

Internal collaborative partners: a business agreement case study

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Abstract

In the future many organisations in Australia will be turning towards collaborative arrangements with other industry partners in order to survive financially. This paper introduces an internal collaborative arrangement responsive to the challenges of meeting increased demand for services with limited resources. The development of this exciting approach has in part provided a solution to funding and management issues within one organisation. This paper is about the first two years of a negotiated service agreement between the education director and three regional directors of the same organisation.

Introduction

The economic rationalist philosophy that dominated policy development and government activity in the last two decades has seen the separation between government and private enterprise blur, as government agencies take on the structures and practices of private sector businesses while searching for ways of delivering services efficiently and cost effectively.

Government policy advisers see successful private organisations as dynamic. It is perceived that they have relied on business strategies to survive, whereas public organisations have relied heavily on government funds, without necessarily possessing business acumen. Funded agencies have been pressured to change; to embrace the philosophies, the policies and procedures of good business practice; and to compete with parallel and private agencies for government and private funding.

The restructuring of government-funded agencies has become commonplace as public sector managers and employees attempt to create self-funded departments that resemble small private sector businesses. Finances, cultures and structures, as well as managerial styles have all been altered in an attempt to realise economic benefits. Government departments and funded agencies have been right-sized, multiskilled, and amalgamated. Some staff have continued to be government employees, while others have been required to self-fund their salaries and support other areas of the organisation through the monies they generate.

It was argued by business theorists that only proactive, innovative and adaptive businesses - public or private - would survive in the next millennium; and the evolution of government agencies into full or partially self-funded small businesses has been swiftly, if not always successfully, pursued.

This paper is about one organisation's experience in responding to the economic and philosophical pressures generated by the social and economic changes of the last two decades. It describes the development of an inter-departmental collaborative venture between one department of an organisation and three other regional sectors of the same organisation. The inherent strengths, weaknesses, opportunities and threats (SWOT) of this agreement are also discussed.

It is impossible to consider all the positive and negative aspects of this arrangement within a single paper. Therefore discussion is largely restricted to the effects of the agreement on one of the departments, and only discusses the internal arm of this department. I will discuss the factors that led to the collaborative venture, the process that led to the service agreement between department and the three regions, and the challenges and possible threats that the collaborative venture may face in the future.

Background

The Education Centre (*TEC*), is one department within the Royal District Nursing Service, Inc (SA) (RDNS). The staffing establishment for *TEC* is 5.00 FTEs, consisting of a director, three educational consultants and two administrative officers. *TEC* provides education, training, and consultancy services to RDNS and the regions as per a negotiated service agreement, as well as providing a service for external clients.

The RDNS is staffed by approximately 305 FTEs (RDNS, 1997/1998). It is principally funded by both the Commonwealth and the State governments. The organisation is divided into four main sections: The Business Centre plus three regions, North, South and Central. There is a Director for each region, and their staffing establishment is approximately 80 FTEs. Regional funding, along with other responsibilities, has been decentralised so that each Regional Director is responsible for their own budget.

Until 1996, *TEC* was a part of the RDNS funding allocation and received approximately 2% of its budget (RDNS, 1995/96). Thus *TEC* was directly subsidised by the RDNS, and revenue from educational services such as courses and workshops was returned to the RDNS.

From 1996, there was a shift towards *TEC* becoming self-funding by the end of the 1998/1999 financial year. Therefore, when the budget prior to the service agreements was signed (RDNS, 1996/1997), there was an overall 10% reduction in funding, and *TEC* was expected to raise 30% of the remaining budget in revenue. The proposed service agreement would provide approximately 43% of the budget, with the remainder to be raised through external sources (RDNS, 1997/1998) which could include, however, tendering for consultancies within RDNS, such as running extra programs that were not included in the original contract.

The process

In keeping with modern business strategy a plan was developed to guide *TEC* in achieving its goal. This plan was an important map, particularly at the end of the first year when it could be shown that *TEC* had come within 1% of achieving the business financial plan for that year.

A business plan forces consideration of three major questions, which I will consider in turn below.

1 Where are you now? An internal review evaluated the business organisation as it existed in 1996; and an external review examined the business as it related to the industry of which it was a part. Because one of the threats to the business was the possibility of the regions outsourcing their education and training services, the external review was very important. *TEC*, itself, needed to understand its competition in order to compete.

Analysing the strengths and weaknesses of *TEC* included exploring marketing strategies, examining the physical location of its offices, understanding the levels of staff knowledge and expertise, determining the demand for the product, its required quality and commercial appeal, identifying value-adding and non-value-adding activities, and ensuring adequate financial support. The political environment, the economic climate, the state of the market, and current and potential customers from within RDNS were all assessed, initially internally; and then by an external consultant.

