



# Changing the strategy formation process in a service cooperative

Strategy  
formation  
process

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## Abstract

**Purpose** – The purpose of this paper is to concern the strategic changes a firm needs to incorporate in order to deliver a complex service such as providing assistance to the socially disadvantaged. The paper seeks to analyze the development of such a process considering the ability of managers to exploit resources and foster new opportunities for the firm.

**Design/methodology/approach** – The qualitative methodology applied is that of a case study. The organization analyzed was a service cooperative. A semi-structured questionnaire was used to gather the information along with documents and additional information thereafter, thus facilitating the triangulation process.

**Findings** – Non-profit service organizations that provide assistance services for the disadvantaged population have to compete in a complex and turbulent environment. The strategic process adopted by those organizations requires more participation and involvement from organizational members; but, simultaneously, this process should be more rational and planned. The strategic content involves the adoption of a hybrid strategy. The function of managers that act as intrapreneurs exploiting existing resources and capabilities (through human resource practices, such as training or reward systems) and promoting change plays an essential role. Decentralization and socialization are necessary for the successful development of those strategic changes.

**Originality/value** – The paper draws implications for service organizations suggesting, as the main strategic changes for improving competitiveness, the establishment of incentive regulation systems relevant to job characteristics and the establishment of a larger number of cooperation agreements and cooperation networks.

**Keywords** Corporate strategy, Entrepreneurialism, Non-profit organizations, Social services sector, Disadvantaged groups, Spain

**Paper type** Case study

## 1. Introduction

The environment is becoming more complex, dynamic, and hostile in every competitive sector. This fact is also true in the service industry, and particularly in those firms related to the home assistance service (HAS) sector. This is a very hostile environment, as public, non-profit and private organizations all compete for their market share. This activity has become highly significant in Spain, as a consequence of the increasing number of elderly people and of the concern of local authorities in providing better attention to the elderly and disabled. The firm analyzed, in accordance with the main goal of our study, is a firm whose main activity is to provide HASs to the disadvantaged. From a corporate entrepreneurship (CE) perspective, we must analyze the way their key resources are managed (quality, customer orientation, and qualified workers) and the managers' ability to exploit those resources in the new opportunities offered by the market.



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The main objective is the study of the strategic changes a firm needs to implement in order to deliver a complex service such as assistance to the elderly or disabled. We analyze how this process develops, considering the ability of managers to exploit resources and foster new opportunities in the firm. The delivery of a complex service requires several organizational changes from a strategic point of view. These changes affect both the strategic process and content. With regard to the former, the strategic process will require more participation and involvement from organizational members, while at the same time becoming more rational and better planned, as the specialist literature suggests (Andersen, 2002, 2004a, b). Concerning the strategic content and due to the dynamic nature of today's competitive environments, assistance service firms have to concentrate on the development of their key resources and capabilities. The adoption of a hybrid strategy (Safón and Escribá, 2002) and the development of quality practices become key aspects in this respect, as well as the implementation of a human resource (HR) strategy based on specific training.

Taking into account all these arguments, our work will be structured into four different sections. Following this introduction, we carry out a literature review in order to provide an outline of the main features and characteristics of the assistance service sector. We then refer to the CE approach, as the theoretical perspective commonly adopted to analyze the strategic and organizational changes that take place in the organization studied. In Section 4, we explain and justify the need for a fit of the firm's strategy, its environment and job characteristics, particularly in this specific sector. Later, we describe the methodology and carry out the case study analysis in order to illustrate and enrich the basic arguments and theoretical relationships that arise as a result of the literature review. Finally, we present a section that discusses the main organizational changes that take place in the case studied and draw conclusions from this research.

## **2. Assistance services for the disadvantaged and the non-profit sector**

Assistance services for the disadvantaged are services (organizations) aimed at facilitating the access of individuals or groups with problems (disabilities, mental illnesses, and elderly people) to a minimum level of welfare and/or personal autonomy (based on Fernández and Martínez, 1999, p. 30).

