

How Public-Private Partnerships Co-Create Value: The Case of Cultural and Creative Industry

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Abstract—Public-private partnerships (PPPs) have received considerable attention in the field of public management, business management, and strategy. However, researchers have mostly focused on public policies, public sector reform, and social problems, leaving how PPPs co-create value largely studied. Aiming at theorizing PPPs, this study reviews research on PPPs and value-based strategies including value co-creation and explores how PPPs co-create value. In our case study of Hwang Sun Enterprise in cultural and creative industries, we provide an understanding of how the focal firm initiated and governed a PPP with public sector (Tainan City Government) and academic sector (Kun Shan University Incubation Center), how the firm shifted from the role of manufacturer to service provider, and how the firm combined its core technologies from auto-machinery with salt culture from Anping, and how they co-created value. Based on induced framework, we specify a theoretical framework for value co-creation of PPPs and indicate that heterogeneity and public goods characteristics of PPPs have impacts on value co-creation. Combining co-specialized assets and dynamic capability of focal firm have moderating effects on how PPPs co-create value. Finally, theoretical contributions, implications, and limitations are discussed.

I. INTRODUCTION

Research on public-private partnerships (PPPs) generally comes from the fields of public management and public policy to examine public management reform and social issues, ignoring theory building of PPPs. Recent attention has been paid to exploring the shift from government to governance [1][2]. Scholars on economics and strategic management have examined PPPs issues including boundary choices between PPP parties, impacts of different PPP parties on the governance structure of PPPs, how public-private collaborations as interorganizational relationships are established, and how PPPs create value [3][4][5]. In practice, the mode of “less government” and “more governance” has been chosen by government organizations to carry out their activities such as entrepreneurial initiatives, non-profit organization, incubation centers, and cross-sector collaborations [5][6]. The use of governance by government organizations would influence the success of PPP collaborations and policy implementation.

Researchers and practitioners have highlighted an increasing growth of interest in cultural and creative industries. There is a significant distinction between cultural and creative industries and traditional industries. The value of cultural and creative industries relies on consumer needs and

intangible value of cultural products. The value of cultural products (or production) and creative workers depends on use utility and experience of consumers' consumption. Consumer needs from external market and the dynamics of consumption have been neglected by strategic management researchers [7][8]. Moreover, business model and operation of PPPs in cultural and creative industries are also distinct from those of PPPs in traditional industries. Public sectors with public resources and infrastructure are lack of innovation and creativity on products and services. Public sectors are required to acquire entrepreneurial initiatives and rent-driven objectives. Private firms with creative work have limited resources and are unwilling to involve [4][5][9]. PPPs could be driven by the advantages from public and private sectors to mitigate the disadvantages. While the successful examples such as Kaohsiung Pier-2 Art Center and Tainan Old Hayashi Department Store received the attention from mass media, there are still key questions to be investigated such as whether PPP parties have shared goals and whether PPP parties contribute to the PPP equally, derived from examples of failed collaborations. Accordingly, we examine how PPPs lower heterogeneous motives, how PPPs leverage complementary resources, and how PPPs maximize total benefits to obtain separate benefits (e.g., public and private benefits). That is, how the PPPs co-create value. In this study, PPPs can be viewed as constructive partnerships – alliances or tri-sector partnerships – among private firms, public sectors, and academic sectors achieving separate interests through collective pursuit of mutual gains [6][10].

The remainder of this study is organized as follows. Firstly, we review the concepts of PPPs and value co-creation including PPPs factors, governance of PPPs, what value is, and value-based strategy and its relevant strategies. Subsequently, we discuss the findings of our case study – a PPP among Hwang Sun Enterprise, Tainan City Government, and Kun Shan University Incubation Center in cultural and creative industries. We then draw a tentative research framework concerning how PPPs co-create value. Finally, we provide theoretical and managerial implications of PPPs and value co-creation.

II. THEORETICAL BACKGROUND

A. Public-Private Partnerships

Public-private partnerships (PPPs), which are viewed as alliances among/between two/more public and private sectors, could specify arrangements of roles and relationships and

coordinate complementary resources to capture separate benefits through the pursuit of common goals [4][6]. While public sectors are concerned with social benefits, private sectors focus on how much value or benefit they obtain [5]. PPPs are one type of interorganizational relationships (IORs). Although both PPPs and IORs focus on interorganizational arrangements, realizing their distinctions can provide insights and implications for theory and practice. The phenomenon of PPPs cannot be fully realized if public and private sectors are conceived as separate. Consideration of their interdependencies has provided a distinctive insight for organizational and strategic researchers [3].

