Cross-sector collaboration: management decision and change model

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Abstract

Purpose – The purpose of this paper is to examine critically private (for profit), public and not-for-profit sector management strategies with a focus to assess and enhance organizational capacity building through cross-sector collaboration. This topic is considered from both a contemporary and an evolutionary perspective.

Design/methodology/approach – This paper is based on research from secondary sources.

Findings – This paper identifies barriers to collaboration and measures for effectively creating organizational change to build cross-sector capacity.

Research limitations/implications – While considerable literature exists on organizational change, none includes the need for cross-sector collaboration to increase management capability to move beyond current economic, social and market development capacity. This study addresses this gap.

Practical implications – The adoption of management practices to understand values across sectors will improve effectiveness of organizations across sectors. These recommendations will also facilitate economic development reform efforts of policy makers.

Originality/value – The paper, based on original research, makes a significant contribution to the ability to understand managing in a cross-sector collaborative manner.

Keywords Values alignment, Collaboration, Public-private network, Organizational change, Change management

Paper type Research paper

Introduction

Communist control in Eastern Europe has had a high cost in terms of social and economic growth (Inglehart, 2000), where the capacity of each sector – i.e. private (for-profit), public and non-profit – was under-utilized. This movement to democracy and a market economy creates significant changing values that shift the management focus from modernist views of traditional authority to a post-modern de-emphasis on authority. The immediate change in management is evolutionary and creates new values within each organization in each sector. As the de-emphasis on authority is realized by managers, organizations begin to create conflictive and competitive values between sectors as they contend for resources (Van de Ven and Sun, 2011). What is needed now is a new emphasis for capacity building through collaborative management. At this point it seems that the training and education of mangers focusing inside organizational boundaries has reached a point of diminishing returns in the effort to build capacity to attain continued economic and market growth (Inglehart, 2000).
This value shift influences alternative management strategies to those of centralization, tight controls and secrecy found in socialist countries. Rather than seeking legitimacy through control, managers seek cooperation and compromise as the best option of expanding organizational and sector capacities (Gill, 2000). While organizational change is ongoing in Eastern Europe, the need is to understand new meaning in an organization’s strategy for change as part of a sector collaborative unit and not just a substitution for past models. This paper considers the impact of sector influences on organizations and needed reforms in sector management practices.

In this paper, we introduce the problem to create change and the lack of organizational management to align values throughout the network of private, public, and not-for-profit sectors. We discuss the need to understand competing focus and values among various sectors and describe the model for process change. As a method for management to measure the level of shared values among the competing areas, we propose a decision model based on ethical climate analysis. Finally, we provide a strategy to align sector values to foster shared values and improved sector effectiveness.

Changing the paradigm of organizational management
Globally, the world of organizational management has changed as public and private sector managers find themselves working in cross-sector networks of diverging stakeholders to solve problems that cannot be solved easily by single organizations. These managers are no longer just unitary leaders of unitary organizations. Instead, they find themselves facilitating and negotiating with public, private, and nonprofit organizations and individuals, as well as with the public. Administrative cultures oriented toward procedures rather than toward client, performance or results create self-serving rather than citizen- or customer-serving behavior. Unchanged management policies inhibit organizational success.

Eastern Europe, and especially Serbia, provides a rich environment to examine how organizational management in sectors responds to these economic and political changes and effect change. Since the collapse of communism, effective management has found that authoritarian practices are no longer effective. As recently as 2009, the Serbian government passed the Law on Planning and Construction directing local governments in the spatial planning and development of buildable land and construction of facilities. These initiatives provide incentives for organizational internal development but miss the opportunity at cross-sector collaborative management practices as part of the management of organizations as a critical element in aligning with new societal expectations.

