

What is Public Value? How do you Create It?

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INTRODUCTION

It's a pleasure to be here to share my principal pre-occupations

- How to understand what constitutes public value
- How to produce it

John Benington said it would be OK if I talked a bit academically both in style and content for this part of my program here at Warwick. But I worry that I am a bit rusty in this sort of presentation. I have spent most my life talking to practitioners from an academic perspective – not to academics. The fact that my primary audience has been a practitioner audience has had some important effects on my life. (Story about teaching execs. I used to be 6'2" before I began working with practitioners.)

But throughout my professional life, I have felt the weight of the academic audience as well. By temperament, experience, and inclination, I am more of an academic than a practitioner. I like to think, and read and imagine and test much more than I like to take responsibility and do.

But the things I like to think about are the problems of the world, and the issues that those who are charged with dealing with those problems might best think about it. And I am pretty sure that much of what we teach and learn about how to think as social scientists is a bit off the mark.

I became convinced that there was an important intellectual difference between social science on one hand, and the development of a solid intellectual basis for action on the other after writing my PhD thesis for a Degree in Public Policy. (Story of thesis)

I have a simple diagram I can use to describe the problem that I think exists as academics address themselves to practical problems (Insert Figure 1 here)

There are at least two different academic styles in making a presentation like this one:

- Having an authoritative answer and defending them against all comers

- Having an idea about the problem one is trying to solve, and showing all the possible lines of attack, the fits and starts, the failures

It's this latter approach I would like to take because I'm not sure that I have something definitive to say. I've got more questions than answers, and it is the questions rather than the answers that might be most useful to both academics and practitioners.

PUBLIC VALUE: RHETORICAL DEVICE, MANAGEMENT TOOL, AND SUBSTANTIVE IDEA

So, what I want to share with you this evening is my thinking about the idea of public value

- Where the idea came from and what function I wanted it to serve
- What it might really mean
- How it can be used by practitioners in practice

This requires us to go back to the period before *Creating Public Value* was written, but also moving ahead to work I have continued to do that could be called *Recognizing Public Value: The Challenge of Measuring Performance in Governmental or Public Enterprises*

I will end up relying heavily on the police as an example

- Partly because I know them well
- Partly because they are, in many respects, a quintessential public agency – the most obvious organizational embodiment of the state, and its commitment to do justice and ensure the public good.

Public Value as a Rhetorical Device

I was working on a book designed to help public sector (government) executives do their jobs better.

It was pretty obvious that in order to do this, I had to have an idea I could share with them about the purposes of their work.

It had to be both abstract and general – also inspirational – but also capable of being operationalized.

Private sector managers had an idea about what they were trying to do: to maximize shareholder value by delivering products and services that individuals wanted to buy.

- That gave a point to their effort

- It also gave them social legitimacy (particularly when we added the social interest in providing good jobs to employees, and satisfying consumers to the equation)
- More importantly, it gave them a large amount of discretion to think and imagine what could be produced. They did not have to stay locked in their current business if that stopped being valuable. They could shift and change in response to the dynamics of the world they faced.

Public sector managers also had ideas about their purposes:

- To serve the common good
- To act in accord with the public interest
- To achieve the mandated mission of their organizations as efficiently and effectively as possible

To my mind, there was an interesting difference in these concepts and what they seemed to imply about the kind of work we wanted the managers in the two different sectors to do.

Some of the difference lay in what might be understood as the purpose or object of managerial effort

- Shareholder (or more controversially, stakeholder) value on one hand
- Common Good/Public Interest/Mission on the other

But an equally important difference seemed to lie in the verbs that defined the actions the managers were supposed to take in their capacity – in the social office – as managers.

- Maximize (through an active, creative process) on one hand
- Serve, act in accord, achieve mandated, on the other.

I don't think this was just an accident of language. The language was telling us something about how citizens in liberal societies wanted and expected from those who managed government agencies and other forms of public enterprise.

- They wanted those managers to pursue purposes established and authorized by others/not purposes that the managers judged to be valuable

It is useful at this stage to do a little exercise that we often do at the end of our exec programs: (Figure 2)

It seems that in the private sector we expect managers to take the initiative, form and pursue their own vision of what is valuable to do without being certain that it will work.

So, I was looking for an idea that would simultaneously put a bit more vigor, initiative, and energy into the job of a public executive, and that would suggest a bit more open-ended discretion with all that increased discretion implied for the nature of the responsibility one took on as a public executive.

At the same time, I wanted that energy and initiative and energy focused and disciplined by some concept that could provide an internal compass to public managers.

In a corridor conversation with a colleague, I suddenly hit on the idea of "creating public value" as the phrase I needed to "commission" a new breed of public managers (or to reveal what the best of the old public managers had long been doing).