These services are commonly provided by firms belonging to the non-profit sector. The role played by certain cooperatives and insurance companies within the non-profit sector in some countries, such as France or Spain must also be borne in mind. In Spain, the non-profit sector has become economically, as well as socially, significant, making up 4.5 percent of the working population (excluding the agricultural sector), and 6.8 percent of employment in the service sector (Ruiz Olabuénaga *et al.*, 1999, p. 164). A common trend of this sector is the increasing subcontracting of social services (that were previously provided by the government), clearly observed in the USA and also in Spain.

Finally, we should point out that Salamon *et al.* (1999, p. 18) propose as new challenges for the sector the need for "regular strategic planning, through improved training and management models that reflect the central values this set of institutions is supposed to promote". Such a statement shows the relevance of the proposals for administration reflected in this study. The strategic process adopted by the firm, according to the kind of work in hand, uses the main values and principles of non-profit

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for achieving the firm's goals. Thus, in the scope of what we call "social economy", we focus our analysis on non-profit organizations, and particularly on organizations with a cooperative form which deliver assistance services to the socially disadvantaged.

### 3. Corporate entrepreneurship

Part of the entrepreneurship literature develops the concept of CE as a particular type of entrepreneurial behavior that takes place within organizations. One part of the literature understands the role of the entrepreneur as an individual discovering new opportunities (Hitt *et al.*, 2001; Cuervo, 2005). Another stream examines not only the "exploration" capability, but also the ability to exploit and develop new opportunities inside a firm (Lounsbury and Glynn, 2001; Hayton, 2005; Hayton and Kelley, 2006). This second concept is known in the literature as "CE" or "intrapreneurship". In addition, research confirms that CE can be a response to modifications in the business environment (Guth and Ginsberg, 1990; Kathuria and Joshi, 2007).

CE has to do with the ability of managers in an organization to explore and discover new knowledge and opportunities and to exploit the existing knowledge and resources (Floyd and Wooldridge, 1999; McGrath, 2001; Hayton, 2005; Kuratko *et al.*, 2005). Our research focuses on the ability of the chief executive officer (CEO) to have the necessary intuition for developing new ventures in related sectors, as a consequence of an ability to discover new market opportunities. We focus mainly on the ability of the CEO to develop the necessary organizational changes in structure and culture in order to facilitate entrepreneurial behavior within the organization. Hayton and Kelley (2006) argue that a supportive organizational culture and the presence of an organic organizational structure with low hierarchical levels will foster or positively affect individual competencies on corporate strategy.

The case study analyze herein shows the effort of the CEO to promote strategic change and involvement and participation of various agents. This necessary organizational renewal, modifying structure and culture to promote initiatives, self-efficacy (Wakkee *et al.*, 2008) and the development of new ventures (through cooperation agreements) corresponds to the concept of CE that appears in certain studies relating HR policies and entrepreneurship (Hayton, 2005; Hayton and Kelley, 2006; Zotto and Gustafsson, 2008).

Strategic renewal associated to the concept of CE means the adequate and new combination of resources in order to exploit existing advantages. This involves different strategic changes such as totally refocusing the competitive strategy of a business, or offering new products or services in different markets (Guth and Ginsberg, 1990). The strategic and organizational changes that take place in the case study analyzed respond to the CEO's need to exploit the firm's resources and to make the necessary changes in the organizational structure to obtain competitive advantage.

### 4. Strategy, environment and job characteristics

This section analyzes the strategic changes and internal renewal and innovation that managers of organizations delivering assistance services to disadvantaged people have to carry out in order to cope with a changing environment and complex work. To do so, we first feature the type of work these organizations develop, and then analyze the competitive environment these organizations have to face and the required fit between strategy, environment and work. Firms engage in internal change and innovation for

different reasons and also the way in which they foster entrepreneurship and exploit their resources will vary depending on different environmental characteristics, organizational structures, job complexity, or culture (Hayton and Kelley, 2006).

#### *4.1 Job characteristics*

In this section, we study the characteristics of particular activities and the level of complexity inherent in the performance of certain social services, as different studies concur on the complexity involved in such studies (Djellal and Gallouj, 2006, 2007). From our perspective, and along the lines of Perrow (1970), the degree of work complexity can be determined according to two different dimensions: whether the work has many or few exceptions; and if the necessary knowledge for performing the task can be analyzed or not. Therefore, we consider that when the task has multiple variations and changes in its execution, multiple exceptions can appear; or when the necessary knowledge to develop the task cannot be easily divided and analyzed, the task can be classified as a complex one.

