

PRIMARY RESEARCH

## Consequences of Interdependence in Public-Private Joint Ventures: The Moderating Role of Sharī'ah in Islamic Economies

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**Purpose:** This study explores the managerial practices that influence governing Public-Private Joint Ventures (PPJVs) between appointed managers of State-Owned enterprises (SOE) and International Firms (IF) under the moderating role of Sharī'ah.

**Methodology:** The study utilises qualitative empirical data gathered through interviews.

**Findings:** The study elucidates the differing managerial philosophy and associated concepts between appointed managers of SOE and International Firms in PPJVs hosted in Islamic economies and based on Sharī'ah. Findings report on the tensions of power asymmetries resulting from interdependence. The identified tensions of power asymmetries can be eased through sound ethical behaviour and management by employing managerial practices of Trust-building and Experience Compatibility. Trust-building reported mutual occurrence among all research participants. Experience Compatibility reported a contrast between some of the research participants.

**Significance:** The contribution lies in expounding the consequences of interdependence between appointed managers from Sharī'ah-compliant firms (The SOE) and International Firms, and the resulting tensions of power asymmetries that they face in governing PPJVs.

Appointed managers of Sharī'ah-compliant firms should embrace sound ethical grounds rooted in the values of Islam. Similarly, appointed managers of international firms should realise the ethical concepts of their counter-appointed managers of Sharī'ah-compliant firms.

**Limitations:** The study draws on data from the Egyptian PPJVs in the extractive industry. Future studies are encouraged in other countries to validate the findings.

**Implications:** This study provides theoretical foundations that bridge the differing managerial philosophy and its associated concepts between appointed managers from Sharī'ah-compliant firms and international firms on the ethical grounds of Islam.

**JEL classification:** H54; L32; L22

**KAUJIE classification:** O3; M84; Q91; S1

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## INTRODUCTION

The establishment of joint ventures (JVs) between Sharī'ah-compliant firms and international firms (IF) is not new in the domain of business management. Islamic economies have formulated laws that provide sound management to address relevant challenges for such partnerships. The holy Prophet (PBUH) has formed business partnerships, before and during his prophethood, signalling its acceptance in the realm of Islam. Currently, Muslims formed business partnerships with non-Muslims and Christians in Europe and across the globe (Ayub, 2013).

Scholars of management and economics are still investigating the religious-embedded values and their impact on the economic and social growth of Muslim communities. Recently, many governments in Islamic economies of the Middle East & East Mediterranean region (MEEM) have formed public-private joint ventures (PPJVs) with IFs to extract their newly discovered energy reserves, subsidise their local markets, and compete in the landscape of global energy suppliers (Kesseba & Lagos, 2019). In this uncommon phenomenon, IFs, as a business partner, are seeking strategic spillovers through their relationship with Islamic governments in the region, in addition to their primary focus of profit maximisation. Egypt, one of the progressive economies in MEEM, is seeking new avenues of investment in their key development sectors with the aim to reform strategies that increase international inward investment and expertise through PPJVs in the extractive industry.

Governing public-private partnerships (PPP), however, continue to be challenging for public and private management researchers, practitioners, and policymakers due to the increasing interdependence between the two parties (AbouAssi et al., 2021). This interdependence is salient in the internal daily operations of PPJVs, and the consequence of it evokes complex challenges that face public managers (PuM) appointed by State-Owned Enterprises (SOE) of the Islamic host country, and private managers (PrM) appointed by IFs in PPJVs. These challenges are manifested in the administrative and technical power asymmetries experienced by the appointed managers during their interactions, inside the JV. This makes PuMs and PrMs the most discerning stakeholders in identifying the managerial practices that allow them to govern the partnership while moderated by Islamic-based values.

This study investigates the differences and commonalities of managerial practices among the appointed managers who represent two different philosophies. In Egypt, SOEs comply with the Sharī'ah law, and their appointed managers have Sharī'ah-based legislation and regulations to follow, hence they have different managerial approaches compared to the appointed managers of western IFs. Thus, the central question: *what are the perceived managerial practices that influence governing PPJVs under the moderating role of Sharī'ah in Islamic economies?*

The structure and operation of Sharī'ah-law pose many managerial challenges for IFs interested in JVs with Sharī'ah-compliant firms. These challenges stem from the particularities of Islamic Law, as well as from the inconsistencies of governmental legislation relating to corporate and foreign investment law. Generally, Islamic economies structured their laws to create a balance between protecting their Islamic heritage, while being considerate to the interests of foreign investors. The management literature, however, has focused solely on the aspects of investment practices (Osman et al., 2024), leaving the literature with little to no emphasis on the managerial challenges that exist from the combination of (1) the tensions of power asymmetries that arise from the interdependence between the appointed managers (PuMs and PrMs) inside JVs, and (2) the differing managerial concepts between them, specifically in the context of Islamic based-law and its values.

