

## 59 Public Value in Public Management

### Introduction

Public Value (PV) has a short history, but a long tradition. It only appeared in the 1990s, but points to long lasting issues of the role of public administration and any other organization in society. Public Value signifies an organization's contribution (positive or negative) towards the common good. It seems to be a candidate to secure and foster any organization's legitimacy and thus framing its social function in society. In other words, public value thinking may lead us to a better understanding of why organizations, both public and private, exist in the first place.

Public Value came into focus as a result of widespread debates concerning issues of *responsibility* and *accountability* of public and private organizations in society, in its beginnings mainly focusing on public administration. Given the recent renaissance of public interest ideas, these debates have expanded to span an integrated view on Public Value creation, sources of legitimization and operational capacities (Moore 1995; 2013) and to include any type of organization (Meynhardt 2009; 2015; 2019). Common to the different lines of thought is the notion of incorporating a more complex view on human nature for legitimizing organizational action through PV creation (Talbot 2006).

PV thinking is not simply about compensating for state failure or market failure and its negative "externalities". Bozeman argues that negative Public Value (in his words "public-value failure")

occurs when neither the market nor the public sector provides goods and services required to achieve core Public Values. (...) and market failure tells us little about whether government should intervene. (...) the key policy question becomes, if the market is efficient, is there nonetheless a failure to provide an essential Public Value? (Bozeman 2002, p. 150)

The general idea is perhaps best summarized by O'Flynn who interprets the PV discourse as "a

way of thinking which is post-bureaucratic and post-competitive allowing us to move beyond the narrow market versus government failure approaches" (O'Flynn 2007, p. 353, emphasis in original). Consequentially, Public Value "is not governmental" (Beck Jørgensen and Bozeman 2007, p. 373).

Instead, Public Value focuses on *value creation* by an organization. It gives a balanced insight into the performance of an organization with regard to these various challenges as perceived by the individuals, who collectively form society. Thus, PV can be interpreted as a perspective on relationships between the individual and society, focusing on creating experiences of community (*Gemeinschaft*) and society (*Gesellschaft*). Today's integrative approach may explain its attractiveness to scholars interested in the contribution of for-profit and public (nonprofit and governmental) organizations to (the civil) society (cf. Bryson, Crosby and Bloomberg 2015; Lindgreen et al. 2019).

### Historical background

Public Value gained the attention of a wider audience with the book *Creating Public Value: Strategic Management in Government* by Mark Moore (1995). His initial goal was to "develop a normative (rather than positive) theory of managerial (rather than organizational) behavior" for the American government (Ibid., 2). The subtle and complex relationship between means and ends in the public sector (implementation and execution of law in public administration on the one hand and public policymaking on the other) was an essential challenge for him. As a solution to real-world problems, Moore developed the role of a public manager as an "explorer" searching for opportunities to create Public Value. Such an understanding includes a "strategic" element far beyond mere execution of law, in which entrepreneurial spirit is bound by and directed towards PV. In Moore's initial understanding, PV forms an equivalent to the idea of shareholder value in the private sector: "The definition that remains equates managerial success in the public sector with initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run" (Moore 1995, p. 10). The similarity to the notion of shareholder value obviously was only justified in the ultimate significance of direction setting.

After years of nearly becoming a flop, Moore's book was almost accidentally discovered in the United Kingdom. The more integrative view on the purpose and legitimacy of public institutions as something different or more than a compensation for market-failure inspired in the United Kingdom not only the BBC's Charter renewal submission but also the Cabinet Office's strategy unit and a number of other organizations. In reviewing UK developments, PV, to Talbot (2006, p. 3), "is clearly becoming somewhat fashionable amongst at least some think-tankers and policy-makers".

In countries such as the United Kingdom, New Zealand or Australia, with intense public reforms inspired by new public management concepts, the notion of PV widely resonated (O'Flynn 2007).

### Criticism

Critics of Moore's original conceptualization find fault in his use of vocabulary.

