Creating a Public Value Account and Scorecard

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August, 2014

1. The Challenge of Measuring Public Value Creation

*Creating Public Value* (Moore, 1995) left a large, important question unanswered: how would public managers, the elected representatives of the people who monitored their work, the citizens in whose name public enterprises were carried out, the taxpayers who provided much of the funding for government, and the individuals who had interactions with governments as clients properly determine whether public value was, in fact, being created in a particular government enterprise? Presumably, the answer to that question lay in the development and use of some kind of accounting scheme that could recognize when costs to the society were incurred, and value to the society produced.

In this paper, I sketch the outlines of an accounting scheme that might be useful to the different interested stakeholders described above – citizens, taxpayers, elected representatives, political executives, public managers, and clients of public agencies -- as they seek to define, create, and measure governmental efforts to create public value. Other pieces in this volume offer excellent alternatives to my proposed approach. But I will concentrate here on the particular concepts I have been trying to develop and test. (Moore, 2014)

The concepts are, admittedly, inspired by the private sector. In this respect, I expose myself to critics of my work who view it as: (1) a thinly disguised effort to smuggle inappropriate “neoliberal” concepts into the world of political economy and public administration; (2) an approach that neglects the effort to develop a coherent, clear conception of the public values that should be advanced by a good and just government in favor of helping managers cope with the world they find around them; or (3) a view of democratic politics that makes politics instrumental to the achievement of valued ends, and ignores democratic politics as a valued end to be achieved in itself and as the proper author of the public values to be produced in government activity (Dahl and Soss, 2014).

In my defense, I entered the fray at a time when “neoliberal” ideas about the “proper” role of the state and private sector concepts of managing government organizations were becoming dominant in public discourse. Two of these influential ideas focused on the proper role of the state in a modern society: (1) that creating conditions that could promote economic prosperity was a key function of government – at least as important if not more important than advancing any particular procedural or substantive conception of social justice; and (2) that unregulated markets were both the best means of achieving economic prosperity and the embodiment of a particular idea of social justice that emphasized the priority of individual property rights. A third idea focused more on improving the management of public sector organizations by importing private sector concepts of accountability that focused on satisfying customers demands for services, and using metrics (ideally *financial* or *monetized*) to animate, guide, and evaluate agency performance.

Although it is both possible and important to separate these ideas from one another, in the practical world of politics, they were packaged as a coherent whole that could restore government to its proper function in modern, liberal societies. Packaged together, these three distinct (and contestable) ideas became one big (apparently uncontestable) idea that sought to shift basic ideas of political economy, the role of the state, and the idea of social and political justice--- not just ideas about the efficient and effective administration of government agencies.

Somewhat surprisingly, this package of ideas made significant headway in the worlds of politics, government, and public administration. But they did so, I think, not as the result of a serious, broad public discussion of how societies as a whole ought to deal with significant public problems such as poverty, unemployment, crime, health care, child abuse, educational inequality, and aging. That discussion would have been much slower and more hotly contested.

Instead, this neatly packaged set of large political ideas moved ahead under the cover of a simpler, more general, and much less controversial idea; namely, the procedural idea that government, whatever its purposes and its size and scope, should be “accountable to the people.”

This, of course, is the core idea of democratic accountability. But the kind of accountability associated with *democratic* accountability is very different than the kind of accountability associated with *market* accountability. As a *philosophical* matter, the idea of democratic accountability makes the *body politic* the appropriate arbiter of social value, not *individual consumers.* As a *practical* matter, democratic accountability moves backwards along a the process of policy from formulation through implementation to the creation of public value to the goal of satisfying the aspirations of the individual *citizens and taxpayers* who authorize and pay for government activities (and those who represent them), rather than out to the *clients* of government agencies who might benefit from government largesse, or find themselves burdened by government imposed duties all justified in terms of a collectively made decision to use the assets of the collectively owned state to achieve particular public defined purposes.

On this view, the principle of democratic accountability – the idea that the state should be accountable to its citizens – exists independently of any particular substantive ideas about a good and just society, and the role of the state in helping to create such a thing. Presumably, a liberal who sought to ensure the goal of equality of educational opportunity by establishing uniform, high quality public schools for all could be as committed to the principle of democratic accountability as a libertarian who believed that providing choice to parents among publicly financed schools would be the best way to achieve educational outcomes – not only for some students, but for all. Their differences would lie in their particular conceptions of the sort of education that a good and just democratic society needed, and the best means for creating that particular educational system. It would not lie in differences about the core question of whether democratic governments were accountable to their citizens.

Somehow, the indisputable idea that a democratic government should be accountable to its citizens was transformed into the idea that what its citizens wanted was not just a *liberal* state that protected political rights, and sought to advance equality in social and economic terms, but a *neo-liberal* or *libertarian* state whose principal responsibility was to protect property rights, and in doing so, advance both economic prosperity and the liberty that goes along with making one’s way in a market economy. In this way, the widely accepted and universally embraced idea that democratic government should be accountable to its citizens provided cover for a much more controversial idea about what constitutes a good and just society, and what role government should play in helping citizens achieve that goal.

