

Strategic management in public service outsourcing: A case study on how city-level strategies are taken into account in bidding documents

Track 2. Crossing boundaries: Organizing cooperation within the health care sector

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Abstract. In this study we look at how municipal strategy is implemented when social services are contracted out. We focus on the contractual level and examine bidding documents. We're interested in how strategic objectives are represented in these documents. Our a priori assumption is that, for implementation's sake, the objectives should somehow be embedded in the bidding documents that precede the outsourcing contracts. We conclude that some types of strategic objectives are reflected better than some others.

Introduction

Strategic management in the public sector organizations, including cities and municipalities is here to stay. In addition to formulating good city-level visions and strategic objectives, equally important is the implementation of these strategies. At the end of the day, the quality of strategy work is determined at the level of the citizens: how well they are served by their local governments and administrations. This study examines the quality of outsourced services from the contractual perspective. Our focus is on looking at how city administration can ensure that the services provided by outside organizations are in line with the strategic objectives of the city? Our *a priori* argument is that, for implementation's sake, the objectives should somehow be embedded in the bidding documents that precede the outsourcing contracts. The research question in this study is *what types of city-level strategic objectives are taken into account when municipal elderly care services are outsourced?* In order to answer the research question, a case study of is conducted. The context of the case is a large city organization in

southern Finland, which intends to contract out a relatively large part of its social services, and especially services for the elderly. We look at this phenomenon at the level of bidding documents. In this study, we'll call the city by a pseudonym Cityville.

Theoretical background

In this study, the concept of strategic management refers to planning and managing for the organization's long-term future. Strategic management studies can be divided into two broad sub-categories: strategy *content* research and strategy *process* research (Chakravarthy & Doz, 1992). The former stream is interested in what types of strategies are in place and what are the effects of these different strategies. The latter stream examines how organizations actually work; who make decisions, what kind of decisions are made, what happens after decisions are made, and how are decisions followed up (Pettigrew 1992). In this study, we draw from these both worlds of strategic management stream. However, both streams have concentrated on the level of single organizations, and thus by and large neglected the organization network level. This study will focus on the network level phenomenon – what happens at the boundary between the buying organization and the selling organization. In this work the organization network is defined as individual extra-organizational and intra-organizational units “existing in relation to other units” (Powell 1990) in producing services as a whole. First, we look at the content of the city strategy, then we examine how this content is being translated into action in bidding documents.

Data and methods

Data

The data is composed of two documents. First, we will look at the Cityville official strategy for the years 2006-2008, and then contrast it to a particular bidding document for all-inclusive housing services for the elderly, filed in March 2007. The bidding document chiefly comprises the overall description of the service requested, a more focused description of the service concept (including nutrition plan and health care and

medication plan), and the actual contract to be signed. In addition, service provider eligibility issues and possible additional services are discussed in the document.

The city-level strategy is initially crafted by the city administration officials, and approved by the city council.

“Strategy defines how the city will be developed in the near future. Vision, mission and values depict long-term goals, and combined with annual goals illustrate how the city will develop in the future”

The city’s mission is as follows:

”The city will create opportunities for good quality of life for the citizens, and will provide a good business environment for companies, in accordance with the principles of sustainable development.”

Research method

In this work, we analyze and categorize these data. We intend to understand what types of strategic objectives the city communicates in its official documents, and how these objectives are reflected in the bidding documents.

First, as suggested by Lester et al. (1987,) we create a typology of strategic objectives. Then, we investigate whether some types of objectives are reflected better than others in the bidding documents.

Analysis and results

Framing the analysis

The overarching theme of the analysis is two-fold. First, we categorize the strategic objectives into four categories. In doing so, our aim is to find out what types of objectives the strategy document encompasses. Second, after this categorization, we look at how the objectives and categories are reflected in the bidding document. It is to be noted here that we do not examine the actual service processes, but instead focus on the contractual boundary between the city and the service provider.

As an outcome of the first phase, we outline four different types of strategic objectives (Table 1): 1) broad visions, 2) objectives regarding city’s own actions, 3) objectives regarding the service structure, and 4) direct promises to citizens. By broad visions, we mean very general and open statements concerning the desired state of affairs: “Cityville is a good place to live in.” The objectives regarding city’s own actions address the issues of what the city itself can do for the citizens, and how city’s own services are going to be developed. The objectives considering the service structure deal with the structures with which services are being delivered to the citizens in the future, including partnerships with the private firms and other cooperation with external parties. In addition, the strategy document contains some explicit promises aimed directly at citizens.

