

Innovative Service Delivery – A case study of new directions for the Victorian DPI

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Introduction

The demand for new service models

The service delivery landscape in Victoria is changing as governments look for new and improved ways to deliver services to farmers. Victorian farmers need improved services from government in order to ensure productivity and competitiveness. Government is being encouraged to harness private sector skills and to work collaboratively with private industry to support farmers.

The Victorian Department of Primary Industries (DPI) developed the “Better Services to Farmers Strategy (BSTF)” (DPI 2009). In fostering a new service model, DPI focused public funding on services that address public priorities and worked collaboratively with industry to focus on its priorities. Critically, DPI was not to compete with effective private or community providers but would invest in growing the capability of industry. One of the proposed service types was “wholesaling” which involved DPI program managers delivering services collaboratively with third party providers.

Whilst encouraging innovative service delivery alongside traditional extension services, DPI wanted to maintain service quality and concurrently establish successful relationships with industry partners for mutual benefit. The new service model also presented challenges. Outsourcing and alliance literature (Hunter 2004, Kaine and Keeble 2007) showed that collaborative service delivery could work well, but there were risks to be managed. Keeble and Kaine (2009) highlighted risks including tensions due to competing or different priorities, reduced quality and timeliness of activities, agencies being exposed to opportunism where they were dependent on each other and core priorities being undermined if access to crucial intelligence like customer preferences or changes in the operating environment were restricted. Appropriate governance and management strategies to address these risks were warranted.

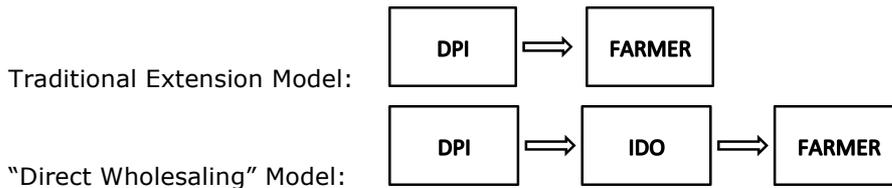
Background: wholesaling

Whilst the DPI identifies three distinct forms of wholesaling, of particular interest was direct wholesaling; “the provision of and/or packaging of information and knowledge to an intermediary who delivers products and services to the farmer” (DPI, 2009). In our case studies we wanted to explore how this type of wholesaling was being managed.

Case study: wholesaling horticulture services

DPI’s Horticulture branch led the way in trialling wholesaling service models in DPI and its experiences are the focus of this paper. The Horticulture Industry Network (HIN) is a new service provided by DPI designed to facilitate co-investment, collaboration and support between DPI and 16 horticultural associations. The HIN was identified as an example of direct wholesaling. The HIN collaborative network approach is an innovative way to address major impediments to industry growth including lack of service sector capability. The HIN facilitates the adoption of improved technologies and best practice, and prepares industry for more effective emergency response.

Critical to the creation of the HIN was the establishment of a DPI grant program whereby industry associations could apply for funding to support their engagement of specialist Industry Development Officers (IDO’s). These IDO’s were employed within their industry associations to work with growers. DPI provided IDOs with relevant intelligence (pertaining to DPI core business), coordination (secretariat administration support), capacity development support, training and knowledge resources for best practice extension advice and research. IDO’s have the primary relationship with growers, not DPI, which is a shift from the traditional extension model (Figure 1).

Figure 1. Traditional and “Direct Wholesaling” Models of extension

There is complexity involved in the funding arrangement for the HIN and the IDO's which is co-funded by DPI and multiple external funding partners (including but not limited to Horticulture Australia Limited (HAL) and the Grape and Wine Research and Development Corporation (GWRDC)). This funding arrangement is for three years, after which it is hoped the service will encourage industry investment.

Research purpose

Wholesaling, such as the HIN, is a marked departure from traditional extension models and a radical change in the way DPI program managers operate (Higson et al. 2009). Program managers needed to develop new skills and competencies and an investigation into the way the new service types were implemented was warranted. The aim of this case study of the direct wholesaling model using the HIN vehicle was to observe what the new service constituted, how it was being managed, and hopefully reveal the complexities (including risks) managers faced. By capturing these experiences, data could be used to develop tools to support program managers in the selection and management of new service types.