The demand for government accountability (as opposed to any particular political idea of a good and just society) also leaked over into the narrower world of public management and added fuel to the enthusiasm for libertarian principles. The reason is that when the public sought a conception of tough accountability that forced organizations to pay attention to their efficiency and effectiveness in meeting the needs of individuals as an idea that was consistent with the broad principle of democratic accountability, they naturally turned to the structures and processes that seemed effective in creating private sector concepts of accountability.

In the private sector, the accountability of powerful organizations making decisions about how to deploy valuable assets is constructed from three distinct structures and processes: (1) the fact that individual customers can choose whether to buy the products and services offered, creating incentives for producing firms to produce what individuals (with discretionary money to spend) wanted to buy; (2) the existence of shareholders represented by a vigilant board unified in their desire to maximize their long term shareholder wealth by controlling costs and increasing profits even as they try to serve customers; and (3) the widespread availability and use of financial metrics that reliably show the degree to which the enterprise has created value for both shareholders and customers.

To many, the private system of accountability seemed more powerful in driving efficient and effective organizational performance than the public system. The market had self-interested “customers” and “individual choice” to call producing organizations to account. Democratic accountability had to rely on “citizens” and “democratic politics” to create the required discipline. The private sector had powerful, objective financial metrics to show investors whether the enterprises in which they have invested were profitable or not. Compared with these simple, straightforward processes, the idea that citizens and their representatives could effectively call government agencies to account for their performance by articulating a clear purpose for government, and then developing and using measures to show whether the collectively defined purposes had actually been achieved seemed very weak indeed. Consequently, if one wanted accountable government (which every democratic citizen does), one had to have government agencies that sought to satisfy customers, and had financial metrics for performance. Thus, the concepts of market accountability, substituted for democratic accountability, were used not only as a guide to improved government management, but also as a compelling reason to justify a wholesale shift in discourse about the proper role of government. The only what for government to be accountable to citizens was to embrace neo-liberal, or libertarian principles.

One can reasonably be in favor of or opposed to the large political ideology advanced by neoliberal or libertarian thought. But one should recognize the difference between a simple argument for the importance of government accountability and an argument that the only government that can be accountable is one that operates in accord with private sector concepts and methods of accountability.

There are three key ideas associated with market-based, or neo-liberal approaches to government that I have consistently opposed: (1) that government’s main purpose should be promoting economic growth rather than the pursuit of economic, social, and political justice as an existing democratic polity defines these conditions; 2) that the sole arbiters of value in society are individual “customers” who seek to advance their own material welfare rather, and that the collective aspirations of citizens, taxpayers and their elected representatives to achieve a vision of a good and just society; and (3) that the process of developing a public that can become articulate about the purposes for which a government enterprise is launched is important only instrumentally and not intrinsically as an expression of democratic life. In fact, in each case, I believe the opposite: (1) the arbiter of value is a collective public rather than individual customers; (2) the interests of that public include limiting the use of authority and ensuring the justice and fairness with which government operates as well as its efficiency and fairness; and (3) that a democratic government cannot act legitimately, responsively, or efficiently and effectively without a process that that can call a public into existence that can understand and act on its own interests.

Where I have found common cause with neo-liberalism is in emphasizing the critical importance of improving the processes of democratic accountability on both the supply side and the demand side. It is not easy to call a public into existence that can become clear and articulate about the public values it wants to see achieved by and expressed in government operations. It is not easy to sustain the public commitment to remain vigilant and insistent that the results be produced. And it is not easy to develop the measures that can reliably tell us the degree to which the desired results have been achieved.

But I have described the work that has to be done to help citizens, taxpayers, and their elected representatives “recognize public value” precisely to help meet these current deficiencies in democratic accountability. (Moore, 2013) Consistent with my previous work, I have focused much attention on public managers and what they have at stake in developing and using effective performance measures. But, following Bozeman, I have also tried to construct a more general philosophical framework of the values that democratic governments must seek to advance as a matter of democratic principle. (Bozeman, 2007) Responding to those who think I have given insufficient attention to the intrinsic as well as instrumental importance of democratic policy making, I have discussed the useful role that public deliberation about developing performance measurement systems might play in allowing publics to become more articulate about the values they would like to see advanced. (Moore and Fung, 2013) Whether I have succeeded, or at least moved the ball down the field, others will have to decide.

The core concepts of my suggested approach are presented in two graphics: a *public value account* that is the functional equivalent of the private sector’s famed bottom line and a *public value scorecard* inspired by Kaplan and Norton’s *Balanced Scorecard* that helps public managers understand how they might best create value in the particular context of the public sector (Kaplan and Norton, 1996). To review whether, how, and to what degree concepts from the private sector can help public managers meet the challenges of determining whether value is being created for the society, meeting demands for accountability from the citizens, taxpayers and elected representatives who authorize and finance their operations, and guide their enterprises towards improved performance, it is useful to start with a clear understanding of the private sector’s financial bottom line.

