

***Orchestrating customer-oriented private-public ecosystem transformation
– Case: Health care reform in Finland***

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Introduction

In the Europe, health and social services reform advances reorganizing of public healthcare, emphasizing collaboration between private and public actors. Need for radical change is recognized widely, although in Finland, for example, related legislation is still lacking due to problems in reaching political consensus. However, with or without new law, systemic changes needed in the future for public health and social service provision are so remarkable, that the process can also be seen as a real possibility to renew customer-orientation in public health care. Likewise, these initiatives will hopefully boost development of customer-centric ecosystems. Our aim in this article is to create *in-depth understanding of how transformation of public health care system towards customer-oriented ecosystem could be orchestrated?*

Presumably, these initiatives may face many challenges. Customer-oriented ecosystem formation is to some extent against traditional outsourcing culture characteristic to public sector, where focus has been on dyadic relationships and contracts with single actors, administered by public sector representatives. Likewise, constructing interfaces needed between public and private actors needed to act in the ecosystem can also be challenging in the competitive setting. So is changing culture and viewpoint from individual service provision to service entity, service ecosystem, where customer can also get more empowered role.

In addition, public actors as responsible of organizing health care services follow the regulative framework of public procurement deriving from the EU and national legislation. Accordingly, transparency, fair treatment and competition are nurtured in the decisions resulting typically in transactional exchange and arm's length relationships between public and private organizations (Lian & Laing, 2004). The role of contracts and formal exchange in public procurement relationships has been emphasized although lately also the need for more collaborative engagements between public actors and supplier companies have been put forward (Keränen, 2017). This has especially been connected to the development of new public procurement

procedures, focusing on innovative public procurement and seeing the role of public procurement as generating innovations (Edquist & Zabala-Iturriagoitia, 2012). Pre-commercial public procurement, for example refers to procurement that is connected to a R&D phase of the actual object of exchange (e.g. Edquist & Zabala-Iturriagoitia, 2015), and life-cycle procurement in which long-term partnerships around service business model is created between the public procurer and supplier, instead of large infrastructure procurements. The way public procurers are interacting with the supply market is thus developing from the purely transactional towards more resource focused and collaborative exchanges, but the outsourcing remains still highly dyadic and the focus for interaction with the surrounding market resources is highly concentrated on managing single relationships between the public buyer and a specific suppliers. Thus, what seems to be missing in the public procurement culture is the way public procurement connects to a wider network of resources providers. Likewise, although there are mentioned openings in research, it still does not provide adequate understanding about customer orientation in public sector, nor about customer-oriented ecosystem view or its applicability to the new, reorganized private-public collaboration. This is especially true in our empirical context, public health services. These systems are under huge transformation and we want to follow that development to understand:

How customer-oriented public health care transformation towards customer-centric ecosystems can be orchestrated?

First, we need to understand the starting point of developments, and core actors in the system to organize data collection. Thus, we need to answer:

- *Who are nodal actors influencing ecosystem development?*

Second, as mentioned, many aspects of prevailing culture and structures in public health care need to be transformed to change the system. Thus, we need to answer the question:

- *How variety of orchestration activities can be implemented to influence and transform existing system (towards customer-centric ecosystem)?*

Finally, because the core aim is to create customer-centric ecosystem, we have to create understanding of the inner meaning of this concept in this specific context:

- *How customer-orientation could be realized in the ecosystem?*

In the case of health care reform in Finland, we have a unique opportunity to follow the renewal of the healthcare, and we have an access to interview those involved in planning the system. Large amount of in-depth interviews enable us to create understanding of this challenge. These interviews are conducted during this spring.

Customer-oriented ecosystem – theoretical underpinnings

The idea of customer dominant logic emphasizes that customer's process should be a starting point of any service development: Service providers' role is to identify ways to connect to customer's real life challenges, and offer resources needed for customer value creation (see Heinonen and Strandvik, 2018). One service provider can seldom meet all these needs in the long run, but variety of actors are needed to combine their resources in order to support customer health and wellbeing. We need customer-oriented ecosystems. So, instead of the focus being on how service systems are arranged and organized from the service providers' point of view, the interest should be also in what constitutes the customer's ecosystem providing resources for customer value creation process (e.g., Jacobides et al., 2018). In the kind of ecosystem, customer may also take more active role, in some cases even orchestrate the ecosystem for his or her own value creation.