This article presents the findings of a study that explored the perceived managerial practices by PuMs and PrMs that influence governing PPJVs under the moderating role of Sharī'ah. This is through scrutinising their interactions inside JV, with the associated tensions of power asymmetries they experience, and their differing managerial concepts. The direction of this study is determined by what is considered three key deficiencies in the literature. First, although network management has developed the literature on the managerial practices required of individual managers in horizontal inter-organisational relationships (Fleta-Asín et al., 2020, Warsen et al., 2019, Ysa et al., 2014), it tends to ignore the unbalanced interplay of powers between the PuMs and PrMs in their inter-organisational exchange inside the JV. Second, while the literature is enriched with well-defined laws for JVs (Saz-Carranza & Longo, 2012) between Sharī'ah-compliant firms and IFs, there is a scant elucidation on the differing managerial concepts between the appointed managers from both parties. Third, the literature is significantly scant in addressing the moderating role of Sharī'ah on the practices of appointed managers given the difference in the management philosophy of agents from different contexts (Muzio, 2022, Post et al., 2021).

The study represents a threefold contribution to the management literature for the public and private sectors. First, the theoretical contribution lies in scrutinising the literature to highlight the element of interdependence and its consequent power asymmetries in PPJVs based on Sharī'ah. Second, another contribution lies in specifying the perceived managerial practices needed to govern PPJVs under the tensions of these power asymmetries through ethical grounds and managerial experience. The aim is to refine and extend relevant theories to identify how these managerial practices should be enacted to support managers coming from different backgrounds. Third, the study provides a step further towards developing more inferences on partnerships' conditions and structures under Sharī'ah-law and its values. This is through conceptualising the power asymmetries inside the joint entity, and their effects in governing PPJVs. These contributions will add to the literature by offering fresh perspectives to advance our understanding of PPJVs in Islamic countries and their sovereign sectors. Perspectives that can pave the way for evaluating and improving governance in PPPs and provide new insights into research, theory, and practice. The findings will inform policymakers, and public and private sector managers to review the governing practices and existing policies of PPJVs.

The article is structured as follows. The first section is the theoretical standing points including the analysis of the inter-organisational exchange influencing the governance of PPJVs. The second section is the description of the method, data collection and analysis. The third section reports the results. The fourth section is a discussion of the findings. Finally, the conclusion section with implications for theory and practice, followed by limitations and recommendations for future research.

## THEORETICAL BACKGROUND

In Islamic Law, *Shirkah* is considered a concept that is based on profit and loss sharing between partners. *Sharikaī al-milk*, however, pertains to a partnership with rights of ownership where profit and control are a twofold objective. It can entail contractual obligations. Thus, *Sharikaī al-'aqd* is centred around various forms of contracts in which partners pre-agree on profit and loss-sharing terms, and the objectives of such contracts are profit and production. Sharī'ah Law is derived from the principles of the Qur'ān and Ḥadīth, and Prophet Muhammad's (PBUH) business partnerships before and after his prophethood inspired such a business practice within Arabs, which in turn influenced parts of the Western world, and they took it further in the western domain of conducting business (Ayub, 2013).

*Mushārahakah* is considered one of the most authentic elements of the Sharī'ah Law, as

Qur'ān states “And, verily, many partners oppress one another, except those who believe and do righteous good deeds, and they are few.” (The Noble Qur'ān, 24:38). *Mushārah* follows basic rules that should be fulfilled by both parties such as the capability of partners, sharing of profit, terms related to *Mushārah* capital, management rules, and relations among partners. Partners under this contract hold unlimited liability, therefore, they must possess the capability to perform their part (Abdul Rahman et al., 2020). This is an integral part of ascertaining the ratio of profit between partners. For the management of business, it is agreed that both partners contribute to the management and operations of the partnership, and every partner enjoys stipulated rights which in modern terms is known as a JV. It is the main form of *Shirkah* in which an offer is made by the first party and accepted by the second party. Rules and standards of AAOIFI define it as an agreement among two entities, or more, to bring their assets, labour, and liabilities for a common goal. The rights and obligations should be similar in *Shirkah*, and nowadays Muslim economies are looking for expansion of this concept and call for JVs to bring the best resources to optimize their social and economic wealth.