1. The Private Sector’s “Bottom Line”

The private sector’s “bottom line” is essentially a measure of the financial performance of a commercial enterprise. It consists of a simple comparison between the revenues earned by the sale of products and services to willing customers and the costs the organization incurred in the production and distribution of those goods and services. Sometimes financial bottom lines are calculated for the performance of the organization as a whole, sometimes for a strategic business unit within the organization, sometimes for a particular product line or service. The only information system the organization needs to support this financial assessment is a financial system that keeps track of costs and revenues. Since all companies have such systems in place, it is not hard for them to use bottom-line performance evaluations to assess performance at many different levels of aggregation in the organization, nor is it difficult for them to use these bottom line assessments to increase pressure to improve performance and to make better resource allocation decisions.[[1]](#endnote-1)

In principle, public-sector accounting systems can be as good as private sector systems in capturing the most obvious material costs of producing desired social results.[[2]](#endnote-2) Government organizations rely on inputs of labor and materials--often purchased in open markets at market prices--to produce results. The costs can be assigned to particular organizational units and activities. So, there is very little difference between private and public-sector *cost* accounting.

What is crucially missing in the public sector accounting system is the functional equivalent of the revenue measure that the private sector relies on to recognize value. It is not that the public sector doesn’t have financial revenues to account for. Money flows to the government in the form of taxes, and those funds are used to sustain government activities. What is different is not just the *sources* of the revenues but more importantly, the *philosophical meaning* of the revenues used in private and public accounting.[[3]](#endnote-3)

In the private sector, when an individual puts hard-earned money toward a particular good or service, we have evidence that the individual valued the good or service; even a precise estimate of how *much* they valued it. We can also directly compare the value that individuals attach to particular goods and services and the cost of producing them simply by comparing the revenues earned to the costs of production. If that comparison shows a profit, and society believes that individuals are the important arbiters of value, then those who manage the company can assume that some kind of individual (and therefore, social) value has been created.[[4]](#endnote-4)

This reasoning that connects financial revenues to judgments as to individual and public value is much less tight in the public sector. There, productive enterprises are financed not by individuals purchasing goods and services for themselves at a point of sale, but instead through taxes that are imposed on them as their fair share of financing an enterprise that a collective has judged valuable. Revenues are less directly attached to the satisfaction of individual citizens, taxpayers, and clients, and less directly attached to the performance of government organizations. They are, instead, attached to the aspirations of citizens as they are expressed in the decisions of their elected representatives in the form of public policies.[[5]](#endnote-5)

These are all well-known facts, but their full consequences have not yet been fully appreciated. First, when tax dollars finance public agencies, the appropriate arbiter of value shifts from individuals making consumer choices to a public that comes into existence and becomes articulate about what it would like to do with the collectively owned assets of government. Second, the purposes that a public might embrace--the values they would like to see produced by and reflected in government operations--will not necessarily be easily monetized. The collective says it wants a safer, greener, more educated, or less discriminatory society. It pays for such purposes by taxing and regulating itself. But the value of achieving the particular results registers not in the till but in the changes made in the world that register in the hearts and minds of the citizens (Moore, 2013 and forthcoming).

Consequently, it is very difficult for public managers to provide simple, convincing, objective evidence of the value they create. The link between what individuals value and the particular values they are supposed to produce and reflect in their operations is attenuated. The collective articulation of the values to be realized and affirmed is muddy and incoherent. The capacity to measure the degree to which the values are being produced is limited. And it is very hard to monetize or create some common metric that can be used to compare the value of different particular results.

1. Management Accounting in Government

Of course, government agencies cannot escape the demand for accountability. They needed some kind of system to report to their “investors” and “shareholders” about their performance and to manage their operations for efficiency and effectiveness no matter how challenging the task.

Government’s response was to create accounting and measurement systems that focused on activities observed at different points along the production process that converted the assets of government into collectively valued results. These systems began with efforts to monitor government control over assets, check compliance with established policies and procedures, and measure the quantity and quality of organizational outputs that occurred at the boundary of the organization. Internal audits sought to ensure that government money was not stolen or diverted to unauthorized purposes (Allen, 2002; Moore, 1986). Compliance audits sought to ensure that government assets were being used according to established policies and procedures (Hood, et. al., 1999, 61-68). Outputs of organizations were counted to measure productivity and workload (Poister and Streib, 1999, 325-35).

This was all fine as far as it went. It was important to ensure citizens and taxpayers that tax dollars were not being diverted through official fraud, waste and abuse. Indeed, insofar as many government programs involved little more than the distribution of financial resources from the Treasury to individual client beneficiaries of government programs, ensuring that government dollars went to individuals who were the intended beneficiaries and not to others went a fair distance toward ensuring that the program was creating the value legislators and policy-makers intended (Moore, 1986).

Moreover, insisting on compliance with existing policies and procedures was potentially valuable for two slightly different reasons. On one hand, since treating like cases alike was considered an intrinsically valuable characteristic of government activity, and since compliance with policies guaranteed such consistency, one could say that compliance audits produced a much desired fairness in government operations (Mashaw, 1983; Moore, 1994). On the other, if existing policies and procedures embodied the best possible methods for using government assets to achieve desired results, then compliance with those policies would ensure efficiency and effectiveness as well as fairness.[[6]](#endnote-6)

The problem was that these accounting systems did not reach far enough along the “value chain” that links government-controlled assets to internal public agency activities, and agency outputs, and ultimately to clients who encounter the government and to socially desired outcomes experienced by society as a whole (Wholey, et. al., 2010). Figure 1 presents a picture of this value chain with different points of monitoring and accountability indicated.

