

Keys to Collaboration: Building Effective Public-Private Partnerships

The National Association of State Chief Information Officers (NASCIO) Corporate Leadership Council (CLC)

Transforming Government: Role of Information Technology

Governments have the difficult task of protecting the public's interest while meeting the diverse needs of their citizens. Citizen expectations continue to rise as they demand more and better government services at lower costs. What's more, citizens' confidence in their governments and leaders, hinges on the quality of these services.

State governments are continually challenged to deliver existing government services faster and cheaper, as well as make use of them to create new services and new roles for government to enhance social progress and foster prosperity for its citizens.

Information Technology (IT) has become a powerful tool to enable enhanced service delivery in both the public and private sectors. Getting IT right is becoming more critical than ever for governments in meeting the demands of citizens, businesses, and employees who are expecting the same high level of service they are receiving from commercial ventures. IT's utility, and how we manage it, can dramatically impact the efficiency, effectiveness, and citizen-centric focus of government services and programs.

Technology acts not only as the enabler to create better, faster service to the citizens, it also acts as a facilitator between public and private partnerships. While a rapidly changing technology environment requires new thinking and innovative approaches, government and private sector leaders are strengthening their cooperation and collaboration to reap the benefits of these emerging technologies and innovations.

Effective public – private sector collaboration is often born out of necessity. For example, our nation has recently witnessed unprecedented public-private partnerships in the wake of terrorist attacks, natural disasters and other pressing public policy issues (e.g., healthcare, education). With no formal contracts in place to mandate or provide direction to or how private entities should respond or coordinate with public entities, the crises alone promote expediency for both sides to come together to solve a problem and establish order out of chaos - allaying the disruption to the lives of our citizens. In each of these partnerships, the technology actually facilitates collaboration, improved communication and provides methods for meeting impending challenges.

Defining Partnership: Not an Easy Task

In the past year, the CLC and NASCIO members have held one on one meetings to explore public – private partnerships and to address ways to strengthen the credibility and trust between state CIOs and the corporate community. From different perspectives, both CIO and private sector IT firms serves as advocates and implementers of information technology and are constantly challenged to raise awareness and educate government leaders regarding the important role technology plays in *enabling* the business of government, Troubled IT projects, highly visible procurement issues, and the mismanagement of expectations from large technology solutions to outsourcing initiatives have generated a great deal of public scrutiny and raised a level of distrust among government leaders of the entire industry.

When people speak of partnership it is usually in generalities, often, “motherhood-and-apple pie”, and the proverbial question, “Can’t we all just get along?!” The answer to that question is, of course, quite complex. “What type of partnership fits this effort?” or more closely “What type of contractual relationship do I want to establish with someone from the private sector that will provide the greatest benefit to the citizen?”

According to Webster, a **partner** is “one of two or more persons *contractually* associated as joint principals in business.” This definition implies that partnerships are not dictated by desire or need, but often by the contract itself. Some efforts do not need or want for a transparent relationship between private and public sectors; thus, the first question that needs to be addressed is how are public-private partnerships *different* from a traditional partnership? The nature of partnerships are often in the eye of the beholder, however there is a key distinguishing factor of public-private partnerships: the transfer of risk between partners. The appropriate allocation of risk is the big question to answer, but always necessary to the success of the partnership.

The Canadian Council for Public-Private Partnerships defines a public-private partnership as “*a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly define public needs through the appropriate allocation of resources, risks and rewards.*”

(see www.pppcouncil.ca/aboutppp.htm)

Other working definitions are more prescribed and speak to the characteristics and changes that must occur. According to Wendell C. Lawther’s 2002 report, *Contracting for the 21st Century: A Partnership Model*, public-private partnerships are further defined as: “*Relationships among government agencies and private or nonprofit contractors that should be formed when dealing with services or products of highest complexity. In comparison to traditional contractor- customer relationships, they require radical changes in the roles played by all partners.*”

Dimensions of Effective Public-Private Relationships

Traditional Contractor-Customer  *Public-Private Partnership*
Complexity/Uncertainty

Risk

Cost-Sharing

Trust

Commitment

Coordination


Low *High*

Source: Contracting for the 21st Century: A Partnership Model (January 2002), Wendell C. Lawther, IBM Endowment for The Business of Government

Public-private partnerships can take various forms and include both collaborative (non-legal binding) or contractual (legally binding) agreements.

Contractual Partnerships: The Traditional View

Depending on the type of contract, the following levels of *contractual* partnerships exist:

Time & Materials (T&M)

Under this type of contractual partnership, the public sector customer has the most control during the term of the relationship. There are no performance-based measured outcomes; thus, performance thresholds have not been identified, and there are no reporting mechanisms for performance.

