

## **Cases in Public-Private Network Collaboration and Services Innovations**

New Vocational Experience Training Educations

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**RESEARCH** **10:3**  
**REPORT**

**Jon Sundbo**

**Cases in Public-Private Network  
Collaboration and Service Innovations**

**New Vocational Experience  
Training Educations**

**Center for Service Studies  
Roskilde University  
EU 7th framework program ServPPIN project**

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## Preface

Centre of Service Studies at Roskilde University has participated in a project in the EU 7<sup>th</sup> framework program about public-private networks and service innovation(ServPPINs) (the ServPPIN project).

The research question investigated by the ServPPIN project is: What is the role ServPPINs within innovation systems and their impact on growth, employment, and welfare? What is their impact on growth, employment, and welfare?

The objectives of the case studies have been:

1. *To investigate the role and impact of within ServPPINs.*
2. *To investigate the character and efficiency of public-private innovation partnerships within services.*
3. *To assess the impact of the selected ServPPIN projects on public service quality and performance.*

The project has investigated four service areas: health care, knowledge intensive services, tourism and transport. Case studies have been carried out in 11 European countries to answer the research questions. In Denmark we have carried out case studies in health care, knowledge intensive services and tourism.

Each case is a network that has led to one or more successful service innovations. In all the cases five research issues have been investigated:

- The context of the innovation
- Five key dimensions in the innovation process:
  1. Types/process of innovation
  2. Type of innovation network
  3. Drivers/Barriers
  4. Institutional factors
  5. Impacts and policy issues
- Unexpected results

The case studies may have a general interest since they are examples of public-private networks that have led to service innovations. Therefore, we publish the case studies.

# Case New Vocational Experience Training Educations

## 1. The case in a nutshell

This case is about an innovation in the Danish education system. It is development and introduction of new training systems within new fields of the emerging experience economy, namely fitness and events. These are two business activities that are developing in the experience economy. Employees and managers in these fields have generally been autodidact – active sportspeople or artists who have started own business or become employed in firms within these fields. As these business fields are growing, there comes a need for more professionalism to develop them into growth businesses. One aspect is a professional education of the employees thus they not only get informal on-the-job training qualifications, but get general qualifications that are accepted in the whole industry. This can also be an action that can attract labour force. It can also create higher value of these activities for the customers because the activities seem more professional and the quality and experience value of them are increased.

This situation is the basis for the concrete innovations that is the development and introduction of three new educations in the Danish system of vocational training. These educations are:

1. *Fitness instructor*: Instructs customers in how to exercise to get a better health and use equipment in training centres. The competencies mix knowledge about sports coaching, health aspects and concrete knowledge about the equipment that are used in sports clubs and fitness centres.
2. *Fitness assistant*: Administrative tasks in fitness centres. An office education with an emphasis on administration of fitness centres and other administrative aspects of fitness (e.g. reception functions and serving fitness customers).
3. *Event coordinator*: Organises all kinds of events. The competencies will include knowledge about the music and entertainment industry, logistics, safety, customer relation, general administrative competencies etc.

All the educations are at a vocational level. These three topics have been implemented as educational innovation at two levels: As basic vocational educations (4 years mixed practical and theoretical apprentices' education for young people) and as vocational training (about 3-6 weeks' courses for people already in job; people attending these courses may have no formal education after the primary school or they have already another apprentices' education).

The new educations are developed by an institution called the In-Service Training Committees. Several committees administer in-service training the Danish labour market. These committees includes representatives from the labour market parties – unions and employers associations – and from large companies. This particular committee is called Retail, Administration, Office and Management and these are the traditional areas that this committee is occupied with. There is a secretariat for the In-Service Training Committees and a particular department of the secretariat is secretariat for the Retail, Administration, Office and Management committee. The secretariat not only administer the training systems and services the committees, it is makes development of new educations. This is also the case to the secretariat for the Retail, Administration, Office and Management committee. For example they make analyses of the need for new educations, they assess existing training programs and so forth. The committee makes the major decisions, for example establishment of new educations and training programs. However, the secretariat can make suggestions and minor decisions. The secretariat has a high external network to

firms, vocational schools, employers associations, unions and particularly to the Ministry of Education with whom they have regular consultations.

