

**DESIGNING THE MODEL OF PUBLIC VALUE MANAGEMENT***Amalia Venera TODORUȚ<sup>1</sup>**Vassilis TSELENTIS<sup>2</sup>*

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**ABSTRACT**

*It is vital for public managers in order to improve performance, to develop a public value account that captures a philosophical and political conception of public value, and use that set of measures in the development of a management system that can increase accountability and drive the performance to new heights. This paper's main objective is the analysis of the model of public value management, as a new approach to public governance, beyond the new public management. This new model allows the orientation towards stakeholders, especially towards the new value brought by them, which leads to applying the corporate governance principles in the public area. Throughout the paper, the main advantages of this model of management are highlighted, i.e. the improvement of efficiency, equity and efficiency in providing services, the introduction of new programs to meet the new political aspirations or the new challenges facing the organization, the reformulation of the organization's mission, thus using old capabilities more efficiently. The management of the public value emphasises both the processes and the results, and the citizens are regarded as shareholders, which gives new values to this concept. Based on the scientific research in specialized literature and on observations, we have outlined the main theoretical, methodological and conceptual boundaries and highlighted the ways of measuring the public value.*

**KEY WORDS:** *public value management, performances, process, innovation.*

**JEL CLASSIFICATION:** *M14*

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**1. INTRODUCTION**

Both the quality of life and the welfare of citizens in the XXI century are a major challenge for the next period, which implies major changes in the public sector, in general and, in the administration of the state institutions, in particular, so that these contribute to better meet the citizens' interests, expectations and needs in terms of efficiency and thus, their objective and subjective welfare is ensured.

More approaches of a public management, which provide solutions to the complex issues facing the public sector, have been developed over the years. Thus, we can talk about: managerialism (Pollit, 1993), public administration based on the market (Lan & Rosenbloom, 1992), entrepreneurial government (Osborne & Gaebler, 1992) or the most famous concept, New Public Management (Hood, 1991). A new approach, named "reinventing the government", is also outlined in the literature, which is a model of management, being a more evolved form of NPM. This model focuses more on markets and competition, above anything, and it suggests that public service users should be treated as clients. (Radu et al., 2008)

The potential of "public value" concept is identified by the experts in the field (Kelly et al., 2002) as a new approach to the public governance, which is more than market models, command and control.

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In particular, the concept of "public value" is proposed as a model for promoting networked governance, as a rediscovery of the governance and replacement of the new public management, as an approach to the reform in the public sector (Benington, 2011).

The management model "public value" is a more recent approach that allows the orientation towards stakeholders, especially to the new value brought by them in the private sector, which leads to applying the principles of corporate governance in the public domain. The main advantages of this model of management are: to improve efficiency, equity and efficiency in providing services, the introduction of new programs to meet the new political aspirations or new challenges facing the organization, the reformulation of the organization's mission so that the old capabilities should be used more effectively (Radu et al., 2008).

## 2. "PUBLIC VALUE" – CONCEPTUAL BENCHMARKS

The concept of "public value" has been described as a multidimensional structure, as a reflection of the collective expression, which is created not only through results, but also through processes that can generate trust and equity (O'Flynn, 2002). It also represents "a comprehensive approach regarding the public management and the continuous improvement of public services." (Constable et al., 2008)

The initial objective of Moore (1995) consisted in the construction of a conceptual framework for the managers in public sector to help them face the strategic challenges and the multiple and complex decisional alternatives, in a manner similar to the concept of "private value" applied to managers in the public sector. Moore defines "public value" as a framework that helps us connect to what we believe is valuable and requires public resources together with the ways to improve the understanding of the "public value" essence. He developed this framework with the public managers in the USA and also from other countries, who participated in the programs proposed by Harvard University. The creation of some conceptual benchmarks was intended, which could be applied by the public managers in their work and encourage the strategic thinking and entrepreneurial action to deal with the complex issues of the community.

In approaching this concept, three key elements have been taken into consideration:

- The role of public administration in the society, not only as a provider of services and social security, but also as a potential creator of public value and a pro active shaper in the public area (political, economic, social, cultural);
- The role of the public managers, not only as passive employees assisting at the bureaucracy within the organizations, but also as active actors in managing the assets in the most intelligent combinations to give quality public services to citizens;
- The techniques the public managers need, not only in terms of procedures to ensure the proper functioning (routine) of the public organizations, but also to help the administrations to adapt as quickly and easily to the material and social changes and to change their political aspirations and needs.

