

Creating a shared vision in a public-private health care service network: A strategy process approach

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***Abstract.** Organizations in the 21st century are increasingly focusing on the so called core competencies. As a result, they become intertwined with other organizations. This development is taking place in health care system in the form of different public-private partnerships. The future health care system, one can thus argue, is a multi-actor network, consisting of both private and public service providers. In this paper, the role of strategy process in managing such a network is discussed. It is stated that the current strategy process literature does not address the concept of shared vision in managing an organizational network, even though taking the shared vision creation into consideration in the context of the strategy process would be helpful in managing networked organizations. **Key Words:** Public-private partnership / strategy process / shared vision / business networks management.*

1. Introduction

1.1 Background of the study

It is widely agreed that 21st century organizations are increasingly focusing on their so-called core competencies, while at the same time outsourcing operations outside their core business (Möller et al. 2004, 18). As a result, organizations become intertwined with each other in numerous new ways, and this interconnectedness produces various kinds of business networks. Additionally, the private and the public sector alike will be affected by the networked form of organizing work. Cities and municipalities are more frequently acting as service providers, whilst the actual production of these services is increasingly delivered by the private sector. The future health care system can thus be best described as a multi-actor network, consisting of both private and public service providers, yet largely managed by the public sector.

In line with this, it can be argued that in the future, public sector organizations' core competence will be the ability to manage different public-private partnerships, networks and alliances. Despite the large volume of studies published on health care management in the recent years, the network management aspect has not been thoroughly dealt with, at least not in Finland. This paper attempts to address the issue from the strategic management viewpoint. In doing so, we hope that the ideas presented in this paper can serve as a guiding framework for public sector managers and also offer food for thought for scholars interesting in studying the phenomenon.

1.2 Research problem

The phenomenon to be studied and understood is the role of strategy process in managing a private-public network health care system. More specifically, we concentrate on the formal strategy process of a public health and social care organization. Our research problem is: what is the role of an organization's strategy process in managing a multi-actor health care network? Subsequently, our research question is: *in managing multi-actor networks, which elements are crucial yet not fully addressed in the current literature?*

1.3 The scope and objectives of the research

Public sector strategy process is a huge issue on its own, let alone in a networked context. In order to keep a tight focus on the subject, we have limited the scope of the study in several ways. First, only Finnish health care sector is studied. Secondly, the network we examine consists of somewhat clear relations between the actors. In other words; it is the public organization that purchases services, which in turn are offered by private firms and NGOs. Although various sub-networks composed by only private and third sector service providers may exist, they are left outside the focus of this paper. Thirdly, we only discuss the strategy process of a public organization, which is somewhat formal in nature. This stands in contrast of examining a (theoretical) network-level strategy process. Fourth limitation of scope relates to the research methodology; our theoretical approach is limited to the concepts of *strategy process* and *shared vision*. However, it is to be noted that many other approaches could have been used as well. Bounded by these limitations,

our objective is to try to find out new information about an organization's strategy process and its implications on the networked organizational environment.

1.4 Research methods

The research methods used in this paper are literature study, complemented with an action research approach. The case in question is *the health care services strategy process* of a municipality in southern Finland.

The case was constructed by the researchers with the help of 11 open-ended interviews, complimented with 2 interventions (2 focus group interview sessions). The interviewees were public organization managers and political leaders of the municipality. As usual in action research, in carrying out the research, we went back and forth between the theory and the case. In this sense, our methodology could be labeled abductive reasoning.

2 Literature review

In this section, previous literature on strategy processes and organizational networks is briefly discussed. Subsequently, a synthesis that combines these two concepts is introduced.

2.1 Strategic Management and Strategy Process

One way to look at different sub-fields of strategic management studies is to distinguish *strategy content* research from *strategy process* research. While the former is interested in finding the winning strategic positions, the latter seeks to provide understanding of "*how strategies are shaped, implemented and changed*" (Hitt 2003). Furthermore, the purpose of strategy process research is said to be to facilitate the realization of more innovative and defensible strategies (Chakravarthy et al. 2003). In addition, it's generally acknowledged that strategy process researchers are, among other topics, interested in examining if there is an underlying craft in shaping, implementing and changing strategies. And if so, what would be its features? (ibid.). Due to our interest in investigating the possibility in such "underlying crafts," this study could be positioned to be strategy process research. Furthermore, we argue that since the future health care

system consists of different public-private networks, strategy process researchers should begin to take the networked environment into account in numerous ways.