In partnerships with non-Muslim partners, the management philosophy of Sharī'ah-compliant managers significantly differs. Consequently, the issues of governance usually arise. *Alhakimiya* is the best word in the Arabic language to describe governance (Musa et al., 2022). It refers to a governance structure that bears higher moral and social standards, and the efforts that should be made to achieve those standards in decision-making scenarios. Governance becomes more prominent in partnerships as partners are mutually interdependent, instigating certain consequences. On the element of the consequences of interdependence, inter-organisational relations and network theory gave rise to studies about inter-organisational network management (Hudson, 2004). They had a predominant focus on the horizontal side of governing partnerships. Considerations were given to partners' opportunistic behaviours originating from transaction cost economies (Williamson, 1975), and game theory (Axelrod, & Hamilton, 1984). There is, however, another aspect of interdependence that was overlooked, it is the power asymmetries resulting from interdependence (Hudson, 2004) between partners and how they are experienced by individual actors (Williams, 2002) who are working under the tensions of such powers. In PPJVs, where one manager follows Sharī'ah and the other follows the international governance structure, the appointed managers are exposed to tensions of unbalanced powers in their inter-organisational exchange. PPJVs are prominently used in Egypt and are formed to extract energy reserves with a commitment from IF to spend capital inflows throughout phases of the project, in return for profit share (Johnston, 2000; OECD, 2013).

In PPJVs in Islamic economies, the public and private sectors are mutually reliant (Hodge & Greve, 2007), and this reliance is relative to the high risks and sovereign nature that characterise the extractive industries in this region (Al-Emadi, 2010; Palazuelos & Fernández, 2012). The SOEs and IFs equally appoint their managers (respectively PuMs and PrMs) in key areas of the JV. The managerial practices of appointed managers, in turn,

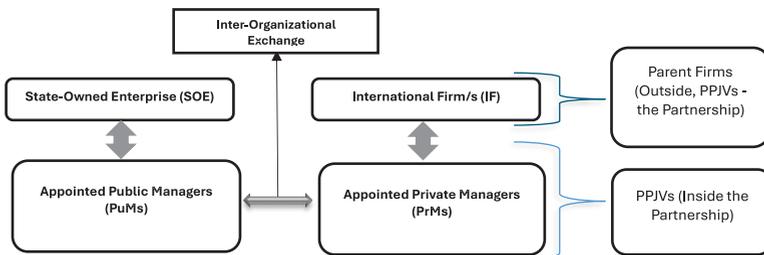


FIGURE 1. The Exchange of PuMs and PrMs displayed within the Organizational Structure of PPJVs

influence the governance of the partnership while being moderated by tensions of the asymmetrical powers that exist in their inter-organisational exchanges (McMullin, 2021) – see Figure 1.

### **Power Asymmetry in the Inter-Organisational Exchange**

PuMs and PrMs are dynamically interdependent on each other to govern the operations of PPJVs. The tensions of power asymmetry in this exchange are grounded on the contractual agreement that warrants unequal administrative powers that favour PuMs, and technical powers that favour PrMs (Pongsiri, 2004). Contractually, PrMs are responsible for preparing annual plans for the technical projects, after the approval of their IFs which are located outside the host country. Plans, then, must be confirmed and monitored by PuMs, who in turn follow the instructions of their executives at the SOE level (Nichols, 2010). During the execution of plans, the costs of individual projects will only be recovered by PrMs when PuMs approve them.

The motivation between PuMs and PrMs to govern and coordinate the operations is always endangered due to the existing power asymmetry in PPJVs. Similar to partnerships in most sovereign sectors (Lohmann & Rötzel, 2014), the event of cost alterations from Operating expenses to Capital expenses imposes financial risk to private partners whether they decide to resume or suspend operations, whereas public partners are at risk of jeopardising the quality and quantity of production if private partners decide, in retaliation to cost alteration, to downplay the methods of production to reduce their investment as the technical power lies in their hands.

Generally, in social relationships, practices of trust and compatible experience between partners are crucial to instigate appropriate governance (Caldwell et al., 2017). These practices, however, have not emerged from scrutinising the consequences of interdependence – mainly the tensions of power asymmetries that PuMs and PrMs experience - inside PPJVs that are contractually founded on Shari'ah. To further illustrate the lack of research that accounts for the tensions of power asymmetries, these practices are reviewed herein in the context of PPJVs having PuMs following Shari'ah and PrMs following the international governance practice.