There are two primary characteristics of public sectors that distinguish them from private firms [4]. First, public sectors are under operations of compulsory act of taxation. Why public sectors exist depends on budgetary funding rather than voluntary market exchange. Emphasis on transparency and procedure are the preferred mechanisms for public sectors that are under control of government and stakeholders [4]. Second, problems of public goods can be created through collaboration between public and private sectors. Public goods, which are nonexcludable, jointly supplied, and nonrival, offer all participants in the collaboration including free-rider that enjoy the benefits without contribution to obtain collective benefits [4][9]. Thus, the production, exchange, distribution of public goods is different from those of private goods.

Interaction and coordination of PPPs, due to the above two characteristics, are in relation to several factors that are distinctive from IORs. First, two (or more) firms could involve heterogeneity of motives for forming the collaboration [11]. For example, there parties in our paper are separate organizations that have heterogeneous motives, interests, value, and competencies. Recent research on strategy has pay attention to how firms deal with parties (or individuals) with heterogeneous motives to cooperate [10][11]. Second, collective action, which is of a public good nature, can align heterogeneous motive and competencies of individuals with collective interest, and contribute to achieving high levels of cooperation and collective value creation [11].

Third, social dilemma, similar to collective action, is also of a public good nature. Zeng & Chen [12] conceptualized social dilemma as cooperation dilemma, such as free-riding and technology progress in consortium, which partners face in multiparty alliances. Social dilemma derives from a lack of information about parties' intentions, a situation that the parties cannot trust each other, or a situation that uncooperative party can benefit from collective interests [13]. Research on strategy and management has focused on how firms manage social dilemma and how firms leverage cooperation and competition from social dilemma. Finally, parties in PPPs collaboration could co-create more value than separate party. Such value may be created by PPPs parties that engage in close interaction, coordination, conflict resolution, and adaptation [5]. How public and private entities

involve in PPPs collaboration is a prerequisite of value co-creation.

B. Governance and value co-creation of PPPs

PPPs with one (or more) public sector could be exposed to several governance problems such as outright expropriation, longevity of infrastructure assets, payment delays, or problems that separate party does not fulfill its obligations. Risks associated with the above governance problems exist in PPPs for all parties. Appropriate governance structures/mechanisms may be chosen to mitigate such risks or negative impacts from social uncertainty and externalities of public goods [4][10].

There is the difference between governance modes (structures/mechanisms) of IORs and PPPs. Rufin and Rivera-Santos [4] indicated that PPPs tend to adopt formal governance structures/mechanisms such as equity or alliance contract rather than informal governance structures/mechanisms such as trust. They also showed their results from analysis of formal governance structures/mechanisms of PPPs. PPPs could rely on less complete and more complex alliance contracts or nonequity hostages and avoid equity structures. Selsky and Parker [6] suggested that, for examining governance problems of PPPs, the societal sector platform that is a new and interdisciplinary platform appears to be an appropriate perspective for studying cross-sector partnerships such as business-nonprofit, business-government, government-nonprofit, or government-nonprofit-business. Moreover, PPPs partner characteristics have impacts on the choice of governance modes [4].

Value co-creation, which is of our concern, can be regarded as an effective governance mechanism. Value co-creation can not only achieve the joint goal of value creation in PPPs value net but also ensure the objective of how PPPs parties capture or appropriate their value. We review research on value-based strategies and value co-creation and discuss why value co-creation is an effective governance mechanism.

C. Value-based strategy

1) Original view

Resource-based view (RBV) has been one of the most popular theoretical foundations in strategic management, since the argument that firms with VRIN (e.g., valuable, rare, imperfectly imitable, and non-substitutable) resources have a (sustained) competitive advantage was proposed by RBV scholars [14][15]. However, there are three main criticisms incurred by RBV assumptions and tautological problems. First, whether can RBV be viewed as a theory of sustainable competitive advantage (SCA) [16][17]? Second, how we define and evaluate VRIN resources? Especially, what determines a valuable resource? What is value, as the most influential characteristics [18][19]? Third, whether the value-creation strategies of the firms are driven by resource market, emphasized by RBV, or product market [20][21]?