Networks (Agranoff and McGuire, 2003; Agranoff, 2007) are beginning to replace hierarchies. In a variety of fields in each sector ranging from urban regeneration companies and public-private partnerships (Kort and Klijn, 2011), a shared characteristic is engagement in networks across the public, private, and nonprofit sectors. Even in the USA, Agranoff (2007) found that networks are limited in their collaborative efforts. For example, in the USA, the Indiana Economic Development Council – comprised of a public-private partnership of business, labor, education and government – works to develop the state economic development strategy. Organized by enabling legislation of Indiana as a not-for-profit, the primary goal is to provide information. Yet the council does not have nor is it moving toward authority for policy
change or decisions within the sector to solve problems. The Iowa Geographic Information Council, organized in 1998, is charged with organizing geographic information systems to enhance the “stewardship of geographic information in the management of public resources” (Agranoff, 2007, p. 61).

In Slovakia, public-private partnerships, developed in response to increasing unemployment and poverty, moved from centralized government control and a top-down-down structure to a bottom-up structure and use of regional governments to build social enterprises (Kromerova, 2011) in an effort to increase the efficient and effective use of regional resources. The participants included various trade unions and the aim is to reduce traditionally high unemployment rates. While some success has been achieved, the unemployment rate continues to climb – 9.3 percent in 2008 to 13.6 percent in 2009. Again, the limited nature of this collaboration seems to stop short of solving existing problems.

The central government in Serbia collaborated with Fiat Automobili (Italy) to produce automobiles in Kragujevac, Serbia. Here the private-sector firm is seeking less union control, greater political stability and access to European markets. It is estimated the manufacturing investment will create 5,000 jobs in Kragujevac and the surrounding region. With this global entry into the Serbian economy by a private firm, the need exists for local and regional governments to collaborate to meet market and societal needs. At the time of writing, there is no evidence of the existence of a partnership beyond government financing and tax breaks for the firm by the Serbian government, a top-down strategy. If the focus remains as found in earlier examples, the nature of this and future collaborations will miss the opportunity to expand existing capacities.

The question of why these networks avoid policy and action steps can be raised in considering the interpretation of the organizational management of each sector. Disparate stakeholders, without guiding values for collaboration between sectors, develop boundary missions that lead them to constrained views that avoid a larger capacity-building role. We argue that movement beyond structure is needed to create the sense of shared values as part of the cross-sector social learning system and provide relevant management models that can be used as part of the growth in each sector.

Rivaling values
Understanding the basis for organizational focus and management is paramount to understanding how and why there are barriers to building cross-sector networks. Values, a predisposition (Rokeach, 1972) to act in a certain way, are an integral part of the organizational culture (Schein, 1985; Ott, 1989). In guiding the management of the organization’s internal environment, values in organizations create cognitive maps that influence what is perceived as acceptable and are found in the organizational culture.

Because of the current constrained view of organizational effectiveness emphasized in management concepts, the balance between competing values and objectives found in the private, public and non-profit sectors is ignored. Kort and Klijn (2011) found that the more tightly an organization is structured around its core mission, the less dependent it is on shared resources and the less effective it is in meeting its outcomes. Yet the changing external environments in society and the marketplace is shifting to a
more global view that requires management to adjust their rationality and reasoning to maintain and improve organizational effectiveness and efficiency. The need is for managers to expand their focus beyond their dominant view of inside the organizational boundaries and understand the values that guide the different sectors. One way to respect these differences is by understanding the focus of each organization, as shown in Table I.

Values are created in each sector by its mission, societal focus and economic considerations that create decisions in resource allocation strategies. As shown in Table I, the mission of each sector creates a stovepipe focus for management. While the private sector may consider the needs of citizens, in a capitalist economy the mission is to create wealth by serving selected markets and its economic consideration is based on sales. Contrary to the private sector, a public organization is structured and managed through the creation of legislation and laws to serve citizens. Its economic consideration is based on political decisions and authority. Finally, the not-for-profit sector specializes in specific needs for its cause and is provided with funding through philanthropic concerns. Each sector is guided by the specific values that promote its focus.

The importance of understanding and managing the organization by its value guides is relevant and found in each sector. What is needed is the cross-value understanding in each sector to create the understanding in management to build its capacity through sector collaboration.