2.2 Defining a business network

By now, the term *business network*¹ has become a household name in management literature. However, the terminology used in contemporary scientific and managerial discourse varies greatly. When talking about business networks, many authors refer to the term “*network organization*” (e.g. Miles and Snow, 1992; Nohria, 1992). Miles and Snow (1992) define the network organization as a flexible structure that closely resembles networks rather than traditional hierarchical pyramid structures. Borgatti and Foster (2003) again define the network organization as an organizational form characterized by repetitive exchanges among semi-autonomous organizations that rely on trust and embedded social relationships to protect transactions and reduce their costs.

Besides the term “network organization”, there are also other widely used terms in the discourse about business networks. Parolini (1999), for example, talks about “*value nets*”, emphasizing the value-creation view of actor networks. One widely used concept is also the “*strategic network*,” a term created by Gulati et al. (2000). In this paper, a business network is defined as:

An enclosed network-organization formed by multiple organizations, that has been built intentionally and consciously to gain certain benefits, and has one central organization responsible of coordinating the action of this particular network.

2.2.1 The challenges of managing business network

The new networked environment sets new types of challenges for organizations. From the managerial perspective, the features of networks make them demanding to manage

¹ For clarity's sake, we use the terms organizational networks and business networks synonymously.

and control (Möller et al. 2004, 7). One key challenge in managing networked business is the difficulty to grasp the workings of the network as a whole. Also, it is usually hard to identify the purposes and goals, the *raison d'etre*, of a network. This, of course, is due to the fact that one of the most typical properties of business networks is that they contain plenty of different actors intertwined in a complex structure. The multiplicity of different actors brings complexity to the network, and thus it is hard to always fully grasp the nature and wideness of the network and the different actor roles embedded in the structure (Slowinski, Oliva and Lowenstein 1995). As the business network contains multiple actors of different kind, the understanding of the whole system and the ability to coordinate it arise as essential problems. The more actors there are in the network, the more resources it consumes to coordinate the whole. Möller et al. (2002) conclude that there are no well established tools for coordinating business networks yet.

Because actors in the business network have their own individual goals, there may be an asymmetry between different actors' goals. Some of these actor goals can be homogenous or overlapping, but some goals can also be contradictory or even conflicting with other goals. Möller et al. (2002) state that the fact that several goals can be pursued through one complex net (or a set of overlapping nets, for that matter), complicates their management. Gulati et al. (2000) refer to actor opportunism that may occur in a business network as a direct consequence from the fact that each actor strives for their own goals, agendas and personal profits. Because of the actor multiplicity, it is evident that there are also various cultures present in a business network. Cultural variety in a business network most probably brings about cultural differences. Barsoux and Schneider (2002), for instance, state that cultural differences are the biggest source of difficulty in cooperation.

The new networked environment has thus brought about new managerial challenges for companies and other organizations. We seem to be in a desperate need for new methods and tools for understanding, analyzing and essentially managing organization efforts of business in the new networked era. Old managerial tools have become outdated, and the new challenges should be answered with new managerial instruments (Malaska and

Holstius 1999). We argue that creating a *shared vision* for a business network might be one of these new, much-desired tools.

2.2.2 The benefits of a shared vision to a business network

The driver for this research has been the idea of utilizing shared vision construction in network management. Earlier research seems to indicate that the properties of a shared vision could make it a very useful tool in managing networks (Soback 2006). Theory also indicates that a shared vision, *combined with* its creation process, can create a common goal for all the actors in a network, act as a tool for coordination, help in discovering the shared values between the network participants and encourage the network to be more innovative (Soback 2006). Ilmola et al. (2002) also state that a shared vision provides a common framework by which to assess available information and focus on relevant issues. They argue that this shared construction of reality decreases opportunism and increases information sharing and alignment. Moreover, Möller et al. (2004, 40) claim that creating a compelling vision for the future becomes especially important in the context of networks which aim at developing new technologies or discovering new ways of collaboration.