Recent researchers have advanced the RBV, based on the criticisms, and provided theoretical insights and perspectives. For example, concerning RBV as a theory of SCA, Coff [22] and Schmidt & Keil [23] argued that a distinction between value creation and value capture is used to clarify a relationship between SCA and organizational performance. Demand-side research focused on consumer heterogeneity and explained the value-related strategies such as value creation and value co-creation [21][24][25]. Dealing with these criticisms requires a reconsideration of what value is. Thus, we address the concept and definitions of value and review research on value creation and value co-creation. Then a framework concerning value-based strategies is proposed and used to examine the process of value co-creation in cultural and creativity industry.

Much research on strategy have attempted to explain a big question: why do firms differ in value creation [26][27][28]? Before exploring value creation, it is important to clarify what value is. Early strategy researchers such as Andrews [29] and Ansoff [30] indicated that a firm's strategic planning depends on mission statement, which can be viewed as the value of why the firm exists. In other words, the existence of the firm is directly linked to the extent to which the firm creates value for its stakeholders. Subsequently, Porter [31], Barney [14], and Perteraf [15] proposed their theories and perspectives concerning value such as value chain and valuable resource. Brandenburger and Stuart [32] provided a concept of value-based business strategy, which is based on Porter's value conceptualization to formulate business strategies. However, past research on strategy leaves real meaning of value to be investigated. Recent research on demand-side approaches starts to emphasize the role of consumer (or customer) from market demand aspect [24][25].

2) What is value

For clarifying value, Bowman and Ambrosini[18] employ utility theory of economics and make a distinction between use value and exchange value. Use value refers to the qualities of products and services perceived by target users such as consumers, customers, or manufacturers and satisfaction/need obtained from target users. Use value is subjective and perceived by target users. Exchange value is defined as the monetary amount realized when the exchange of products and services occurs. Exchange value refers to price [18][30][33]. Beyond the consideration of internal supply or resource base from resource-based view, Bowman and Ambrosini reconsider the meaning of value based on the view of consumers from demand side. Conceptualization of such distinction may be similar to value-price-cost (VPC) framework proposed by several strategic management scholars (e.g., [19][24][34]). Use value, which refers to V in VPC framework, is directly linked to consumers' willingness to pay or perceived benefits. Exchange value, as P in VPC framework, can be viewed as the level of perceived benefits reflected in the consumers' willingness-to-pay for the products and services [19][32]. Cost is regarded as

production (or opportunity) cost.

Bowman and Ambrosini's distinction concerning value have received considerable attention from recent research on strategy and organization [23][24][33]. We employ such distinction and VPC framework to explore the context of PPPs, as a specific type of IORs. Value-based strategy refers to strategic decision making about value (co-)creation, value capture, and value appropriation for the objectives of value maximization in the value net. There are focal firm, suppliers, customers, competitors, and complementors. Value-based strategy can be used to examine strategic issues such as partnership selection, the choice of mode, governing IORs, and organizational performance. We discuss value-based strategy such as value creation, value capture, value appropriation, and value co-creation following such distinction and VPC framework.

3) Value creation

Past research on strategy has examined value creation in different level of analysis including individual-level [11], organization-level supply chain [35], buyer-supplier relationship [35], alliance [36], and society [37]. However, the distinction between value capture and value creation remains ambiguous. There is also an interchange among value capture, value appropriation, value distribution, and value allocation [24]. Put simply, value creation is defined as willingness-to-pay minus cost by past research on VPC framework. That is, value created by members of value net or benefit-cost gap [19][32]. However, the definition of value creation does not reflect possible change in future market or other factors such as innovation and technology. For example, Priem [24] argued that value creation could involve innovation that increases consumer's benefits of consumption based on demand side.

4) Value capture

Focal firm could not capture its value or benefits if value creation of focal firm is potential or value is only conjectured. Conjectured value becomes realized though consumer awareness or price (sale) in the market. "Value created is only realized as value captured" [38, p.1119]. Thus, value capture is important for benefits of focal firm. Value capture refers to distribution or allocation of exchange value [18][24]. Industrial organization scholars argued that how a firm captures its value is determined by bargaining power possessed by the firm. That is, value capture depends on the perceived power relationships (e.g., bargaining power or market power) between members of value net [18][32].