In what was to become a defining characteristic of PV literature, Moore appears sometimes to be talking about public goods; services which are nonrivalrous and nonexcludable such as defense or street lighting; and at other times to be talking about the public interest or the even the public domain. All of these terms have their problems. (Oakley et al. 2006, p. 3)

Moreover, they criticize the indeterminable nature of Moore's work. As Rhodes and Wanna put it:

(...) Moore is unclear whether he offers a theoretical framework, a concept, a heuristic device, or an operational tool of management. (...) Various proponents argue that Public Value should be seen as a paradigm (...) as a concept (...) a model (...) a heuristic device or even a story. (...) Perhaps the ambiguous nature of Public Value and its various applications fuels its popularity – it is all things to all people. (Rhodes and Wanna 2007, p. 408)

But criticism is not only voiced on a methodological level: concerns arise from the perspective of political scientists, stating that Moore's approach rebrands the neo-liberalism it claimed to overcome. If certain aspects of power and conflict were not soon to be addressed, there is a high-risk that PV "(1) leaves political inequalities undisturbed, (2) subordinates open-ended

democratic contestation to the production of specific ends, and (3) substitutes 'managed democracy' for more democratic forms of rule based on shared power" (Dahl and Soss 2014, p. 497). To ensure PV does not lead managers on the course of inhibiting democracy, it is important to seek out ways to "inform, represent and empower relevant publics" (Dahl and Soss 2014, p. 502).

Taken together, much of the doubt whether the notion of PV is a theory at all is due to "more general problems in studying *values*" (Jørgensen and Bozeman 2007, p. 354) and subsequently value *creation*.

### Key issues

#### *Basic value dimensions*

Talbot rightly criticizes that the Public Value discourse needs "a grounding of Public Value in our evolved and contradictory human nature" (Talbot 2006, pp. 3–4). Therefore, a theory framing the individuality of what one values forms a necessary base to avoid PV from becoming an empty and formal construct.

"Value" in general refers to the desirable and to individual preferences. If value experiences are shared, a "value" becomes objective in this specific sense. Values become only relevant for action if they "translate" into psychological states (e.g. motivation, attitude or opinion) through processes of evaluation. This translation depends on basic human needs, which are defined as felt discrepancies between an actual and desired psychological state that result in a motivation to act (Meynhardt 2009; 2015).

Needs concern deficits. They serve as actual or hypothetical reference points for evaluation; they function as the *whats* of the *shoulds*. Satisfied needs may lead to pleasant feelings, positive emotion and well-being, unsatisfied one's may be followed by anger, discomfort, frustration, or anxiety. Psychological theories account for those processes in great detail and with a lot of sophisticated and subtle arguments. Therefore, need-theories provide an elegant frame for human subjectivity, narrowing the sheer infinite possibilities of individual preferences down to a palpable number of shared basic human needs.

Seymour Epstein in his cognitive-experiential self-theory provides a remarkably coherent distillation of need-theories. In his analysis

of existing theories on human *driving forces*, he compares the ideas of famous thinkers such as Freud, James, Adler, Rogers, Kohut, Horney, Erikson, Bowlby, Kelly, or Allport. Epstein relates needs to values by arguing that people at least “implicitly value” (1989, p. 16) when fulfilling their needs. A “value” then would be an experience based on evaluation of any object against basic needs. They provide a minimal and robust starting point for the development of basic value dimensions. The abstract philosophical notion of the “desirability” is traced to a concept of human needs. In this view, those needs are *basic needs* that are essential (not for “its own sake”): they are about fundamental structures of personality. “Invalidating” them would destabilize the “entire conceptual system” (Epstein 1993, p. 322).

In his cognitive-experiential self-theory on how “all individuals automatically construct an implicit theory of reality” (Ibid, p. 321), Epstein establishes four basic dimensions of functions or “needs” without a normative statement of “supervenience”. “Which function, if any, is dominant varies among individuals and within individuals over time” (Epstein 1989, p. 8). Potential conflicts cannot be reconciled by reference to a natural hierarchy. Table 59.1

(Meynhardt 2009, p. 203) relates basic needs, psychological “translations” and basic value dimensions.

#### *Public value and its creation*

Epstein’s theory on basic needs provides a framework on how individuals perceive and value their reality in general. Following Meynhardt (2009), PV refers to all aspects of individual values concerning his or her relationship with “the public”, or precisely, his or her subjective idea of “the public” in the form of a “generalized other”. “The public” is an unknowable and indispensable operational fiction – necessary for action and orientation in a complex environment. In this functional perspective, it is not a tautology to argue: public is what an individual or group regards as public – it is not to be reduced to the sum of analytical insights.

PV is what impacts values about the “public”. “Impact” and “Valuing” not only imply positive appreciation, but in the first place something – positive or negative – that matters to people’s values about their perceived relationship to “the public”. In this view, Public Value is not restricted to a certain value system (any religious system, or a constitution, human rights, democracy, etc.).

