

Offering of Public-Private Welfare Service

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Introduction

The first P in marketing, a product, has been contained marketing decision variables like quality, models and sizes in early 1970s (Kotler 1974, 56). Today the definition of product not only includes goods and services but things like persons, places, organisations and ideas as well (Kotler and Armstrong 2006). IMP (Industrial Marketing and Purchasing) Group has made thorough research of interaction in business-to-business context simultaneously and sees products and services as poor starting points for successful b-to-b marketing (Ford et al. 2002, 12). Products and services are seen only as a part of a complete offering which is a package including also advice, adaptation and logistics which business marketer has to provide to be able to solve a customer's problem (ibid, 13).

Today, private firms produce public services increasingly (Brown and Potoski 2003, 153). Private production of some of the services may lead to cost savings. Waste and snow removal, street repair, towing, and data processing are this kind of service areas for example (Van Slyke 2003, 297). Cost savings are more difficult to be achieved with complex social services such as foster care, child welfare, domestic violence care, homeless and emergency shelters and other social services (ibid).

However, public sector has outsourced the production of social services widely as well. The aim is to achieve better services at lower cost (ibid, 296). The outsourcing calls for productisation of the service in question; public authorities need to define the content of the focal service in details to be able to invite potential producer firms to submit tenders and to be able to compare them. To understand this interaction, the service needs to be analysed as a marketed product.

Instead of a single product the social service may be a package of services and goods in many cases, or it may be analysed as an offering (Ford et al. 2002, 13). Basically, the offering, or the product, here, has dynamic features, which are "the opportunities, restrictions and tensions the product carries with it or is exposed to" (Håkansson and Waluszewski 2004, 255). Anyway, the offering is somewhat multifaceted and multilayered in the welfare services area of public sector. To shed light to welfare service offerings, or products, the aim of this paper is to report some findings of a case study concerned with the production of housing services for elderly people. It helps to comprehend the offering, i.e. the product, itself, by observing the production and the use of the product (ibid, 261).

The purpose of the paper is to scrutinise the welfare service offering. What does it contain in the point of view of various actors who are involved? The firm develops and produces the offering together with many other actors in the network (Ford et al. 2002, 14). Therefore the content of the offering is analysed by taking point of views of the various actors and by observing their inputs and resources as well as objectives. The offering is the outcome of the relationship between the supplier and its customers (ibid). So, the relationship should be analysed also.

The paper is constructed in the following way. After introducing the applied case methodology a short literature review is presented. Then, findings of the study are discussed. Finally, conclusions are drawn and future research ideas suggested.

Methodology

The empirical study is a single case study of a network producing welfare services locally. The municipality responsible for organising the services is located in a Nordic

welfare state Finland (for more about welfare states see Espin-Andersen 1990). The study is instrumental. The focus is on the phenomenon studied, not on the case itself. According to Stake (1994, 237), in instrumental case study, the role of a case is to bring insight into an issue that reaches beyond the case itself. The case is used to generate theory. (Eisenhardt 1989, 548; Gummesson 2001, 35) A single case was chosen to study a small part of the field thoroughly to understand the complexities of the phenomenon.

Housing services for elderly people is a sector of the social care. Their production was studied from different perspectives. The study was constructed of three phases focusing on different aspects and actors of the co-operation in the network. Twelve informants in different positions of the service production were interviewed to get a holistic picture of the phenomenon. Furthermore, one of the researcher's experiences as a teacher in the polytechnic involved in the case service production network served as preunderstanding. Participant observations made in the sector, though outside the case network have been utilised in the study too.

The first phase of the study explored the roles of a polytechnic aiming to activate the co-operation with and between the network actors, running a web-tool and organising education for the service providers. In this phase four persons of the polytechnic and the directors of a private service provider and a voluntary sector service provider were interviewed. The second phase focused on the contemporary situation in the municipality that has outsourced the major part of the elderly people's housing services to private service providers. The authority of the municipality is responsible for organising these services either by own production or by contracting. The directors of three service providers in the municipality were interviewed, which were all but one of the service providers. The head of the department of corresponding municipal authority was interviewed as well. The third phase focused on a private person as a user of the services to find out how the service delivery is actually realised from the customer (patient) perspective. One of the homes was visited and the head of it was interviewed.

