

Calling a public into existence

An Interview with Mark H. Moore

With his book «Creating Public Value - Strategic Management in Government» Harvard Professor Mark H. Moore has coined the term «Public Value». The idea has considerably influenced the debate about management in public administration. In this exclusive interview he talks about the role of public value in the recent financial crisis, about the ignorance of strategy researchers concerning social aspects and he explains why we are all interdependent.

OE: How would you define public value?

Moore: Public value is a contingently held collective idea about the values that should be achieved by and reflected in the use of public assets such as the money and the authority of the state. A central theme in thinking about public value is the distinction between taxpayers, clients, and citizens. Taxpayers approach public issues with a perspective rooted in their desire to keep their taxes low. Clients receiving benefits from government (or in some cases, obligations) would like to protect their interests by maximizing the benefits delivered to them (or minimizing the burdens imposed on them). For purposes of talking about public value, we might want to reserve the use of the word citizen to describe those who are evaluating the performance of public sector operations from John Rawls's «original position», behind a «veil of ignorance» where they do not know which position they will occupy in society, and therefore have to imagine the effects of their choices on those in many different positions. One can go further and argue normatively that the task of democratic policy-making should be to help individuals embrace the particular perspective of a citizen as defined above.

OE: What is the role of public value in the financial crisis? Did it change and how?

Moore: One big contribution of the concept of public value was that it provided a language that would allow us to resume talking about a collective that was important in individual life. An irreducible role for collective institutions such as government is the management of interdependencies among individuals living in proximity to one another. But market ideology tends to downplay the importance of our interdependence. The focus in neo-liberalism is strongly on individuals and the protection of their rights and interests, not on the possibilities of the whole society. Given the current state of the international economy and our international financial system, it would be hard to deny the fact that our individual lives are highly interdependent, not independent. If the collective becomes important in conditions where individuals are dependent on one another, then it becomes important to consider what it is about individual and social life that creates interdependence. Consider three possible mechanisms that make one person's welfare depend on the actions of others.

First of all, as a practical, material matter we are both vulnerable and valuable to one another. A lot of people do not understand that market processes, and the legal and social institutions that support them, are one of our most important ways of managing our material interdependence. It is a socially established structure and process that creates widespread opportunities for us to make use of one another in both pro-

ductive and exchange relationships. To create individual, material value, we need a reliable way to make agreements with one another. We need the state to define what we now justly own, and to help us defend what we own against both private and public intrusion. We also need the state to protect the health and vitality of the marketplace. The state is important not just to protect us from attacking one another as Hobbes would have it; it is also important to provide the bases for our co-operative, voluntary economic activities.

Second, once we have a state with power we need to decide collectively how we are going to use that power. This creates another form of interdependence. Because we collectively own the assets of the state – both its coercive power and the property and money it holds or can raise – a new form of interdependence is created.

And thirdly, human beings live in complex interdependent relationships because their «moral sentiments» bind them together. Individual humans are concerned not only about their own individual welfare but also about the welfare of others, the duties they have as individuals to the wider society, and even a vision they hold of a good and just society. The human condition pushes us into a world in which we live interdependently.

Given this perspective, what was important about the recent financial crisis is that it demonstrated to each of us and all of us together how dependent we are on one another. We saw that we were vulnerable to actions taken by people all over the world that we do not understand and cannot control. Therefore, an appetite for seeing and understanding the new complex relationships that were shaping our world was increased and sharpened. This experience of interdependence should help raise the question of what collective public value we intend to produce through the existence of global capital markets, and might call into existence a «we» that did not previously exist. It seems that somebody has to invent a normative framework that lets us see what important public (and private) values are being advanced through the organization of international financial markets. And that would be an exercise in calling a public into existence that could become articulate about what constituted public value, and how it might be achieved. We have done this before in the international economic sphere (I am thinking of the Bretton Woods agreements), why not do it again?

OE: A common criticism is that there is nothing new about public value. On the one hand, it is a revitalization of basic ideas around for a long time; on the other hand, there were very concrete fights against the New Public Management ideas of the Reagan era. If public value is only a revitalization of existing concepts, why don't you talk about common good or public interest?