[Figure 1 About Here]

The historical lack of measurement and accounting beyond organizational boundaries left government unable to account for the experience of the clients or the ultimate socially valued results. Nor could the government note and seek to mobilize contributions of those beyond the boundaries of the organization that could contribute to the achievement of social objectives (Alford, 2009). That left citizens, taxpayers, and their representatives uncertain about what value had actually been accomplished, and who had actually produced it.

More recent efforts to fill this gap with cost-benefit analyses and program evaluation have not be entirely satisfactory in providing guidance to public managers and accountability to citizens for a variety of reasons.[[7]](#endnote-7) First, the expense and difficulty of organizing these analyses meant that relatively few government activities could be evaluated. Second, the results of these analyses tended to come late in organizational decision-making cycles. While these results might be useful in making big policy decisions, they were hard to use for managing operations and adapting them in *media res* when they did not seem to be working. Third, these methods often focused on the evaluation of policies and programs--not organizational units. If a policy cut across several different organizations or a program was only part of what one organizational unit did, then these systems were less useful than private-sector financial measures in managing organizational resource allocation, motivation, or learning.

Finally, all of these efforts to measure the social or public value of government operations lay within a utilitarian philosophical framework (Moore, forthcoming). This is problematic because government cannot insulate itself from continuing public concerns about the protection of individual rights, the fair treatment of those it regulates and to whom it provides benefits, and its success in producing a civil and just society. These concerns for fairness, justice, and right relationships are associated with a deontological rather than a utilitarian philosophical framework, and they arise over and over again when government acts in a democratic society (Frankena, 1973). To the degree that citizens want a government that acts fairly and justly and helps to encourage fairness and justice in the society as a whole, there must be some method for incorporating these concerns into the measurement of public sector operations.

1. Kaplan and Norton’s Balanced Scorecard as Challenge and Opportunity

The publication of *The Balanced Scorecard* and its follow-up, *The Strategy-Focused Organization*,shook up the world of performance measurement—in both the private and public sectors (Kaplan and Norton, 1996 and 2001). These books, intended principally for private-sector managers, argued persuasively that managers had long over-estimated the value of their financial systems to guide their organizations. The authors did not argue that maximizing long-term profitability should not be the goal of private sector organizations. Nor did they raise any doubts about the adequacy of financial measures to capture the value of what had been produced. They were not recommending the use of double, triple, or quadruple bottom lines to capture the full range of effects that commercial enterprises could have on individual and social life (Savitz, 2006). They were simply saying is that financial measures were always about the past. They reliably captured what the organization had done in previous years, but revealed very little about what the organization needed to do now to sustain profitability in the future. And from their point of view, the issue of how past profitability could be sustained in the future should be the important issue facing private sector managers.

To answer that question, business executives had to shift their attention from backward-looking financial performance measures to developing a plan for future profitability, described as the business strategy of the organization. To do that, executives needed good information about their market position--particularly their standing with customers. They also needed to understand whether current operations could be sustained, and how investments could be made to change what the organization was producing or how it was producing it.

This led the authors to propose a performance measurement system that embraced four perspectives. They began with the financial perspective, which still occupied pride of place as an accurate description of the value the organization produced, then added three more: the customer perspective (the current and future state of the organization’s relationship with customers), the operations perspective (the efficiency and sustainability of operations), and the learning perspective (the ability to adapt products and services and the methods used to produce them for future profitability).

This did not come as big news to business executives who had long deployed many measures other than financial measures to monitor operations and guide investments for future oriented strategy execution. But it did serve to emphasize the importance of non-financial measures including measures of the environment beyond the organization and at its boundaries and process measures focused on both internal operations and investments being made to transform current product lines or operations. Insofar as the ideas began to undermine the dominance of the financial bottom line as the best way to capture an organization’s value and manage future performance, *The Balanced Scorecard* deeply challenged and re-ordered private-sector measurement practices.

To government managers, *The Balanced Scorecard* seemed as much an opportunity as a challenge.[[8]](#endnote-8) The idea that high-performing organizations needed non-financial measures as well as financial measures—measures that focused on internal organizational processes and investments as well as ultimate outcomes and aligned with an explicit theory of value creation, not just a demonstration of past accomplishment--reflected exactly what they had long been saying about the inadequacy of financial measures for organizations whose revenues came from taxpayers rather than paying customers. Finally, they had someone—indeed, two business experts—who could champion their cause! A cottage industry grew up that applied the ideas of *The Balanced Scorecard* to government organizations.

What public managers who tried to apply these measures found, however, was that *The Balanced Scorecard* left unanswered two critical questions about performance measurement in government. The first was the old bugaboo: who exactly should be viewed as the proper arbiter of the value produced by such organizations, and what exactly was it that they either did, or should value? Kaplan and Norton’s book directed organizations to identify their customers. But confusion reigned about who the customers of government organizations were. Were they the citizens and taxpayers who provided the money and authorization that government organizations used to create public value? Or, were they the folks who met government in individual transactions and received benefits (and/or obligations) as individuals? There was no guarantee that taxpayers wanted the same things as individuals receiving government benefits. In fact, it seemed likely in many cases that their interests were opposed. Similarly, it was not obvious that citizens wanted the same things from government that the tax cheats, criminals, or polluters that government encountered in regulatory and enforcement organizations wanted. If there was a difference, which of these different possible customers would be properly viewed as the morally compelling or practically important arbiter of value?