First, *trust-building*, the importance of trust in governing partnerships is known in the literature (Ansell & Gash, 2008; Bertelli & Smith, 2009). It is portrayed as a factor that enhances partners' willingness to work together and share information (Warsen et al., 2019; Ysa et al., 2014). It is established in the literature that the process of building trust in PPPs is grounded on continuous perceptions, actions, and interactions between partners (Getha-Taylor et al., 2019). Islam, on the other hand, signifies the importance of '*Amana*' which elucidates trust and honesty in any relationship. Trust building and its ethical values of honesty and transparency in partnerships are therefore given utmost importance in Shari'ah (Ahmad & Rusdianto, 2020). What is unknown is whether trust stands with the same significance in partnerships between firms that are governing operations drawing, respectively, on Islamic principles and international standards, and if yes, how the process of building trust is perceived in partnerships where power asymmetries can compromise partners' entitlements and goals. Thus, it is equally unknown whether managerial compatibility between PuMs and PrMs (Saz-Carranza & Longo, 2012) can help align their objectives, consequently impacting the process of building trust in such volatile partnerships with unbalanced powers.

Second, *experience compatibility*, IFs are invited to PPJVs for their expertise in extracting quality production. It is widely believed that IFs possess more technical capabilities in the extractive industry than SOEs. Such capabilities allow IFs to appoint more

proficient PrMs in PPJVs, whereas emerging economies in Islamic countries suffer from a dearth of qualified managers (Mai et al., 2009). It is assumed in the literature that balanced expertise between public and private managers helps in governing partnerships and eases inter-organisational coordination (Kotha et al., 2013). Considering that PPJVs are born on lack of expertise by host countries (Brock et al., 2007), former studies instigate further exploration to confirm or deny such generalisations in PPP management literature by adding the context of PPJVs in Islamic economies.

## METHODOLOGY

This study seeks knowledge from appointed actors governing PPJVs that follow Sharī'ah in Islamic economies. Such knowledge refines intrinsic theories in public-private relationships utilizing a case study of in-depth, face-to-face, and semi-structured interviews (Van de Mortel, 2008). The appropriateness of an explorative qualitative inquiry is due to the scant empirical research on this type of JVs comprising Sharī'ah-compliant public companies, and International Firms. Such partnerships are deeply rooted in the tensions of power asymmetries resulting from interdependence, and which the PuMs and PrMs experience in operating the JV.

### Method, Context, and Unit of analysis

The organisational and administrative structures of PPJVs in the extractive industry in Egypt have not changed since their establishment in the 1960's, they all share identical structures. SOE, the national holding company, appoints their officials (PuMs) to the management team of PPJVs, equivalent to the appointees of IFs (PrMs). The appointed public officials commonly rotate in the same occupation across all JVs in the country throughout their years of service. At the time of data collection, there were 31 operating PPJVs in Egypt. Following the inductive logic (Thomas, 2006), the empirical data was gathered from PuMs and PrMs - the participants- in the field of PPJVs in the extractive industry. An outline of the interview questions was designed to understand the participants' experience in governing PPJVs under the tensions of power asymmetries they encounter.

The sampling logic follows (McIntosh & Morse, 2015; Saunders & Townsend, 2016) suggestions which focus on two intertwined provisions, the appropriateness of participants and the appropriateness of data. These provisions purport a purposive sampling (Guest et al., 2006) of participants based on their experience and seniority that reflect the breadth of knowledge, being exposed to an unbalanced inter-play of powers in their roles of governing PPJVs. The objective of the study is to construct realities from experienced actors who are managing the operations of the PPJV. Hence, identifying the perceived managerial practices of appointed actors from Sharī'ah-compliant firms and IFs, which are needed to govern PPJVs in Islamic economies under the tensions of power asymmetries experienced by PuMs and PrMs, rather than achieving '*Statistical Generalisability*' (Trotter, 2012). The criteria were set to approach PuMs and PrMs with a minimum of ten years of experience managing PPJVs in the extractive industry of Islamic economies, and who have served in managing several PPJVs in the country throughout their career. This eventually allows theoretical saturation that ensures data quality and richness (Glaser & Strauss, 1967).

### Data Collection and Analysis

In recruiting PuMs and PrMs, a directory listing all the 31 PPJVs in Egypt (Quick Petroleum Directory) was chosen as an unbiased comprehensive list of a targeted homogeneous population (Wilmot, 2005). The directory included contact details of the management teams of PPJVs. The recruitment process started with 3 days of phone calls to the whole population

of 31 PPJVs. The 10 participants signed in to contribute to the study, 7 PrMs and 3 PuMs. The length of the participants' experience exceeded 10 years of experience in the field and averaged 30 years of experience. The longest-serving manager had 50 years of experience and the shortest had 15 years of experience. They have all served in multiple PPJVs from the total existing 31 JVs. From the 7 PrMs, 4 have previously worked in 3 of the total PPJVs, and 3 have previously worked in 2 of the total PPJVs. Similarly, from the 3 PuMs, 1 has previously worked in 5 of the total PPJVs, and 2 have previously worked in 3 of the total PPJVs. Additionally, throughout their careers in the extractive industry, they have worked in various Islamic economies in the MEEM region. These characteristics and range of experience ensured the depth and richness of data (Bowen, 2008; McIntosh & Morse, 2015).