The idea of "public value" had three additional virtues from my point of view:

- It suggested that government was not simply a burden. Like the private sector, it could create value for individuals (in their roles as citizens and as clients and beneficiaries of government). It could also create value for the collective in which those individuals lived.
- It also had a nice link to not only the commercial idea of value (individual satisfaction reached through decisions made to purchase a good or service), but also to a broader idea of value that harkened back to the ideas of the public good and the public interest, and sought to recast these ideas in a world whose culture had become more individualistic and more commercial.
- The idea of public value was also a more continuous idea than the idea of the public interest, or the common good, or achieve the mission. One could create more or less public value, and the point of management was to create as much of it as possible. That was different from the idea that one did or did not serve the public interest, or the common good, or achieve the mission. There was a way in which one could begin thinking about continuous improvement in operations rather than in terms of success or failure, right or wrong. And, if one wanted to motivate managers, the idea of being able to produce more and more and get better and better was a good place to start.

In short, the particular way in which I wanted to "privatize" public management was not in the trivial sense of pretending as though private sector management techniques could be brought wholesale into the public sector, nor in the sense that government should contract with private providers of services. It was instead in the radical sense that in order to allow government to achieve its purposes in the complex world we now inhabited, it was crucial that we authorize public managers to offer the kind of initiative, leadership, and vision and innovation, that we expected from private managers.

Public Value as a Substantive Concept

To license this sort of initiative and discretion in the public sector, we had to be pretty sure that this initiative could be kept within bounds – that all the time that our agents in government were taking advantage of the de facto and de jure discretion we had given them, exercising the

In the public sector, we are less clear that we want this from managers. Public sector managers may be authorized to lead and innovate *within a framework* of mission; but they shouldn't go roaming around outside that framework in search of something useful they could do with the assets entrusted to them. It is important that public sector managers stick to the knitting that someone else has given them to do.

Well, that may be well and good. We have to be worried not only about public managers stealing our money, but also about them spending our money on their own idiosyncratic ideas of what constitutes something that is publicly valuable.

The difficulty is that we live in a time when the environment of government is rapidly changing.

- There are important changes in the "task environment" – in the objective social conditions that government confronts
- There are important changes in the "political authorizing environment" that acts for society in selecting some conditions in the task environment to be addressed through the powers and capacities of governments
- There is both the need and the opportunity to invent new methods and rely on new technologies not only in dealing with the objective circumstances government has been asked to handle, but also perhaps in the methods we rely on to deliberate collectively on what tasks should be assigned to government
- There are strong pressures to recognize that the problems we face, and the individual clients that government is trying to help or influence in some way are not homogeneous; that there are important differences in situations and clients the government confronts, and that the old efforts to deal with heterogeneous problems and clients with one standard method might have to be adjusted to cope with the heterogeneity
- There are important changes in the devices we rely on to give public managers guidance about how they should consult and learn about what citizens en masse, in smaller groups, and as individuals, want from them, and what role they are willing to play in help delivering the results
- There are important changes in the ideas we have about how to organize the deployment of public funds to efforts to accomplish social goals; we no longer assume that the only way to spend public funds to accomplish a publicly authorized purpose is to spend it on a bureaucracy and civil servants.

The implications of all this is that we needed from public managers something other than a determined commitment to the status quo as the only possible way to serve the public interest. We needed a capacity to shift from the status quo – particularly because the status quo looked less and less like the best way to achieve a responsible, efficient method of achieving public goals, and more and more like a device used to preserve the special prerogatives of self-serving bureaucrats.

Municipal Sanitation (from refuse collection to disease control)

Welfare Department (client satisfaction to social objectives)

Public Health Agency (obligation encounters as well as service encounters)

Coast Guard (being ready as well as producing/insurance premiums)

National Park (allocating and pricing collectively owned asset for public good)

These examples were meant to stimulate our imagination about the concrete forms that public value could take:

The idea of being ready even if never used

The idea of helping those in need either as altruism, or desire for justice (love, v. duty)

The idea of “recreation and entertainment for everyone – even upper and middle class as well those at bottom.

The idea of providing services with strings attached (obligation encounters)

The principal aim of these examples was to push individuals away from a simple model of government operations as service provision where value would be determined by the satisfaction of those individuals with whom it made particular transactions (ie. to push back on the idea of customer as a useful metaphor for government).

The target was both the physical image of service delivery where the important value was created at the transaction end of the organizations, and the conceptual idea that value is accumulated only in the increased satisfaction and welfare of those who had received the services.

Had heard this idea from our business school friends (government is just a large service enterprise)

But I had different experiences and a different idea: Government was in business of delivering obligations as well as services.

Could also see that the customer analogy was wrong in another sense as well: clients of government did not necessarily pay for services (or obligations) they received.

Table __ shows some important differences between customers in the private sector, and authorizers and clients in the public sector.

The individuals who did pay, and did provide the authority to the state, and therefore imagined they had some right to imagine that they were the proper “arbiters of value” were citizens,

taxpayers, and those who tried to represent their interests and political aspirations in the messy process of democratic policy-making.

The important question was what “they” (or “we”) wanted.

Further, was the question of what constituted the relevant “we”

Each of us added up

All of us together speaking somewhat ambiguously as a collective, giving direction more by reaction than by clear articulation in advance

It was because of this issue (how to help a collective speak articulately as a we that had collective desires in the second sense above) that the issue of how one engaged the political environment became normatively as well as practically important. In effect, managers facing policy choices can act in ways that strengthen or weaken the quality of the political discussion that gives them guidance about how the choice ought to be made.