2 Where do you want to be? To determine where the organisation wanted to be in the future, it was important to involve the staff who would be most affected by the proposed changes. Meetings with staff soon established that *TEC* could not continue to exist as it was unless a proactive stance was adopted. All affected staff agreed to participate in shaping the changes that were taking place.

3 How do you get there? The main aim of the plan was to provide a framework for *TEC* to become self-funding within three years of commencement. The plan was to divide the business into two main revenue raising streams: those customers who were considered internal and those who were external to RDNS. Only the internal or regional market is discussed in this paper.

New business arrangements with the regional market

Initial discussions were held with the Chief Executive Officer (CEO) and the Director of Nursing (DON) for the RDNS. These discussions were based on educational statistical data from the previous two years. Historically *TEC* had provided regional inservice and workshops to RDNS staff at no cost. However, RDNS staff had always been expected to pay to attend courses conducted by *TEC*. RDNS managed the financial arrangements through discrete accounts.

The data showed that the RDNS staff who attended inservice and workshops were mainly enrolled nurses (ENs), registered nurses (RNs) and clinical nurses (CNs). It was agreed that *TEC* would provide education to regional staff at this level only.

The RDNS policy showed that each nurse was entitled to 16 hours of paid staff development each year. This amount of time remained unchanged.

The agreed amount of funding was based on a formula similar to casemix funding referred to in the South Australian Health Commission (SAHC) Casemix Report (1995). In this report, it was proposed that '\$600 for other education costs will be paid for each nurse employed by a hospital' (Casemix Report, 1995, p6). After discussion, *TEC* proposed that instead of receiving 100% of this figure they would accept 75%. The other 25% was to be transferred to the regional budget so that this group of staff could have access to external education, if required.

The maintenance of a 3:1 ratio was in keeping with *TEC's* philosophy that all staff should be exposed to some external education and training for the sake of diversity and to prevent 'academic/clinical incest'. At the time of the agreement there were approximately 206 FTEs at EN, RN, and CN level, employed in the three regions. The regions would now directly receive funds for education, something that had not occurred in the past. Prior to this new direction, all funds were held by *TEC* or by a specific organisational cost centre.

TEC agreed to provide two main services to the regions: education and support. These services were to be based on the following formula: 144 hours (48 hours to each region) of educational programs in face-to-face delivery mode; and 150 hours (50 hours per region) of support services.

The allocated 144 hours of education in the regions did not include preparation or marking time, or the development of learning activity packages. However, this was included in the provision of education by means of a 2:1 ratio of 2 hours of administrative/design for every 1 hour of face-to-face education. This was a modified formula that had been used by various educational institutions to allocate time and resources when planning programs. It was not considered ideal, but in practice, the ratio proved realistic. Thus, *TEC* provided approximately a total of 432 hours to the regions.

The 150 hours of support activities were derived from educational statistical data, which gave an indication of the type of educational support the educators could be requested to supply. These included remedial and refresher programs; undertaking mock interviews for promotional positions; acting as a resource for personal and professional career counselling; and editing publications, conference proceedings, and research projects. This list is not exhaustive but is representative of the major services provided. The support hours did not include providing client care, relieving in the regions, or being based in the regions. This 150 hours could not include educational programs, since the major aim of this service was to assist individual nurses and the regions.

The prime feature of the Regional Service Agreement was twofold: (a) that *TEC* would provide an educational and training service as if it were an outside agency to whom the work was outsourced, and (b) the regions would acknowledge that the service provided would be similar to any other consultancy.

The Regional Directors agreed that they would not outsource their education and training requirements for two years, until such time as *TEC* had developed an external arm to their business plan. But from the beginning of the 1999/2000 financial year, the regions would no longer have to honour or continue with any formal agreements with *TEC*.

It was to be expected that a variety of issues needing resolution, but that could not be anticipated beforehand, would be raised both by the regions and by *TEC*. From the educators' perspective, it soon became obvious, for example, that there was an expectation from the regions that *TEC* would be able to provide more than had been negotiated in the Agreement. In the second year of operation, expectations were more realistic, although many misconceptions were maintained longer in some regions than in others.

Although not recorded in any formal agreement between RDNS and *TEC*, RDNS provided the infrastructure for *TEC* - office space, domestic services, electricity, education and training rooms - free of charge. *TEC* in return attended RDNS meetings, provided services such as assisting in developing policies, undertaking projects, chairing meetings, and other services on request.

Challenges and issues

The first formal RDNS launch of the *TEC* Business Plan was conducted at a two-day strategic planning workshop in April 1997. The agenda showed that there were ten minutes in which to 'sell' this project to the management team, some of whom would be more affected than others by the change in direction. The second occasion to promote the change was when the Director of Education spoke to middle management for approximately five minutes at a one-day strategic planning workshop held in May 1997. On both occasions, questions were raised, but there did not appear to be any overt resistance to the plan. Following the 'selling' of the business plan and the development of regional service agreements *TEC* had approximately two months to implement changes in staffing and regional relationships before the beginning of the 1997/1998 financial year.