Education at this vocational level is offered by public vocational schools. They have often close cooperation with firms because firms are the schools' customers besides the students.

Vocational training (not the basic educations) is also offered by private education firms. The Ministry of Education has ordered the committees that new vocational training schemes must not compete with existing private offers. The public authority intervenes in that way in the innovation process of the In-Service Training Committees.

The idea for the new fitness educations that are the innovations of this case came from firms. Some fitness chains felt that they had a firm-internal on-the-job training, but the fitness industry needed formalised educations. They addressed this need to the In-Service Training Committee, which then discussed the need. The secretariat had at the same time ordered an analysis of needs for new service educations from a consultancy firm. This analysis pointed to a broad need for training in service customer-behaviour and service quality, but it also stressed the new experience economy and that it may lead to a need for new educations within the experience field. Reports from the Ministry of Education had stressed the same factor. These reports further strengthen the focus on experience educations. The secretariat and the committee then started with the fitness field since the firms had addressed their needs. The new fitness educations were developed by the secretariat and discussed regularly in the committee. Fitness firms were consulted from time to time. In the later phases of the development of the new educations were some vocational schools involved.

The idea of fitness educations was also been presented by two fitness chains to one of these schools in Copenhagen, called CPH West. The fitness chains addressed this school because they knew that the school had education in related fields and because some of the managers of this school had close relations to firms. The managing director of CPH West became a member of the special committee that should develop these new fitness educations. CPH West participated in the work of developing the content of the new fitness educations.

The idea of an event education was developed in the secretariat, partly because the reports mentioned above pointed to this could be a new business field. The In-Service Training Committee accepted the idea fast.

The educations are public, financed by the Ministry of Education, which must approve them. The educations must be offered by some vocational schools, which must be authorised by the Ministry of Education. The secretariat applied the Ministry of Education to approve the new educations. Then all vocational schools in Denmark can apply for being authorised to offer the new educations. 9 schools have been authorised to offer the fitness basic educations and 6 schools have been authorised to offer the fitness vocational training. Two schools (including CPH West) have in spring 2009 offered the fitness basic education, none have yet offered the fitness vocational training because the authorisation has not yet arrived from the ministry.

About 8 schools have been authorised to offer the event basic education, two (including CPH West) have offered it. The vocational training for event coordination have not yet been authorised by the ministry.

The schools that offer the educations see this as an investment. In the first years it is a losing business for them. They work in close cooperation with local fitness and event firms in their introduction process.

## **2. The context**

The context is the Danish labour market system. There is a profound tradition in Denmark for everything at the labour market is settled by the labour market parties, i.e. the unions and the

employers' associations. They negotiate about labour market conditions and the state does not interfere, but support by having social security systems and sometimes by being the operational part, for example in education. This is called The Danish Model. The labour market parties negotiate with the state about operational details, but they attempt to make their own agreements about the general principles. The Danish Model often leads to a complex, and to some degree informal, system with no crystal clear division of power and competencies to decide. The model is based on a culture of compromising, cooperation and negotiation. This works in practice, but may make it difficult to map the system in a formal, hierarchical way. It also leads to many parties – even besides the two principal labour market parties – are involved.

The Danish model is also the context for vocational training and education. By vocational training and education we here mean basic educations: Four years' theoretical learning and practical training for young people who have left the school and want a practical job – and vocational training: Short courses lasting about 2-6 weeks for people in job or unemployed people; the courses has the aim to upgrade peoples' competencies or give them new competencies thus they get a higher value on the labour market. The vocational training systems are public, but decision about educations and the strategy for developing educational training systems are decided by the unions and employers association. The two principal labour market parties can suggest new vocational training systems and educations and suggest changes of existing ones. They can also suggest abolition of educations. The Ministry of Education decides which vocational training systems and educations are offered in Denmark. The ministry also outlines the content of the educations fairly detailed. The state pays the educations. However, the Ministry of Education follows the suggestion from the principal labour market parties – practically without exception. The ministry also have funds for developing new educations and training schemes that are dedicated to the principal labour market parties. The latter must, however, formally apply for the money.