Personal interviews and participant observations are the primary data sources. Besides, documents have been used as secondary data. The interviews were tape recorded and transcribed. In the analysis, the views and facts about the service production were considered to create a holistic view, on the one hand, of the substance of the network, and on the other hand, of the context of the actors.

The transcribed data was analysed by following the theoretical proposition (cf. Yin 2003, 111) based on the analytical scheme of the analysis of how companies should interact in business networks (Gadde, Huemer and Håkansson 2003, 358; Håkansson and Ford 2002, 133). The data has first been observed as nets of actors and the activity patterns as well as resource constellations, and then meanings of the data to the interactions in business networks have been analysed. Also the role of the context of the actors i.e. their embeddedness has been considered. Literature of public administration has been used to support the analysis of non-business actors and their activities, resources and context.

The reasoning of the data follows abductive logic. The first clue was the discrepancy between business activities in traditional business-to-business network setting and in public-private networks. The difference was difficult to understand by reading business-to-business literature only. However, the difference was obvious in practise. Complementary theoretical knowledge was gained by reading other literature.

Literature Review

The literature of the IMP network approach (Easton 1992, 3) is the main theoretical ground of the study. Also the literature of public administration considering public-private partnering is used. The IMP network approach may help to understand meanings of mixed objectives like efficiency, productivity, democracy, community and the public interest simultaneously. They may be difficult to piece together from the New Public Management (NPM) paradigm's perspective. The NPM has got dominant role considering public-private service production arrangements. The NPM is actually the implementation of techniques and values new to the public sector and drawn from the private sector. (Denhardt and Denhardt 2000, 551, 557)

Private service firms have identified new business opportunities when public sector has outsourced production of welfare services increasingly in the last decades (Brown and Potoski 2003, 153; Van Slyke 2003, 296). Public authorities have created network type arrangements with multiple producers from public, private and voluntary sectors (Bahle 2003, 7; Brown and Potoski 2003, 153; Keast et al. 2004, 364; Schienstock and Hämäläinen 2001, 128). The services are produced according to a model labelled welfare mix. It is a networked way of welfare services production in an area between private, public and third sector. The area is called an intermediate area, or an intermediate level (Matthies 1996, 12).

In the intermediate area different sectors intertwine and their actors are mixed together (Welch and Wilkinson 2002, 21). On the one hand, the mix means that public authorities conduct business activities and the authorities need business knowledge and understanding. On the other hand, private business firms are involved in politics and understanding is needed about the involvement. This mix concerns not only the firms, but authorities and politicians too. (Hadjikhani and Håkansson 1996, 433) As a consequence, it is an issue for both researchers of the field and practitioners to consider.

The welfare mix has started to play central role in welfare service production. Namely, neither the public production nor the markets have proved to be an adequate mean to organise welfare services. A new paradigm of network type "relationship contracting" has emerged in the USA in the beginning of the 21st century. It has been named as collaboration; networks, partnerships, strategic alliances and governing by network, too. The distinguishing feature of the new paradigm is the search for a middle ground between government and the market. (Lawther and Martin 2005, 213) Also the IMP network approach (Easton 1992, 3) seems to share the idea of the middle ground, which is according to Schested: "...no single actor, public or private, has the all-encompassing knowledge, overview, information or resources to solve complex and diversified problems" (Lawther and Martin 2005, 213).

Many of the welfare services are difficult or impossible to specify, which means freedom for the actual producers in their service production. Thus, they are able to use power and make decisions of how to produce the service with street level bureaucrats (Niemi-lilahti 2002, 210). These types of welfare services are created through the structures responsible for their production and use. Social relationships play major role in the product creation process in this context particularly. (Håkansson and Waluszewski 2004, 261) However, on the higher level, the service organiser has the control of the production network and of the service product as a result as well.