Table 1. Types of strategic objectives

Type of a strategic objective	Example
Broad vision	1. Cityville is a good place to live in 2. [We’ll have] a safe city environment 3. [We’ll be] citizen and customer oriented
Objectives regarding city’s own actions	4. We plan and evaluate the quality and quantity of services provided 5. We develop our service evaluation and procurement competences
Objectives regarding the service structure	6. Our model for developing the broader metropolitan area is based on networking and cooperation 7. There will be many different ways to offer services to customers in the future
Direct promises to citizens	8. Citizens will get the services reliably 9. We take care of the elderly citizens’ needs regarding health and well-being services

In the second phase, we look at how the objectives are reflected when eldercare services are contracted out. The aim is to compare the types of strategic objectives with the content of the bidding document. Toward this aim, we categorize the requirements found in the bidding document into three groups (Table 2). First, there are requirements that concern the actual customer service. Second, we classify requirements that deal with the service provider’s service processes and management. Third, we distinguish requirements that address issues relating to the cooperation between the city and the service provider once the contract is signed.

Table 2. Requirement types in the bidding documents

Requirements	Example
Customer service requirements	<ol style="list-style-type: none"> 1. The requested service supports the customer’s own activity and guarantees sufficient care 2. The stability of care is important. The customers don’t have to move out the even though the service provider does not stay the same after bidding process
Service process and management requirements	<ol style="list-style-type: none"> 3. The provider has to acknowledge the customer’s cultural background 4. The caregiving personnel has to be trained and additional training has to be available if needed 5. Documented quality management system in place
Cooperation requirements	<ol style="list-style-type: none"> 6. The city contracts out services as it sees fit 7. The city does not commit to buying certain quantity of service 8. The city chooses the customers, the service provider guarantees required quantity of personnel

Results

As an outcome of the comparison, we notice that strategic objectives of the broad vision type are reflected in the bidding documents quite well. The table 2 shows that the customer service requirements are in line with the “broad vision” objectives. In addition, the objective of customer orientation seems to be taken into account in customer service requirements: “the requested service supports the customer’s own activity---.” Also, the care plan included in the bidding document states explicitly that “customers’ individual resources” are important when carrying out care activities. Moreover, the facilities should be comfortable, so that the customers “can take part in the normal activities of everyday life.” Generally, warmth and kindness are requested, the city wants the customer feel “warm and safe.” We interpret that this request is aligned with the strategic objectives stating that the city is a good and safe place to live in. Moreover, the objective concerning customer orientation is seen in the following customer service requirements:

“The customer is entitled to service in her own language,” meaning Finnish or Swedish.

“The customer is supposed to take part in creating the care plan.”

Of course, some of the objectives that were categorized in the broad vision group were somewhat vague and fuzzy; what does it actually mean that “good life” is promised in the city strategy? However, some of the more narrow objectives, for example those

concerning customer orientation, were taken into account pretty well in the bidding documents.

None the less, the strategic objectives concerning city's own actions are not clearly present in the bidding documents. For example, one of the objectives states that the city plans and evaluates the quality and quantity of services provided. In the bidding documents, however, there were no indications of such planning and evaluation. Likewise, there were no explicit or implicit indications of how the bidding process as a whole relates to the intent of procurement competence evaluation. Of course, the competence evaluation process is different from a single procurement process, but even such an individual process might offer the city administration one option to exercise procurement evaluation. Obviously, not having any indication of procurement evaluation in the bidding documents is a valid choice. However, the documents *per se* offer a valuable communication channel to service future providers, and their value as should be recognized.

We identified some objectives regarding the service structure in the bidding documents. As shown in the table 2, the cooperation between the city and the service provider is actually fairly one-sided process – the city administration states what it wants, what are its rights, and so forth. There's no real cooperation in terms of planning the services together, for instance. When one of the strategic objectives states that “there will be many different ways to offer services to customers in the future,” it seems that these many ways will still be planned by the city administration alone. Direct promises to the citizens are visible in the bidding documents in many ways. For example, when one strategic objective is about customer orientation, the bidding documents communicate that the continuity of care is important and that “the customers don't have to move out the even though the service provider does not stay the same after bidding process.” All in all, it seems that at least the broad vision and direct promise types of strategic objectives are reflected pretty well in the bidding documents. On the other hand, the objectives related to service structure and city's own actions are not present that well.

Conclusions and discussion

In this study we have examined the coherence between city-level strategy and elderly care services bidding documents. The coherence has been examined by comparing strategic objectives with the content of a specific bidding document. First, we categorized the strategic objectives into four groups. The reason for this categorization was that we initially wanted to see whether some types of objectives would be represented in the bidding documents more than some others. We were able to conclude that the strategic objectives that relate to broad vision and direct promises to customers seemed to be quite well represented in the bidding documents. In contrast, the strategic objectives that relate to city's own actions and service structure are not reflected in the bidding documents.

One potential explanation for this is that contracting social services out to external service providers is a rather new phenomenon in the context of Finnish municipal services. Therefore, there are no routines, processes and practices in place for translating strategic objectives into network-level action. We argue that one way to study strategic management and implementation of municipal strategies in social service networks is to look at what happens and doesn't happen at the boundaries between public and private organizations. Finally, we'd like to note that this work does not address the important issue of how the services are actually delivered and whether the citizens are satisfied with what they get for the tax money. One potential future direction would be to extend the examination of documents to looking at whether the actual practices are in line with what's documented.

References

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