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**Democracy and Private Property:
Governance of a Three Party Public
Private Partnership**

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ABSTRACT

The aim of the paper is to contribute to the study of efficient governance of PPPs through an inductive three case study analysis. The main conclusion is that efficient PPPs can be formed through adaptive governance by the resource priding partner, aimed at producing efficiency through specialisation, where the strategy is based on an intimate understanding of the partner's market conditions and developed in the understanding that the strategy can influence the entrepreneurial spirit of the partners.

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INTRODUCTION

Public private partnership (PPP) offers opportunities to mix parties belonging to different institutional milieus, utilising the fact that the parties have different resources and different driving forces. The beauty of PPP is when the mix offers opportunities for efficiency for all parties. This is when the third P is an abbreviation for Partnership. The ugliness of PPP is when one or several parties exploit the dependencies established in the PPP. This is when the third P is an abbreviation for Partiality. The partiality situation is probably not a desirable situation in the long run, therefore not creating stable PPP organisations. A PPP, in order to be a viable efficient organisation satisfying the interest of all parties within the PPP, have thus to find a structure of governing the relationships and the processes of the PPP.

In scientific literature the governance of relationships have nowadays to a large extent been analysed by using weak or strong versions of agency theory (Jensen & Meckling, 1976; Tosi & Gomez-Mejia, 1994; Sharma, 2006). In fact, it has created a scientific subject of its own, termed corporate governance. PPP could certainly be analysed as containing a governance problem. It is, however, not the simple agency relationship between a principal delegating authority to an agent, where the agent has interest of its own, thus causing agency costs. In a partnership every partner delegates something to the other partners, thus creating a situation of not one agency relationship, but a number of agency relationships = $P^2 - P$, where P is number of partners in the PPP. Thus, governance of PPP trying to utilise the beauty of PPPs is a complex endeavour.

In the Swedish riding industry, the traditional way of organising youth riding has been the municipality offering subsidies to a riding association, containing members that govern the association through democracy. It constitutes a specific form of public and public partnership. There are indications today, however, that a new pattern of organising these activities is evolving. The very organising of the riding activities and the horses can be outsourced to a private entrepreneur. This organisational structure is a three party PPP, one public municipality with communal interest, one public association with collective interest and one private organisation with private interest. The main driving force behind this development appears to be cost control, where the private partner drive to balance the costs is stronger due to this person's risk exposure and therefore more efficient than the association, where no person bear the risk of the business.

As a PPP it has one special feature. Ordinary PPPs appear to include a private partner with mainly a profit motive and a public partner with mainly societal objectives such as developing civil society, creating good transportations. It has been argued that these different

interest could constitute the main obstacle to a stable partnership. The PPPs that are subject for investigation in this paper are located in the riding industry, which mainly is characterised by a strong ideological orientation towards horsemanship, including even the private entrepreneurs. This would probably reduce the conflictual level in the PPPs of the riding industry since there are no strong clashes between profit and service objectives.

Another specific feature of our PPPs is that they do not form one integrated organisation. The PPP consist of three separate organisations: 1. a public organisation, the municipality; 2. an organisation in the twilight zone between public and private, the riding association with democratic governance and no legal right to refuse a person membership; 3. a private riding school. These organisations are organised in a network of joint interest, demanding resources from the other partners and supplying resources to the partners. Thus, the PPP is mainly a network of joint action. This is, however, not a controversial PPP: “Partnerships can be seen as a network of business representing multi-organisation groups and leaders of local authorities, i.e. municipalities, working together to reach levels of maximum efficiency in the allocation of resources.” (Montanheiro, 1998). Thus, research of PPP’s are not constrained to organisations subject to one single authority, as in a firm, but include all organisations consisting of public and private partners. In fact, we could distinguish between hierarchical PPPs and network PPP, which presumably have different ways of functioning and demanding different governance in order to produce efficient allocation of resources. In this paper we focus on network PPPs.

The main argument to establish PPPs is efficiency, as indicated by the previous quotation. Efficiency studies appear, however, not to be the dominating research theme, as indicated by a survey covering the papers presented during the years 1996 to 2000 at the PPP conference (Knudsen, Lichty & Stewart, 2001). The aim of the present paper is to contribute to the study of efficient govaernance of PPPs through supplying a few indications on efficient governance of PPPs. This will be achieved through an analysis of three case studies of network PPPs situated in the Swedish riding industry.