The second problem was that, like cost-benefit analysis and program evaluation, applications of the Balanced Scorecard remained in a utilitarian framework (Frankena, 1973). They were not particularly attuned to questions about justice and fairness in government operations or the kinds of social relationships public agencies were structuring. This was problematic when so much government activity was justified by individually or collectively held views of what was good for others, what one’s duties were to others, and an ideal of a good and just society.

1. Recognizing Public Value: A Strategic Approach to Performance Measurement

In *Recognizing Public Value* (2013), I have tried to find a different path for the future development of measures that could (1) more or less reliably capture the public value being produced by a government enterprise, (2) meet public demands for accountability in government, and (3) help managers use performance measurement systems to guide their organizations towards improved performance. Three key assumptions about the nature of the work to be done guide this path.

1. Taking a Developmental Approach

The first is to recognize that, while the development of suitable performance measures for government might eventually simplify oversight and management in the public sector, in the short run it is likely to create some increased complexity. To many, this will come as unwelcome news. After all, part of the appeal of “bottom-line management” for government is precisely that it might make things relatively simple and objective, and many enthusiasts of measurement and accountability assume that it can’t really be that hard.

I am all in favor of being tough and determined in the pursuit of accountability through quantitative, objective, performance measures. But I am painfully aware of how much can be lost both in organizational performance and in the cause of performance management when government makes a large commitment to the wrong set of measures. One can walk into virtually any public organization and find the rusty hulks of previous efforts to measure performance. Of course, one could say that the reason these systems have been abandoned is that the bureaucrats finally wore down political and managerial efforts to impose a reasonable kind of accountability. But more often, the fact is that the measurement systems were not very good. In a surge of enthusiasm for performance measurement, the overseers and managers of organizations reached for a convenient set of measures without worrying much about (1) whether the measures could reliably capture the value that the organization was producing, (2) whether the measures were aligned with the values citizens and their representatives wanted produced, or (3) whether the measures could attract the loyalty and commitment of the organization’s employees.

A better approach would recognize that the development and use of a performance measurement system is like the construction of a cathedral. Its initial construction could inspire hope, command commitment, and create a space for worship. But it is never quite finished. However much work it takes to build the foundation, anchor the buttresses, and build the spire, more work would be necessary to create the embellishments, even more to make significant renovations as conditions change, and still more to re-build when the cathedral is razed by barbarians! Just as a firm’s Balanced Scorecard might change in response to environmental changes and strategies to deal with them, so should a public agency’s performance measurement system change with the times. A strong performance measurement system does not come from a single moment of insight or a surge of effort; it comes from relentlessly pursuing a path of development and learning over a long period of time

1. Embracing a Strategic Approach that Integrates Values, Politics, and Operations

The second assumption is that a strong performance measurement system should not only account for past performance, but lay a basis for defining and pursuing a future-oriented, public value creating strategy. In *Creating Public Value*, I argued that a good, value-creating strategy had to (1) make a plausible claim that the envisioned purposes were publicly valuable, (2) command legitimacy and support from those who authorized and financed the activity, and (3) be operationally achievable. The challenge was to integrate these pieces in the short run, and to envision how to move an organization or enterprise to an improved position on each of these dimensions in the future. These requirements were graphically represented in the “strategic triangle,” presented elsewhere in this volume (See Introduction, Figure 1. p. xx).

The requirement that managers attend to and manage conceptions of public value, the mobilization of legitimacy and support, and the development of the operational capacity required to produce the desired results meant that government managers needed not only measures of ultimate outcomes and value, but also (like the private-sector managers using the Balanced Scorecard) some way of monitoring their current position and capacities and the ability to envision and execute strategies that would sustain or improve their position and performance in the future.

1. Different Kinds of Managerial Work

Third, public managers would have to understand that the effort to develop an effective performance measurement system would require them to do both more and different kinds of work than their private-sector counterparts. Private-sector managers usually enter their organizations with much of the work of building a performance measurement system already done. They have at least the financial measurement system and human systems that are comfortable using it for both external and internal accountability. Public managers, however, often have to create both the systems and the cultural commitments to the use of those systems.

In *Recognizing Public Value,* I claim four different kinds of managerial work have to be done: technical, managerial, philosophical, and political. The first two are familiar and widely acknowledged but still difficult. The second two are less widely recognized as important in the development of performance measures, but, in my view, crucial to the development of a value-creating, sustainable measurement system (Bryson and Patton, 2010). Indeed, I think part of the reason we have not done very well in developing performance measures is that we have concentrated on the technical and managerial, and ignored the political and philosophical.

