



The use of management control mechanisms by public organizations with a network coordination role: A case study in the port industry[☆]

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ABSTRACT

Our paper addresses two gaps in the literature on management control mechanisms in the context of inter-organizational relationships. Firstly, several studies have focused on one-to-one relationships, but few take a network perspective which analyses the deployment of management control mechanisms in the context of networks involving multiple interactions between organizations. Secondly, even fewer studies have specifically tackled the use of these mechanisms in the context of mixed-type networks, where a public organization acts as the network coordinator responsible for key governance activities. This is the position in Ports, which are collectives of several related organizations and in which one organization – the “port authority” – assumes the role of network coordinator. In this paper we report the results of a case study, the aims of which were: to identify the management control mechanisms deployed, or relied upon, by the Portuguese Port Authority in the Port of Aveiro in the exercise of its coordinating role; and to discern – on the basis of theoretical reasoning and empirical evidence – the factors explaining the nature and use of these mechanisms.

Several conclusions emerged from the study. A general conclusion was that our prior literature-based theorization is generally consistent with the case observations. That is, in mixed-type networks, the nature and use of management control mechanisms by the public organization acting as a network coordinator seems to be shaped by its assessment of motivations to cooperate and of the contribution to network performance of the various organizations involved in the network. Other more specific conclusions are encapsulated in a “coordination framework”, which relates those assessments to specific features of the management control mechanisms. Crucially, our results provide insights into the roles of public organizations acting as network coordinators in the context of mixed-type networks, and, in general, on the nature of the numerous such public organizations in today’s economy and society.

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1. Introduction

In recent years, practices associated with the “New Public Management” discourse have led to the gradual transfer of competences from the public to the private sector (Hood, 1995; Teisman and Klijn, 2002). New forms of partnership, such as public–private partnerships, have supported this movement. In public–private partnerships involving concessions, the public party assumes general functions relating to the provision of public services, leaving operational issues to private parties (Brooks and Cullinane, 2007), within a network of inter-organizational relationships (IORs). These general functions are usually related to the overall supervision of operations and the quality standards in the network. In such mixed-type networks a public organization, acting as the network coordinator, assumes a coordinating role which is aimed at stimulating cooperation within the network and ensuring that network members make adequate contributions to network performance (Torfing, 2005). As such, the network coordinator takes responsibility for key governance activities, while leaving other activities to the network members.

The issue of management control in IORs has been extensively addressed in the literature. Various studies have focused on the issue of control in the context of hybrid forms of organization, such as alliances, joint-ventures and supply-chains. However, some authors have recently pointed out that these studies focus mainly on one-to-one relationships, and only a few adopt a network perspective to analyse the deployment of management control mechanisms (MCMs) in networks involving multiple interactions between organizations (Caglio and Ditillo, 2008; Berry et al., 2009). Even fewer studies have specifically tackled the use of these mechanisms in the context of mixed-type networks. These are the research gaps that the current paper aims to address.

In this paper we report on a case study conducted in the Portuguese Port of Aveiro. Today, most ports are mixed-type networks in which a port authority assumes a coordinating role. In our case, we focused on the relationships established between the network coordinator – the Port Authority in the Port of Aveiro – and the various organizations operating within the port network. The case study allowed us to develop a theoretical framework which shows the linkages between the nature and use of MCMs by a network coordinator, and the assessments formed by this coordinator of other network organizations’ *motivations to cooperate* and *contribution to network performance*.

The paper is structured as follows: we start by briefly describing the main characteristics of mixed-type networks and, more specifically, the functions of a public organization acting as a network coordinator in such a setting. In Section 3 we review the use of MCMs in IORs in mixed-type networks, and in Section 4 we explore the factors which shape the use of MCMs in this context. This is followed in Section 5 by the case description and theoretical discussion, leading to our proposed coordination framework in Section 6. This is then elaborated in Section 7, which also concludes the paper.

2. Networks and network coordinators

Networks can be seen as “modes of organizing economic activities through inter-firm coordination and cooperation” (Grandori and Soda, 1995, p. 183), in which more than two organizations are involved and, consequently, there are multiple relationships in potentially many different directions (Nooteboom, 2004). Such relationships include IORs at various levels, from the more simple – i.e., dyadic – to the more complex – where three or more organizations are involved. At the dyadic level relationships are shaped by formal structural arrangements as well as various informal (unstructured) means of ensuring that there is cooperation between all pairs of organizations within the network (Nooteboom, 2004; Van de Ven and Walker, 1984). According to Ring and Van de Ven, “cooperative IORs are socially contrived mechanisms for collective action, which are continually shaped and restructured by actions and symbolic interpretations of the parties involved” (1994, p. 96). Furthermore, cooperation implies interaction and interdependency between organizations (Dekker, 2004), and this requires some form of coordination. Malone and Crowston (1994, p. 90) define coordination as “managing dependencies between activities”. Consequently, coordination in networks is needed when an organization’s action is connected to and dependent on the action of another network organization (Nooteboom, 2004).

Network coordination has been proposed, in both the private and public sectors, as a way of increasing performance through the more efficient use of resources, greater competitiveness and improved customer service (Child et al., 2005; Provan and Kenis, 2008). Such coordination can be achieved by means of an appropriate governance structure (Grandori, 1997). However, several factors make network governance particularly complex: there is usually no hierarchy or ownership structure (Williamson, 1985); there may be different degrees of commitment to the goals of the network (Ring and Van de Ven, 1994); and there may be issues related to the voluntary compliance with rules and procedures (Grandori, 1997).

A number of different models of network governance can be distinguished: the *self-organized* model whereby all network organizations interact with every other organization in governing the network; the *mandated or contracted* model where there is an internal or external organization that governs the network; and the *mixed or mid-range* model in which one organization acts as a network coordinator and is responsible for some key governance activities, leaving the more operational activities to the other organizations in the network (Provan and Kenis, 2008). This last model of network governance – *the mixed-type network* – has become quite common in public management in recent decades, reflecting their growing importance in the provision of public services (Hood, 1995; Provan and Kenis, 2008).

In mixed-type networks a public organization assumes the role of network coordinator, while the network services are provided mainly by private organizations. Typically, the public organization has to cope with social concerns and pressures, while the private organizations are more concerned with market pressures (Klijn, 2003).

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