The creation of "public value" draws attention to the new role the public managers have in directing (orchestration of) the development processes of public policies, even in partnership with other actors and stakeholders, in the sense of attempting to provide good choices in the public interest, which legitimates and guides the sequential implementation of strategies in order to improve the results for the public.

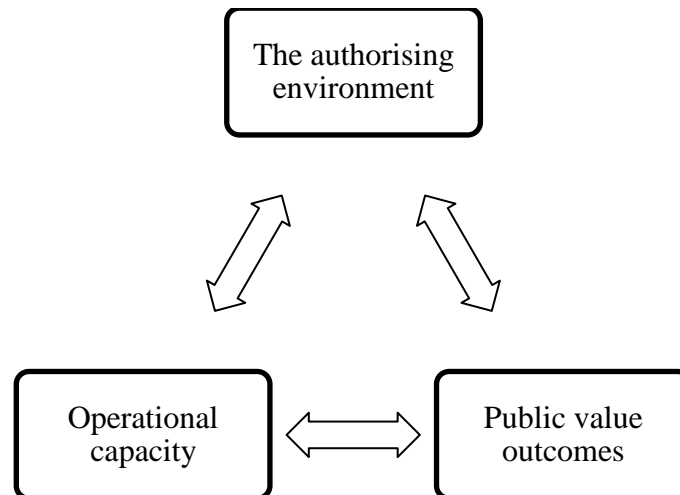
The concept of strategic triangle is used, which represents a framework to align three different but interrelated processes that are necessary to create "public value":

- ✓ Defining "public value" – to clarify and specify the results and strategic objectives "public value" for the given situations;
- ✓ Environmental authorization – required to achieve the desired objectives of "public value". This means building and sustaining the coalition of stakeholders in the public sector, private

sector and the third sector represented by elected politicians, whose support is required to sustain the strategic action. The decision-makers in the public sector need to be responsible to stakeholders and engage in a dialogue through organizational measures.

- ✓ Building the operational capacity – attracting and mobilizing the operational resources (human, managerial, financial, competences, technologies) that are necessary to meet the desired “public value” results.

This strategic triangle has been developed (Kelly, 2002) and three basic clusters have been outlined: services (quality, efficiency), results and trust (between citizens and administration), as described in Figure 1.



**Figure 1. The strategic triangle**

*Source: adapted from Benington (2011).*

Thus, the strategic triangle suggests that the strategies should meet three conditions to create “public value”, such as:

- ✓ To be convinced of the possibility to obtain the desired results regarding “public value” and formulate convincing objectives in this regard;
- ✓ Practicing some sustainable policies that lead to getting a reliable support from politicians and other stakeholders;
- ✓ To develop sustainable managerial and operational activities and that requires a human, technological and financial effort (competences and knowledge) and organizational capacities to provide the desired “public value” results.

So, the most valuable idea is to find a solution to get out of the alignment that we consider acceptable regarding the key players and public managers looking to convince these key stakeholders to move from their positions or revise the concept of “public value”.

The argument in creating “public value” included the idea that citizens could discuss and decide the role of governance in society and contribute in order to decide which of the individual circumstances and social conditions would be treated as a managerial responsibility that is administered by the government and which of them would want to be treated as private responsibilities that are managed individually through the market relations.

### 3. RESEARCH MODEL

The research methodology of this paper is based on the hypothesis that public management has been lagging behind both recent innovative ideas and practices, developed in both academia and enterprises as well as societal needs encompassing increased accountability, transparency and

increased performance and efficiency. The authors propose to test this hypothesis by firstly analysing the present status of public management and then describing how the novel ideas found in the model of public value management, will provide a new approach to public governance, beyond, what is widely known as the new public management approach. The method used for the investigation of the existing situation and characteristics of public management was based on the analysis of documents including scientific papers in the specific literature dedicated Public Value Management, government reports, studies and articles by agencies linked to state authorities and enterprises, as well as analytical reports and studies about managerial methodologies and structures of public management. The research conducted also examines the feasibility of applying management concepts used mainly in the private sector, in order to further sustain and support public management to firmly establish tools that will enable it to respond to the demands of modern society.