Method/Research procedures

Approach: Relationship Choice Framework

The Relationship Choice Framework (RCF) provides an opportunity to use organisational management theory to analyse and improve management of extension services models, including wholesaling. The RCF is an adaption of Hunter's (2004) multidisciplinary framework that was designed to support public and private sector agencies to consider the appropriateness of alternative service delivery (Kaine and Keeble 2008). The RCF can be used to predict the appropriate governance and management strategies that will support a relationship between agencies to operate successfully together. It enables program managers to consider the implications of sharing services with external service providers from three dimensions: governance; strategy; and human resource management. The three dimensions provided a framework for interview questions and analysis of new service types (Kaine and Keeble 2008).

Method

In studying the HIN, we undertook an intensive examination within the richness of the real world setting, allowing the unique features of the case to be observed and fully explained (Bryman 2001). This data would also provide a basis for tool development for program managers if required.

We first conducted a detailed document analysis to understand how the HIN was being delivered. Organisational reports and program documents held relevant information about the HIN and the context within which the relationships between DPI and external industry organisations operated. Interviews with key program managers were undertaken to deepen our understanding of the relationships between the organisations and identify management responses in place to support their relationship. Two researchers attended each interview. Researchers used a semi-structured approach similar to that used by Hunter (2004). The interview questions were qualitative and of a mix of structured questions based on the service types (drawn from the RCF) and open-ended questions to assist interviewees to explore and articulate their experiences (Grunert and Grunert 1995).

Given this was an exploratory study, the results provide useful insights, but the research team recognises there may be other approaches that are equally useful. The data collected during the interview process allowed us to visualise, describe and analyse all the relationships involved in delivering the HIN service by establishing a “relationship map” (see Figure 2). This map provides background on the HIN by showing direct, indirect, and formal and informal relations among parties involved.

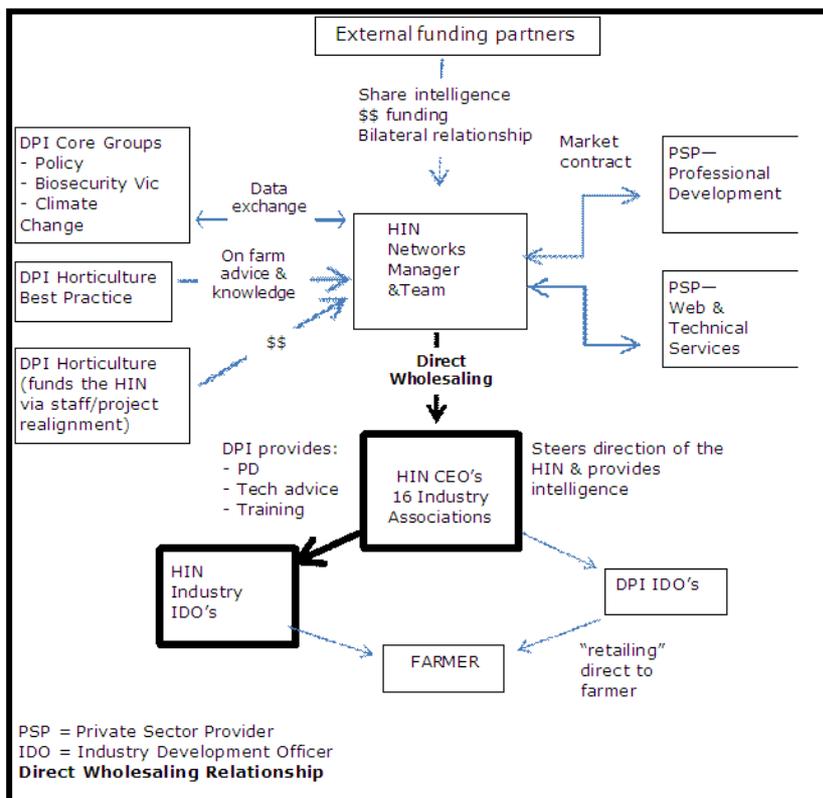
Results

Using the RCF as a guide, the case study analysis aimed to answer four key questions.

1. What relationships are involved in the HIN?

The HIN is an example of direct wholesaling. That is, DPI internally produced information and services that were delivered to an intermediary (being the various IDO’s) who then delivered to the external farmer client.

Figure 1: Relationships involved delivering the HIN service.



Case study analysis confirmed there was a direct wholesaling relationship between DPI and the IDOs, of which there were sixteen individual relationships to manage. DPI also had other wholesaling relationships to support the direct wholesaling activities. These included contracting (web design, technical capability support) and formal collaboration arrangements to fund the IDO’s (facilitated through for example, Horticulture Australia Limited). Relationship mapping (Figure 2) revealed DPI was managing a complex set of relationships to successfully deliver the HIN service and these relationships were interdependent and critical to service quality.