The paper will continue by presenting the property right view of the opportunity set of governance structures for Swedish riding schools. Two governance structures will be identified as long term stable organisations, the municipal-association organisation and the PPP structure. The following section will present three short case studies, presenting the PPP organisations, their business conditions and the organisational structure of the PPPs. The preceding section is devoted to an inductive three case study analysis aiming at finding the

governance of the PPPs and the rationale behind the PPPs. The final section concludes by presenting the main concepts gained.

A PROPERTY RIGHT VIEW OF THE OPPORTUNITY SET OF RIDING SCHOOL GOVERNANCE STRUCTURES IN SWEDEN

Riding schools (RS) in Sweden are organised in many different forms. There are, however, some basic forms of organisational structures. These organisational forms can be described in terms of the distribution of property rights. The view of property rights offer the opportunity to deal with governance structures including many organisations and parties, since it focus on the distribution of rights and liabilities, and thereby on the incentives of the parties to engage in concerted activities (Fama, 1980).

The opportunity set of governance structures in Sweden when it concerns riding school activities for youth consist of mainly two structures. Table 1 lists the extreme governance structures, the municipally owned and the privately owned RS, and the structures in between these two extremes. The table shows the distribution of property rights among the different parties concerning the productive forces of land, labour, capital and entrepreneurship. The first governance structure is the public extreme governance structure where the municipality wholly owns and operates the RS. All sites, equipment and horses are owned by the municipality, the management of the RS is made through managers employed by the municipality and the municipality assume all financial liabilities. The other extreme governance structure is the private governance structure where all property rights, except for part of the credit capital, are owned by the private entrepreneur. These two governance structures are here termed extreme because they are certainly viable structures, but due to a specific institutional reason they are not common in Sweden.

Sweden has had the tradition of the people's movement, implying that many social needs have been taken care through democratic organisations, here termed associations, which are organised on voluntary basis, financed through voluntary labour and with state or municipal subsidies, and governed through democratic elections to the board of the association. Thus, there is a high value attached to democracy and a stress on democratic fostering. This value implies that municipalities subsidise youth activities organised in associations where the members all have voting rights and can assume the entrepreneurial role. The effect is that it is hard for a private entrepreneur to compete with RS that enjoy municipal subsidies, thus making them an extreme and very infrequent governance structure. The same goes for the municipal RS, since it does not include the riders in the governance

through democratic elections to any board. If there is a municipal RS, it is probably because the former RS have had severe financial problems, making the municipality the owner in a transformation phase. Thus, municipal RS's are highly infrequent.

Left are the two governance structures that are able to conform to the value of the people's movement, the Municipal-Association structure, henceforth abbreviated as MA and the Municipal-Association-Private structure, abbreviated MAP.

Table 1: Governance structures and distribution of property rights

	Municipality (M)	Municipality & Association (MA)	Municipality & Association & Private (MAP)	Private (P)
Site	M*	M	M	P
Horses	M	A**	P***	P
Equipment	M	A	P	P
Credit capital	M	Bank, M	P+Bank	P+Bank
Residual capital	M	A, M	P	P
Instructors	Employed by M	Employed by A	Employed by P+A	Employed by P
Groom	Employed by M	Employed by A	Employed by P	Employed by P
RS manager	Employed by M	Employed by A	P, or employed by P	P, or employed by P
Entrepreneur	M	A	A+P	P

*M=Municipality; **A= Association; ***P= Private owner

In a typical MA the site is owned by the municipality, the long term care is the responsibility of the municipality, but the short term maintenance is the responsibility of the association. The horses and the equipment are owned by the association. The association is financed through loans from banks, sometimes from the municipality, and from former profits of the association. The personnel are employed by the association and the ultimate power resides at the board of the association, making the entrepreneurial function in the hands of both the board of the association and the RS manager.

The strengths of MA governance structure appear to be its focus on democracy since all major decisions are made by the association, and the internalisation of the customer into the operations of the organisation since the members that govern the association are the riders, i.e., the customers of the associations service. The major weaknesses are a function of the internalisation, making the governance of the association focused on the goals of the riders, which are cheap high quality lectures. This implies that there is a focus on reducing revenues, making the lectures cheap to buy, and increase the costs, making the lectures of a high quality with good horses and highly experienced instructors. The result is a strong pressure towards

losses, which the members, typically staying in the association for only some years, have little interest in avoiding. The combined result is a governance structure characterised by many discussion of strategy and bad economy.