In line with this research emphasis is given to analysing customer demands for government institution and how the services provided by these authorities reflect modern societal and performance standards. Within this approach emphasis is placed on the need to recognize the value incorporated in services provided by public institution and emphasizing to both managers and employees how important it is for the benefit of the society to develop and provide high value services to citizens. In this approach several performance management tools are presented to managers and employees as well as emphasizing the need for more extensive use of the methods incorporated in total quality management and continuous improvement procedures leading to increased productivity and better government services and operations. It is believed that this research approach will highlight the importance of focusing in performance and high value products and services for both managers and frontline workers in government authorities and institutions as well as creating a more efficient, effective, and "customer -friendly" public sector. Public managers interviewed were willing to experiment and apply new methods and models for service delivery, production, performance measurement and human resource management, during the course of this research.

Finally, the hypothesis that the strategy for creating public value for a public organization has to be focused on the external environment of the organization and especially orientated towards stakeholders, thus leading to the application of corporate governance principles in the public are, is examined though the analysis and presentation to public managers of the advantages of improving efficiency, equity and efficiency in services provided, in close collaboration with the citizens who must be regarded as significant shareholders. This novel approach does create many advantages and improves the services provided by the public sector, which also has to raise up to the challenges posed by the resulting structural and operational challenges.

#### **4. "PUBLIC VALUE" – THE NEXT STEP IN PUBLIC SERVICES REFORM**

The concept of "public value" involves ingenuity and expertise, the development of a creative and proactive management process with a strong entrepreneurial load, in a democratic space, but with limited resources.

For this it is necessary to admit that:

- The public organizations need to understand, articulate and continuously review the "public value" aims they carry out;
- The strategic planning and management practices should be oriented towards the "public value" producing and demonstration;
- The "public value" objectives need to be authorized by the general public through continuous dialogue and deliberation;
- In achieving the "public value" objectives we need to take into account the operational capacity and the necessity to take into consideration the opportunity cost and the developed resources.

Public Value Management as a new paradigm supposes to redefine the way we face the challenges, both related to the efficiency, effectiveness, responsibility and equity, and those related to the ability to indicate the motivating force to lead the reform in services.

#### 4.1 Relation between New Public Management and Public Value Management

The approach of “public value” requires considerable changes on how we think and design the activities of public administration, the policies and services, compared with the approach of the New Public Management, as shown in Table 1.

**Table 1. Key differences between NPM and VPM**

Analyzed aspects	NPM	VPM
Characterization	Post-bureaucracy, competitive govern	Post-competitiveness
Dominant aspect	Results	Relation
Managerial objectives	Achieving the agreed objectives of performance	Multiple objectives, including the responsibility to meet the citizens’ preferences to which the confidence through the quality of services is added.
Defining the public interest	Individual preferences are aggregated.	Collective preferences are expressed.
The dominant model of responsibility	Getting performances through market mechanisms	Systems of multiple responsibilities (customers as users, taxpayers as financiers).
Performance objectives	The management of inputs and outputs to ensure responsibility and efficiency to citizens.	The multiple objectives are watched, including the results, satisfaction, trust and legitimacy.
Needs and problems	Wishes expressed through the market	Complex, volatile and susceptible to risk.
Strategy	Centred on market and services customers.	Shaped by the civil society.
Governance	Through market	Network and partnership
Setting through	Outputs	Loyalty