5) Value appropriation

The conceptualization of value capture and value appropriation is similar. However, there is a difference in theoretical lens between them. Value capture derives from industrial organization research. It is argued that firms with a powerful bargaining position may capture a large proportion of value or profits as the above illustrated. The theoretical

lens of value appropriation is transaction cost economics. Research on value appropriation stated that firms adopt governance mechanisms to appropriate their value or benefits under the assumption of opportunism and bounded rationality [39]. In other words, while value capture is based on competitive consideration of industrial organization research, value appropriation stems from safeguarding consideration of transaction cost economics.

6) *Value co-creation*

Competitive advantage, which is obtained by value-based strategy as the above stated, “does not always lead to higher levels of firm performance” [22, p.119]. That is, value created by focal firm could not ensure that it captures or appropriates its own portion of the value [40]. Moreover, research on VPC framework only realized value created by current value net rather than value created by ongoing value net and customers’ experiences. Focal firm, suppliers, customers, and other members may act as co-producer or co-designer such that activities and services created by them can influence value creation [20][25][41] Thus, “value is not simply added, but is mutually created and re-created among members with different values” (41, p.50). Research on value co-creation argued that value creation is synchronic, interactive, and dynamic rather than linear and transitive [25][41]. They regard value co-creation as an ongoing process, or an ecosystem that includes interaction among focal firm, suppliers, and competitors (e.g., value net), and interaction among members in the value net and customers.

Two primary organizational capabilities – leveraging co-specialized assets and dynamic capability – are influential in achieving the objective of value co-creation [42]. First, focal firm has the capability to leverage co-specialized or complementary assets or resources in a value net. Co-specialized assets (or resources) refer to the value of assets that is a function of its use in conjunction with other assets. Integrated operations of focal firms (e.g., leveraging) could play an important role on obtaining co-specialized benefits [42]. For example, Apple combined iTunes (a co-specialized asset) with other technology (e.g., digital music players) to support and run iPod business. Second, dynamic capability can help focal firm coordinate and combine organizational routines and processes, find out their asset positions, and realize their evolutionary path such as past experience, future market, and opportunity [43]. According to the two capabilities, focal firm can create a whole of ecosystem of supplier, customers, and other stakeholders and co-create value by recognizing the opportunity of co-specialized assets that embedded in the ecosystem and employing dynamic capability to combine such co-specialized assets with innovation process of the ecosystem. Finally, how focal firm obtain competitive advantage or higher levels of performance depends on the extent to which focal firm capture co-specialization benefits in the ecosystem.

III. METHOD

This study examines how local firms in cultural and creative industry employ PPPs to combine public and academic sectors and co-create value through the theoretical conversation of PPPs and value-based strategy. Value co-creation of PPPs in cultural and creative industry is an issue concerning interaction among three parties of PPPs and intangible assets such as social context, cultural resources, and customers’ experience that are difficult to measure. Accordingly, single case study is used to understand the specific and longitudinal case of the value co-creation process and derive a tentative research framework concerning how PPPs in cultural and creative industry co-create value [44][45].

A. *Data source*

We focused on “Sio House” managed by a PPP, which consisted of Tainan City Government, Huang Sun Enterprise, and Kun Shan University Incubation Center. In 2010, Tainan City Government entrusted the management and operation of the city landmark, Anping Branch Office, to Huang Sun Enterprise. Huang Sun Enterprise combined its own business in beauty products with the fragrant cypress of the Anping Branch Office and renamed it to “Sio House”, adopting the long history of “salt.” Salt is pronounced “sio” in Japanese and Evening Stroll (Si Yu) is a translation of that word [46]. Founded in 1982 in Tainan, Taiwan, Hwang Sun Enterprise is one of the world's largest dedicated producers of Auto Machine Design, Hot Melt Applicator, Cosmetic Filling Machine, Fine Ceramic Components, and Ultrasonic Beauty Appliance. Hwang Sun Enterprise is the professional group and offers customers the safety, environmental -friendly and high-efficiency solutions with all production activities, such as R&D, manufacturing and marketing. Involving cultural and creative industry, Hwang Sun Enterprise employed salt characteristics such as sunlight salt, healthy elements of calcium, magnesium, and potassium to develop nearly 50 salt products including 366 birthday salt, salt sculpture, and salt roasted egg [47]. Hwang Sun Enterprise connected the traditional salt industry with innovative and creative ideas to commercialized salt history to successful salt products and services in the Greater Tainan Area.