To meet this challenge of customer-orientation, ecosystem dynamics in this new situation and setting should be understood, and we should be able to form customer-oriented ecosystems where private and public actors act as seamlessly as possible to link their resources for customer purposes. This happens by taking different positions and roles in the network, by influencing other actors. In other words, network orchestration is conducted.

Ecosystem Orchestration

According to Dhanaraj and Parkhe (2006) network orchestration refers to taking deliberate, purposeful actions for initiating and managing collaboration processes. Network orchestration is a dynamic, emergent process, where actor roles and orchestration activities can change in time (Davis and Eisenhardt, 2011).

Examining this dynamics is critical in understanding service ecosystem and related value creation potential, or inhibitors for it. When formation, or transformation of ecosystem takes place, mobilization of variety of actors needed is not without challenges. Network mobilization presumes some actors taking initiative. Like our first sub research question presumes, first we

need to understand *who are those nodal actors* that can act as net weavers when promoting ecosystem formation in health care sector. We assume that in the present situation those actors are often public organizations that hold sufficient legitimacy and regional power/influence to take the orchestration initiative (e.g., Hurmelinna-Laukkanen & Nätti, 2018; Pikkarainen et al., 2018). After defining nodal actors, basis to form the ecosystem should be understood. Actors needed for integrated service paths should be attracted and mobilized for these networks to form value-creating ecosystem. For example, nodal actors should be able to create an attractive *agenda* for collaboration, and communicate that agenda for potential service providers to mobilize them for the collaboration (e.g., Möller & Rajala, 2007). Network orchestration mechanisms when forming the ecosystem, and also in existing service ecosystem can relate to many practicalities, like how nodal actors can *influence knowledge transfer* between organizations in the ecosystem, between customers and service providers, for example. Or how to *influence identity* of the network in question, so there would be a strong basis for keeping up the long-term motivation to collaborate? Network orchestration can also relate to *appropriability issue*, especially when collaboration contributes new innovations; Influencing appropriability means defining common norms and principles to share benefits gained are needed on the collaboration. Network orchestration is also about plain *coordination and organization*. Someone has to take care of practicalities and organize platforms of interaction for participating companies and customers, maintaining the collaboration. Defining roles and responsibilities for different actors is important. (Hurmelinna-Laukkanen et al., 2011; Dhanaraj & Parkhe, 2006).

Building customer-focused ecosystem may presume customer participation in the ecosystem already in the transformation phase, thus, customers as participatory actors in the ecosystem should be recognized. Indeed, it is crucial to understand how ecosystem structure and resources it can offer meets customer value creation, seeing customer as an active member of the ecosystem, contributing to its resource constellation. Thus, in addition to understand nodal actors and orchestration mechanisms implemented to form and transform the system, we want to create understanding of the inner meaning of customer-centricity of an ecosystem in this specific context (e.g., Aarikka-Stenroos & Ritala, 2017).

Levels of change

What is characteristic to public context are many friction forces there can be on a way when forming the ecosystem and transforming the existing dyadic approach to ecosystems. Indeed,

transforming the health care system towards new approach can include many challenges due to specific characteristics of public procurement and culture in public organizations, for example. Thus, in addition to understanding orchestration activities we can use, and the path of customer centricity we want to follow, there are many “levels of change” we have to take into account when trying to understand how and what we should transform in existing system.

Remarkable transformation always presumes organizations and systems to develop new, actionable mental models. In the public sector creating flexibility needed in new approach can be challenging because of strong traditions, history, certain stagnation of the strategic environment, and earlier mentioned procurement conventions and legislation, to mention few. Under influence of these “friction forces”, these organizations have developed strong dominant logic which is a challenging starting point for disruptive change and ecosystem formation. Furthermore, the difficulty of the dominant logic is that these mindsets are usually tacit, even subconscious, and although they become dysfunctional, organization is not able to question or renew these assumptions (e.g., Bettis & Prahalad 1995). Even though changes may make good sense, existing emotional attachments and even fear may stimulate considerable resistance towards development initiatives. When the aim is to form customer-oriented ecosystem, how to tackle this challenge by means of orchestration? The same question relates to renewing organizational culture(s), which refers to the shared values and beliefs that are held by actors (e.g., Barney, 1986). How orchestration can facilitate cultural change needed to form ecosystem or later on, how common identity for ecosystems can be strengthened to facilitate customer-oriented activities? If culture is coherent, customer-oriented values are commonly understood and they can form a basis for everyday work and choices in service ecosystem, contributing in the form of high service quality and customer satisfaction.