Hence, we analyze the characteristics of the activities related to assistance services for the disadvantaged in accordance with our description of the complex work:

- Assistance services for the disadvantaged are clearly of an exceptional nature, since they have to be modified during the course of the activity according to the needs of the ill, elderly or marginalized, these groups being the main beneficiaries of the service. Recent observations indicate that the greater the diversity of services offered by the firm, the greater the variety and exceptionality of the task.
- With regard to the difficulties of the analysis of the task and applicable knowledge, two indicators allow us to describe assistance services for disadvantaged people as complex: the level of professional qualification and the specific training required. The enormous difficulties experienced when attempting to measure and assess this kind of work (a fact that has been verified through many interviews with firms in the industry) should be highlighted. Owing to the intangible nature of this type of service, measuring correct development of the task is problematic, although some indirect indicators can be used, such as the degree of versatility of the employee or punctuality. For that reason, self-management (that is, a very high degree of vertical task decentralization) is a common way of organizing the activity. Coordination is achieved through regular meetings with workers, organized in task groups.

This is why task complexity exists in most of the activities, hence the need for self-management. A firm tries to reduce or control complexity, whenever possible, by introducing a certain level of task specialization, although for some services, this is not a possibility. This difference is easily perceived when analyzing, for example, activities provided by the HAS as compared to those of an assistant of the same category in a residential home for the elderly (much more specialized).

#### *4.2 Strategy formation process, environment, and job characteristics*

There are many research studies focused on the importance of the strategic process and on the influence that its characteristics can exert over final performance and on the level of achievement of the firm's main goals. From the studies by Andrews (1971) and Ansoff (1965, 1984, 1987, 1991a, b), where the optimal process is understood

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as deliberate, planned and rational, where the CEO is the one who finally decides and acts, to Mintzberg (1973, 1978, 1990a, b) and Quinn's (1978, 1980[1]) contributions (which helped develop the learning school of thought within the framework of strategic management), all of them pay special attention to the study of the strategy formation process and strategic decision-making process, and to the influence of this process on firm performance, which constitutes the practical issue in the present research. More recent literature concerning these issues adopts a contingent approach (Hart and Banbury, 1994; Ketchen *et al.*, 1996; Slevin and Covin, 1997; Brews and Hunt, 1999; Andersen, 2000, 2004a), which principally takes into account the environment of the firm as the main contingent variable in the study of the strategic process-firm performance relationship.

Ansoff's research considered that, with highly dynamic, uncertain and complex environments, planned and rational but flexible processes could give the firm better performance. On the other hand, Mintzberg (1990b), Mintzberg *et al.* (1998), or Quinn (1985) maintained that the reality of firms reflects the need for incremental processes. Moreover, on some occasions, strategy emerges from intuition or suggestions that can be made by those people that are really in touch with the task, similar to Burgelman's (1983) idea of internal corporate venturing. These and other authors (Pascale, 1984; Hutt *et al.*, 1988; Osborn, 1998; Jennings, 2000) show, mainly through case analysis, how an emergent strategy, less planned, or formal, and that favors the involvement of workers, can improve the performance of those firms competing in dynamic, complex, and uncertain environments. Some authors state that HR systems oriented to motivation and involvement can contribute to better results (Kidwell and Fish, 2007). Other authors suggest the relevance of strategic decision makers and third parties (consultants) in the strategic process and its outcomes in hostile environments (Saxton, 1995). More recent studies on this subject point out the need to adopt an integrative strategy formation process when coping with complex and dynamic environments (Andersen, 2000, 2004a, b; Elbanna, 2006). This integrative process should be rational, planned and emergent at the same time, thanks to the participation and involvement of the agents (Floyd and Wooldridge, 1997, 2000; Collier *et al.*, 2004). In this sense, different authors consider the need for a common vision and higher levels of self-organization – with coordination but not by a strict plan – and agent involvement (Miles *et al.*, 1997), and the consideration of adaptive and emergent strategies that lend flexibility to the process (Pascale, 1999; Beinhocker, 1999), when the firm has to manage high levels of task complexity[2] and environmental complexity.