The labour market parties have established a system of committees for labour market education – basic education and vocational training. Each committee represents a special part of the labour market. Large companies are also directly represented in the committees since they are supposed to have much need for specific educations. The committee in this case represents what could be called "lower whit collar work", i.e. office work, work in shops and similar. Each committee has a secretariat. The secretariats are united in two main secretariats, one for the manufacturing sector and one for the service sector. The unions and employers associations pay for the secretariats; they negotiate with each other about the distribution of payment. The committees and secretariats follow the labour market educations, make analyses, develop suggestions for new education etc.

The educations and training courses are offered by public vocational schools. They are a kind of independent state organisations, which have great independency to run their business. The content of the basic educations is decided by the Ministry of Education. The marketing and detailed implementation of the content of the educations can be decided by the schools themselves. The shorter vocational training courses are less detailed decided by the ministry thus the schools have a greater freedom to influence the content of them. A vocational school can establish a vocational training course without asking the ministry. They do so, particularly if a large firm wants a specific education.

The vocational schools thus are in a semi-market. They are established by the government, but compete with each other. In vocational training they also compete with private course firms of different kinds. They are allowed to compete as long as they compete on fair market conditions. However, this condition can be difficult to asses in practice and the political pressure on the schools depends on the policy of the actual government.

### **3. The five key dimensions**

### 1. Types/process of innovation

The innovations in this case are new educations. They can be characterised as product innovation since the education is a product for the vocational schools that offers them on a semi-market. By the latter we mean that the vocational schools are public, but they compete with each other and with private education firms. The basic educations are public: they must be authorised by the Ministry of Education, the schools must be authorised by the ministry and no private suppliers are allowed. The vocational training programs may also be authorised – although the Ministry of Education may be keen to ensure that new training courses do not compete with existing private course products (that depends on the policy of the actual government). However, the public vocational schools compete with each other and with the private education firms. The public vocational schools can also establish new educations or training programs outside the authorised system, for example in close cooperation with a company. In this case they act as a pure market-based firm.

The innovation process consists of two parts. The first part takes place in an institutional setting around the In-Service Training Committees. In this part is the idea invented and developed into a kind of prototype. The second part is the implementation part that takes place in the vocational schools. Here the production system (the content and form of the courses) is designed in details and the market possibilities are tested.

### 2. Type of innovation network

It is a complex type of network in which “a third sector” between the public sector and the market plays a major role. In this case is the “third sector” the labour market parties – employers’ associations and unions. The way in which the network works is based in a historical tradition in Denmark for a kind of “three-party” informal negotiation and cooperation between the state, firms via employers’ associations and the labourers via the unions. In this case does the network functions after “subsidiary” principles (as for example also have been discussed in the EU): Things should happen as close as possible to the level where life is. This means that the labour market parties that represents the daily life of firms carry out the innovation, not the government, which is further away.

However, a question is: why is there a network? Why could innovation of new vocational training programs not be left to the market? What is the advantage of this institutional (and regulated) network? Several answers could be suggested to this question from different perspectives. One of them is that this has been the tradition. Another is that the labour market parties attempt to maintain a kind of monopoly, or at least a major controlling role, in the development of vocational educations because that maintains their importance in the society. In this way there is a power factor in the maintaining of this network. Another answer is that the network functions well. It discovers the needs and can even be innovative.

### 3. Drivers/Barriers

Two main drivers of this innovation can be identified.