*Table 59.1 Relation between basic needs and basis value dimensions*

| Basic need for ...                                          | Translation into a motivation for ...<br>(examples)                                                                                                                                                                                        | Basic value dimension    |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| ... positive self-evaluation                                | <ul style="list-style-type: none"> <li>• ... positive self-concept and self-worth</li> <li>• ... consistent relationship between self and environment</li> <li>• ... feeling of high self-esteem (in social comparison)</li> </ul>         | Moral-ethical            |
| ... maximizing pleasure and avoiding pain                   | <ul style="list-style-type: none"> <li>• ... positive emotions and avoidance of negative feelings</li> <li>• ... flow-experience</li> <li>• ... experience of self-efficacy due to action</li> </ul>                                       | Hedonistic-aesthetical   |
| ... gaining control over one’s coherent conceptional system | <ul style="list-style-type: none"> <li>• ... understanding and controlling environment</li> <li>• ... predictability of cause and effect relationships</li> <li>• ... ability to control expectations to cause desired outcomes</li> </ul> | Utilitarian-instrumental |
| ... positive relationships                                  | <ul style="list-style-type: none"> <li>• ... relatedness and belongingness</li> <li>• ... attachment, group identity</li> <li>• ... optimal balance between intimacy and distance</li> </ul>                                               | Political-social         |

In the same direction, Talbot states “Public Value then is the combined view of the public about what they regard as valuable” (2006, p. 7). The PV idea counterbalances overly simplistic views on human nature using rational or public choice ideas of economic maximization of utility and service (O’Flynn 2007), as it is not restricted to implicit values of democratic procedures or aspects of fairness or trust. PV is created in every societal context. In other words, Public Value is by definition not restricted to values expressing high regard of the “collective” or the “*Gemeinschaft*”. Theoretically, values such as extreme individualism or even mistrust would create positive PV if they occur in a social context, where individuals appreciate those values about their relationship towards “the public”.

Public value creation is a process which is measured against psychological evaluation on individual and group level. In this broad notion producing “facts” is not necessarily correlated to value creation. If a value is not in peoples’ minds, it is not “real”. PV as value for the public is a result of evaluations about how basic needs of individuals, groups, and the society as a whole are influenced in relationships involving the “public”. In this sense, it is also value *from* the public, i.e., value that is derived from the experience of the “generalized other”.

#### Future directions

Any impact on shared experience about the quality of the relationship between the individual and “society” signifies Public Value creation. Public value creation then is founded in individuals, constituted by subjective evaluations against basic needs, activated by and realized in emotional-motivational states, and produced and reproduced in experience-intense practices. Consequentially, modelling the process of internalizing values on the individual level and implementing them on a collective level becomes the eye of a needle of the Public Value research. It is essential, especially for providing practical implications, to identify values of relevant social contexts (including an inter-cultural lens) and to be able to keep track of dynamic changes over time.

To tackle this challenge, qualitative studies utilize Public Value Scorecards (Moore 2013; Talbot 2006; Meynhardt 2015) to identify and systemize individual values. In quantitative research, the Public Value Atlas (Meynhardt

2018) deepens our understanding of PV development on a societal level. It has been established in numerous surveys in Switzerland and Germany as a valid measure enabling an open dialogue through transparent data. A first validated Public Value Scale is also available to conduct quantitative studies (Meynhardt and Jasinenko 2020).

Building on these data, contemporary Public Value research aims to provide managerial guidance, as organizations are deeply embedded in society and play a vital role in how people perceive their surroundings. Organizations cannot not influence PV – create or destroy it. Research has just started inquiring into antecedents, moderating, and mediating variables that impact Public Value-oriented entrepreneurship.

Furthermore, the connection between the PV of an organization and individual commitment to Public Values (which includes the motivation to work in Public Services) is very subtle. It underlines the fact that it is not about what messages you send, but what is perceived by the evaluating individuals and groups. Therefore, managing for PV is a tough practical challenge. It requires a style of integrative leadership, not limited to the balancing of different value perspectives, but geared to calling a public into existence and by doing so to help the common good to flourish.

TIMO MEYNHARDT

#### See also

Outcomes-driven Public Management, Sustainability in the Public Sector, Social Enterprises, Values in Public Management

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