The interviews were recorded in audio files, The average length of interview time was approximately 1 hour; the shortest being 46 minutes and the longest being 2.5 hours. The Arabic language interviews were translated word-for-word, then manually transcribed into Microsoft Word Documents, a similar approach was applied to the English language interviews, and both produced 64,000 words of interview transcripts.

The analysis process was conducted from the emerging data (Braun & Clarke, 2006). A thematic analytical procedure was devised using the template analysis style of hierarchical coding. Using Microsoft Excel, the analysis started by identifying codes from the interview transcript, 'Codes' were grouped into 'Categories', and then categories were grouped into 'Themes'. This hierarchical coding using a 'ground-up' approach helped to develop concepts that are closely linked to the rich dataset (Golden-Biddell & Locke, 1997). The analytical weight was on the '*latent*' meaning of the text, going beyond its surface to the underlying views of participants (Braun & Clarke, 2006). This analysis process followed recommendations of data trustworthiness by (Thomas, 2006). The research team of the main researcher and two advisors in the field, separately, created a list of codes from the emerging data. They met afterwards to identify discrepancies between their lists and worked together until they reached a working scheme of codes. This scheme of codes was used to individually re-code the first interview. Then they separately worked on grouping the codes into categories, then they met again to identify any discrepancies to create a working scheme of categories to re-group the codes. In identical steps, they worked together to create a list of themes that grouped categories. The same process was followed for the second, then the third until the tenth interview. Codes, Categories, and Themes were not finalised until a consensus was reached on each interview. Such a process forced a score of 100% inter-coder reliability.

The continuous reappearing of findings and verification of interpretation within the team throughout the analysis stage signified that saturation was reached. After the analysis of the whole dataset was concluded, it was observed that no additional insights have emerged from the last three interviews, ensuring replication, data comprehension and completeness (Saunders & Townsend, 2016).

## RESULTS

The study aimed to explore the perceived managerial practices that influence governing PPJVs in Islamic economies under the tensions of power asymmetries experienced by PuMs appointed by Shari'ah-compliant firms (The SOE), and PrMs appointed by international firms. It was observed that PuMs and PrMs perceive trust-building as an important managerial practice that influences governing PPJVs and enhances their coordination. Furthermore, the compatibility of experience between them is perceived, only by PrMs, as an important managerial practice in governing PPJVs and enhancing coordination with their counter-PuMs. Contrary to the views of PuMs who perceive experience compatibility with their counter-PrMs as of no importance.

## Trust-Building

Findings indicated the importance of trust-building between PuMs and PrMs, with a 100% theme-occurrence of this practice by all public and private participants. This revealed the significance of this managerial practice in governing PPJVs under the power asymmetries existing between appointed managers. For instance, General Manager (P3, PrM) stated *'It is important that you build trust [...]. Once you have proven that you and your partner can trust each other that will facilitate many things'*. This view was supported by Chairman (P9, PuM) *'The backbone here is trust, once the foreign partner [private partner] feels the trust [...] the business relationship becomes excellent'*. They further implied that informal commitment to partners' entitlements is important in building trust *'The element [...] that helps in building trust is the ability to stay committed to your agreements with your partners which will eventually smooth the business'*. This statement was supported by another PuM *'I'm here to look after both partners' interests, and that I think is the secret of success inside the entity or organisation'* Chairman (P8, PuM). These views were implied by PrM in their expression of frustration *'Foreign contractors [private partner] are not happy, and they are not getting what they are entitled to, and they may leave the country'* Finance Manager (P6, PrM).