Findings of the Study

Public authorities have had interactions with private firms relating to the outsourcing of the welfare service production expansively during the last decades (Brown and Potoski 2003, 153; Johnson 1987, 140; Van Slyke 2003, 296). The interactions are not just buying and selling activities and organising the focal service. A firm has a political role to play as well. When the firm produces social services it affects social policy, for example. This is one part of the offering. So, there are various types of actors participating in the production and also in the consumption of the service. They affect the offering (Ford et al. 2002, 14). To manage the development, the production, and the delivery of the offering one has to be able to manage in the network of these actors. One has to know the actors and understand them and their actions as well as their actual and potential resources.

The case network consists of multiple actors. Ministries of the Finnish government and bodies of the ministries represent welfare state as a customer and direct and control the production of welfare services. Municipalities can organise the service as their own production or they can outsource it. The municipalities are legitimated and obligated service providers. There are intermediates, or facilitators, which are typically public organisations organising the selection of service users and taking care of the payments and issues like additional services. The basic security centre of the municipality is one example of a facilitator in the focal case and the group of persons making the placement decisions of the elderly is another. In addition, organisations like a polytechnic, Employment and Economic Development Centre, or Finland's Slot Machine Association are facilitator as well. They may help the service providers functionally like the two first mentioned or economically like the last one.

Service providers of the case network consist of commercial providers of the focal service i.e. privately owned and run firms like the two private firms running their homes in the case. Third sector service providers are associations, foundations, or another organisations alike offering services in the case branch. In the focal case, there are two foundations running their homes. Besides, there are providers of other services which are organisations serving the same customer (patient) as the home. An example could be an invalid taxi. Users of the focal service, aged persons in the focal case, are not only consumers of the service but they are co-producers as well. Reference groups of the user consist of the aged person's closest relatives and friends who may have a role as co-producers or co-users of the focal service.

The firm takes part in politics whether wanted or not. Existing relationships of the firm may restrict its development although they are the basis of current operations and the development of the firm simultaneously as stated by Ritter and Ford (2004, p. 111). If a firm chooses to develop its current operations it confronts the political status quo. If a firm continues a known system it conforms to the status quo. The case interviewees mentioned this issue in several connections. All plans relating to the nature and scale of operations in the future can be seen as examples. The service providers seem to follow activities of the local authority carefully.

The network position of the firm can be seen as political to some extent. The firm has the choice whether it consolidates its existing network position or creates a new one (Ritter and Ford 2004, 111). When the network position is partly political, the firm needs political outlook in both cases. A firm defines its relationships, and the firm itself is defined by the relationships (ibid.). The customer typically has "many heads" (Gummeson 2002, 73) in the social services sector. A social service firm defines its relationships to political actors like local authorities, local council etc. which are

customers of the firm. On the other hand, political players define the firm at the same time.

The private firm producing the social welfare service is defined by its relationships with the municipality to some extent. The municipality often plays the major role as the biggest single customer, or as the only customer of the service provider. There exist differences between municipalities in how they treat their private service providers. Not only relationships of the municipality with the service providers but also other relationships of the municipality link with the differences. Each municipality, as well as every other actor, can be seen as embedded in larger network (Hadjikhani and Håkansson 1996, 433). As a consequence, the service providers seem to have dependence on the municipality, or even be at the mercy of it. On the contrary, municipalities are dependent on the service providers as well. They are obliged to organise the services, and usually there are only few alternative producers to contract with. So, the municipality, and the welfare state, may be at the mercy of the private service providers — partly at least — as long as there are no real markets with sufficient competition.

The firm needs an ability to play in the political arena and stand one's ground. Namely, the firm has a choice about how to connect to other actors. Firms try to control the network, but the control is destructive when it is total. (Ritter and Ford 2004, 112) Political actors try to control the network as well. The authorities are able to use political power but if they do so the network faces a risk to become less flexible, less realistic and less connected to the wider network (ibid.). The municipality has a tendency to control the other actors of the case network. It is able to do that because of the political power it uses. The controlling tendency of the authority links with governance orientations, namely procedural, network and corporate-market governance (Considine and Lewis 2003, 133). The case authority seems to adapt all of them simultaneously. From the resource point of view the simultaneous adaptation of all governance orientations increases the demand of different competences.

