and public procurement law – the test showed a very similar argumentation of both partners throughout the project. These accounts seem to be equally compatible with both partners' prevailing norms and institutional logics.

Overall, these accounts clearly reveal a prevalence of rational choice argumentation and legitimating language in the public discussion. Most of the accounts given for the tensions and collapse strongly relate to rational choice ideas of conflicting partner interests, principal-agent problems, insufficient contractual agreements and organizational and procedural deficits. Rational choice approaches consequently offer a lot of explanations for the collapse and general problems of public-private partnership arrangements.

The fundamental conflicts – brought to surface by lacking interest of potential users – led to mutual attempts of shifting economic and political risks to the other side. A clear separation of risks along principles such as cheapest cost avoiders or cheapest insurer in practice was hardly operable as both political risks (number of participating organizations) and technical risk (integrating infrastructure and operating technique) in the ADONIS project often proved to be dependent on both partners' activities. Also in general, the public partner seemed to be in a stronger bargaining position regarding the contractual agreement with several consortia competing for the project. Although applying enterprises during the tendering phase on several occasions pointed to the crucial importance of enough participants for the commercial viability of the project, the contract did not specify this point sufficiently. Similar to this, the common recommendation of clearly specifying partner goals and responsibilities came to a limit in face of a complicated multi-actor network¹¹ within a fragmented polity context.

A crucial problem related to designing an adequate relational contract. With a high priority given to legal aspects with the contract consisting of more than 2,500 pages, ADONIS revealed the limitations of contractual governance. Due to a wide range of contingencies and technical complexity, the contract awarded had to leave technical specifications, tariffs and localities open for later agreement opening room for principal-agent problems.

Consequently, the partnership increasingly led to hold-up situations with one partner being dependent on the other partner's efforts (e.g. the private partner needing public sector efforts regarding technical infrastructure or the acquisition of blue-light organizations) and the second using this to improve his position. An Audit Office Report on the ADONIS collapse published in 2004, followed these arguments. As main reasons for the collapse it put forward deficits in contractually specifying details of the partnership and the lack of ex-ante agreements with the *Länder*. The Ministry of Interior in an answer to this report defended its actions by the impossibility to clarify all these aspects in advance.

Being aware of the impossibility of all-inclusive contracts (e.g. Williamson 1985; Hart 2003) rational choice approaches typically suggest complementary procedural and structural measures whereby ADONIS showed how difficult such recommendations are to follow in practice. The partnership contract comprised an agreement that the partners had to jointly define and periodically refine the implementation schedule within the range of contractually defined milestones. A realization was strongly impaired by the existence of several subgroups and working teams – quite typical for the Austria political culture – resulting in a problematic fragmentation of project management.

The obvious inability of both partners to tackle upcoming problems, an ossification of positions and the escalation of events in spite of the high stakes for all partners involved point to quite fundamental tensions which might be related to competing institutional logics. Although I found a confirmation of different accounts used in course of the conflict and some problems of

understanding the motives of the partner – especially for the private partner – competing institutional logics did not become manifest along the fierce mutual blaming. Instead, both partners' arguments strongly drew on a private sector logic to legitimize their action and the upcoming collapse. Institutional logics seemed less restraining as suggested by the taken-for-granted and cognitive quality often protruded by neoinstitutionalism but seemed to be open for strategic and manipulative use by both partners as a rhetorical device for demonstrating rationality of behavior towards the public.

Especially in the consensual phase, both partners' accounts flexibly linked to public and private sector logics to argue the partnership formation. Later, in course of the increasing conflict, private sector logics became the primary source of legitimization. The private partner in the media debate often referred to an incompatible rationality of the public sector counterpart. The withdrawal was argued with respect to a "responsibility for proper commercial activity" as a consequence of the Ministry of Interior not being open for a market logic and ignoring the business case. They saw their partner violating his contractual obligations to contribute to the partnership especially by delaying necessary decisions and thereby increasing project costs. In their view, also intentional indiscretions of the Ministry via the media had made the acquisition of new customers and the project financing activities impossible. Hesitations of blue-light organizations were dismissed as "political, tactical squabble" of "organizations used to be subsidized" which could be overcome by lobbying and marketing. Upcoming problems in the view of the CEO of Mastertalk just made clear "the necessity of tough management". After the collapse the private sector partner criticized the Minister as "stubborn" or "egocentric" and describing meetings as "like at the Supreme Soviet" with the public sector "participants all sitting with stoned faces and cemented positions".

The public sector partner, especially the Minister, on the other hand in the press similarly strongly referred to a private sector logic, arguing the termination by technical shortcomings,

project management deficits, delivery delays, highly unprofessional customer acquisition and financial problems on the partner's side. Also for a legalistic *Rechtsstaat* system as in Austria it seems that increasing links between the sectors seem to have changed public sector language (Oaks, Townley and Cooper 1998) with public sector actors today routinely relying on commercial vocabularies strategically linking decisions and activities with a logic of assumed higher societal legitimacy. Private sector logic today obviously enjoys higher legitimacy in the public debate with the Ministry of Interior picking up this logic at least on a rhetoric level and by the Minister deliberately cultivating an image as "manager" in the press. The political opposition also used the collapse as opportunity to "question the Minister's manager-quality".