**Organization to collaborative process model of change**

To create effective networks and shared values, we rely on the process model of change (Van de Ven and Sun, 2011; Lewin, 1947) to manage the life cycle of change effectively. Using a contingency perspective, the success of cross-sector network collaboration depends on the ability of management to create a network culture enabling participation in broader learning systems that involve industry, a region, government and varied consortiums. Using the process theory of change, we look for the influence in the organization to create a desired end-state of sector collaboration. As a way to overcome that barrier of organizational boundary thinking, we create a decision model using ethical climate analysis as a basis for measuring shared values. These two concepts, and process change and decision analysis, provide a framework for cross-sector planned change to build effective networks.

Change studied at the organizational level involves cognitive and schema mechanisms to effect strategic initiatives to create new thinking. Primarily in Eastern Europe, managers experiencing democratic reforms and the move to a market economy realize that change is inevitable. Organizational outcomes will be based on a change in how society and organizational members envision global values. This changes its members' behaviors (Argyris, 1976; Gloembriewski et al., 1976) and as new meaning is

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**Table I. Sector differences that drive management values**

<table>
<thead>
<tr>
<th>Mission</th>
<th>Private</th>
<th>Public</th>
<th>Not-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create wealth</td>
<td>Implement policy</td>
<td>Serve clients</td>
<td></td>
</tr>
<tr>
<td>Markets</td>
<td>Political/citizens</td>
<td>Needs</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>Budget</td>
<td>Philanthropy</td>
<td></td>
</tr>
<tr>
<td>Market/self-interest</td>
<td>Public interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td></td>
<td>Client interest</td>
<td></td>
</tr>
</tbody>
</table>

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given to these changes, new organizational schema are needed (Bartunek and Moch, 1987), and not just a substitution for old change models.

A process model of change, founded in Lewin’s (1947) three-stage model of unfreeze, change and refreeze, denotes the essential steps of implementation beyond the conceptual tasks required. Most process models are characterized by the development of each approach, i.e. evolutionary, planned, life cycle, strategic and cognitive (Latta, 2008). Van de Ven and Sun (2011) create a useable typology of process models of organizational change that can be viewed as a way to understand barriers to cross-sector initiatives. The change process is governed by varying mechanisms, none of which move toward shared values in a network of cross-sector firms to create collaboration. Using their research, we argue that a cross-sector model of change that creates internal and external adaptation of organizations regardless of sector is usable, as shown in Table II.

A life cycle process of change is regulated by an organization’s routines and is mainly calculated to meet the firm’s needs. In this process, values that drive the processes could change or remain the same; some may be added to or reproduced to meet the current internal needs as shown in Table II, noted in intra-dependent processes to reproduce and create successful outcomes. Yet here the focus is internal to the boundaries of the organization. It is social dissatisfaction, a market in a private firm or a societal unit for a governmental body, of the current environment that creates change. While goals are shared internally, they may not be the goals needed to create an effective organization, but simply a matter of following the current end-state. In both of these change processes, the values needed for external adaptation are constrained based on the boundary and internal needs of the organization.

Evolutionary change, competition for resources in the organization’s external environment, is created by selection of activities that best compete for scarcity of resources to ensure the fitness of the organization as seen in the eyes of elite stakeholders due to dissatisfaction with existing conditions (March and Simon, 1958). Since only a minority of external participants is involved, little consensus is required and a solution is usually satisfied. The balance of power between competing firms creates dialectic change. Change occurs with conflict and those that challenge the status quo gain sufficient power, thus creating win-lose situations.

We add to this model a mutually dependent change process where the goals of any organization are recognized by management that it lives with intra-dependent and inter-dependent needs, yet its effectiveness is accomplished by creating new mental models of collaboration. The correction to the breakdown of typical process models of change is to envision synchronized sector efforts and move towards sharing of political and economic power while still recognizing pluralistic differences.