Following the arguments expounded above, we may deduce that firms coping with a turbulent environment[3] and carrying out complex work[4] should change their strategic orientation and management style towards the adoption of an integrative strategy formation process. Going further, the relationship between strategic level and task complexity which, in our case, is included in the development of an assistance service for disadvantaged people, is modified by the way in which managers use the available variables for designing an organizational structure and for reassigning resources and ordering incentives adequately. So, a change in organizational design variables (formalization, decentralization, training and communication) for those firms carrying out complex work in assistance services is also necessary (McWilliam and Ward-Griffin, 2006). This strategic and organizational change responds to the concept of CE, as the literature states that the more turbulent the environment is

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(hostile, dynamic, and complex), the more firms will engage in entrepreneurial behavior (Miller, 1983; Guth and Ginsberg, 1990, p. 7).

As suggested by Moreno-Luzón *et al.* (2001) in their general heuristic model and in their guiding sequence, design variables are the links between strategy and the conditions imposed by the environment and/or job characteristics. Design variables are the tools that will help to implement strategy and these variables must fit the characteristics of the suggested strategy (fit perspective (Miles and Snow, 1984)). Consequently, partially emergent and visionary strategy formation processes, in which agent involvement and initiative is very high, require high levels of vertical decentralization and of socialization of the firms' members. Decentralization allows those workers who develop complex tasks to decide on their own work; and socialization allows them also to share values that enable increasing involvement and participation in the strategy formation process (Moreno-Luzón and Peris, 1998). In this way, employees turn into "intrapreneurs", fostering the strategic changes that managers attempt to develop.

We can now go on to formulate two propositions:

- P1. Integrative strategy formation processes that are rational and foster participation and involvement need high levels of decentralization and socialization.
- P2. Adopting integrative strategy formation processes can improve firm performance when the environment is turbulent and the work is complex.

#### *4.3 Strategy content, environment, and job characteristics*

With regard to strategy, and taking into account that firms function in dynamic, uncertain, and complex environments, various studies (Miller, 1988) empirically confirm the existence of a correlation between this kind of environment and the adoption of differentiation strategies. Miller (1992) also refers to the fact that if customer demand increases and the number of customers is not particularly high, it is common to employ differentiation strategies based on the quality of the service. If we consider, in the case of assistance services to disadvantaged people, who the different customers are (elderly people, families, and administration as the main customer), it seems necessary for the degree of differentiation of those firms to be based on the development of a quality service, focused on the satisfaction of the customer's final needs.

In the case of assistance services to disadvantaged people, price is not the only characteristic that can influence an administration's decision in awarding a service, although the offer to public administration cannot be too high in light of the current economic climate. This situation is exacerbated by increased competition.

Bearing in mind that the service must be offered at a reasonable price, the level of service quality and the type of capabilities shown when assisting the customer (the elderly and infirm), the consideration of not only their physical demands but also their emotional ones is of paramount importance. It is, at that moment when firm reputation and know-how, together with the experience and skill level offered by the firm's HRs, are also an indicator and a guarantee of quality and consequently the basis for the differentiation strategy.

Markets where quality management has become established, firms characterized by innovation or knowledge management (von Krogh *et al.*, 2000) and other firms in

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very competitive markets, are in environments where the alternative between differentiation and cost leadership is insufficient. In this respect, Safón and Escribá (2002) discuss other studies by Kim and Lim (1988) or Miller (1988, 1992) (discussing a differentiation strategy for competitive and complex environments) believe that hybrid strategies can contribute more than pure ones to the competitive advantage of the firm when the group of attributes demanded includes low price and high quality, and also when there is a risk that competitors might copy the generic advantage of the firm. To put this hybrid strategy into practice, the commitment of the HRs of the firm is fundamental.

Having completed the analysis, the following proposition suggests the necessary changes that firms in complex and hostile environments should implement:

- P3.* Given the degree of dynamism, complexity and hostility of the environment, adopting a hybrid competitive strategy (the same or higher value with lower prices) will offer better firm performance.