One is the fitness chains that originally asked the secretariat of the In-Service Training Committee to establish new educations for employees in fitness firms. This was a clear firm need that drove this innovation process. We may observe that these firms not developed educations themselves or initiated that other firms (for example private education firms) did it. They addressed the secretariat of the In-Service Training Committee and the vocational training school because that was natural. The committees as labour market institutions are by firms seen as an efficient way to create innovative new educations.

The other driver is the secretariat of the specific In-Service Training Committee for services. The secretariat has taken the enquiry from the fitness firms and used it as a point of



departure for developing several innovations (including the event coordinator education that was the secretariat's own invention). Of course the secretariat has developed the educations in close collaboration with the committee and formally the committee is the "owner" of the new educations. However, this case study shows that the secretariat has been a main driver in developing these innovations, among others because the members of the committee only have little time to do this. The secretariat has acted as a professional service firm innovation department.

A barrier could be the fact that the vocational schools are public (although semi-market based). Some persons in public and the interviews express the opinion that these schools could be more innovative if they were set free on the market thus they should not apply the Ministry of Education for authorisation to introduce new educations. Now their role in the innovation process is reduced to the last implementation phase.

The Ministry of Education could theoretically be a barrier. The ministry must approve the innovation – the new educations – and could of course easily stop them. In reality the ministry is not a barrier because it very rarely – or never – stops a proposal that the labour market parties agree on. If the ministry stops an idea, it would probably be because of lack of money.

The system of developing and launching a new education take long time in this network system. This is a barrier, at least to fast innovation. The needed work in committees, secretariats, negotiations with schools and firms, the authorisation and outsourcing procedure from the ministry and so forth means that it normally takes three to four years from the idea has been presented to an education is launched.

#### 4. Institutional factors

The major institutional factor behind this network is the Danish tradition for "three-party" informal negotiation and cooperation in labour market issues. This tradition, which sociologically can be characterised as an institution has also resulted in a physical institution, namely the secretariat of the In-Service Training Committees. This secretariat plays a major role in the innovation process. It assures that the network not becomes rigid and they support the creativity and innovation orientation of the committees. Thus, the secretariat is a core institutional factor.

Another institutional factor is the vocational schools. They do not have a role in the first innovation phases of the new educations studied here. There are in public and interviews of the case study different opinions on how innovative the schools are. They play a role as implementers of the new educations and thus in the later phase of the innovation process. As discussed above, their role as public-semi-market based may influence the innovativeness of the whole network-system negatively. The case also shows that in fields where these schools are free to offer any training courses, they can be innovative and start development of new educations from the first idea phase and the innovation process can be very fast (examples of three months have been mentioned).

#### 5. Impacts and policy issues

This case study demonstrates that a complex institutional network (i.e. a network based in a long tradition) can be innovative, however slow, if it has a coordinator. The coordinator here is the secretariat of the In-Service Training Committees. Thus, in general and in Denmark this system seems to work well, but slow. It can be suggested to reduce the procedures to increase the time it takes to implement new educations. For example could the authorisation procedure of the ministry be either abolished or made more efficient. The work in the committees can also last long time of the parties disagree and negotiate over long time. The role of the secretariats could be strengthened. The vocational schools could be given more freedom to develop new education s themselves. If they get full freedom and for example only should ask the ministry for authorisation, the implementation time for new educations cloud be reduced dramatically. However, that would imply

that the traditional labour market party based system would be decoupled. That would contribute to the elimination of a fundamental institution of the Danish society.

There is a private market for training courses. This case can not tell whether this market is more innovative than the semi-public network system that has been studied here, but it can tell that the implementation time can be much faster because the course providers can act themselves. Whether they are private or public, they do not need to ask the ministry, labour market committees or other political authorities to launch new courses.