Firm Fixed Price (FFP)

Under this type of contractual partnership, the public sector customer has less control and must define the deliverable for the contractor. Outcomes are identified as “deliverables”, and typically not in the form of metrics-- nor are they measured during the course of the contract. There is a desired “to-be” state in mind, but uncertainty regarding “how” to reach those outcomes is assumed by the private sector supplier.

Performance Based

This type of contractual partnership is actually a marriage of T&M and FFP with joint solution design meetings and mutually agreed upon service level agreements (SLAs).

Performance thresholds and reporting mechanisms are jointly established between public sector customer and private sector supplier, there are stated objectives and outcomes by the public sector, and performance is measured on a predetermined and consistent basis.

Shared-in-Services Savings

Under this type of contractual partnership, the public sector customer has relinquished control to the private sector supplier and the private sector supplier assumes most or all of the risk in this contractual scenario. This arrangement is usually referred to as an A-76 in the federal government – a total outsourcing arrangement. The private sector supplier has the most control and the public sector customer should justify this arrangement by knowing their total cost of ownership of doing this business before outsourcing.

Collaborative Partnerships:

Collaborative partnerships are non-legal working relationships that often occur between the public and private sectors to meet a common objective or goal. Primarily goodwill gestures, collaborative partnerships are often used to provide knowledge exchange or collective leverage resources for a specified goal.

It is not uncommon for technology firms and state IT organizations to collaborate to explore new technology that mutually benefits both parties. For example, organizations often establish an advisory board, stakeholder group or governance body which includes private sector representatives. These groups may be formed to assist with strategic planning, to provide on-going expertise and guidance, or to target specific issues or projects. These bodies may be standing committees or they may be task forces, convened for short term, tactical purposes. No matter what the title or structure of these entities, they create an environment to foster collaboration and partnerships. These collaborative efforts provide an open forum for both public and private entities to exchange ideas and promote the interest of the technology community and government to provide better services and meet new citizen demands.

NASCIO's Corporate Leadership Council is a forum that brings together public and private sector groups to explore ways to address issues such as IT procurement, enterprise architecture, innovative technologies, security and other pressing issues.

A collaborative partnership like the CLC can be used to respond to infrequent emergency situations or calamities that impact government and their ability to deliver services. In 2005, a significant number of private sector technology companies responded to requests from government leaders to provide assistance to assist with the recovery operations, in response to Hurricanes Katrina and Rita. These firms were not bound by contractual obligations to offer assistance, rather they recognized a critical situation and the overarching public need. The result was effectively working together toward a common goal. Much can be learned through these intense and immediate circumstances if we take the time to reflect.

Meeting the Challenge: Public-Private Partnerships

We live in a fast paced world where technology is everywhere, so much so that it often goes unnoticed, that is until something goes wrong. Technology solutions are assumed as an enabler, you can go on-line to shop, renew a license, pay bills, and even complain about a pothole or a noisy plane. The public expects the same customer service and responsiveness from government as they have grown accustomed to from the private sector.

Troubled IT projects, highly visible procurement issues, the mismanagement of expectations from large technology solutions and failed outsourcing initiatives have generated a great deal of public scrutiny and raised a level of distrust among government leaders of the entire IT industry. These concerns are heightened even more as demands for government services increase, budgets continue to be tightened and demands for accountability and expectations of managing IT security risks become more visible.

Building the Public-Private Partnership: A Foundation of Trust

NASCIO and its Corporate Leadership Council (CLC) have been working over the past year to raise the credibility, trust and overall effectiveness of the IT industry in the public sector. Through conference forums, panel discussions and interactive sessions, both groups are aggressively working to encourage discussions and generate ideas to promote opportunities for both the public and private sector to enhance government efficiencies and effectiveness. The key to that collaborative partnership is trust in the relationship - confidence that builds as both parties are encouraged to explore emerging trends, new ideas and a better understanding of the challenges and issues faced by one another.

State government leaders can benefit from leveraging the expertise and resources of the private sector to address emerging trends and implement best practices, However, CIOs seeking to transform their IT enterprise by utilizing private sector partners, must develop an effective working relationship that will produce results and meet public accountability standards.

As a first step in the dialogue, the CLC in collaboration with State CIOs, has developed this document, which identifies the values and principles necessary to promote public - private partnerships and to help ensure that both parties develop a collaborative and effective partnership that ultimately provides more cost effective and efficient government services to our citizens. In addition, it is critically important to address the desired behavior of both public and private sector partners so that a collaborative environment exists for both parties.

Building Blocks to a Successful Partnership

A successful partnership between the public and private sectors depends on all of the *people* involved with the project. Problematic public-private partnerships usually result from non-technical challenges that arise in the working relationship. Lack of executive and project leadership, insurmountable communication issues, or deficiencies in planning and defined processes can create barriers to collaboration. Unfortunately, the technology often is the “scapegoat” within an unsuccessful partnership. Similarly, if nothing appears broken from a technology perspective, and the operation is apparently running smoothly, the working relationship may be deemed successful when in truth the partnership lacks key building blocks for success.