Moore: The term «Public Value» was chosen to be provocative, and challenging. It embraced the overwhelmingly utilitarian ethos of the time: managers should be concerned about creating and adding value. As soon as one put the word value next to the word public, many issues began percolating. Did we really think that the government created value? Who was this public that seemed to be able to act as an arbiter of value? What role did we expect government managers to play in helping us imagine and create public value?

Somehow, in this, the subject of government and of public administration and management became much more morally, professionally, and technically compelling – in the first instance among those who led and managed public sector enterprises from elected, appointed, and career positions – but eventually from citizens, taxpayers, and clients of the government as well. I think the primary reason was that it focused attention on what values citizens, taxpayers, elected representatives, and the public managers who acted as their agents sought to produce and reflect in government operations. Value was reclaimed as a social, moral concept not just an individual or commercial idea. .

OE: What are the major challenges for public organizations in the next ten years and how can the public value concept help to overcome them?

Moore: Given what I have said above, it should come as no surprise that I think the biggest challenges facing public organizations and those who lead them is to find better means for accomplishing a task that John Dewey in his book on «The Public and its Problems» took to be central to public leadership in democracy. I have paraphrased his idea as the challenge

Biography

Mark H. Moore is the Hauser Professor of Nonprofit Organizations and Faculty Chair of the Hauser Center for Nonprofit Organizations at the Kennedy School of Government, Harvard University, United States. He was the Founding Chairman of the Kennedy School's Committee on Executive Programs, and served in that role for over a decade. His research interests are public management and leadership, civil society and community mobilization, and criminal justice policy and management. Moore's work focuses on the ways in which leaders of public organizations can engage communities in supporting and legitimizing their work and in the role that value commitments play in enabling leadership in public sector enterprises.

of «calling a public into existence that could understand and act on its own interests.» If those who want to create public value commit themselves to the idea that, in practice, the idea will be a contingently held, particular concept that reflects the views of citizens, then we have to become more expert in facilitating the public deliberations that help individuals in democratic societies think and act like citizens rather than clients or consumers.

Importantly related to that is the view that we have to get much better at what I describe as «recognizing public value.» Some would call this the problem of measuring public value, and so it is. But I prefer the use of the word recognize because that word has both a technical meaning in accounting, and a more commonplace meaning in ordinary conversation. I have just published a book entitled «Recognizing Public Value», in which I argue that we have done a bad job of measuring performance in the public sector partly because we have been misled by private sector concepts, but more importantly because we failed to recognize that measuring public value was not simply, or even primarily, a technical challenge. It is perhaps most importantly a philosophical and political concept. Finding the means to convene a public that can become arti-