This simplified discussion of process change models provides insights into typical breakdowns of cross-sector collaboration efforts. The problem lies with the firms

<table>
<thead>
<tr>
<th>Intra-dependent: (internal to the organization)</th>
<th>Inter-dependent: (external to the organization)</th>
<th>Mutually dependent (sector collaboration)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reproduce</td>
<td>Life cycle (redesign rules)</td>
<td>Evolution (compete for resources)</td>
</tr>
<tr>
<td>Create</td>
<td>Teleology (shared goals)</td>
<td>Dialectic (conflict)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Synthesis (pluralism)</td>
</tr>
</tbody>
</table>

Table II. Process models of change
themselves, whether public, private or non-profit, by viewing value creation narrowly in what manifests within their organizational boundaries and their hold on political power. A solution lies in the principle of creating shared values to address the needs and challenges of economic creation and market economy development by recognizing societal needs (Porter and Kramer, 2011). The connection between public, private and non-profit sectors must be reconceived to expand capacity within the firm and the networks in which it operates.

**Decision model as a construct of collaborative change model**

A primary objective here is to identify ways of creating a model for cross-sector change that considers a focus on the mutually dependent needs of the organization in management by creating a shift toward shared values that advance the economic and market conditions in the community in which these organizations operate. A precondition of this collaboration is to “embrace [...] value orientations” (Jones et al., 2007, p. 138) from differing and limited visions in each sector and “values and respects the contribution and interests of the other” found in these organizations (Jones et al., 2007, p. 138).

We propose a decision model based on organizational climate analysis as a way to move beyond current organizational boundaries. An organizational climate is a normative construct of the shared behavioral perceptions of policies, procedures, systems and behaviors in an organization that direct its members’ actions and decisions (Agarwal, 1999; Wyld and Jones, 1997; Key, 1999). These cumulative collections of shared practices and behavioral perceptions are observable and influence management in decision-making processes toward focusing internally or externally by following rules or strategies without regard to outcomes or simply considering outcome of the action.

Victor and Cullen (1987) developed a typology of climates and placed them in “maps” that distinguish what is really happening in organizations. These climates evolve along dimensions or levels of criteria similar to Kohlberg’s (1984) moral development views. They progress along a multi-stage sequence from an egoistic view (limited internal boundary) to a principled concern (global view) for universal rights and even humanity as a whole.

Erakovich and Wyman (2009), studying climates in public organizations, found four dimensions that guide decisions reside in an organization’s schema and control managerial planning and decision making. As shown in Table III, the climate dimensions that influence management is built by two key foci:

<table>
<thead>
<tr>
<th>Locus of analysis: boundary framework for decision analysis</th>
<th>Level of criteria: decision dimensions</th>
<th>Principled dimension: rules or strategic focus</th>
<th>Utilitarian dimension: outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-organizational</td>
<td>Local or organizational needs based on principles</td>
<td>Broad-based or network needs based on principles</td>
<td></td>
</tr>
<tr>
<td>Intra-organizational</td>
<td>Local or organizational outcomes based on outcomes</td>
<td>Broad-based or network outcomes based on outcomes</td>
<td></td>
</tr>
</tbody>
</table>

**Table III.** Decision climate dimensions that influence management

*Source: Adapted from Erakovich and Wyman (2009)*
(1) the level of the criteria that guide decisions; and
(2) the boundary in which they are made.

The level of criteria includes a primarily principled or rules focus and a utilitarian or outcome focus. Here, decisions are made following a principle or rule regardless of the outcome. The locus of analysis identifies the boundary framework for decision-making ranges from inter-organizational, within the boundary of the organization and intra-organizational or external to the boundary of the organization. Together, the level of criteria and locus of analysis define four decision types found in the organizational climate.

The changing external environments of organizations in the private, public and non-profit sectors require management to review, create and adjust their mechanisms not only to maintain and improve inter-organizational effectiveness and efficiency, but to participate in broader systems such as a region or consortium, an intra-organizational focus. In organizations where there is a higher level of outcome consideration that is focused intra-organizationally, decisions are more global in focus (Fritzsche, 2000; Sims and Keon, 1999), a stronger communication system exists (Bartels et al., 1998), and statistical significance exists in organizational effectiveness (Wimbush et al., 1997). The need is to create communities of practice that transcend organizational boundaries based on economic and political imperatives. This cross-sector management system within and between organizations in all sectors is shaped by participation in this system. The need is to create a process model of change that provides incentive and opportunity for shared values that meet societal needs.