Public and private participants have linked informal commitment to entitlements with the achievement of their mutual goals *'We [public and private] are a team, and our objective is to increase the wealth of our companies and we both should work in that direction'* Finance Manager (P1, PrM). This view was supported by Chairman (P9, PuM) *'The investor [private partner] is here to spend money for profit, and I have to help on that because the country will gain as well, so it is a win-win situation'*. Private participants, however, indicated that although there is consensus between PuMs and PrMs on the importance of achieving mutual goals, PuMs are not following such consensus, especially in cases of economic or social difficulties in the country. For instance, General Manager (P3, PrM) stated *'What drives the foreign company [...] in oil industry [...] is to maximise the shareholders' value. This concept is not clearly visible or seen on the JV level, [...] management [public partner] are driven may be by political considerations or social considerations. Governments, not only in Egypt, [...] have other considerations to observe than economics or balance sheet configurations or shareholders value'*. This leads to different behaviours in the PPJV affecting the process of trust-building as implied by Finance Manager (P6, PrM) *'They [public partner] come with different interpretations and say no this is capital [Capex rather than Opex] [...], however, the contract is detailed but their interpretations are always in their favour; [...] a lot of these favoured interpretations will kill the project. [...] then things are groomed to fail'*.

Public and private participants view lack of managerial compatibility to affect the achievement of their mutual goals *'There is a [...] difference between the managerial culture of both parties on all levels, and to a certain degree it affects the performance because when it is different means that you have a big problem in agreeing on the business goals'* Projects Manager (P4, PrM). This view was supported by Chairman (P8, PuM). *'If both partners are compatible in the management culture that would increase harmony and understanding and decreases the need for negotiation and its time as well if it occurs'*. Examples were given by General Manager (P2, PrM) on how to work on reaching managerial compatibility, help in setting priorities to achieve mutual goals and build trust between PuMs and PrMs *'One of things that we started, the chairman [public] and I [private], we started weekly management meetings [...] it's to show a united front. The purpose [...] is to make sure that every department in the JV [...] knows what the priorities are'*. Accordingly, the views of public and private participants demonstrated that trust-building is an intertwined process of efforts by PuMs and PrMs to reach informal commitment toward their mutual entitlements and to find compatible managerial approaches to achieve their mutual goals.

### Experience Compatibility

Findings indicated a split in the views of PuMs and PrMs on the importance of experience compatibility between them in governing PPJVs. This managerial practice appeared with a 60% theme-occurrence among participants. 4 private participants demonstrated the importance of experience compatibility between PuMs and PrMs in governing PPJVs. Contrarily, 2 public participants view experience compatibility between PuMs and PrMs to be of no importance in governing PPJVs.

For instance, private participants indicated the importance of experience compatibility between PuMs and PrMs *'NO [experience is not compatible] [...] and the impact on the performance would be a purely negative one'* Projects Manager (P4, PrM). This view was supported by General Manager (P7, PrM) *'They are not compatible in terms of skills and I'm sorry to say they [public partners] are much inferior'*. Public participants, however, have different views *'It takes, the investors, time to get acquainted by the rules of all the JV in this business'* Vice Chairman (P10, PuM). This was further implied by Chairman (P9, PuM) *'Sometimes it is balanced, sometimes it's more to the Egyptian side [public partner] and other times to the investor side [private partner]'*. Given their views, the public participants indicated no importance of experience compatibility between PuMs and PrMs, contrarily to the views of private participants, as implied by Vice Chairman (P10, PuM) *'I don't think that compatibility in experience between partners is important because this allows experiences and values to be transferred to the less experienced partner'*.

Thus, although PrMs view their experience as superior to their counter PuMs, some PrMs perceive experience compatibility between them and PuMs as an important managerial practice that influences governing PPJVs and enhances their coordination under power asymmetries. Contrarily, PuMs view their experience to be sometimes higher than their counter PrMs. Some perceive experience compatibility between them and PrMs with no importance in governing PPJVs.

## DISCUSSION

In scrutinising the views of PuMs and PrMs working in the field of PPJVs between Sharī'ah-compliant firms and IFs in Islamic economies, the analysis revealed two perceived managerial practices that influence their governance of PPJVs under the tensions of power asymmetries. The power asymmetries are centred on the interdependence between PuMs and PrMs. More specifically, the higher administrative powers granted to PuMs compared to PrMs, and the superior technical powers that PrMs possess over PuMs. Considering the opposing powers on the coordination between PuMs and PrMs, the findings revealed two perceived managerial practices by PuMs and PrMs that influence governing PPJVs in Islamic economies: Trust-building and Experience Compatibility.

Trust-building was apparent by 100% theme-occurrence between PuMs and PrMs. Experience compatibility was signalled by some PrMs to influence their ability to govern PPJVs and enhances their inter-organisational coordination with PuMs. This practice, however, was not perceived by PuMs to influence their ability to govern PPJVs or to enhance their inter-organisational coordination with PrMs.