From the view of Tainan City Government, Anping Branch Office as an old castle is needed to renovate, structure, and revitalize for preserving its original architectural design. The Tainan City Government adopted operation-transfer (OT) project to entrust the management of Anping Branch Office based on cost minimization. In addition, Kun Shan University Innovation and Incubation Center provided various technical support through integrating the school’s resources and niches to promote Hwang Sun Enterprise. Kun Shan University Incubation Center employed creative multimedia design, cultural element accretion, and digitization to increase innovation and competencies of Hwang Sun Enterprise. The PPP as a specific type of IORs are formed by the collaboration among Tainan City Government, Huang Sun

Enterprise, and Kun Shan University Incubation Center. Through collaboration among three parties in the PPP, the resources of various cultural and creative industries can be integrated to promote commercialization and increase entrepreneurial skills. We examine how the PPP is formed, how Huang Sun Enterprise governs the PPP, and how the PPP co-creates value by the case study of “Sio House.”

B. Data collection and analysis

We collected the PPP data from depth interview. Data were collected from June 2013 to November 2013. Open-ended questions were designed to ask participants such as the President, Creative Manager, and a salesperson of Huang Sun Enterprise, Project Manager of Kun Shan University Incubation Center, and an officer of Cultural Affairs Bureau from Tainan City Government. Different types of deeper questions were conducted to gather considerable discussion about their experiences concerning the PPP collaboration. For example, participants of Huang Sun Enterprise were asked questions concerning value co-creation such as “how many economic (or social) benefits (how much value) do you obtain from the collaboration with Tainan City Government (or Kun Shan University Incubation Center)?” Participants of Kun Shan University Incubation Center were asked questions concerning value co-creation such as “how many reputations (or social benefits) do you obtain from the collaboration with Huang Sun Enterprise?” Other questions concerning heterogeneous motives, public goods, and resources/capabilities were followed by similar procedures.

Three researchers coded and recoded transcripts independently to main constructs such as value co-creation, heterogeneous motives, public goods characteristics, and resources/ capabilities by following the above theoretical background and relevant literature. We employed Yin’s[45] data triangulation to revise inconsistent findings among three researchers. Primary constructs and relationships among them were modified through comparison of archival data and field observation and discussion among researchers. Agreement on primary constructs was reached to increase reliability by the iterative process. Finally, a tentative research framework was developed.

IV. FINDINGS

A. PPP factors and dimensions of value co-creation

Our core task is to examine how Huang Sun Enterprise combined with Tainan City Government and Kun Shan University Incubation Center and how the PPP co-create value. We compiled two important factors of PPPs such as heterogeneity and public goods characteristics (including collective action and social dilemma), and two dimensions of value co-creation including resource/capability and value co-creation.

1) Heterogeneity

In this tri-sector partnership, Tainan City Government had

original architectural castle, while Huang Sun Enterprise specialized in management. Kun Shan University Incubation Center could provide creative design ability, innovation, and promotion. The Officer of Tainan City Government indicated that there were 12 historical sites under the OT projects. Tainan City Government received an increase in revenues. Costs and expenses including repairs, regular maintenance works, and additional personnel could decrease.

Huang Sun Enterprise would make business changes to cope with external market environment and or transform from traditional industries to cultural and creative industries. After Anping Branch Office being entrusting, Huang Sun Enterprise employed capability of administration and innovation to revitalize the old castle. However, Huang Sun Enterprise was lack of expertise in design, promotion, and marketing. Huang Sun Enterprise had an opportunity to connect Kun Shan University Incubation Center with Tainan City Government. With such opportunity, Huang Sun Enterprise could integrate cross-sector resources to increase its creative ideas and cultural values. For example, the Creative Manager of Huang Sun Enterprise explained:

In a workshop in 2009, I met a professor of Kun Shan University and got a message about that Innovation and Incubation Center was found. I also heard that the Innovation and Incubation Center possesses high-level ability of design and creativity in the conversation. So I tried to contact with them.