2.2.3 Managing a business network: a sensemaking approach

In the light of this, managing a network is (at least partially) about creating a shared vision. Tsai and Ghoshal (1998) suggest that shared vision is a form of an organization's social capital. They also imply that a shared vision, in turn, manifests the collective goals and aspirations of an organization. Therefore, a shared vision can be seen as the social resource that connects individuals and organizations (Senge 1990, 2006; Thornberry 1997; Rampersad 2001; Li 2005), offers shared representations (Westley and Mintzberg 1989), meanings (Senge 1990) and systems of meaning between different groups (Tsai and Ghoshal 1998). On the other hand, Mäkelä (2002, 23) claims that a shared meaning between parties about something can also be defined as common understanding. Based on this definition, it can be concluded that a shared vision can be regarded as *common*

understanding between the members of an organization. Consequently, managing a networked organization requires facilitating common understanding.

Furthermore, accepting the phenomenon of a shared vision as a part of an organization's common understanding offers a fruitful framework for generating deeper understanding of the properties of a shared vision and its dynamics. Mäkelä (2002, 23), for instance, states that common understanding is born out of *shared meanings and common experiences*. Mäkelä also states that common understanding is being generated as a result from a *process of collective sensemaking*. Thus it can be claimed that a shared vision is also born in a process of sensemaking. Ilmola et al. (2002) also state that sensemaking is a profound element in the process of vision building. Choo (1998, 2) also proposes that the immediate goal of sensemaking is to create a common understanding about the organizations purpose and its functioning, in order to ensure the organization's success in the long run.

2.3 Building theory from the case

As our research objective was to try to find out new information about the subject through an empirical study, we are not going to form testable hypotheses based on previous literature. Instead, based on the literature and the empirical data combined, we are trying to add to the theory of strategy processes.

2.3.1 Case description

In our research, the concept of case could be understood in two slightly different yet overlapping ways here. First, as is usual in case studies, we examined an organizational entity acting as a case from which to extract data. Secondly, based on our observations on this organization, we constructed a model (or a case) of its strategy process in practice. In this paper we focus on the latter; the case in question is the *strategy process* of a health care services unit of a municipality in southern Finland.

In Finland, the strategy processes of public organizations are, for the most part, somewhat formalized. They are explicitly scheduled and their outcomes don't vary too much from year to year. However, in terms of actually running the process, every organization can carry it out as it sees fit. As a result, there is great variance in different "process architectures" – who does what with what results.

The organization under investigation had one municipality-level strategy that was supposed to coordinate all action within its jurisdiction. The jurisdiction was made up of three branches 1: *Education and culture*; 2: *Social and health services* and 3: *Technical services*. Consequently, there was one formal strategy process under which everything "strategic" had to be done. In other words, the social and health services branch did not have its own official strategy (or strategy process, for that matter), but had to extract its own "operative guidelines" from the municipality-level strategy. However, there was a tendency to formulate "unofficial strategies" for both the three branches and different cross-branch services. The chief strategy officer of the municipality had encouraged examining the possibility to distinguish such strategies and strategy processes from the official, municipality-level strategy process. One of the main sub-level strategy processes to be differentiated was focused on services in general. The problem was how to formulate a strategy for addressing the numerous challenges related to providing services to the citizens. What issues should that particular strategy address in the first place, who should take responsibility in running the process, which actors should be included and what should the outcome of the process be?

At this stage, our research team was asked to be involved. In order to be able to answer these questions, we decided that it would be helpful to focus on a particular services strategy process, and due to the organization's need we decided to concentrate on social and health services. From the start, it was obvious that there was a plenty of "strategic action" covering several social and health services issues occurring in the municipality-level strategy process. However, it was unclear what this action really was, where did it exactly take place, and why did it take place where it did. Moreover, it was equally unclear which exact actors were involved in the process, how they were involved and

why it was them that were there in the first place. As a result, we decided that we have to model the underlying sub-process first.