### Trust-building

Although, the importance of trust is established in the literature of PPP management and international alliances (Rufin & Rivera-Santos, 2012). This importance has not been explored in partnerships rooted in the tensions of power asymmetries between partners (Pongsiri, 2004). The findings of this study, confirm the importance of trust in the extant literature, however, it further extends its importance in the literature by adding these under-

researched PPJVs between Sharī'ah-compliant firms and IFs in Islamic economies moderated by the role of Sharī'ah. According to the findings, trust in PPJVs in Islamic economies plays a crucial role in mitigating the tensions of power asymmetries between PuMs and PrMs, allowing them to coordinate in governing the operations of the partnership. This is evident by the views of PuMs and PrMs who collectively perceive its importance despite the locus of administrative powers in the hands of PuMs and technical powers in the hands of PrMs. Appointed public and private managers perceive trust as a process that takes time to build, it is frequently tested during their interactions, and once solidified, it smooths business and creates a common understanding.

The findings add to the literature by reporting on the process of building trust in PPJVs in Islamic economies which goes through intertwined steps defined by Sharī'ah. One of the integral steps is the informal commitment of both parties toward their mutual entitlements. According to the prescribed ethical values in Sharī'ah, the presence of faith spirit (*Īmān*) in the commitment between partners in any partnership instigates a stronger foundation to conduct fair commitment in organizations (Imaduddin et al., 2022). As stated in the holy Qur'ān, Allah SWT says: *“And do not deprive people of what is rightfully theirs: and do not act wickedly on earth by spreading corruption in the land”* (The Noble Qur'ān, 26:183). The process of trust-building is consequently promoted, confirming the existing literature that partners' commitment toward mutual entitlements is believed to increase trust levels (Cheung et al., 2012). These entitlements, as reported by the findings, are perceived by PuMs and PrMs to be directly linked to the achievement of mutual goals. Thus, the informal commitment toward entitlements by both parties would achieve their mutual goals of quality production and profitability. As crucially ordered by Allah SWT *“Allah commands you to return trusts to their rightful owners; and when you judge between people, judge with fairness”* (The Noble Qur'ān, 4:58).

Accordingly, another step to build trust is transparency and harmony. Appointed managers from all parties should share all relevant information truthfully and transparently to build trust that ultimately enhances compatibility. This step is implied from the Qur'an through faith (*Īmān*), whereas faith is an essential pillar of sound governance in partnerships. The word (*Īmān*) protrudes from one's soul through one's words and actions implying authentication (*Tasdiq*) and truth (*Al-Haqq*) that ultimately boosts trust at the workplace and partnerships and it is usually referred to as transparency (Taufiq, 2015).

### **Experience Compatibility**

The importance of a compatible experience between public and private partners in managing PPPs is exposed in the literature (Azarian et al., 2023). According to previous studies, a balanced level of experience between public and private managers enhances their ability to coordinate and govern partnerships. Contrary to expectations and the existing literature on PPP management, the findings in this study report a contrast on the importance of experience compatibility between PuMs and PrMs.

Some of the PrMs perceive the lower levels of experience of PuMs to hinder their ability to govern PPJVs and diminish the inter-organisational coordination between them and PuMs. Since the acceptance of the technical methods and costs of production in PPJVs in Islamic countries lies in the hands of PuMs, some PrMs find it difficult to demonstrate the necessity and cost of these methods to PuMs who are less experienced and highly driven by cost reduction. This view is opposed by PuMs who perceive experience compatibility with PrMs to be of no importance. It is not clear whether this opposing view by PuMs stems from their awareness of the advanced technical expertise of PrMs, yet they still give more weight to cost reductions to achieve economic gains for the SOE. Or it stems from their inability to

realise their lesser technical expertise compared to PrMs. Some PuMs view their technical experience to be superior to PrMs and contend that any incompatible experience levels between PuMs and PrMs allow the transfer of such experience to the counter-partner.

According to the findings of this study, appointed managers can develop compatible levels of experience in their field of work and tasks in PPJVs through the sound foundation of the level of mutual trust they built between them. Hence, they can build a solid transactional relationship if they frequently share transparent and clear information. As stated by Prophet Muhammed (PBUH) “Whoever is asked for knowledge and he conceals it, Allah will clothe him with a bridle of fire on the Day of Resurrection” (Sunan Al-Tirmidhi 2649).