Change, especially very substantial and rapid change will result in a certain degree of dissonance in an organisation, even when the alterations are undertaken with great enthusiasm and goodwill. A list of activities and directions for which to aim was drawn up at the beginning of the change process at *TEC*. Some objectives were practical, such as communicating the changes and developing internal service agreements. Other considerations were as important, but could be perceived as less specific, such as:

- developing a sense of ownership within *TEC*
- addressing a changing RDNS and educational culture
- changing managerial styles
- understanding the RDNS culture and its effect on managerial styles
- coping with the contradictions
- dealing with the hidden agendas
- overcoming perceived resistance
- encouraging compliance
- avoiding marginalisation and alienation
- preventing bullying
- safeguarding the wellbeing of those who would be affected the most.

These concerns were not unique to the RDNS. Many of these issues have been recognised in organisations undergoing restructuring in Australia (McCarthy, Sheehan, & Kearns, 1995; Hockley, 1999). An attitude of 'time will tell' was adopted by some.

Communication. Practical activities were easier to address, but still posed a challenge. Communication, for example, was recognised as fundamental within *TEC* and between *TEC* and its collaborators. Communication was, however, one of the most difficult objectives to achieve. An idea expressed experimentally, questions

inadequately answered, apparent hesitation or a lack of immediate action all resulted in doubts about the ability of *TEC* to fulfil its objectives.

When the business plan was inadvertently distributed without appropriate introduction by *TEC* staff, for example, many negative responses resulted from misunderstanding and misinterpretation.

The case of non-value adding activities. Attempting a new, business-like approach greatly affected the operations of *TEC* and its relationships with the regions. During the early stages of the introduction of the Service Agreement many difficult issues sprang largely from frictions arising from the uneven adoption of business philosophies and behaviours. Until restructuring, *TEC* had undertaken a variety of support activities. These included:

- processing the staff's ID badges, which included placing them on their personnel file
- allocating clinical placements for undergraduate and post graduate students
- entering all the RDNS education data, including external attendances or programs not conducted by *TEC*
- providing transcripts on request
- processing all external staff development activities, for instance, booking planes, drawing cheques for registration, airfares, and accommodation
- providing reports for the RDNS on these external staff development activities.

During the planning process, it had been drawn to the attention of *TEC* that these activities were 'non-value adding'; that is, they placed a strain on the budget, consuming funds earned by the core activity of the department. As implementation of the plan progressed, the education staff became aware of many other activities that could be included in this category.

It was, for example, observed that staff from departments other than education were using the photocopier, fax machine, printers, overhead transparencies and other stock items that had been paid for out of the education budget. The education staff, moreover, were expected to provide items, bind reports or assist new staff. Education staff quickly understood that at times, others were using equipment, and stock, for which they were financially responsible.

Adding value. Realistically, a cost had to be attached to non-value-adding activities, and a system introduced to ensure that costs were deferred or recouped. Many activities were promptly transferred to other departments.

The Director of Education eventually proposed to not only recoup costs, but to generate a small income. Non-value adding activities all came to be regarded as potential value-adding opportunities.

Opportunities

It is not possible to state exactly when the venture became less resistant and more collaborative. Gradually a closer working relationship between the Education Director and the Regional Directors evolved and mutual support was provided. Regional staff and *TEC* staff worked closer together in developing programs specifically for their regions, at the same time meeting organisational, educational and training requirements.

Introducing an internal collaborative venture gave regional staff the opportunity to be more involved in education and training. For example, RDNS staff now have more control over their education and training programs; and work with an educator to plan and develop workshops and inservice sessions. Such collaboration has resulted in both educators and regional staff gaining insight into the other's operations and issues.

The most obvious opportunities for both the regions and *TEC* included breaking new ground in creating new procedures for raising revenue. However, underlying this collaborative venture was the goal of ensuring that a quality service would be provided, as well as the commitment to particular organisational, regional and educational priorities. It was important that this collaborative venture was not seen as a mere add-on to earn extra dollars, but rather as a crucial part of the identity of the organisation.

Conclusion

This paper has described the process by which The Education Centre, RDNS (SA) entered an internal collaborative venture with the regions of the RDNS.

The RDNS vision was for *TEC* to become business-oriented with a client focus. Undertaking this new venture required a change of direction, from a government-funded public agency to a semi-private sector business, and the process of its transformation was complex and uneven. It meant taking risks, grasping new opportunities, developing new managerial styles and transforming established organisational cultures.

TEC has proved that it can provide a quality educational service to meet RDNS needs and be competitive with the external market. However, like all businesses, *TEC* continues to face a challenging and uncertain future in which it will have to anticipate and manage constant change.

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