Principles of Public and Private Sector Collaboration

Definition of Principle: “a general or fundamental doctrine, assumption, or code of conduct” whereby agreed upon “Dos and Don’ts” make up the code while also acknowledging the nuances of procurement laws (term limits, auditors, political processes) via the term “collaboration” vs. partnership

Private Sector:

DO your homework – ensure that account managers and/or sales representatives articulate to states in an informed manner about their business. Read the Strategic IT Plan, Goals and Objectives
 DO get a list of contacts out to sales representatives with approval of NASCIO
 DO work towards building long-term relationships
 DON'T expect a quick sale
 DON'T go around the state CIO or try to subvert an architecture or technical standard that's in place

Public Sector:

DO work together to create an understanding of the private sector
 DO share Strategic Plans and Missions, Goals and Objectives openly with the Private Sector
 DO allow venues by which Private Sector can meet and communicate with the user community in the IT environment (i.e., Open Houses, Public/Private Meet & Greet)
 DO educate procurement staffs
 DO educate CIOs on the business drivers for the Private Sector
 DO understand the impact of Sarbanes-Oxley or other legislation that impacts corporate business strategy
 DON'T place unreasonable restrictions on vendors
 DON'T have unrealistic expectations

Both Sectors:

DO be inclusive – not exclusive
 DO strive for “win/win” scenarios
 DO expand neutral ground opportunities to communicate
 DO separate procurement process from business relationship
 DO identify common interests (e.g., project failures or overruns in paper, lessons learned)
 DO take advantage of NASCIO events and education

Outlined below are building blocks for a successful partnership:

1. A Commitment from Executive Leadership:

A successful partnership can result only if there is commitment from "the top" of both the government and private sector organization to work together. The most senior public officials must be willing to be actively involved in supporting the concept of public and private partnerships, and take an aggressive leadership role in the development of each given collaborative venture. A well-informed political leader can play a critical role in minimizing misperceptions about the value to the public of an effectively developed partnership.

2. A Statutory Foundation for Partnering:

Equally important, there should be a statutory foundation for the implementation of public and private partnerships within the state organization. Too often, state laws may limit or lack clarity regarding the formation and management of public and private sector partnerships. Without this clarity, leaders often view these collaborative partnerships as risky ventures and cannot take advantage of innovative and creative solutions. A number of states have established effective statutory frameworks to foster collaborative work with the private sector.

3. Direct Public Sector Involvement:

Once a partnership has been established, the public-sector must remain actively involved in the project or program at all levels. On-going monitoring of the performance of the partnership is important in assuring its success. This monitoring should be done on a daily, weekly, monthly, or quarterly basis for different aspects of each partnership (the frequency is often defined in the business plan and/or contract) from an outcome basis.

4. A Well-Crafted Plan:

You must know what you expect of the partnership before hand. A carefully developed plan (often done with the assistance of an outside expert in this field) will substantially increase the probability of success of the partnership. This plan most often will take the form of an extensive, detailed contract, clearly describing the responsibilities of both the public and private partners. In addition to addressing areas of respective responsibilities, a good plan or contract will include a clearly defined method of dispute resolution (because not all contingencies can be foreseen).

5. Effective Communication with Stakeholders:

More people will be affected by a partnership than just the public officials and the private sector partner. Affected employees, the portions of the public receiving the service, the press, public labor unions and relevant interest groups will all have opinions and, frequently, significant misconceptions about a partnership and its value to all the public. It is important to communicate openly and candidly with these stakeholders to minimize potential resistance to establishing a partnership.

Both parties need to develop an effective communication plan. The communication management process provides a structured approach to creating and delivering effective

information, defining audiences and delivery vehicles. The process helps ensure accurate and consistent messages are conveyed, by appropriate senders, to necessary audiences, through appropriate channels and vehicles at the right time. Successful implementation will positively affect the work environment and relationships with sponsoring organizations, employees and other stakeholders.

In order to be successful, a communication strategy relies on the following critical success factors:

- Timely sharing of information
- Accurate and consistent messages conveyed to key audiences
- Realistic messages from trusted sources that set realistic expectations.

It is critically important that the project develop, organize and prioritize its formal messages and informal communication with a rifle not a shotgun approach. This means aligning messages and sharpening them for specific audiences.

Keys to a Successful Management Process

Quality Assurance Plan – Serves as a guideline for their overall working relationship for both parties. It is standard practice for a government organization to put into place a QA process either before a project award or within a specified timeframe after award. The private sector organization should have full awareness and potential input into the established QA guidelines to insure that both parties have clarity on what is expected from a delivery standpoint.

Risk Mitigation Plan - The Risk Management Plan needs to be jointly developed for both parties to lower risk reduction for both organizations.