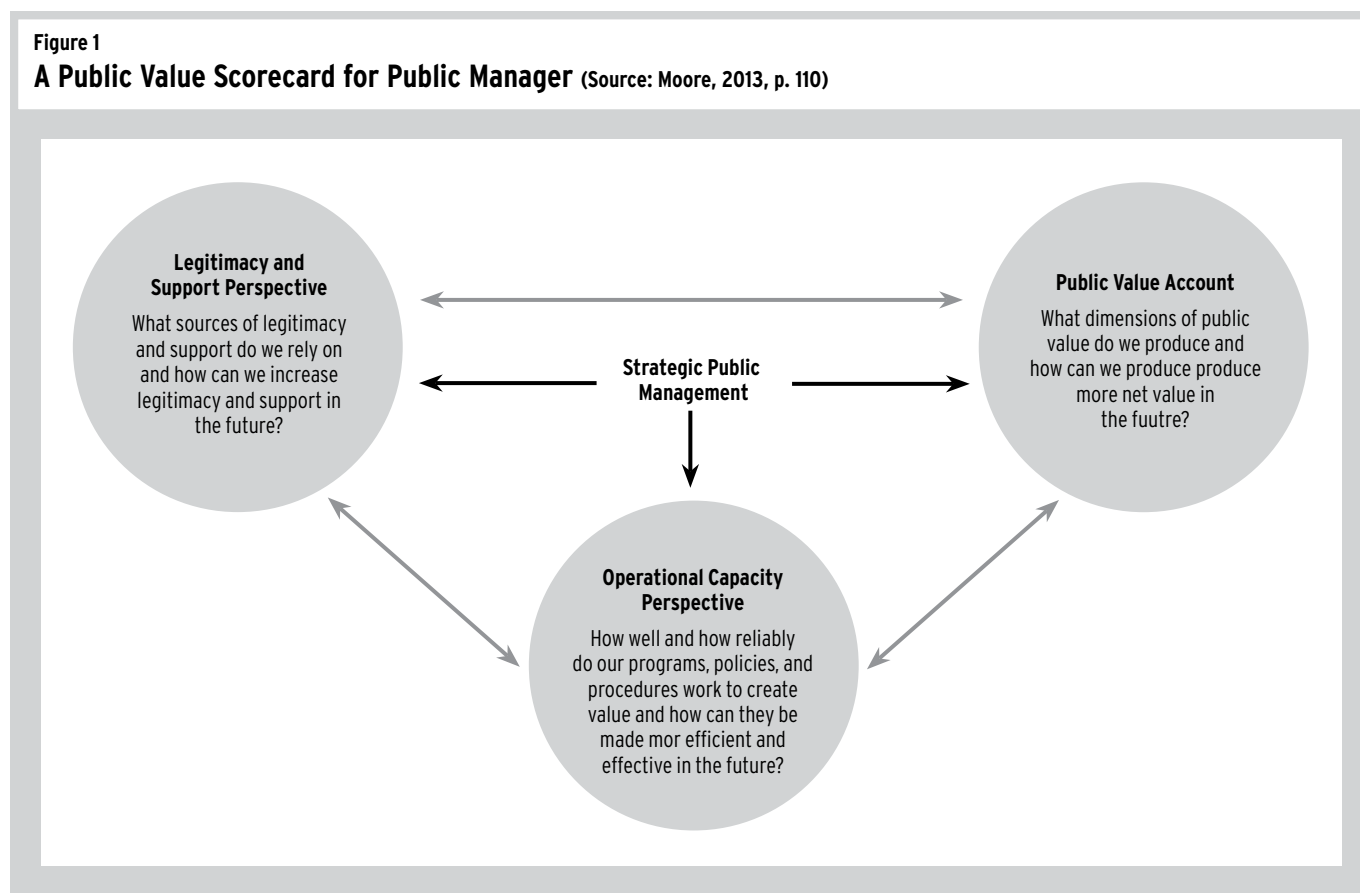
culate about the values it wants to see achieved by and reflected in the actions of their government is the key challenge.

OE: So how would you measure public value and make it the yardstick for strategic decision-making?

Moore: I propose to use a public value scorecard which is based on my older model of a strategic triangle and inspired by Kaplan and Norton's «Balanced Scorecard.» Bringing the strategic triangle to a particular set of circumstances helps managers test in their own minds an idea about how they could increase the public value of the enterprise that they lead. This forces managers to be much more concrete and specific about the particular dimensions of public value they intend to create and helps them to make good strategic decisions.

The public value account serves as a measurement tool for the net public value produced by a public agency. This sharp focus on value creation ensures that organizations focus on their value-creating performance. The public value account contrasts costs with benefits to derive a net public value. Costs can include financial costs, unintended negative consequences, and also social costs of using state authority. Benefits in-

Figure 1
A Public Value Scorecard for Public Manager (Source: Moore, 2013, p. 110)



clude the achievement of collectively valued social outcomes, client satisfaction, and justice on an individual as well as aggregate level.

The second point of the triangle focuses managers' attention on how they plan to build legitimacy and support for a particular nominated conception of public value, written down and measured through the public value account. A strategic view of the individuals and groups populating one's political authorizing environment can reveal some potential sources of legitimacy and support. Therefore, the two crucial questions to be asked from a legitimacy and support perspective are (1) is our mission aligned with values articulated by citizens? and (2) are neglected values of latent constituencies included? Also, public managers need to take formal authorizers, key interest groups, and media coverage into account.