Analysis of the interaction between process models of change and ethical climate dimensions reveal two main propositions to build effective networks:

(1) a value shift from focusing on intra-dependent principles such as organizational laws, rules and regulation to a more outcome orientation; and
(2) a value shift from considering only local influences to a more global view.

Value alignment strategy
Since values drive behavior, to achieve the synergistic effects, various sector values must be understood and connected. The values to be cultivated foster behavior to collaborate across boundaries, involvement and commitment to development and increased communication to seek ideas and share solutions.

To foster achieving values that embrace collaborative success, there must be awareness of competing objectives, discussion of possible solutions, and jointly planning and evaluating solutions (Emerson et al., 2012). The details regarding this iterative process are (see Figure 1):

- design, manage, and evaluate networks of public, private and nonprofit sectors to build capacity;
- understand trends and constraints in the public, for-profit, and non-profit sectors;
- understand the influences of decisions on departments in organizations and connect different mechanisms for networks with varied outcomes;
create consensus building, resolve conflicts and exercise leadership in building networks to increase capacity; and

work analytically through ambiguity and solve complex problems.

The construction and way in which the relationships are managed create the ability to realize the potential benefits from the collaboration as increased organizational capacity. An environment needs to be created that is conducive to information sharing and building trust and support (Johnston et al., 2011). Strategic governance and leadership to align values will ensure goals are embraced to become both real and actionable and to leverage transformation that may require realignment, new skills to be gathered, and new processes to be developed (Ospina and Saz-Carranza, 2010).

Finally, the realization of the ultimate benefits from the collaboration involves establishing long-term relationships with realistic expectations. When the relationships are first established, the interactions will be faced with inefficiencies and organizational idiosyncrasies. Additionally, while each sector will benefit from the collaboration, it will not be at the same rate or in equal portions to the participants (called absolute versus relative gains; Myers and Cheung, 2008). A rational reflection for management is to consider the opportunity cost of collaboration and that these benefits would exist without the partnership (Mullin and Daley, 2010).

Conclusion
This paper introduces the change process of sector collaboration to understand competing objectives and work towards a solution that will increase organizational capacity in networks in the public, private and non-profit sectors. This offers organizations from all sectors the opportunity to transform and radically improve their efficiency and effectiveness, and the benefits available to society.

Network theory has substantial applications in both industry as well as government (Nagurney, 1999). It is imperative to design, manage, and evaluate networks to build
capacity. Specifically, network tools and models to study the relationships and flow of information can impact the public policies surrounding these networks that may have a major impact not only economically but also socially (Nagurney, 1999).

The total benefit and productivity to society in making any kind of policy decision in such networks must take into consideration the competing objectives of the various sectors involved in the network. Pigou (1920) studied the behaviors of various parties driven by values in a network system and identified that each party seeks to maximize their own wellbeing, which may or may not conflict with others in the network. As a result, an ideal resolution from a particular sector’s perspective may not be optimal from a societal one. Dafermos and Sparrow (1969) called this phenomenon “system-optimization” (best for society) versus that of “user-optimization” (best for each sector), to show that the former always results in the same or better outcome for society than if each sector focuses on their individual objective.

Sector collaboration in building networks can lead to the realization of synergistic gains, defined by Cartwright and Cooper (1993) as the “two plus two equals five” effect. Synergy increases effectiveness through connections that focus on large-scale information exchange in social chains. In the context of this paper, synergy is a dynamic process to align values and goals resulting in one collaborative integrated solution, versus many disparate ones that capitalizes on differences and builds on similarities. Achieving collaborative advantage in a methodical manner will promote efficiencies gained by reducing the time to generate results, but it is important to note that it is dependent on the intensity of shared goals and the level of investment in the partnership (Gazley, 2010).

Solution evaluation, while possibly not optimal for an individual sector perspective, results in a solution that is better for a society as a whole than what could have been obtained if each individual sector focused on their own objective without considering the impact on others in the network. To achieve cooperation versus competition is not easy to implement and requires an iterative value alignment strategy and we define this process to include fostering trust to share the information needed to make better decisions.

References


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