Technical work refers to the challenge of developing specific measurement instruments that can accurately capture the degree to which valued effects are occurring in the world. This may seem simple, but it not always so. The police, for example, have as their mission to reduce crime and enhance security. For many years, that goal was measured by observed changes in levels of crime reported to the police. We later learned that many crimes went unreported and that citizen fears were not closely related to actual crimes. Consequently, the police added victimization surveys to their performance measurement systems to get a more accurate picture of the real level of crime, and to ask citizens about their fears and their own self-defense efforts, giving the police a more accurate picture of their fundamental goals (Coleman and Moynihan, 1996).

Managerial work refers to the challenge of using the measures in the context of organizational operations to animate and guide the organization towards improved performance through harder or smarter work (Behn, 2008). Again, to many, this seems a straightforward task. All one has to do is to attach specific performance measures to particular managers or workers and use them to reward good performance and punish bad, and the performance of the organization will improve—at least in terms of the measured dimensions of performance. But as many managers can attest, creating and using a performance management system that an organization can tolerate as fair and appropriate, and that can engage managers and workers in whole-hearted efforts to improve performance (rather than bad-faith efforts to cheat or game the system) is not at all straightforward and simple. Things get even more complicated if, instead of simply driving individuals to perform better against the performance measures, managers decide that they want to help the organization *learn* about what works. The information and social relations required to create an organization passionately committed to doing its job well and continuously learning how to do it better are harder to construct than a simple liability systems that impose sanctions on employees on the basis of performance statistics (Kofman and Senge, 1993; Moynihan, 2008).

Philosophical work refers to the work that must precede the technical work described above (Moore, forthcoming). Public value is a normative, philosophical concept. So is the idea of performance. Government organizations can and do try to make the ideas of value and performance more objective and technical by constructing empirical measures that they hope stand reasonably well for the normative ideas. But it is important to recognize that all performance measurement and management systems have at their core a normative theory of what effects of an agency’s performance would be valuable.

By far the most challenging kind of work in developing a performance measurement system in government is the political work. This work is crucial, however, because in a democratic government, the system must be not only philosophically and technically sound and managerially useful, but also endorsed by those in positions to authorize, legitimate, and pay for the enterprise (Bryson and Patton, 2010). This is *morally* important because the only appropriate arbiters of public value in democratic political systems are citizens, taxpayers, and their elected representatives. It is *practically* important because it is the political demands for accountability that provide the drive to create, develop, and use performance measurement systems. Without political agreement and commitment to a particular performance measurement system, there is no electricity flowing to the light that should be guiding the way. *With* political support and interest, the performance measurement system not only clarifies the mandate for government operations, but also focuses and sustains the energy through the difficult implementation phase.

1. Developing the Public Value Account

To begin this strategic work of developing performance measurement systems for government organizations, it is useful to set out a framework that can capture the most important issues to consider and accumulate important ideas and information. One such framework is described in *Recognizing Public Value* as a public value account. This framework is meant to do for government managers what the financial bottom line does for private sector managers: provide a way of accounting for costs incurred and valuable results produced by a government organization.

1. Adapting the Financial Bottom Line to Public Assets and Public Values

The public value account helps public managers cope with three features of government operations that differ from private sector concepts of individual or market value.

First, it accounts for the fact that the assets that government uses to produce public value include authority as well as money. Government can use its authority to create an army, regulate pollution, impose speed limits, etc. It also uses its authority to ensure that public benefits go exclusively to the intended beneficiaries. Like money, authority is valued, and in short supply. All other things being equal, if government can find a way to produce desired results using less authority, that solution would be preferred to one that made greater use of state authority (Sparrow, 1994).

Second, it recognizes that individuals and their material satisfaction are not necessarily the appropriate arbiter of public value. This is particularly true when the government obliges individual citizens to do something they would prefer not to do for the benefit of the community as a whole. It is also true when the government provides benefits like job training and drug addiction treatment to individual clients. In these cases, the public may have the satisfaction of the individual clients in mind, but that is usually not the only important objective. They hope the unemployed will find gainful employment, and they hope that addicts will get clean, get a job, stop committing crimes, and care for their dependents (Alford, 2009).

Third, the public value account recognizes that when the government acts, the public will use deontological standards of fairness and justice as well as utilitarian standards of satisfying individual clients or achieving desired social outcomes to judge its actions. Individuals and their fellow citizens want to know that their rights and interests have been appropriately protected from arbitrary action, and that the government is acting fairly and justly as well as expediently (Mashaw, 1983). These are the normative concerns that attach to the use of state authority, and government action nearly always makes use of the authority of the state, whether it is imposing obligations on individual actors and restricting access to benefits or simply spending money to produce a good or service that is available to all, because the government’s money came into its hands through the use of the state’s taxing authority. If concerns about justice and fairness attach themselves to any use of state authority, then presumably they attach themselves to the use of money that was raised through the use of state authority.

1. The Main Categories of a Public Value Account

Working out the implications of these philosophical points for the construction of a “bottom line” for public agencies is a difficult but not insurmountable task. Again, government can have as good a cost accounting system as the private sector--at least with respect to financial expenditures. The problems begin, as noted above, on the revenue side. If we wanted to take a customer perspective in government, we could, perhaps, substitute some measure of client satisfaction for revenues earned. But, as noted above, there are many clients of government agencies including criminals, polluters, and tax cheats who receive obligations from the government rather than services and whose satisfaction cannot be the only (and probably not even the principal) aim of the encounter. And often, even when the government is providing benefits, it is at least as interested in achieving some desired aggregate social welfare that is not necessarily captured in the satisfaction of individual clients--whether “obligatees” or service beneficiaries.