2.3.2 Case analysis

The first phase of the modeling the services sub-process was to model the municipality-level process. In this process, we found several issues that looked significant. First, the strategy process in question did not take the networked environment into account. Second, there were no established goals for the process; it was unclear what its outcome was supposed to be. Third concern was that the strategy addressed a huge number of issues, some of which clearly were of no strategic importance. Fourth issue had to do with roles and responsibilities; it seemed to be unclear which topic belonged to which organizational unit and so forth.

2.3.3 Current literature and the case analysis

Based on the literature examined, it seems that the current strategy process theories are not fully applicable to networked organizations. The issue of an organization's strategy processes addressing the networked environment seems to be neglected in the literature. The concept of environment analysis is, of course, widely discussed in the context of strategy processes, but no participatory elements of the process are considered. Based on our interventions and observations, we argue that many problems in networked organizations have to do with the lack of shared vision and common understanding. However, the present strategy process literature does not take this phenomenon into account too well.

2.4 Results

Based on the findings from the constructed case and the literature reviewed, we are trying to meet the objective of the research. First, it seems that there are not too many tools available for managing organizational networks. We also found out the concept of shared vision could be one of these tools. However, the current strategy process literature did not satisfactorily address the concept of shared vision in managing an organizational

network. It seems that there is a gap in the literature. Based on our empirical study, we claim that this gap should be addressed in strategic management and strategy process theories. In examining the empirical case, we noted that no elements of network-level shared vision were clearly visible. Based on the theoretical grounds presented above, we argue that this lack of shared vision contributes to some of the problems we encountered in managing the network. As a matter of fact, the constitution of the strategy process of the municipality prevented many network actors from participating in the process and thus making the creation of shared vision virtually impossible.

We argue that taking shared vision creation into consideration in the context of the strategy process would be helpful in managing networked organizations, private and public alike. Speaking of the shortcomings of strategy process literature, the broader concept of “networked sensemaking” has not been considered in the strategic management literature. Founded on our findings, we claim that seeing the management of a networked organization through the lenses of sensemaking would shed light on the phenomenon. We argue that the strategy process of an organization can feasibly act as a platform for networked sensemaking and thus an enabler for the creation of shared network-level vision. Furthermore, our managerial contribution is derived from the proposed theoretical add-ons. We argue that taking the sensemaking aspect into account within a strategy process helps manage networks. This, we suggest, is largely because creating and cultivating shared vision is indeed found to be of utmost importance in organizational networks (Soback 2006).

3. Discussion

In this study, we found out that in order to successfully manage a networked organization, one should be able to create a shared vision. We also conclude that an organization’s official strategy process could act as a platform for this shared vision creation. However, we also observed that the strategy process literature did not identify and propagate this view. The implications of our findings are two-fold. First, we suggest that management researchers should study organization networks from the strategy process viewpoint, possibly addressing the issue of shared vision creation. Secondly, we

assert that the strategic management practitioners responsible for carrying out the strategy process should carefully examine its implications on the networks that the organization is involved in.

Of course, there are some limitations on these findings. Although we noticed that the strategy process in question lacked many properties of a shared vision, its inability to serve as a tool for managing an organizational network can be contributable to several factors other than the ones we noticed. Although we argue that not having a shared vision clearly generates problems for network management, our study does disclose whether this lack is indeed more significant than some possible other weaknesses of the strategy process. On the other hand, this limitation serves as a basis of further research on the logics of strategy processes' value-adding capabilities.

Furthermore, the chosen research method always has its weak sides. In this case, we gathered empirical data from only one organization. This might somewhat limit the generalizability of our results. However, as our aim was to provide new information on strategy process, choosing and using only one organization can be considered sufficient. We do not believe that more extensive cross-cultural "sampling" or a different network set-up would have enhanced the general applicability of the research results. We also argue that although only one organization was studied, our results are at least somewhat generalizable; taking the networked environment into account in the strategy process is undeniably a good thing for both the scholars and practitioners.

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