The typical MAP, on the other hand, has a private entrepreneur that assumes the economic risk of the RS, governs the activities, partly in cooperation with the association, and owns the horses and the most of equipment. Since the ownership of the horses belong to the private party, the groom in the stable is typically employed by the private party. The entrepreneurial function is mainly in the hands of the private party but could partly be divided between the private party and the association. The municipality engagement is restricted to the subsidising of the lectures through paying the association and to own the site. The strength of MAP is the separation of economic and activity interests. The economic interest is mainly located at the private party, which has the responsibility of balancing revenues and costs, and the success of the balancing act hits only the private party, thus creating strong incentives for a positive balance, i.e., surplus. This implies that the private party can diverts its interest to other activities as demanded by the riding association in order to use the resources of the firm more efficiently. The responsibility of taking care of the members, to drive the development of activities such as competitions and riding camps rest within the association. The weakness of the MAP presumably consists in the reduction of democracy inherent in the transfer of responsibility from the association in the MA to the private partner in the MAP.

The MAP has been a highly infrequent organisational form in Sweden, but our impression is that it is gaining popularity. Some reasons to this development can be found. One is the ideological change of Sweden where the strong emphasis on ownership, i.e., public and not private ownership, has slowly diverted towards a slight attention on output. The effect is that some municipal activities are now performed by private entrepreneurs, by PPPs (Collin & Hansson, 2000) or by municipal organisations organised as autonomous corporations (Collin, 2000). But still there are strong ideological obstacles towards an unimpeded utilisation of different organisational forms. There is, for example, a national law that prohibit hospitals to be privately owned. Another reason for the development of MAP is that the supply of voluntary labour has decreased during the last ten years, thus putting associations on resource stress due to lack of available labour. A third reason is that riding have gained enormously in popularity, creating many more riding schools. Having few riding schools, with mainly highly engaged riders, implied access to rather experienced horse people at every association. This experience could be used in operation the different activities concerned with

horses at the riding school. Nowadays, with many more riding schools, and on average less engaged riders, the average experience that can be utilised at a riding schools have decreased.

It is the authors' idea that MAPs offer a viable governance structure of a PPP, emphasising different relations between the partners. We now turn to three short presentations of three MAPs, aiming at finding indications on efficient governance.

THE THREE RIDING SCHOOL CASES

This section presents information from three different non-profit associations and the riding schools located at the same establishment. They are referred to as the City riding school, the Town riding school and the Country riding school. The three RS's have been selected because they vary in many respect but have been established for many years, thus indicating a governance structure that is fairly long-term efficient. The selection criteria of long-term efficiency is important when evaluating governance structures since new forms can be fads but tend to receive much positive attention mainly due to its newness. Data has been collected through personal visits and interviews with the responsible persons. Some information has also been found on their internet pages.

Case 1: The City riding school

This association and its RS are situated in a nature reserve located in Stockholm, the capital of Sweden. The association has about 800 members, and the riding school has about 50 horses and ponies.

The riding school is owned by a family who are all engaged in different parts of the RS; the father and mother manage the riding school, the daughter and son ride and compete. Right now the daughter studies law, something that is considered to be needed when wanting to manage a riding school. Riding schools in Sweden can receive legal support and help from the National Equestrian Federation or a self-contained Riding Association for Private Riding Schools, but the owner family is of the opinion that the support is not good enough.

The RS is very closely managed by the family. They expanded some years ago by organising another riding school several miles from the present site. It was closed down, however, because the family experienced problem of managing the employees on the remote site. The father of the family had very early created his own computer program that kept track of all the riders, all the horses and the utilisation of them, and many other activities. Today, 15 years later, a similar program can be bought on the market. Thus, the family have been innovative, especially in the order to keep control of activities.

The riding school offers the service of riding and gives the impression of being very well organised and providing high riding quality. The owners perceive themselves to be under harsh competition, there are about 70-80 RS in the surrounding. Three aspects are highlighted as of importance for their success: high quality on horses, high quality on the instructors, and composition of the riding groups. It is important that the pupils that begin also stay, and they have a very low turnover. Another aspect that seems to be highly relevant is the location. They are a “city RS”, located in an highly populated area where the main inhabitants are academics who can afford riding lessons to their children once, twice or even three times a week, yet, an own horse with all the responsibilities including daily care, and the considerable costs related to a stable place in the capital city is not an option. The riding school can easily be reached by bus or subway implying that the parents do not need to take the children forth and back.