There are also many individuals in various social positions who are not necessarily clients of particular government programs, such as voters, taxpayers, or concerned citizens. Because we are often uncertain what values these individual stakeholders would like to see achieved by and reflected in government operations, we rely instead on a kind of collective utilitarianism in which we imagine that there is a public more or less appropriately constructed that can become articulate about what the public as a whole, or all of us acting as citizens rather than clients want to see happen in government operations. We call this legislating or public policy-making, and it relies on there being both a collective entity that can express what the public values and the likelihood that what the public values consists not only of individual client satisfaction, but also the achievement of desired social outcomes.

Given this, the public value account begins with financial costs on the left-hand side of the ledger. The right-hand side of the ledger begins with client satisfaction but adds the more important idea of the specific social outcomes that the public values as the mission or ultimate goals of government enterprises (Wilson, 1989). These basic elements of the public value account give citizens and taxpayers an idea of cost effectiveness in achieving a desired social goal, with some attention to the satisfaction of individual clients. (Taxpayers are presumably mollified by the inclusion of a focus on cost, and citizens, we hope, are satisfied with the concern give to both cost and valued social result--just as corporate shareholders would be in interested in overall profit.)

The next step, however, is to recognize the use of authority as an asset, and to note how much authority is engaged in any particular government enterprise. It may seem odd to think of the use of authority and force as a quantitative idea, but it is not hard to reckon the degree of force used to promote compliance with particular obligations or the magnitude of the burden that is imposed by any given regulation. We can even estimate the financial costs of enforcement and compliance. And on occasion, when the government is forced to pay compensation to those whose rights were violated, we can get a direct estimate of the financial cost of an improper use of force, which could help us monetize other abuses of authority.

Once we recognize the use of force as a cost in government operations, we have to begin accounting for the fairness with which the government acts and the degree to which its policies are pushing the society towards one or more particular images of a good and just society. As noted previously, in a democratic society, the use of state authority always has to be justified. It cannot be used arbitrarily or unfairly. There has to be a reason, and the reason has to be a general rule that applies to all (Tyler, 2006).

Obviously, it is much easier to account for fairness in government access than its success in producing other important aspects of justice. But given that these matters of justice and fairness show up all the time in discussions about how government agencies are performing, it is essential to consider what facts could be gathered to show progress or problems on these dimensions of value.

Taken together, the interests in financial costs to government, the achievement of collectively desired outcomes, the satisfaction of individual clients, the degree to which state authority was being used, and the degree to which government agencies were acting fairly and helping to achieve a just as well as a prosperous society would produce a public value account like the one pictured in Figure 2.

 [Figure 2 About Here]

In addition to the categories described above, this public value account includes the idea that a public organization might want to make room in the accounting scheme for recognizing unintended and unanticipated good and bad effects of its activities. When the government acts, surprising outcomes that matter to individuals often occur, and a complete public value account needs such category to allow a public organization to learn more about the consequences of its actions. It should also create room to change and adapt collective ideas of what values the public wants the organization to achieve.

The challenge, of course, is to begin filling in this abstract frame with more particular ideas about public value and concrete measures that could capture the degree to which these values were actually being produced in the world, agency by agency. Perhaps over time, certain classes of agencies such as police departments, schools, or social service agencies, may develop concepts of value and systems of measurement specific to their particular kind of work. That would be a welcome development, since we could then begin to codify practices, improve measures, and make comparisons among different agencies in the same line of business in the interest of learning how to improve performance. Once data began being collected in similar systems capturing different dimensions of performance, we might actually be able to see how much of what particular values could be produced using existing operational methods. This would reveal what economists describe as the production possibility frontier for each public-sector industry. It would also show us which particular agencies are defining the frontier for particular industries, and which have room to improve on all dimensions. But the start is to see if we can outline in sharper and sharper detail the target we are trying to hit: a reasonably satisfying conceptual definition of public value.

IV. Developing a Public Value Scorecard

In the effort to truly improve the performance of government organization, however, the public value account is just the first step. Just as private-sector managers learned that their financial accounts alone were too focused on end products and past performance to provide an inadequate basis for evaluating and managing their organizations’ performance, so public sector managers might learn that they need something more than the public value account to manage their enterprises. Drawing with gratitude on the example of Kaplan and Norton, I proposed in *Recognizing Public Value* the creation of a “public value scorecard” that included the public value account (analogous to the financial perspective), but added families of measures that would focus managerial attention on the current position of the organization in its environment, whether and how operations could be sustained, and how to improve current and future performance through investments that embody the organization’s continuous learning.

In constructing these families of measures, I relied on the strategic categories developed in *Creating Public Value*, and often presented as the “strategic triangle” (see page \_\_\_\_\_\_) The public value account captures the particular perspective associated with the “public value” circle of the strategic triangle. To this, I added a legitimacy and support perspective (roughly analogous to the Balanced Scorecard’s customer perspective) and an operational capacity perspective (roughly analogous to the Balanced Scorecard’s operations perspective).