#### **4. Unexpected results**

This case reveals an unexpected type of service-innovation organisation, namely the secretariats of the In-Service Training Committees. These secretariats are fixed organisations with managers, employees etc., but exist almost “in the middle of nowhere”. They are not firms or related to firms. They are not public organisations. They are related to the labour market organisations (unions and employers’ associations), but not directly. The secretariats are independent organisations which operation is paid by the labour market organisations by a kind of subscription. The secretariats’ legitimacy is based in the public sector (the authorisation of educations by the Ministry of Education). The innovations and the “products” – the vocational education systems – are dedicated to fulfil the needs of private firms. The fact that the secretariat for service educations acts innovative is caused by the fact that the manager and employees have an innovative approach and the committee approve this approach. Some of the other committees and their secretariats do not have the same innovative approach and do not introduce innovations as fast.

One may also assess it unexpected that this very complex labour market-parties network system can be innovative. Analyses, or at least myths, say that this system has become old-fashioned, set in conservative forms. This has not been so in this case where the network has worked flexible and innovative; the network system has caught up new needs and tendencies in service production and delivery. It may be that for example a pure market system (e.g. vocational educations can be offered by any private firm) could be even more innovative and fast catching up new needs and tendencies, but the existing network system seems to be pretty innovative and flexible – at least in relation to the worst scenario of expectation.

#### **5. Discussion**

##### *Innovative success of public-private networks*

This case demonstrates that

##### *Complex public-private networks: The third sector parties*

Public-private networks can be complex. This case demonstrates that they do not need to be limited to an official public partner such as a government or a municipality. Other partners such as labour market parties or others from the “third” sector between the public sector and the market can be important network members. These parties can play a role vis-à-vis public and private partners and be representatives for public organisations and/or private firms. They can even play the main role, depending of the traditions of the country. Such third sector parties can be of different kinds. Besides labour market parties, they can for example be humanitarian organisations and NGOs such as the Red Cross, voluntary associations and so forth. Within the field of social entrepreneurship it has been found that such third sector parties can play a main role in development of social innovations (Brinkerhoff et al. 2007). It has also been demonstrated that within tourism and experience economy are many innovations developed in networks with municipalities, firms and voluntary organisations as main partners (Sundbo 2004, 2009).

Further, the public sector may be represented in an innovative network by many different parties. In this case are for example the Ministry of Education and the vocational schools different parties with partly contradicting interests.

The third sector parties should be included in considerations and analyses of public-private innovative service networks. Often the focus is on more formalised partnership between a public authority and private firms, but innovative networks can be more complex than this, and often even more innovative.

### *Trajectory of innovation*

This case highlights a situation where a first, general awareness of a new field – in this case the new experience service field – creates a trajectory in which more innovations logically can be developed. In this case did the addressing of some fitness firms about their educational need lead to the secretariat of the In-Service Training Committee innovated a fitness education and to the business academy. This led to the committee innovated another fitness education and another experience service education as event coordinator and the education centre CPH West and other education centres implemented the innovations. They could continue by asking: Which other experience fields that need new practice-oriented educations exist? Then they could innovate a series of new educations for experience industries following the same type of need, similar production logic in different experience services and learn from one education to the next because the educations have common traits.

Service innovation could follow trajectories of logic and practices that have been suggested as characterising manufacturing innovation (Dosi 1982). For manufacturing innovation, a trajectory characterises a certain technological logic while it for services characterises certain traits of the production process such as this process aims at giving customers an experience (cf. Pine and Gilmore 1999).

### *Competition respect*

A special issue is the competition between the vocational schools, the innovation process and the authorisation to provide new educations. A general tendency in the society is to protect units that operate in a market or a context similar to a market from unfair competition conditions. This means in this case that if a school (such as CPH West) has been involved in developing the innovation, they can not apply for authorisation to provide the education, or at least not get the authorisation. The view is that this would give them an advantage to competing schools. This principle, however, means that schools will not contribute to the innovation process not to be abandoned from offering the education. This is not appropriate because it will not improve innovation within the field.

In this case CPH West participated in the innovation process and they became authorised to provide the new fitness educations. The issue, however, is relevant to many fields where innovations are developed in public-private networks.

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