Third, the public value scorecard calls for the development of an operational capacity perspective that can direct public managers' attention to the processes on which they are relying to produce valuable results at low cost. This perspective reminds public managers to maintain a lively interest in the instrumental aspects of organizational processes, policies, and procedures. First, this perspective looks at the flow of resources to the enterprise. These can consist of financial revenues, the legal mandate, and public support. This is where the operational capacity perspective links in with the legitimacy and support perspective. Then the supply of the organization with human resources and appropriate operational policies and procedures is emphasized. Finally, the focus is on the quantity and quality of organizational outputs.

OE: Why are social and political factors often neglected by business scholars?

Moore: As I said, the concepts of public value were originally created to help government managers think strategically about the management of their organizations and enterprises. Initially, I thought the concepts represented a special case of the general business strategy model.

Then, as the Director of the Hauser Center on Nonprofit Organizations, I turned to the question of which strategy models would work best for nonprofit boards and managers. Somewhat to my surprise, the strategic triangle seemed better adapted to the nonprofit sector than the more traditional business strategy models. The reason was that the strategic triangle explicitly recognized three critical aspects of the nonprofit manager's job: (1) that they were often dependent on «third party payers» for their revenues, (2) that these third party payers were often trying to buy an effect that resulted in a changed social condition, and (3) that any accounting of the value they created would have to look beyond both the individual satisfaction of beneficiaries of their largess and financial mea-

asures. Even though nonprofits resembled private companies in that they were privately governed, earned some of their revenues from sales, often competed with one another, and were allowed to go in and out of particular lines of business according to their own choices, the three conditions described above made the strategic triangle associated with public value a more useful framework.

«Finding the means to convene a public that can become articulate about the values it wants is the key challenge.»

This led me to the more challenging and perplexing question of whether the strategic triangle is also more useful for corporate strategy than existing approaches. As I said, I had originally thought that the strategic triangle was a special case of strategic thinking adapted to the conditions of public agencies. But the more I thought about it, the more it seemed to me that the strategic triangle might be the general case, and the business strategy models the special case. The reason was that businesses, too, had to worry about, and seek to sustain their public legitimacy and support. This aspect is entirely left out in existing models of corporate strategy. It is true that businesses get a lot of legitimacy from the products they produce. These products are valued by individual customers, and the objective evidence of this fact is that the customers are willing to pay for them. However, there is more to public legitimacy, as the emerging concerns with Corporate Social Responsibility and Shared Value recognize.

If one looks at any modern private corporation, one can see that they are organized and are making expenditures to bolster their legitimacy and support. The fact that hard-nosed private companies are spending shareholder dollars to sustain activities such as public affairs offices and corporate charities focused on sustaining the «license to operate» in society means that they have figured out that consumer satisfaction alone is not enough to sustain their social legitimacy. Yet, the corporate strategy models commonly in use in the private sector do not focus sharp, analytic attention on what return these expenditures are supposed to provide. In order to do so, the strategy models would have to acknowledge the point that private companies are creatures of the society as a whole, and that they have obligations to that society as well as rights to act independently in their own interest. They would have to focus on how the social legitimacy of a firm is constructed and sustained in a democratic polity.

In the literature on his famous Five Forces Framework, Michael Porter admits that sometimes political and societal conditions can shape industries and thereby influence the com-

petitive opportunities of firms operating in those industries. So, why not make social and political forces a sixth force? Porter simply dismisses this possibility. To me, to dismiss the role of social norms and government as factors profoundly shaping conditions that business faces is a huge intellectual, practical, and moral error. One cannot simply brush aside an empirically and normatively relevant part of the world of private management.

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OE: Where would you see the most pressing questions for public value research in the future?

Moore: They are all over the place. How much room is there for the dynamic repositioning of organizations in the public sector? Who does that work? How much repositioning is necessary in the public sector? How do we manage innovation in the public sector? The most interesting questions are: how do we call a public into existence that can be articulate and insistent about what it wants to produce and how to create the preconditions under which public managers can actually do their work?

OE: Professor Moore, thank you very much for the interview.



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Literatur

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