2. Are there strategic risks that DPI needs to manage to ensure successful service delivery through the HIN model?

Delivering a service using a wholesaling model has the potential to create strategic risks for program managers. In particular, protecting service timeliness and quality and the achievement of core organisational objectives were important (Keeble & Kaine 2009).

Using the RCF to analyse the HIN identified that DPI was sharing activities that underpinned or contributed to core objectives. For example, DPI relied on IDOs to share information about DPI objectives such as emergency response and fostering productivity and sustainability.

In addition, under the new wholesaling service model, the interactions with DPI’s traditional customer (horticultural producers), were now managed by the IDOs. This meant that DPI relied on the IDOs for customer intelligence and for indication of changes in service needs and preferences. The HIN program staff had to regularly communicate to share this intelligence. They undertook a range of workshops to support a mutual understanding of each others’ core priorities and establish a set of agreed priorities for the HIN service. Some examples of the key management strategies the HIN used included:

- DPI led meetings with IDOs every eight weeks to share product and client information
- Industry updates from IDOs to address knowledge transfer
- HIN website for access and intelligence between different industry groups and DPI
- Training (for IDOs) to enable staff learning about DPI priorities and undertaking the role.

3. What type of governance arrangements will best serve the HIN participants?

The RCF proposes that if agencies are required to invest in specialist expertise (type of activity) that is not easily substituted, or if activities required to deliver the service are uncertain at the outset or delivered infrequently, then agencies need a governance structure that promotes regular interaction, enables flexibility to change activities as new information comes to light and acknowledges dependencies between agencies by confirming their commitment to each other. This protects parties against opportunism and stranded assets. This type of relationship is resource intensive and can be administratively costly and is thus best suited to long term relationships.

Using the RCF activity criteria, analysis showed there were many activities to produce the HIN service, which fell into three categories: professional development of industry staff; technological resources; and, information and advice. Most activities were classified as relying on specialist expertise. Additionally, DPI was investing in IDOs who had specialist skills to deliver services to horticulturalists. Thus, analysis showed there were dependencies between DPI and industry partners (IDOs). As such, appropriate governance, which would best support parties to produce these activities and characterised by long term contracts and co-dependencies between organisations, was needed. This is termed "bilateral governance". Below is a list of management strategies used by HIN program managers that enable bilateral governance:

- Agreed deliverables and workplans to deliver on priorities
- Flexibility to adjust activities as new information came to light
- Systems to foster regular interaction between IDOs and DPI (e.g. meet every 8 weeks)
- Forums to establish relationship and trust in set up phase of the project
- Contracts with industry associations to employ IDOs (funding, milestones).

4. How can the HIN manage staff to promote performance?

The degree to which staff are responsible for creating value in an organisation should dictate the human resource management style used by that organisation (Keeble & Kaine 2009, Legge 2005). Analysis of the HIN identified there were human resource implications of direct wholesaling services to IDOs. In particular, the need to support two workforces, internal and external, in a way that fostered collaboration and treated staff like assets. Treating staff as assets is particularly important when staff are fundamental to organisational performance. Analysis confirmed that specialised staff were the primary resource of value for the HIN. DPI staff had to develop new competencies (relationship management, advisory support) and support IDO's to develop their roles and capabilities. Examples of the human resource strategies used to enable direct wholesaling for HIN are listed below:

- Enabling IDO's to have access to DPI specialists to meet industry needs
- Creating a DPI Horticulture network with DPI specialists
- DPI mentoring industry staff and relationships (champions), face to face
- Conducting a skills audit for IDOs
- Providing human resource (HR) management support in the establishment phase.

Discussion/Conclusion

1. Delivering services - recognising the complexity

Mapping the relationships involved to deliver the HIN services revealed that the direct wholesaling relationship with the IDOs was one of many relationships that DPI managed to achieve the service. DPI managed contractual and collaborative relationships, internal informal relationships and tradition extension relationships. All relationships were interdependent. Additionally, DPI managed 16 individual industry relationships to achieve direct wholesaling, a considerable demand on resources. Mapping HIN relationships revealed the complexity program managers deal with, and the interdependencies for success many relationships present. Relationship mapping exercises reveal the nature and extent of relationship complexity managers may have to deal with when introducing wholesaling and help to identify strategies required to maintain service quality.