The family owns all the horses and they rent the establishment from the municipality. There appears to be a good communication with the municipality but without any intense relationship, and the municipality is not involved in any part of the governance of the RS. Since the establishment is located in a nature reserve the RS has to be very careful for not making enemies with the people spending time in the reserve, but it appears to be working. The RS has one indoor and one outdoor riding-arena. The majority of the lectures take place after work or after school in the afternoons and evenings implying high demand of space these hours. The future plan is therefore to build a new indoor-arena which will improve the quality of the riding lectures, i.e. fewer riders in each group. When the indoor-arena is built they will also add eight new boxes. The municipality has approved to the enlargements.

The establishment includes no stable places for privately held horses. The RS could have this service but the family has the opinion that these people are very demanding and need space in the arenas and it is easier to manage without these customers.

The establishment also includes an association, founded in 1939, which still has the aim of offering fun and different horse-related activities after or before the riding lessons. For example is the association responsible for providing beginners with theory lessons. Club-competitions are also common and it is the association that arranges these activities with the help of volunteers. Once a year they arrange a larger external competition. More than half of the members are children or youths and the association and RS is thereby one of the largest youth centres in the area. The municipality has approved to finance a recreation leader who takes care of the children during day-time, something that the members are very pleased with. Most of the children that are at the association in the afternoons have a horse which they look

after, groom, clean the equipment, etc. Thus, the private firm receives voluntary labour from the association. The association do also sell some riding equipment, for example jumpers and jackets. Thus, the association is of high importance for taking care of the members and many pupils come to the association even when they do not have any lessons, just to hang out.

The city RS appear to be a carefully, well controlled organisation managed by a devoted family, in trustful cooperation with an association that takes care of its members, and a municipality with arm-length distance to the operations that appears to be satisfied with the joint organisation of the private firm and the association offering activities and taking care of the children and youths in the area.

Case 2: The Town riding school

This association and its RS are situated just outside a middle-sized town in the south of Sweden and the riding school has about 50 horses and ponies.

The non-profit association was founded in 1919 and has during the years changed location five times. The reason for moving has mainly been the need of new facilities demanding more space. The association has a good reputation of arranging larger and well-attended competitions, they have for example arranged Swedish championships several years. These competitions have high status, which has made the association attractive for members with an interest of being part of this kind of events, thus attracting people from the riding industry but also from other industries. These people have been considered as influential and important for the development of the association and for being able to influence the politicians. Yet, the turnover of the directors has been high.

The non-profit association has through the years had many discussions with the municipality and it has mainly been issues concerning where to build their new establishment and if the municipality has been willing to support the association. The association has been established close to the city, and different stakeholders, among them the municipality, have had an interest in the ground. It appears as if it has been the directors of the association that has pushed for a good contact with the municipality and tried to influence the politicians. The drawings for today's establishment were approved by the municipal council in 1993 and consisted of a swap between the association giving up their land at the centre of the town in exchange of new land and a very impressive building containing stable, offices and two indoor riding arenas. The association has also received contributions when having financial problems, and the municipality paid the salary for the association's recreation leader.

The riding school has been managed by the association since 1968 but due to severe financial problems, the auditor presented the idea of selling the riding school to a private owner. This was a rather controversial idea for an associations but the sale was accomplished in 1985. The association continued with arranging competition and taking care of the members through arranging other forms of activities. Today's establishment was inaugurated in 1995 and this site comprises a set of private companies offering different activities, i.e. a private riding school, a private stable that rents stable places to privately held horses, a high school with a focus on equestrian education, a private equestrian shop, a restaurant which is managed by the high school. Through the years, the association has become less of an operating organisation, and more of an administrative body maintaining the establishment, governing and administering competitions, getting sponsors, organising clinics, and taking care of the members.