This investigation of the ADONIS case in overall also indicates a relative high acceptance and legitimization of public-private partnership in Austria. In no phase of the project there seemed to be a stronger need for actively arguing and legitimizing this new governance structure or defending the general idea of public-private partnership. And in spite of the spectacular collapse government still is committed and actively pursuing the public-private partnership model, not only for the security network but also for other policy fields such as highway infrastructure. The private partner, although having blamed the Ministry of "destroying this innovative form of financing" and having identified "dangerous signals for any other public-private partnership project in Austria" along the conflict, again participated the new tender for the security net launched at the end of 2003. In spite of considerable implementation difficulties public-private partnerships, also in the Austrian context, seem to have acquired institutional or symbolic value over time demonstrating strongly institutionalized values and increasingly disseminating a legitimized template of structure and action.

6. CONCLUSION

Public-private partnerships are of increasing attractiveness also for countries with a legalistic *Rechtsstaat*-tradition as Austria and seem to have acquired institutional or symbolic value as a legitimized template of structure and action. The spectacular collapse of a very prominent partnership project at the same time demonstrates that the way towards establishing them in practice seems to be larded with stumbling blocks.

The paper presented two different theoretical perspectives for understanding dynamics, problems and failure of partnership governance. Rational choice approaches focusing on conflicting partner interests and principal-agent problems, appropriate contract design and organizational and procedural arrangements and a neoinstitutional perspective of competing institutional logics. The paper in an explorative form investigated the relevance of these theoretical perspectives through a content analysis of accounts in the media debate explaining and legitimizing the tensions and collapse.

Rational choice approaches undoubtedly offer useful analytical concepts helping to better understand the dynamics and difficulties of partnerships. A considerable part of the difficulties can be well explained as problems of contractual, organizational and procedural design rooted in individual rationality and competing interests as put forward by rational choice approaches. Account analysis also clearly revealed a prevalence of rational choice argumentation and legitimating language in public affairs management. Most of the accounts given for the tensions and collapse strongly relate to rational choice ideas of conflicting partner interests, principal-agent problems, insufficient contractual agreements and organizational and procedural deficits.

At the same time the case clearly illustrates limitations and difficulties of contractual governance and rational choice recommendations in case of multi-actor collaboration, a fragmented polity context and a high task-related uncertainty due to new technology. The obvious inability of both partners to tackle upcoming problems, an ossification of positions and the escalation of events

in spite of the high stakes for all partners involved point to quite fundamental tensions which might be related to competing institutional logics.

Public affairs management on public private partnerships involves struggles between competing public and private sector logics which both can be drawn on for legitimization work in the public media. This raises the question which logic has a stronger appeal and will be drawn on more intensively by the partners. Interestingly although the account analysis found confirmation for different accounts used by both partners in course of the conflict competing institutional logics did not become manifest along the fierce mutual blaming. Instead, both partners' arguments strongly drew on a private sector logic to legitimize their action and the upcoming collapse.

The analysis also indicates that institutional logics seem to be less restraining as suggested by the taken-for-granted and cognitive quality often protruded by neoinstitutionalism but more open for strategic and manipulative use by both partners as a rhetorical device for demonstrating rationality of behavior towards the public. Especially in the consensual phase, both partners' accounts flexibly linked to public and private sector logics to argue the partnership formation. Later, in course of the increasing conflict, private sector logics became the primary source of legitimization for both partners. Even in a legalistic Rechtsstaat as Austria, public sector norms, arguments and language do seem to have a difficult standing, at least in the public discussion, for legitimizing action in the public sphere.

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NOTES

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- ¹ E.g. special issues of *Public Money & Management* (Vol. 23 Issue 3, 2003), *International Review of Administrative Sciences* (Vol. 70 Issue 2, 2004) or *International Journal of Public Sector Management* (Vol. 17 Issue 5, 2004).
- ² E.g. the German federal government program *Modern State* 1999 or the Austrian federal government program *Competitive State* 2000
- ³ ADONIS for “Austrian Digital Operating Network for Integrated Services”.
- ⁴ The CEO of the private consortium blamed a “crazy Minister of Interior” who “destroys resources and workplaces in absolutely inconsiderate form” whereas the Minister made the partner’s “highly unprofessional work” responsible for the collapse.
- ⁵ In the World Economic Forum *Global Competitiveness Report* 2004 Austria was ranked top regarding legal security.
- ⁷ According to Friedland and Alford (1991, 248) state and capitalism constitute the main institutional sectors of contemporary Western societies with an institutional logic of accumulation and commodification of human activity in contrast to rationalization and regulation of human activity by legal and bureaucratic hierarchies.
- ⁸ The remaining speakers coded were “other public sector speakers” (12.9%), “other private sector speakers” (4.6%) and the “press/journalists” (13.5%).
- ⁹ The CEO of the dominating private enterprise stated in an interview some months after the collapse that “till today we do not fully understand, why the Ministry has cancelled the project”.
- ¹⁰ In addition I also tested differences between all public sector speakers (n=140) versus all private sector speakers (n=141) and gained very similar results.
- ¹¹ On the government side, three Ministries were involved with the *Länder* also having considerable influence whereas the Mastertalk consortium combined four different shareholders.