Radical change is also needed in organizational design and incentives (Birkinshaw et al., 2002). By creating a suitable organizational design, and further ecosystem design, organizations can provide forums for knowledge sharing and discussion. By facilitating organizational dialogue and questioning, also change in above mentioned deeper structures of culture and dominant logic is enabled. Related to structural issues, developed incentives can profoundly influence activities in the ecosystem. For example, the presence of structural barriers and competitive attitudes between different activities in the ecosystem (forced by incentives) can raise problems from the transformation standpoint, hampering integration efforts. Our aim is to understand how these factors can be influenced by means of orchestration.

Digital transformation is relevant in almost any environment nowadays, and that is also the case in public health care. However, it is critical to understand that functioning digital system is only a tip of an iceberg. All above presented influence how we are able to alter our attitudes and work processes to the new mode needed also in digital transformation. Naturally, development of digital systems is needed. However, developing systems only is definitely not enough to create facilitative conditions for health care transformation and related change needed.

In the following tentative framework, key concepts of our research are combined. As mentioned, we have an access to the data and so far 17 interviews have been conducted. More interviews will take place in the near future. After that thematic analysis will be conducted.

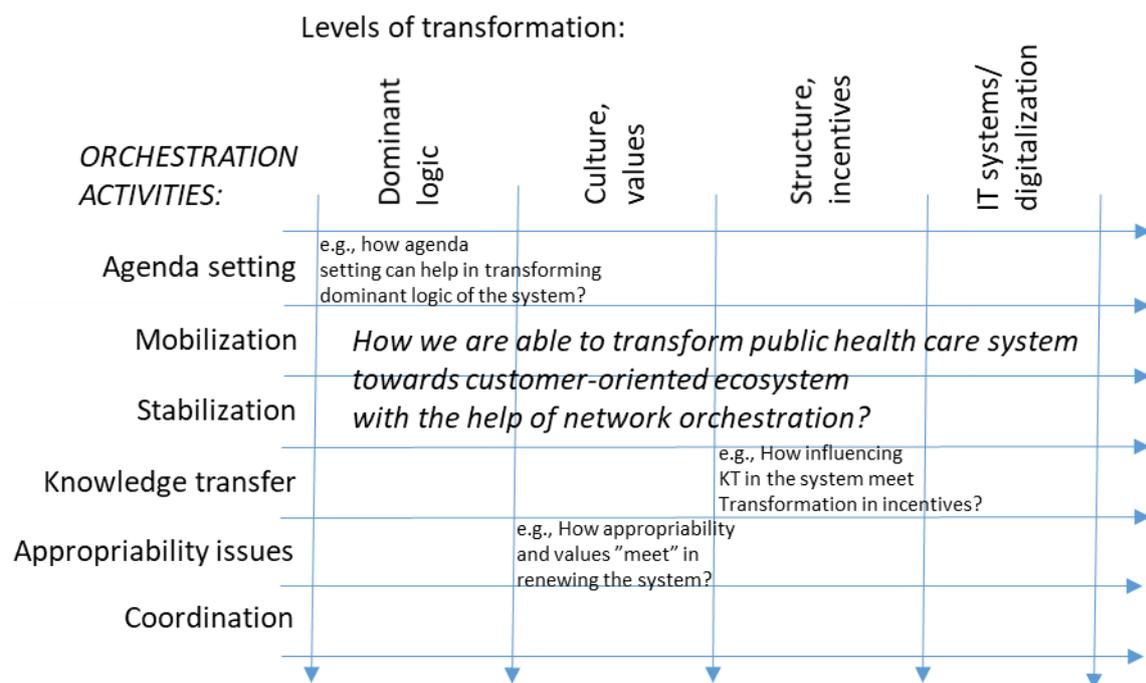


Figure 1. Preliminary/tentative framework for the study (adapted from e.g., Hurmelinna-Laukkanen et al., 2011)

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