We have also pointed out that, generally, the tasks related to social assistance services are tasks with a high degree of complexity[5]. This complexity introduces the firm to a continuous resource development process and to the development of a strategy based on the generation of new capabilities (Hamel and Prahalad, 1994; Barney, 1986, 1996; Teece *et al.*, 1997; Grant, 2008). That is, issues like the degree of qualification of the HRs of the firm, not only with respect to the content and execution of the task but also to the quality of the service or even to the need for training and qualification in order to manage their own work, must be present in every firm that tries to develop those services.

Therefore, firms should be oriented to the maintenance of those capabilities related to the customer service and to the development of new capabilities in quality management and innovation developments. These are considered high-level capabilities in Grant's (2008) hierarchy. Still, these capabilities should be grounded on knowledge and the highly specialized qualification of those people who perform the service, and on the managerial and organizational capabilities of those who have to manage the firms that make up this industry. This leads us to examine, on the one hand, the importance of HRs of the firm and, on the other, the importance of intangible resources as reputation or know-how. HR policies and the characteristics of HRs are vital when performing assistance services to disadvantaged people.

With respect to cost control in assistance services to disadvantaged people, learning economies, and management efficiency are the main sources of costs saving. The possibility of obtaining economies of scope or synergies among different activities that those kind of services commonly perform (HASs, telephone assistance, day-care center management, assistance for the socially marginalized), is another element that allows firms to improve their efficiency. In addition, payroll control appears to be the main source of cost saving. Firms have to offer adequate pay according to performance; together with other kinds of intrinsic compensation that can motivate workers and maintain their loyalty to the firm and to its strategic goals. So, together with the necessary decentralization for carrying out complex tasks, a certain degree of formalization and high levels of socialization[6] could improve both efficiency and differentiation. Formalization and socialization will be the tools that will point to adequate ways of coordination and internal control, also contributing to (and expressing)

a higher ordering of incentives. All this can be a source of advantage, both in terms of costs, by favoring efficiency, as well as in differentiation, allowing the provision of an excellence service.

Based on the ideas, we can formulate two additional propositions:

- P4.* Given the significant level of task complexity, firms should apply a strategic approach based on the development and generation of new resources and capabilities (reputation, HR training, customer orientation, quality management, and coordination).
- P5.* High levels of decentralization and formalization, together with a high level of socialization will contribute to an adequate generation of capabilities and to better firm performance.

### **5. Methodology**

According to Eisenhardt (1989a, b), Yin (1994), and Bonache (1999), the adoption of the qualitative methodology is justified if we consider the necessity of an in-depth examination of certain organizational processes in which organizational characteristics (social character) and the vision and experience of the participants are fundamental in understanding the issues to be analyzed. Also Cepeda-Carrión (2007, p. 58) recognizes the contribution of qualitative research as a valid and valuable approach. In addition, we must also study this phenomenon inside its real context, because of the multiple interrelations that exist. Thus, bearing in mind Yin's (1993, 1994) methodological perspective, we have opted for a qualitative research method. Yin (1994) also notes that the case study methodology can be used to explain, describe, illustrate, and explore. Following Yin (1994), our choice is determined by the nature of our research questions: how and why. Bearing in mind our research goals, we need to study the strategic change process from a dynamic perspective. Owing to the dynamism and complexity of this phenomenon, the nature of the research questions (Benavent, 2006), the explanatory nature of the research and to the complex interrelations depicted in the propositions put forward, case study will be the qualitative methodology applied.

With respect to the selection criteria, the selected case is a services cooperative that began as an entrepreneurial project, and has become an important services firm in a particular geographical area where "cooperatives" are an important phenomenon (Zurbano, 2005). The way of managing the growth process and the new strategic initiatives that the firm was developing illustrate perfectly the phenomenon under study; the strategic and organizational change from a CE approach. Therefore, the selection has been based on concepts and theory supporting this research. Additionally, we selected one case in order to go deeper into the analysis, thereby learning more.