Today's owner of the riding school bought it from the non-profit association in 1985. This person, a woman with a background within the equestrian industry, had previously been employed by the association as an instructor at the RS and was known by the association as a knowledgeable and hard working person. The woman invested a lot of time in the riding school activities and invested in new horses. She stayed, however, at the association's establishment and agreed on a specific contract that stressed a close relationship between the association and the riding school. She rents part of the establishment for a subsidised rent. The move to the new establishment (1995) made it possible for her to invest in more horses, with the aim of increasing quality through better and less utilised horses. Also the number of employees increased. There is a clear separation between the riding school and the association, the RS may not intrude on the association's activities or activities supplied by the other private businesses located at the establishment. The RS focus is solely on the core business of a riding school, i.e. the service of riding, including jumping and dressage. This is offered to a set of different customers; the "ordinary member" being engaged in the association and wanting to ride; the students from the high school; the pupils from a compulsory school situated in the city centre who offers their pupils a riding profile and a school bus takes the pupils twice a week to the riding school; disabled people with an interest of riding. The RS organises also smaller club competitions opened only for the members who then compete on horses owned by the RS. A problem for the owner is that the customers do not really manage to separate her private business from the association's activities. She is not the manager of a non-profit RS where the members have influence on for example the lecture

prices, but she is the owner and the person making the decisions in a firm that needs to strive for profit.

The RS is not communicating with the municipality to the same extent as the association. The municipality did however have a claim on the association to offer riding for disabled, and the association in turn demanded this from the RS. Riding for disabled demands however instructors, horses and assistants that are trained for this specific form of riding and according to the owner this activity is more of a societal service than something to earn money on.

Thus, the municipality has through the years financially supported the association and approved to today's large and attractive establishment, the association is the overall governor and has managed to include a set of different private firms, and the RS supply the service of riding.

Case 3: The Country riding school

This association and its RS are situated in a nature reserve on the countryside outside the capital of Sweden, the association has about 400 members.

One person appears as the overall manager of the entire establishment and that is the owner of the RS, a man who lives at the establishment with his family (wife, son and daughter). They rent all facilities belonging to the RS and also their own dwelling house from the municipality, something that has been done the last 30 years.

The activities that are related to horses and supplied by the RS tend to shift with demand; when someone asked for a carriage for a wedding that was arranged; when some boys wanted to learn western riding they were offered classes; when there was a demand on riding for disabled people this was taken care of. He also pursues some breeding with one pony stallion. The descendants are broken in, and if suitable, they stay and work at the RS, if not suitable, they are sold.

But the man is not only engaged in riding activities. The establishment also includes an assembly of machinery and a repair shop. The machines are used in the RS's interests; for example by cultivating the land and thereby supplying the horses with hay and straw and for overall maintenance of the ground and the buildings, and when arranging competitions it is helpful with a tractor. The machines can also be used for external contractors and the largest customer is the municipality. In the repair shop, both their own, but also others machines, are fixed. The owner's son is engaged in activities related to the machinery and it is often he that supplies the municipality with different services. The rest of the family is also engaged in the

RS. The daughter is riding the horses and competing in jumping. The wife is engaged in the association and although having an employment in a private business, she is very active in finding sponsors for the association.

He perceives no competition from the surroundings RS, one reason could be diverse activities that are performed.

It appears as if there is a good communication and co-operation between the municipality and the owner. The agreement is that the municipality should be responsible for the external maintenance, whereas the owner should be responsible for the internal maintenance. Since the owner has the machines, and a high working capacity, he tends to make all the maintenance, but he does not seem to have anything against this. Recently the municipality paid 400 000 SEK (about €43.000) for the construction of a riding route planned to be 2.2 kilometres. Since the owner had the machines and was able to make the work himself the money could be used to make the route even longer than what was planned for. An enlargement the municipality did not mind.

The establishment includes an association, and the owner has insight in their activities as well. The association is mainly active in arranging competitions and different activities for their members. The subsidies that the association receives from the municipality stay with the association, in turn are the members helping the employees in the stable and take care of the horses. The association is also responsible for a system for taking care of the horses (pupils may apply for becoming keeper of one specific horse). The association has recently received municipal contributions for a new club house which is to be built within soon and the owner will help them with the building.

A current issue concerns the building of a new indoor arena. The association has increased in size and the old arena is getting to small. This is however a question between the association and the municipality and has nothing to do with the RS. The owner is however uncertain about the idea since a new and bigger arena implies increasing costs and more work for him.

Thus, this RS is managed by a man and his family who are strongly devoted to all the activities. There is a good co-operation between the municipality and the man, mainly due to the man's skills within machinery. The association manages the maintenance of the members.