I did not create a separate category for the learning perspective since it seemed to me that this was the dynamic quality of all the perspectives. By encouraging public managers to think strategically and developmentally, the public value scorecard took it for granted that learning would occur about what constituted the important dimensions of public value to be measured, , current standing and legitimacy with authorizers and how to bolster it, and how to improve current and future performance.

Figures 3 and 4 present general outlines for the legitimacy and support and the operational capacity perspectives. Again, these abstract categories have to be given richer content by developing both more specific concepts and measures attached to those concepts. And, as we accumulate experience in constructing these sorts of measurement systems, some parts may become more easily standardized.

[Figures 3 and 4 about here]

V. Conclusion

Citizens of democratic societies and their elected representatives have long sought something as simple as the private sector’s bottom line as a basis for improving the performance of government. And they have often assumed that such a thing was easily within reach, and that it was only the resistance of self-protective bureaucrats that prevented the creation of bottom-line management systems for government.

I don’t think citizens are wrong to want good measurement systems that can enable effective public oversight and accountability of public organizations. Indeed, I count myself among the most ardent enthusiasts of both political and governmental accountability to citizens in democratic societies. Where I part company with the most enthusiastic advocates of bottom-line management for government is not in the desire to achieve that goal, but in the assumption that such a feat is simple and within close reach. Oliver Wendell Holmes once said, “I wouldn’t give a fig for the simplicity on this side of complexity. But I would give my right arm for the simplicity on the other side of complexity.” I think, like Holmes, that we ought to hold out for the simplicity that lies on the other side of complexity in seeking accurate and useful measures of public value creation. To get there, we have to fight through not only the technical issues of how to construct reliable empirical measures of value concepts and the managerial issues about how to use such measures to motivate performance in organizations and help them learn how to improve, but also the tough political and philosophical questions that lie behind any judgment of value in a democratic regime. We have to think about how a collective entity that we call the public can be called into existence and become articulate about what it would like to achieve through governmental action. And we have to keep talking about the important issues of justice--about the kinds of relationships we would like to have exist in our society, and what as a consequence we might owe to one another as something that government might help us achieve.

The challenge, it seems to me, is to use frameworks such as the public value account and the public value scorecard to enable the rich, swirling discussion of public value that is characteristic of a healthy democracy to connect with a concrete reality that must be managed. I hope the frameworks developed here can weather the storm and light up a path of sustained value creation.

1. In thinking about the future development of efforts to measure the performance of government, it is enlightening to consider the history of financial measures. It took several centuries for these relatively simple measures to become the powerful managerial tools they now are (Riahi-Belkaoui, 2005). [↑](#endnote-ref-1)
2. There is still some way to go in improving public-sector cost accounting systems even though it does not pose the same philosophical or practical problems as accounting for the public value being produced with those funds. [↑](#endnote-ref-2)
3. For a more extended discussion of the philosophical issues, see Moore (2013 and forthcoming). [↑](#endnote-ref-3)
4. One can mount many challenges to this idea of consumer sovereignty. Individuals can be easily fooled and often make choices that are not in their long-run interest, making consumer choice a flawed arbiter of individual private value to say nothing of collective, public value. This is the focus of much behavioral economics research. But despite the evidence that individuals are often far from rational in making choices for themselves, the core liberal idea that the only proper arbiter of value is individuals, and that social institutions should be constructed to let those individual value choices shape social outcomes has remained vital. [↑](#endnote-ref-4)
5. There are as many difficulties with the story that good, just, and wise collective choices emerge from the processes of democratic governance as there are with the story that markets work well to produce the greatest good for the greatest number in a just and fair way. For a discussion of how individuals might be successfully aggregated into a public of citizens that can become articulate about the values that should be produced by and reflected in government operations, see Moore and Fung (2012). [↑](#endnote-ref-5)
6. If existing bureaucratic procedures have been proven as best possible method for achieving a desired result, then forcing compliance with those procedures would improve efficiency as well as consistency. If, however, procedures are costly and ineffective, enforcing compliance can reduce overall performance. This is a particularly grave danger in the public sector, where organizations have to be concerned about legitimacy as much as performance, and tests of performance are weak. Since copying the behavior of other organizations is the easiest path to legitimacy, there is a real risk that a focus on compliance with policy and procedures rather than testing and innovating can lock an entire organizational field into low performance (DiMaggio and Powell, 1983). [↑](#endnote-ref-6)
7. For a more complete discussion, see Moore (2013). [↑](#endnote-ref-7)
8. *The Balanced Scorecard* also had a significant impact on the nonprofit sector, which faced performance measurement problems analogous to those of government agencies (e.g. third party payers, social results that were difficult to measure and monetize, concerns about justice and fairness in operations and results). Unlike government, however, nonprofit organizations could not deploy directly the authority of the state (though they could contract with government to use it!). For a discussion of the limitations of *The Balanced Scorecard* for nonprofit organizations, see Moore (2003). [↑](#endnote-ref-8)