But before going to the political management question, let me return to the complicated issue of what constitutes public value.

One idea was “customer satisfaction.”

If what we meant by customer satisfaction was the satisfaction of the person at the end of the delivery process of government services, the idea was certainly wrong as a general proposition. It may even be wrong for many things that look like service delivery such as education, or drug treatment, or welfare payments.

Indeed, the idea that what mattered was client satisfaction would only be right in the limited circumstance in which the authorizers told us that was their objective, or when instrumental reasons associated with the necessity of keeping clients happy enough to achieve our real objectives. (Note analogy in business world. Customers viewed sometimes as arbiter of value, the *raison d'être* of business and competitive markets. Other times viewed as the objects through which shareholder aspirations are achieved)

If, for the purposes of defining public value, the important customers were at the authorizing end of the organization, then what was difficult in judging public value was to discover what they did (or perhaps should?) want.

This leads to quite a different idea of what constitutes public value: namely, the idea of social outcomes.

It is interesting, I think, that at the same time we were talking a lot about customer satisfaction in government, we were also talking a lot about the importance of measuring the outcomes of government activities.

Despite all the talk about the importance of measuring outcomes, no one was really asking the question of who got to define the relevant outcomes of a government program understood as the dimensions of value that constituted our purposes in the program, or the set of effects that we would use in deciding whether the enterprise was worth continuing.

The proper judges of the valued social outcomes would have been the authorizers speaking today about what they wanted. It could be the authorizers speaking in the past through legislative policy mandates, that were then encoded in organizational mission statements.

But the point is that neither of these things need be the same as the idea of client satisfaction.

Indeed, one of the important features of focusing attention on outcomes is that, in an important sense, it makes the clients of an organization (whether beneficiaries or obligatees or some of both) a means to the end of achieving social outcomes. The clients, and their responses to what is done for and to them, become an important part of the production process that produces the real value we are after – namely, the social outcomes that register as the degree to which the clients do what we hope they will do with the services and obligations provided.

The end to be pursued was not set by the clients; it was set through a collective process that aggregated individual preferences not only about what one wanted for oneself, but what one wanted for others. In short, the value was determined by a socially constructed maximand; not by the summation of individual desires.

PUBLIC VALUE AS A UTILITARIAN CONCEPT: BOTH SOCIAL AND INDIVIDUAL

Now, the concept of a desired social outcome emerges from a way of thinking that is largely utilitarian or practical.

It is a kind of discourse that focuses on ends and means, and the empirical question of whether the means are adequate to the ends, as well as whether the means are good or just. To the extent that such thinking focuses on the desirability of end results, it tends to think more in terms of the summation of individual preferences for themselves rather than collectively defined social utility functions.

To those who want to think and act comprehensively on a social utilitarian idea of public value, it is tempting and may be necessary to go farther and think in terms of individual satisfactions that could be monetized.

Indeed, it is worth noting that Jeremy Bentham, the father of utilitarianism, invented utilitarianism precisely to be used by legislators to enable them to make a comprehensive calculation of the net good that would be done by any particular piece of social legislation

The idea shows up in its modern form in the principles of benefit cost analysis in which individuals arbitrate the value of social consequences (ideally monetized as well as individualized so that different kinds of effects can be conveniently added up to produce a single index number of net goodness.)

But one could also stop short of this aspiration and define public value not in terms of individualized and monetized valuations of policy consequences, but instead in the form of a social maximand that society then tried to find the best possible way to achieve.

This is often the approach taken by program and policy evaluation.

PUBLIC VALUE AS A PRINCIPLED, DEONTOLOGICAL VALUE

But perhaps public value cannot be seen only as a utilitarian value. Perhaps the idea of public value – if it is to serve as a useful guide to managers using the resources of the state to achieve valuable purposes – must include concerns for justice and fairness as well.

Now, justice and fairness show up often as constraints on the means of government action. The goals are utilitarian. But the means we use have to be principled, and be consistent with ideas of justice. This is particularly true when we use the power of the state as an asset to accomplish a particular practical result. But it is equally true when we use the money of the state because much of the money of the state is raised through taxation. And we like to think both that the burdens of producing a collective result are fairly distributed, and that the benefits that come from undertaking a publicly sponsored activity are fairly distributed as well. So, concerns for justice and fairness enter into judgments about public value when we think about how the government is distributing the burden of achieving the desired result (by imposing duties or taxes on the citizenry at large); and when we observe the distribution of results.

But justice and fairness can also show up as an end of government as well as the means. Government is committed to producing justice, as well as to producing material conditions justly. The idea of justice means protecting rights, and ensuring their right level and distribution in society. That takes material resources and action by the government as well as a clear understanding of what the rights we mean to protect consist of.

Again, a little exercise we use in our exec program classes might be helpful.

Principles Guiding Use

Practical/Utilitarian		Principled/Deontological	
Individual	Collective	Individual	Collective