THE THREE MAP'S ANALYSED

The three MAPs differ in some important aspects concerning governance and entrepreneurial action. We will especially focus on the relationships between the three partners, the

entrepreneurial capacity of the RS manager and the market conditions of the RS. As will be apparent in the text, these are the factors that our analysis of the three cases has put at front as important factors of the variety of the MAP.

The Country case shows a RS and a municipality that is engaged in a reciprocal exchange with flexible boundaries between the organisations, represented by the dynamic approach towards the enlargement of the riding track. The riding school manager appears to be the most entrepreneurial of the three owners in our sample of RS's, engaged in rather diverse operations such as the main business of the RS, repairing garden machines and construction engagements, especially with the municipality as customer. The market conditions appears to be the toughest of the three RS's, being located out in the country side with rather long distance between the pupils and the RS.

This contrast to the City case where the relationship between the RS and the municipality appears to be purely contractual, with very well established borders between the organisations. The riding school manager is entrepreneurial, but within the boundaries of the RS school and its business of riding. The City RS is the business that has most favourable market conditions, located in a very affluent area with short distances.

The Town case represents the only case in our sample where the association appears to be more than an organisation of pupils with a strong riding interest. In this case the association owns the site and therefore governs it, including several corporations, of which the RS is but one. Thus, the RS is but a part of the whole organisation. The riding school manager is rather restricted in its action capacity, having a much focused strategy, thus being the least entrepreneurial of the managers in our sample. The market conditions are rather good because of its location within the site that attracts so many riders.

Our interpretation is that the most important factor explaining the different relationships within the MAPs is the market conditions. The market conditions influence strongly the efficient strategy of the RS, which in turn influence the relationships within the MAP. The City case has favourable market conditions, making it possible for the RS to demand prices that pays the bills of the RS and create a stable cash flow, thus infusing the certainty demanded by a focused strategy. This contrast sharply with the tough market conditions experienced by the Country case. This RS has a low and uncertain cash flow. The RS manager meets this market condition by employing a related diversified business strategy, utilising all resources that are used in the RS. One conclusion is that the corporate strategy of the RS in a MAP is adapted to the market conditions.

The municipalities appear to have adaptive governance strategies towards the RSs. In the Town and the City case the municipalities have an arm-length distance to the RS, offering them contracts and in the case of the City, a strict lease of the site. This could be characterised as a formal contractual relationship, with very clear boundaries between the RS and the municipality. This contrasts with the Country case where the municipality appears to be flexible towards the RS manager and his different offers to the municipality. The municipality realised the threefold gains with his offer to make the horse path: If trusting the RS manager the municipality would get 1. a longer horse path, 2. probably with better quality since the RS manager building the path would be the one utilising it, and 3. it would add to the RS's cash flow. Thus, we conclude that in a successful MAP the municipality has an adaptive governance strategy, mainly as a response to the RS market conditions, ranging from formal contractual strategy to a flexible trust based strategy.

It should, however, be noticed that we do not have made longitudinal observations, which makes it hard for us to observe the built up of a trust relationship. An adaptive governance strategy could very well be explained through a relationship extended over many years gaining in trust for each successive year. Be how it is, the market conditions is at least a part of the explanation of the relationships within the MAP.

Another observation made is that the different entrepreneurs of the RS's differ in their entrepreneurial capacity. It could very well be the case that they differ because they have been selected by the market since they differ in entrepreneurial capacity. Another interpretation, as likely as the individual explanation of entrepreneurial capacity, is that the market conditions empower the entrepreneurs of the RS. The Country RS manager being the most entrepreneurial is also the one exposed to the toughest market conditions. The City RS manager, entrepreneurial for example in his innovative information system, at least 15 years before such a system existed on the market, can develop the RS in a rather certain environment offering stable market conditions. The Town RS manager, experiencing rather good market conditions, is restrained by the association's strong governance. Since the RS is doing fairly well, she has no reason to engage in other businesses than the focused strategy she is employing. Thus, as has been indicated elsewhere (Collin & Smith, forthcoming), entrepreneurship is not only a human characteristic, but have also a dimension of being a propensity that can be influenced. Our conclusion is that the entrepreneurial capacity of the RS manager is influenced by market conditions and by the governance strategies of the other parties of the MAP.