We employed a semi-structured questionnaire to gather the information, with a high number of open questions that led to dialog. The main interview took approximately four hours, and we consulted several documents and additional information thereafter, thus facilitating the triangulation process. The interviewee was the firm's managing director, and two researchers from the University of Valencia carried out the interview. Both scholars jointly analyzed the content of the interview and, subsequently, the management of the firm under analysis re-examined the information obtained in order to avoid possible biases[7]. The section below presents the findings.



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## 6. The case of a cooperative firm in the management of assistance services to disadvantaged people: results of the analysis

### 6.1 *History of the firm*

This is a big cooperative in terms of employees[8] and had also taken on the function of creating jobs for women in Bilbao. The project began by involving the daughters of the first cooperative members, all of them women.

Regarding the main activity carried out by the cooperative, HASs, the cooperative focuses on assistance in the HAS user's home, but at the same time there have been attempts to broaden the offer with other complementary activities. The organization is also involved in different cooperation initiatives, as a basis for innovation (Camacho and Rodríguez, 2005)[9].

### 6.2 *Current management: characteristics of the strategy formation process*

The cooperative tried to broadly transmit some explicit strategic lines to its employees. Assessing the existence of a certain level of strategic planning, we can confirm that a biannual management plan existed, deployed through programs and budgets. Its basic strategic lines, which were drawn up with external assistance, were displayed in writing and were reflected in explicit actions and in what in the cooperative called specifics, that is, precise actions used to deploy the proposed global strategic lines in great detail, in order to implement the necessary managerial changes. On the other hand, a clear and detailed analysis of the environment existed, always prior to the development and establishment of new projects. As a result we may state that the process followed by the firm to make strategic decisions became more rational.

The level of employee involvement in the strategy formation process and decision making increased. Obviously, information transfer from the management to each of the employees (top-down information flow). Still, we must highlight the existence of an explicit concern as regards diffusing the relevant information, as well as getting to know the situation and gathering the information from the employees themselves through continuous interaction. With this purpose, all employees of the organization, including top management had a monthly meeting in small groups. This means of continuous interaction, together with the existence of the social board in which all the partners of the cooperative were represented (who constitute almost 80 percent of the members of the firm) and in which everybody could express their opinion, generated a greater fluency (bottom up information flow (Nonaka, 1988)).

All the strategic actions of the cooperative and its different activities were marked by a commonly shared vision of wanting to expand in order to develop the firm's mission in different contexts. The mission of the firm has two main purposes: a social purpose, and a more business oriented one; job creation (purposes or objectives that are characteristic of associated work cooperatives). A the third purpose, which constituted a necessary condition for the development of the other two discussed above, is that the firm must reach the indispensable levels of profitability that are reinvested in the service firm.

This mixture of service and firm was successful thanks to the high level of training of the HRs that constitute the firm, of both the management and frontline employees, as well as to the socialization and common values of the organization's members (shared vision and strategic purpose). What is more, its success was due to the adopted process of decision making. We were facing a rational and certainly planned process,

but this planning does not take away flexibility from the process, clearly visionary and which favored the employees involvement, first of all in the operational decisions of the firm, as well as in the course of the very process of strategy formation. In this way, the process was clearly intentional and deliberate, still leaving an opportunity for the emergence, which could arise from strategic initiatives coming from different levels of the organization. This process was compatible with a participative management style that was being developed. Owing to the difficulties in the measurement and job assessment, which is of a medium-high complexity, the existence of decentralization and self-management was necessary. The company has been successful in terms of economic results (that are reinvested in the service), and also in terms of innovation and new service development. Taking all this into account, we can say that *P1* and *P2* are partially confirmed. Particularly with respect to *P1*, the process is integrative but with a more rational and planned bias.

The strategy content combined cost control, in order to offer low prices, with the differentiation centered on service quality – although this firm put special emphasis on whatever led to the differentiation. This hybrid strategy based on a quality approach has led the firm to a good position in the market, confirming also *P3*.