At the end of the day the first outcome of the above, one new finding, is that private business firms have become important political players when public authorities have outsourced the production of services. The politics do not include only the business politics and strategies of a firm but social policy or the area of welfare policy in question, too. This may have side effects relating to the political role of a firm. A firm may have political responsibilities as well as political power. It is not, or at least it does not have to be, just a political object. It is an active actor with a central role.

The second outcome, and another new finding, is that the participants of the welfare mix create the offering, i.e. the service product, in conjunction with each other. In fact, the network creates and defines the product, not the public authority as a buyer as well as not does the private firm do it as a seller, or the private citizen as a user. In the point of view of the firm and its marketing it is vital to have abilities to affect the creation of the offering. The role of the producer firm could be big particularly in the development of services and in the development of new innovative ways to organise networked production of these services.

Conclusions

This study shows that actors, their resources, and their objectives are all combined and mixed in the production of the welfare service. The mix is called welfare mix and it takes place in an intermediate area between the public, private and voluntary

sectors (Matthies 1996, 12). Consequently, the private business firm has become an important political player. It is an active actor with a central role. The role could be bigger particularly in the development of services and in the development of new innovative ways to organize networked production of these services. Firms may even develop political processes, at least on a practical level as suggested by Niemi-lilahti (2002, 210).

The study enhances our understanding of the public-private welfare service product and its production. The service product is a political outcome of its production process. The production resources like structures, facilities and social relationships are important in the process (Håkansson and Waluszewski 2004, 261). The producers have political roles. Also the production resources have political roles. Non business actors are important for business relationships and they impact not only the focal actors but other business actors far from the focal relationship as well (Hadjikhani and Håkansson 1996, 441). Many non business actors are political.

Firms make not only business in public-private welfare service networks but politics too. The firm producing welfare services to the public sector takes part in politics when marketing their services. The participation does not have to be active. The production of the service is enough to involve the firm in politics. The firm needs political outlook to be able to make decisions concerning its network position. The position is partly political in networks with public actors. The firm also needs abilities to play in the political arena. One reason is the need to be able to survive in situations when the service organiser uses its political power in a destructive manner considering the flexibility of the network.

Business is a tool or a method to realise political objectives of the public player. On the contrary, business enterprises play political roles, which may be used actively to realise business objectives. The playing of political roles are not necessarily lobbying type special activities. One outcome of this study is the observation that politics is present in all, particularly in public-private networks. The mere existence of a social service firm has political connotations. There are situations when the availability of some service already matters for the authority. As well do the scale, the location and the facilities of the service provider and abilities of its personnel and things alike. The service provider is a part of the service structure of the municipality.

As a part of the service structure, firms are able to make improvements to the focal service and to the organisation of the networked service production. So, firms may develop the service production and create ways to improve service quality and/or decrease costs. Furthermore, firms may develop new ways to organise the networked production of the welfare services or to create totally new services, or firms may contribute development of them. Finally, firms may develop political processes, at least on a practical level as suggested by Niemi-lilahti (2002, p. 210). Together with the authority and some other network actors the firm has the potential to make not only service innovations but political innovations as well.

The current marketing literature does not offer much for the firm to cope with the politics in general and with the relationships to and with political actors particularly. Accordingly, one contribution of the study is the revealing of a research gap. Much is known about how companies make business in networks. However, to be able to comprehend the logic of public-private networks, we need better understanding about how private firms make politics. To them, not only private citizens, but also authorities and politicians are customers. At the end, they decide – directly or through political process – whether the private service provider will get their acceptance and money to survive. Their criteria are basically political. So in this context, marketing discipline

should understand how to manage politics and create political offerings. This study is one step towards this understanding.

Naturally, the research into marketing of public-private welfare services is only in its infancy. More research on various issues and from different perspectives is needed to better understand the complex phenomena in the area. IMP network approach seems to have much to offer in this context. However, specialties of public sector actors and political processes need to be taken into consideration. This study is a start, which reveals some contextual specialties of the issue and which raises new questions to be answered in future studies.

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