Found in 2008, Kun Shan University Incubation Center received a research fund from The Ministry of Culture. In 2010, policies of Kun Shan University Incubation Center could lead the cultural and creative activities such as product developing process and creating new business models. Cooperating with Huang Sun Enterprise became a new task and provided a new direction for Kun Shan University Incubation Center. The Project Manager of Kun Shan University Incubation Center explained:

The initial objective of Innovation and Incubation Center was to help graduate students to commercialize and become new entrepreneur. However, we were difficult to achieve the objective. Therefore, a new direction was modified to help local firms transform from traditional industries to different industries such as cultural and creative industry, green energy industry, and health care industry. Huang Sun Enterprise provided a good chance for us.

2) Public goods

“Sio House” provided the collaboration among Huang Sun Enterprise, Tainan City Government, and Kun Shan University Incubation Center. In 2010, Huang Sun Enterprise involved the business and operation of “Sio House.” Simultaneously, Kun Shan University Incubation Center provided the design ability and promotion to the tri-sector partnership. The shared goal of the tri-sector partnership is to revitalize the old castle, commercialize salt heritage, and

serve the public interest effectively. The Officer of Cultural Affairs Bureau stated why “Sio House” was viewed as public goods:

Tainan City Government was confident that protecting and revitalizing historical and heritage sites and landscapes were through cross-sector collaboration such as “Sio House” managed by Huang Sun Enterprise. The case of Old Hayashi Department Store will be planned to entrust through such collaboration.

3) Resource/capability

Cross-sector collaborations are formed to achieve complementarities among parties. The success of cross-sector collaborations relies on how focal firm leverages complementary resources or assets from its parties. In the case of Huang Sun Enterprise, Tainan City Government provided the historical sites, and Kun Shan University Incubation Center had the ability of design and innovation. Huang Sun Enterprise specialized in management and administrative capability. The President of Huang Sun Enterprise illustrated the collaborative opportunity as:

Kun Shan University Innovation and Incubation Center provided not only product innovation and display design, but also important marketing activities such as planning, advertising, and promotion. Such marketing activities resulted in making “Sio House” well-known and making customers satisfied with salt products and services.

4) Value co-creation

After “Sio House” was entrusted, Huang Sun Enterprise received monetary profits, while Tainan City Government’s costs and expenses decreased. In terms of social benefits, when “Sio House” was opened, the old castle provided a site of leisure and recreation and satisfied customers’ (or Tainan resident) needs. Revitalizing “Sio House” through such collaboration is to promote tourism and public participation and allow the old castle useful and active for Tainan City Government. In addition, Kun Shan University Incubation Center employed the tri-sector collaboration to enhance academic research. As the Project Manager of Kun Shan University Incubation Center stated:

Innovation and Incubation Center employed the tri-sector partnership to cooperate with private firms and public sectors. The opportunity of industry-academy collaboration increased. Such partnership also allowed us to receive research grants and present at academic conferences.

B. A tentative research framework

Two PPP factors – heterogeneity and public goods characteristics – were identified through depth interviews and archival data. They also play important roles on the success of collaborations among PPP parties. First, heterogeneity of motives and resources has an impact on value co-creation. Especially, the parties with the least motives or resources

could be not willing to contribute. They could be likely to free ride on the collaborations. Value co-creation depends on how managers align appropriate governance mechanisms with the heterogeneity of motives and resources [9][11][12]. Second, the characteristics of public goods result in a dilemma between jointness of supply and free rider. Jointness of supply would benefit all parties, while the behavior of free rider decreases trust among all parties. That is, social dilemma problem. Value co-creation could depend on how PPP employs public goods derived from the collaboration among all PPP parties.

In this case, Huang Sun Enterprise, Tainan City Government, and Kun Shan University Incubation Center were motivated by separate benefits or values. Huang Sun Enterprise focused on economic benefits, while the concern of Tainan City Government was social benefits such as promoting the awareness and understandings of historical sites and increasing tourism. In addition, Kun Shan University Incubation Center was concerned about learning experience of students and increasing reputation through industry-academy collaboration. Under separate benefits or values, we argue that value co-creation can be aligned with heterogeneity of motives and values among three parties. Value co-creation, as an appropriate governance mechanism, can promote effective cooperation and increase the size of the pie [48]. That is, the PPP transformed “Sio House” into well-known historical and cultural landscape that satisfied customers or Tainan residents.