### *6.3 Internal context: resources and capabilities*

The analysis carried out on the environment was mainly focused on the search for what new necessities or towards what new activities the firm could be directed, and less on the analysis of competitors (the degree or forms of protection from competition). It could be said that the main concern of the firm was, as we have pointed out, to differentiate the quality of the service offered, as well as to focus on the maintaining their good reputation. Therefore, there was less concern about competitors, and the strategic approach adopted by managers (acting as intrapreneurs) attempted to foster those resources and capabilities that the firm possessed and considered as a potential source of competitive advantage, and therefore of profit. The firm had solid financial resources and a healthy cost structure, which allowed it to carry out an important investment in training.

As previously commented, the assumption that the key capability lay in the quality and form of service made the firm opt for a diversification strategy, looking for new activities (and consequently new businesses and new customers). Some of the new services that were being developed were the creation of a center for the homeless, or support in the management of the city emergency units[10]. Within the firm internal context, managers gave great importance to HR management (exploiting the value of their HRs), fundamentally to the training processes of a business nature, concerning service offer and knowledge of the customer. Nevertheless, not only was training given, but also a process of socialization and transmission of values and goals was initiated as well, so they could be shared by the organization. Also, a set of quality goals had been established and programmed, creating different levels of responsibility and obtaining the ISO 9002 certificate (according to Zwikael and Globerson (2007) quality planning has a significant impact in project success). Their “people management” policy has been based on an adequate selection process, training (as we have explained), performance evaluation and knowledge management, that different authors suggest as the key to success in service quality improvement (Su and Lin, 2006).

Focusing on training, it must be stressed that the employees were not required to have a formal education (a university degree or basic education), although there were

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many employees with different university degrees, among them a number of social workers. Their official position is that of home aid assistant. The firm spent considerable financing on the development of internal training programs. A continuous training program was being developed, and assessments of the training needs were being carried out [11]. Finally, innovation and the use of new technologies in the development of the service has been another objective for change in the organization. The emphasis that managers had on developing new resources and capabilities and exploiting and reinforcing the existing ones confirms *P4*. Also training permits high levels of decentralization; this fact, together with the necessary levels of socialization and a certain level of formalization confirm *P5*. The level of decentralization and the firm's structure (reasonably flat, using teams) foster individual competencies in CE (Hayton and Kelley, 2006).

#### *6.4 The need to combine quality with efficiency*

The firm had to offer its services at reasonably low prices, due to the fact that the customer (the administration), searches for efficiency and cost saving, and consequently chose the one that could provide it with required quality at the lowest price. In accordance with the service mission and social performance of the cooperative, the firm carried out a certain payroll control to be able to gather some funds which will help them to strengthen capabilities and create jobs. Payroll control was the main means of cost control for this type of firm. The high levels of socialization discussed above (*P5*) were necessary to assume the fact that the pay received by the employee could be lower than those paid by competitors. Finally, some resources had been allocated to achieving training and specialization, which allowed for the reduction and to control of the costs of the service, and therefore its efficiency. This is in line with the competitive strategy of a hybrid nature adopted by the firm and allows it to offer lower prices, confirming part of *P3*.

## **7. Discussion**

As an initial point of analysis, we want to draw attention to the changes that took place in the managerial processes with the manager acting as an intrapreneur. From our point of view, managerial processes in the studied organization have become more rational and intentional. They only seem to leave a tiny opportunity for emergence. Intuition has been taken into account although the strategic decisions were still focused fundamentally on the internal analysis. Participation and involvement was, in many cases, a fact, and there was a definite attempt to transmit a unified, solid vision of the future. In this sense, strategic initiatives are encouraged. This kind of process seemed to have influenced the output of the firm, both, in more economic terms (finance, growth), as well as in terms of satisfaction. These outcomes confirm the idea expressed in *P2*, above all with regard to the dimensions of rationality and involvement, though not so much emergence, since the strategy is mainly perceived as deliberate. As for the *P1*, we believe that participation and involvement in the strategic process is achieved thanks to the high levels of decentralization, and also thanks to adequate communication channels (frequent periodic meetings, many of them witnessed by the management) that guarantee top-down and bottom-up flows of information. Socialization and the existence of some common values also facilitate involvement and emergence. Nevertheless, perhaps it would be convenient to increase those levels of socialization, both to foster the emergence of innovative strategies, and also to raise the

involvement and participation of the new partners or non-partner employees. It seemed that the planning was clearly positive for the economic performance of the firm, and with respect to satisfaction, the proposed process could have reached better outcomes if the degree of value sharing had been even greater.