Transition Plan – Transition planning is critical in a public and private partnership that involves the outsourcing of managed services. These plans include:

- Staffing Transition Plan - If there is an incumbent, the private sector must have a transition plan in place for managing the project from the incumbent – for new staff, organizational structure, etc...
- Business Process Transition Plan - the private sector should still have a transition plan from current state to new operations telling the customer 'how' they are implementing or deploying their proposed solution.

6. The Right Opportunity:

Only a select number of government business problems are ripe for a true partnership. These should have the right characteristics – uncertainty, high complexity, challenging problems, etc. When forming a public-private partnership, it is critically important that both parties set and manage reasonable expectations, especially the state government sector.

7. The Right Partner:

The "lowest bid" is not always the best choice for selecting a partner. The "best value" in a partner is critical in a long-term relationship. A candidate's experience in the specific area of partnership being considered is an important factor in identifying the right partner.

8. Well-Defined Management Processes:

It is critically important that both public and private sector parties agree on key management processes early in the formation of the relationship. For example, it is critical that both parties agree on the following:

Current Best Practices and IT Trends in State Government

State governments have made tremendous progress in recent years in how they invest and manage their information technologies. In many cases, public and private collaboration have been in the forefront of many of these trends. Outlined below are some of the current trends being adopted by state leaders as they grapple with the management of the state's IT enterprise:

- ***Well-developed enterprise technology plans*** aligned with the goals of the Governor. Directive from the Governor to demonstrate savings from technology investments.
- ***Emphasis on the “enterprise” view and governance model*** across agency boundaries
- ***More IT investment oversight by the CIO.*** Greater emphasis on accountability, measuring value and performance
- ***Adoption of consolidation and shared services*** for IT services, with a focus on cost control and/or reduction of duplication.
- ***Stronger business disciplines*** are being introduced and maturing – project management, portfolio management, CRM, etc. Enterprise tracking of IT projects and resources consumed.
- ***Stronger influence of enterprise architecture*** in defining a framework for business processes, IT investments and procurement decisions. Promotion of a consistent architecture with enterprise standards is now common in many state governments.
- ***Growing understanding of citizens, clients and customers needs,*** especially their experience in the marketplace.
- ***Growing trend toward more outsourcing,*** even within traditional government service delivery channels. State governments are interested in focusing more dollars on the actual service and outcomes rather than delivery.
- ***More movement to strategic vendors.*** Declining trend from the one off, purely transactional relationships and more movement toward long term preferred and strategic vendors. Although there might be nominal cost differences, there is a higher cost for government to maintain a high number of relationships for the same products and services.
- ***Changing IT workforce demographics.*** Recruitment, retention, and retraining issues are growing concerns as states face an aging IT workforce with legacy skill sets.

Partnerships of the Future: Where Do We Go from Here?

Over the past 18 months, NASCIO and its Corporate Leadership Council have held forums and explored ideas to address ways to strengthen the credibility and trust between state CIOs and the corporate community. From different perspectives, both CIO and private sector IT firms serve as advocates and implementers of information technology and are constantly challenged to raise awareness and educate government leaders regarding the important role technology plays in *enabling* the business of government. Clearly, effective public - private partnerships can be useful in fostering better working relationships and enhancing the business of government.

This project paper explored the basic premise and characteristics of public private partnerships and has spotlighted a variety of partnering mechanisms, do's and don'ts and best practices. By presenting a frank discussion, contrasting partnerships and traditional contractual relationships we hope to encourage a more constructive and creative approach to jointly delivering better service to citizens.

To further explore the benefits and collective value of public-private partnerships the CLC has begun work on a new project. This new effort will help states better prepare for disasters and develop and implement business continuity plans. Many lessons can be learned from the private sector in this regard which presents a golden opportunity to further explore new public private partnerships. When working together in a constructive and flexible environment, great things can be accomplished.

Bibliography and Additional Resources

Savas, E.S. 2000. Privatization and Public-Private Partnerships. New York, N.Y.: Chatham House Publishers.

Contracting for the 21st Century: A Partnership Model (January 2002), Wendell C. Lawther, IBM Endowment for the Business of Government

Moving to Public-Private Partnerships: Learning from Experience Around the World (February 2003), Trefor P. Williams, IBM Endowment for The Business of Government

Collaboration Using Networks and Partnerships, edited by John M. Kamensky and Thomas J. Burlin, IBM Endowment for The Business of Government, Rowman & Littlefield Publishers, 2004

Assessing Partnerships: New Forms of Collaboration (March 2003), Robert Klitgaard and Gregory F. Treverton, IBM Endowment for The Business of Government

James E. Austin, The Collaboration Challenge: How Nonprofits and Businesses Succeed through Strategic Alliances. San Francisco: Jossey-Bass Publishers, 2000.