The associations in the City case and the Country case appear to be rather passive in their exchange with the RS and the municipality. The associations organise the member interest, including competitions, social gatherings and other events. The association can best be described as the principal for a youth recreation centre. Thereby they fulfil the norm of the people's movement, such as a self-governed organisation. The contrasting association is the Town association which has more senior members on the board and is much more engaged in the governance of the MAP. This is probably due to the old tradition of engagement, the association being recognised on a national level as a distinguished association. But it has a material ground as well, since the association is responsible for the site, which is a rather big business due to the mere size of the site and accompanying costs. In the two other cases the responsibility for the site is divided between the municipality, which has to ownership of the site and the long-term maintenance responsibility, and the RS that has responsibility for the ordinary maintenance. If one should evaluate the associations on terms of democratic fostering, which should be one important criteria of efficiency on behalf of the municipality, then the City association and the Country association is probably the most efficient associations since they penetrate more the member cadre than do the Town association. The reason is very simple; the young girls can more easily be part of and influence an organisation dealing with competitions and educational issues than an organisation managing a 10 million euro site. Thus, we conclude, that with an increasing division of economic business within the partnership delegating the main economics of the MAP to the RS and the municipality, it is possible for the association to stress the democratic fostering.

CONCLUSIONS

The Swedish riding industry can be subject to a major organisational change, from a partnership between an association and the municipality, towards a three party MAP. We have investigated three successful three-party MAP's in order to find out regularities of the MAPs with the intention that it can comprise, if not all PPPs, at least network PPP's. With an inductive analysis we found that:

- the corporate strategy of the RS in the MAP is adapted to the market conditions
- in the MAP the municipality has an adaptive governance strategy, mainly as a response to the RS's market conditions, ranging from formal contractual strategy to a flexible trust based strategy
- the entrepreneurial capacity of the RS manager is influenced by market conditions and by the governance strategies of the other parties of the MAP

- with increasing centralisation of economic business within the partnership, delegating the main economic business of the MAP to the RS and the municipality, the association has the possibility to stress democratic fostering

The strong forces influencing the MAP appear to be the market and the municipality. The reason is that they are the ones that provide the main resources to the MAP. The market is exogenous and hard to influence. The RS being a private firm implies that it can focus on the market conditions and create an adoptive strategy, be it focused or diversified.

The municipality in the MAP can choose a governance strategy towards the partners in the partnership. They could have a standardised governance strategy, for example a contractual strategy where every relationship is formalised into a contract and negotiations are appearing once a year and not when needed. The standardised governance strategy has one important advantage when it concern public organisations, which is the democratic demand of equal treatment. The municipality has to fulfil the democratic demand to treat everyone, including organisations, in a similar way. They are not allowed to, legally and institutionally, discriminate between people or organisations. This would imply a tendency towards a standardised strategy, i.e., a bureaucratic strategy. However, the municipalities appear to have an adaptive strategy, which implies that they do not think that an adaptive strategy is discriminating.

If we combine the conclusion of the importance of the municipality with the conclusion concerning entrepreneurship, we find the policy implication that the municipality in this kind of MAP can influence the entrepreneurial spirit of the partners, and especially the RS manager through creating entrepreneurial conditions through, for example influencing the distribution of property rights between the municipality, the association and the RS. Thus, included in the governance strategy of the municipality is not only level of formalisation and resource distribution, but also distribution of property rights.

With the division of economics mainly in the hands of the RS and democracy and member engagement in the association, a division of labour, with the possibilities of specialisation has occurred. Our study did not include a comparison if similar organisations including only two partners, which makes it impossible to conclude about the efficiency of the three party MAP compared with the two party MA. The suspicion, based on the beliefs of an economist, is that specialisation has efficiency effects. In a three partner MAP we have the initial mover, the municipality, and then the economic agent being the private RS and the democratic agent being the association. It is certainly not a partnership of equal partners since

the municipality is the main mover in the MAP. They are the ones that can decide about the existence of the MAP. But, as found through our analysis, they are the ones that can influence not only the existence of the MAP but also the entrepreneurial spirit of the MAP and the democratic fostering of the MAP.

Our main trust is that these observations can form hypotheses concerning PPP's, especially those similar to the MAP, i.e., network PPP's. Therefore our conclusion is that efficient PPPs can be formed through adaptive governance by the resource priding partner, aimed at producing efficiency through specialisation, where the strategy is based on an intimate understanding of the partner's market conditions and developed in the understanding that it can influence the entrepreneurial spirit of the partners.

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