Changes in the strategic behavior of the firm, which was the main object of our study, seemed to confirm the *P3* with regard to the adoption of a hybrid strategy. However, the financial strength of the firm was again up to expectations and, consequently, dissatisfaction related to salaries, that in some cases were considered insufficient, could be observed. This problem was not only present in the analyzed firm; on the contrary, it seemed to exist in other firms in the sector, especially when compared to the private firm. The problem worsened when the members of the firm did not satisfactorily share the social mission, and they measured their level of satisfaction with the tasks exclusively according to pay parameters

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The main limitations of the work are mainly linked to the case study methodology, that is, we cannot generalize results and one case allows for the study of the phenomenon in depth but has no elements for comparison. Future lines of research should consider be further development, analyzing other cases and attempting to define the propositions in work hypotheses that could be contrasted with data from a broader sample of associated work cooperatives that are devoted to similar assistance services. The role of women in this kind of industry and from an entrepreneurial point of view is also a subject that is worthy of additional consideration, not only from a sociological perspective, but also from a strategic one.

### Notes

1. We must highlight here that the contributions of March and Simon's (1958) and above all Lindblom's (1959) work are considered forerunners in relation to the learning school.
2. High levels of tasks complexity are related to the cognitive complexity concept (Boisot and Child, 1999).
3. Dynamic environment, complex and with high levels of uncertainty. According to a broader revision concerning the relationship between strategy formation and environment, we can observe how deliberate and rational processes can be appropriate to a turbulent environment, in the sense that is considered by Eisenhardt (1989a, b) as rationality, and therefore it reduces neither speed nor flexibility from the process. On the other hand, for situations with more unstable environments, perhaps rational processes that combine planning with a certain degree of emergence (Brews and Hunt, 1999) can equally achieve positive results.
4. Our concept of complexity refers to the difficulty in management through classic methods, such as direct supervision, as regards the development of tasks that are difficult to understand and that include many exceptions. As Lawrence and Lorsch (1967) pointed out, to carry out this kind of work, employees must have a considerable level of education and autonomy for its realization and management, which can be useful to control and/or reduce possible coordination problems. This concept is closely related to the one expressed by Perrow (1970) and to the cognitive complexity concept of Boisot and Child (1999).
5. This is true not only in terms of the very nature of the task, but also the exception variables, need for training and difficulties concerning performance measurement, assessment, and control.
6. Socialization will also act as a form of intrinsic motivation, since by sharing and participating in the organization values one can understand the sense of individual work better and the participation and the assumption of responsibilities are encouraged.
7. The first interview took place in 2002. At the end of 2008 we had another interview with the head of the firm and consulted other indirect sources, and as a result we could confirm that the situation was very similar to the one analyzed before. At the moment they are managing the different cooperation projects that were beginning at the time of this case study, together with other new social cooperation projects; but the strategic and organizational directions are the same.
8. The number of employees was (in 2002) around 450, managing the whole home assistance service. In 2006, they managed 52 percent of HAS, with more or less 232 people linked to that activity. In 2007, the cooperative had 250 members.
9. There were various cooperation projects among the social assistance cooperatives that have been developed. In the context of the first one, different action programs had been established, with the support of local government: programs for immigrants, disabled people and the socially isolated, Alzheimer patients and relatives of addicts. The firm has been

working on another cooperation project, again among the social initiative cooperatives, that focused on the realization of a strengths, weaknesses, opportunities, and threats analysis.

10. Other actions that indicate the willingness of the firm towards the diversification of its activities were the trips, the convalescence homes and more sophisticated cleaning with specialized equipment.
11. This was in the line with the European program Leonardo and in this context the aptitude tests, necessary to obtain the professional qualification certificate, had been defined. The aptitude tests are necessary for the professional certificate of employment and training department of the central government. On the other hand, some employees attended training courses offered by the university in order to carry out methods of total quality management, following the European Foundation for Quality Management Excellence Model.

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