## CONCLUSION, IMPLICATIONS, AND FUTURE RESEARCH

Islam is a structured and spiritual religion that organises, transcends, and purifies human thoughts, feelings, and conduct above worldly blameworthy characteristics. Through Islam, the human spirit purifies their inward feelings and intentions, leading to praiseworthy characteristics that reflect their outward conduct motivating them to grow and manifest traits like trust, honesty, and transparency (Al-Ghazali, 2015). In The Noble Qur'an, Allah (SWT) reminds us, “*Indeed, Allah will not change the condition of a people until they change what is in themselves*” (The Noble Qur'an, 13:11). Accordingly, praiseworthy personal conduct leads to a positive and impactful influence in societies and economies. Nowadays most of the Islamic countries fall in the category of developing or emerging economies and are enriched with natural resources. Hence, there is a need for Islamic economies to engage in partnerships with developed economies to increase their resources in terms of expertise, finances, processes, and technology. Egypt is one of these progressive Islamic economies. They are developing their crucial sectors through JVs with international firms. This study elucidates the differing managerial philosophy pertaining to the conceptual managerial differences between the appointed managers of PPJVs given the essential feature of Islamic economies that have a comprehensive system of ethics and moral values. Within this aspect, this study utilises the moderating role of Shari'ah on the consequences of interdependence. It addresses how the role of PuMs and PrMs in governing PPJVs in Islamic economies is influenced by the tensions of power asymmetries resulting from interdependence within the inter-organisational exchange of the partnership. The study makes the following distinct contributions.

First, in governing public-private partnerships in Islamic economies, the managerial practices perceived by appointed managers must be accounted for as representatives of their parent firms. Managers of a Shari'ah-compliant firm must be accountable to religiously embraced laws and values. Appointed managers are subject to tensions of power asymmetries. The findings reveal how these tensions create insights into the managerial practices that influence their ability to govern PPJVs. The tensions of power asymmetries underpinning how PPJVs are governed add to the literature of PPP management by providing a much-needed managerial lens moderated by Shari'ah. This managerial approach offers a departure from structural/economic and contractual arguments and complements the literature on PPP management and organisation studies, which has acknowledged the importance of managerial practices but has provided limited evidence of its micro-foundations by not scrutinising partnerships rooted in tensions of unbalanced powers that PuMs and PrMs experience due to the consequences of interdependence between each other.

Second, in scrutinising the consequences of interdependence, this study advances the network management framework of the inter-organisational exchange by focusing on the

case of jointly operating entities, specifically analysing the views of appointed managers inside PPJVs in Islamic economies. Firstly, PuMs and PrMs fully perceive trust-building to positively influence their ability to govern PPJVs and enhance the coordination between them. Trust-building is an integral practice in the literature of PPP management, however, empirical evidence on its importance in power asymmetrical settings of PPPs is rather scant, this study provides such evidence by presenting the views of PuMs and PrMs on its significance and how it is enacted inside PPJVs in Islamic economies. Trust-building is positively associated with PuMs and PrMs informal commitment towards their mutual entitlements and goals. Informal commitment, when founded on the religious ethos of Islam, becomes more valuable, and reliable, and positively influences the informal managerial compatibility to help in achieving their mutual goals. Secondly, experience compatibility is perceived by some PrMs to positively influence their ability to govern PPJVs and enhance their coordination with PuMs. This contrasts with PuMs who saw no significance for experience compatibility in influencing their ability to govern PPJVs or to enhance their coordination with PrMs. This proposition is in contradiction with the established literature that acknowledges the importance of equal levels of experience between appointed public and private managers in governing PPPs.

Managerial implications emerge from the study. First, in PPPs, an approach based on scrutinising the consequences of interdependence resulting in asymmetrical powers in partnerships can contribute to practice-based governance compared to approaches which rely solely on contractual safeguards. Second, where a PPP organisational form heavily involves asymmetrical powers between public and private appointed managers, informal managerial efforts and commitment towards mutual entitlements mitigate the impact of unbalanced powers between them and enhance their ability to govern and coordinate the operations of the partnership. Finally, this study contributed to the existing literature on managerial philosophical concepts from the Islamic managerial perspective and elucidated the focus on religiously founded commitment to building sound foundations of trust leading to compatibility among appointed managers of PPJVs.

### Limitations and Further Research

No accompanying view of economic capital was used or explored; therefore, this study may take an optimistic view of economic outcomes. Similarly, the study considered an established, stable, and regulated form of PPJVs in the extractive industry in Egypt. Future studies are encouraged to explore the findings of this study in PPPs of Sharī'ah-compliant firms in non-Islamic economies and to discuss other consequences of interdependence that may result in diverse characteristics of power asymmetries. As PPJVs in Islamic economies are governed by private and public actors that have different values, it is worth exploring how organisational and/or individual values contribute to the tensions between PuMs and PrMs. A further area of research would also be encouraged to investigate how the personal characteristics of appointed managers influence the governance of partnerships.

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