As suggested by our case, how the PPP (Huang Sun Enterprise) governed heterogeneity and public goods and achieved the common goals of co-value creation depends on two capabilities – leveraging co-specialized assets and dynamic capability – possessed by Huang Sun Enterprise. First, The President of Huang Sun Enterprise is interested in local culture and historical heritage. He regards salt as a co-specialized asset and combines salt fields, village, and salt history with creative and innovative ideas of Huang Sun Enterprise. Salt products are viewed as a bridge among Tainan City Government, Kun Shan University Incubation Center, and Huang Sun Enterprise. Huang Sun Enterprise establishes a strong tie among its innovative ideas, salt history of “Sio House,” and design ability of Kun Shan University. Employing the co-specialized asset can provide a distinctive business model that is different from traditional industries for Huang Sun Enterprise. Such asset also enhances value co-created by the PPP.

Second, dynamic capability with distinctive ways of coordinating and combining plays an important role on interaction among the PPP parties. Dynamic capability allows Huang Sun Enterprise to employ the positions of cultural assets and resources such as salt, coordinate the routines and activities of the PPP, and transfer learning experience and best practice. Huang Sun Enterprise understands the past experience on traditional industries and recognizes opportunities of cultural and creative market. Dynamic capability can be viewed as a way of probing new sources of

value and competitive advantages for linking PPPs heterogeneity and value co-creation [43].

We propose a tentative research framework that is consistent with the theoretical background and our case in the context of cultural and creative industries as showed in Figure 1. Several main constructs and relationships between them are explained as follows. First, value co-creation is our dependent variable of concern. Value co-created by the PPP could include economic benefits of private firms, social benefits or value of public sectors, and added value of three PPP parties. Second, heterogeneity of motives and resources exists among PPP parties. How the PPP co-create value or appropriate co-created value depends on how the PPP manages (or mitigates) heterogeneous motives and resources. In addition, building identity among the PPP parties can enhance value co-creation [11]. Third, the characteristics of public goods including externality, collective creation, and group norms result in the social dilemma between disincentive and free riding [9][10] Appropriate governance mechanisms such as value co-creation might not only solve the social dilemma problems, but also manage the production and distribution of public goods such as cultural products. Finally, the success of collaborations among PPP parties relies on the extent to which assets (e.g., resources/capabilities) are complementary and how the PPP (or focal firm) possesses the capability of combining the complementary (co-specialized) assets. That is, resources/capabilities have a moderating effect on the relationship between PPP characteristics and value co-creation.

the case of a PPP among Huang Sun Enterprise, Tainan City Government, and Kun Shan University Incubation Center in cultural and creative industries. The significant result of our study is a tentative research framework concerning how PPPs co-create value in cultural and creative industries. Theoretical contributions, practical implications and limitations are depicted as follows.

The main contribution of our paper is to combine the two theoretical perspectives – PPPs and value-based strategy – for examining the phenomena of public-private collaborations in cultural and creative industries. Research on strategic management has focused on the two perspectives and provided rich insights. However, it still lack of systematic synthesizing except for Kivleniece and Quelin’s [5] research on value creation and capture mechanisms for public-private ties. We also respond to the call for Kivleniece and Quelin [5] and extend to examine the phenomenon of how PPPs co-create value. We highlight the significance of value co-creation rather than value creation and capture on PPP relationships, because PPPs are formed by heterogeneous motives and resources and public goods characteristics such as collective actions. Especially in cultural and creative industries, value co-creation is a function of interaction between consumers, focal firms, and other members of value net. Analyzing value co-creation from consumer perspective might provide new insights for research on PPPs and value. Value co-creation as appropriate governance mechanism could solve the problems of heterogeneity and social dilemma in public-private collaborations. We argue that value co-creation as a process could find out what public goods in PPPs are and employ such public goods to achieve common objectives.