2. Direct wholesaling: a shift in the primary relationship

In direct wholesaling there was a shift in the primary relationship of critical importance to DPI. Specifically, IDO's now undertook the primary contact with growers, in accordance with the BSTF principles of not competing with the private or community sector. In the traditional extension model, DPI would undertake this role. For the HIN, this meant that specific new activities were developed to support IDO capacity and produce information and advisory

services. As the RCF predicted, DPI had to understand this customer's preferences and also, as IDOs had the direct relationship with growers, DPI relied on them for intelligence about growers preferences. Systems and structures to communicate new customer and grower preferences were required. DPI was now dependent on IDOs to achieve their core objectives with growers.

Whilst the wholesaled service remains similar in terms of information and knowledge, the customer has fundamentally changed. As this study shows, program managers may need support to develop appropriate activities for this customer. Meeting new customers' needs can present challenges. For example, DPI used a sophisticated suite of tools including websites, forums, web-based information packages, software and hardware to facilitate HIN activities and foster communication and intelligence sharing. Consideration of the resources required (e.g. time and equipment) and establishment of systems (e.g. regular communication forums) is needed, as is facilitating the co-operation of both internal and external staff. With this new collection of resources, aimed at a new client, it is prudent to support managers so they can continue to deliver DPI core objectives in this new model.

3. Appropriate governance-service activities provide a guide

Using the RCF to classify HIN activities produced by DPI and industry partners revealed they have different characteristics and some present risks, namely, sharing customised activities and dependencies where investments in staff skills or assets are specialised. It is important to note that according to the RCF the term governance refers to the arrangements between two organisations about:

1. what transactions occur between them; and
2. the rules that guide the way they behave towards each other in the exchange of transactions.

In line with the RCF a transaction is an exchange of goods or services that occur between two organisations. The characteristics of these transactions can guide the selection of RCF governance arrangements that will best facilitate the exchange of transactions between organisations.

In this instance opportunism can arise if governance does not address risks. As predicted for many activities, appropriate governance was required to provide agency protection and foster commitment and contract flexibility to adapt activities as new information came to light. Regular communication was essential for HIN and a foundation of appropriate governance, characterised by long term contracts and co-dependencies between organisations, was required.

The interviews highlighted the way the HIN management adapted to the challenges that delivering new products and services entailed. The management team fine-tuned governance to facilitate this, adapting from a trilateral governance arrangement, which privileged a fixed term of engagement where organisations are semi dependent on each other for an agreed time. As the complexity of delivery evolved they adapted the transactions and behaviours involved, to best placed to deliver on outcomes. The case study showed that over time, HIN governance moved towards a bilateral arrangement which was important for effective delivery. Bilateral governance involves long-term exchanges, where organisations acknowledge their interdependencies, and the responsibility for dispute resolution lies more with the organisations involved. As the program evolved, new characteristics emerged which facilitated this switch, including the dependence on IDOs in delivering key outcomes for the DPI.

However, bilateral governance requires more resources and is administratively costly. This was warranted for HIN as it's envisioned to be a longer term relationship. However, there is concern about how this relationship will be maintained without IDO funding in the future. The RCF provides a useful tool for classifying activities and matching them to appropriate governance types and management strategies to address identified risks.

4. Working together to achieve core priorities

Another important insight was the risks to organisations sharing activities that underpin their core organisational objectives. Naturally, organisations have different priorities, and a process of alignment for agreed service activities will ensure service quality is maintained and core priorities are protected. When organisations share core activities, careful attention needs to be given to how alignment of priorities is fostered. The HIN case study offers a range of ways this can be addressed. For example, systems to communicate priorities (workshops, website) and structures like joint planning and agreed priority documents were used in this instance. Interviewees acknowledged the challenges of motivating external organisations to deliver on government priorities when they already have industry and customer priorities to address. We

suggest tools to assist both parties align service priorities will remain important to successful delivery.

5. Staff- the critical factor

The case study provided valuable insights into the importance of staff to performance and successful adoption of new service delivery models, particularly if they are the primary investment to achieve organisational objectives. The HIN case study also illustrated the human resource (HR) complexities faced when establishing a new service type like wholesaling. At the outset, program managers did not realise the level of capacity development required for DPI and IDOs to deliver the direct wholesaling service. Consequently both parties focused considerable resources and activities on skills development. Wholesaling also required a different set of skills than originally anticipated including advocacy, lobbying, communication and relationship management, rather than technical skills. Skills audits were a useful management strategy used. Both industry associations and DPI fostered a soft HR approach to support staff which mitigated risks to performance. The HR management strategies used in the HIN case study provided a useful guide for other managers interested in wholesaling services.

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