Our second contribution to research on PPPs and value is the moderating effects of co-specialized assets and dynamic capability on how PPPs co-create value. We address the call by Gualti [49] to emphasize that co-specialized or complementary assets (or resources/ capabilities) is key determinant of interorganizational cooperation. The extent to

V. CONCLUSIONS AND DISCUSSIONS

This study primarily provides an understanding of how PPPs align heterogeneous motives and public goods characteristics with value co-created by the PPPs and how focal firms leverage co-specialized assets and employ dynamic capability to enhance such co-created value through

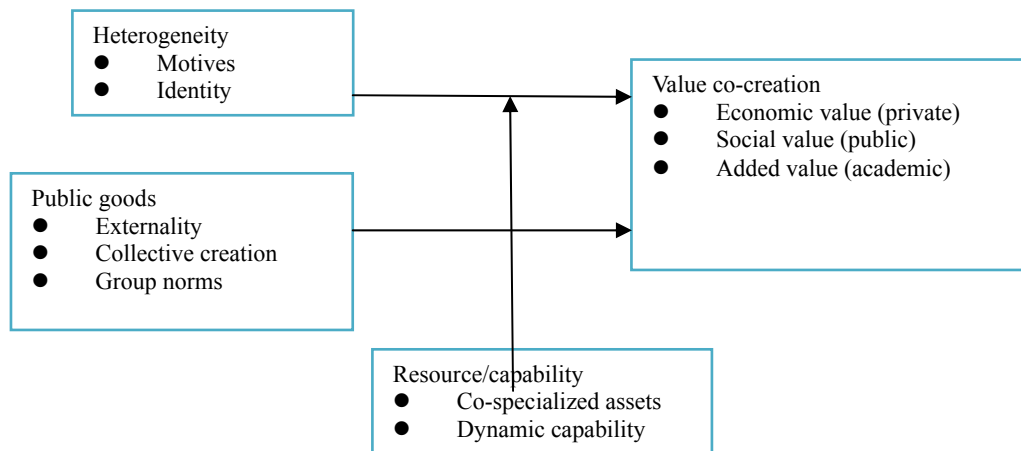


Figure 1 A tentative research framework

which focal firms co-create value from PPP collaboration depends on the ability of focal firms to identify what co-specialized assets are such as salt in our case. Employing the co-specialized assets can not only enhance interaction among PPP parties but also increase close interaction between customers. In turn, the PPP parties including focal firms involve in joint value creation with the customers. Moreover, in order to deal with demand heterogeneity of external market, dynamic capability is a way of obtaining competitive advantage and creating value. Dynamic capability can align internal and external organizational skills, competences, and resources with such rapid and changing environment such as cultural and creative industries. Especially, public-private collaborations is a dynamic process in which partnerships pass through different stages such as early formal collaboration, trust building, and termination. PPP parties require dynamic capabilities to recognize changing opportunity, realigning assets and resources, continuous adjustments to co-create markets [42].

Cultural and creative products, as intangible assets, are valued for their utility or use value perceived by customers [7][25]. The value of such intangible assets is needed to be driven to commercialize by focal firms and be recognized to understand interaction between focal firms and customers and customers' cultural experiences. Understanding the dynamics of such intangible assets has an important impact on managerial practices. Our paper suggests that private firms and government organizations should identify the public goods characteristics of historical sites. Public goods characteristics could result in problems of social dilemma, which hinder PPP collaborations and are needed to be clarified and managed. In addition, whether co-specialized or complementary assets exist in PPP collaboration plays an important role on value co-creation. For example, salt, which can be viewed as a catalyst in PPP collaboration, provide "Sio House" and salt products meaningful in our case.

Our study on how public-private collaborations co-create value suffers from several limitations. First, although multiple evidence including interview, archival data, and field observation were used, we only employed a single case study to examine this issue and propose our research framework. Multiple case studies may be conducted to compare different results across multiple cases and aim at theoretical replications [45] [50]. Second, we examine how the PPP co-creates value from the view of Huang Sun Enterprise. The viewpoint of Tainan City Government or Kun Shan University Incubation Center can be also used to examine these issues concerning public-private collaborations and value creation, value appropriation, and value capture. Third, a single industry sector (cultural and creative industries) was examined in this study, which suggests a call for replication in other industries such as high-tech industry, medical device industry, or health care industry.

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APPENDIX

Table of interviewees

Focal informants	Duration (Hours)	Frequency
President of Huang Sun Enterprise	1.5	1
Director of Huang Sun Enterprise	2	1
Member of Sio House	3	1
Director of Kun Shan University Incubation Center	2	1
Project management of Kun Shan University Incubation Center	2	1
Chief of Culture affairs bureau of Tainan city	1.5	1
Total	12	6

Source: This Study