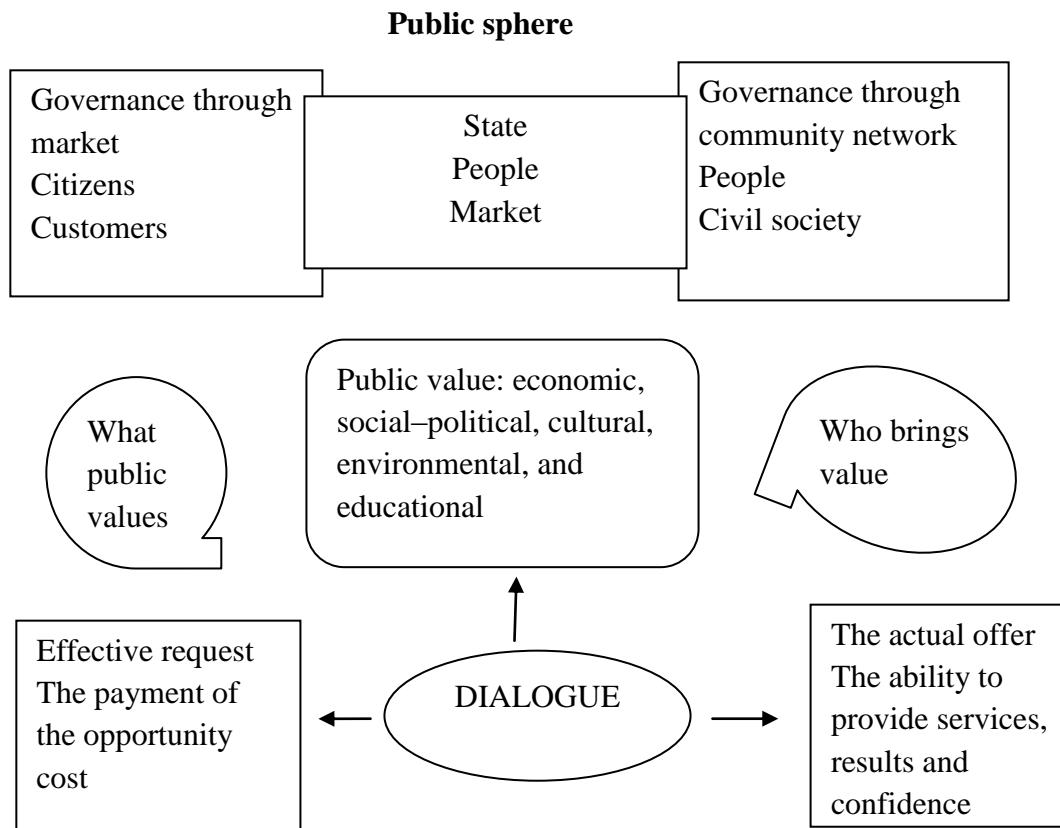
*Source:* adapted from O’Flynn (2007, p.3) and Benington (2011, p.51)

NPM can be characterized as a post bureaucratic and competitive concept with a clear accent focused on results. Public managers, in this paradigm, formulated specific objectives to achieve performance indicators. In the paradigm of “public value”, the managers have multiple purposes. Thus, some aspects are added to the performance indicators that are more comprehensive, such as: creating direct networks by providers looking for “public value”, creating and maintaining trust, responsibility to the citizens’ collective preferences (in addition to those of customers).

#### 5. THE “PUBLIC VALUE” MODEL AND INTERFACES

We are seeing an evolution of the public management from a traditional approach marked by hierarchies to the New Public Management led by market, and then, we reach to a management through network, which is based on “public value”.

We could build a dynamic model of these changes in the public domain, as shown in Figure 2:



**Figure 2. The “public value” model**

Source: adapted from Hills & Sullivan (2013, p.29)

“Public value” exceeds the market coordinates and takes into consideration political and social factors, as follows (Benington, 2011):

- ✓ The economic value – it adds value to the public domain by generating economic activities and employment;
- ✓ Cultural and social value – it adds value to the public domain by contributing to the social capital, social cohesion, social relationships, cultural identity, individual welfare and, at the community level, the protection and promotion of the cultural diversity;
- ✓ Political value – it adds value to the public domain by stimulating and sustaining the democratic dialogue, through active involvement and citizens’ commitment;
- ✓ Educational value – it adds value to the public domain by capitalizing the opportunity of formal and informal education; the acquisition of knowledge, abilities and capacities to act as informed citizens;
- ✓ Ecological value – it adds value to the public domain by promoting the sustainable development, reducing pollution, waste and global warming;

“Public value” can be created in different ways, given the variety of activities covered by the public service sector. In some cases, it is necessary, first of all, to clarify the nature of the processes involved and then, we think of the ways through which “public value” can be added in various stages of the value chain. In other cases, we have to start with the group of people in question and involve them in discussing and defining how they can contribute to and benefit from the creation of “public value”.

In key services, such as education and health, the complex processes between services users and providers, where the value is created, must be taken into consideration. The central point for the production of “public value” in education is the interrelationship among the main actors: pupils (students), teachers, parents and community.

These challenges, regarding the traditional distinction between producers and customers, between clients and contractors, go beyond the competitive market and focus on the quality of the interrelationships established in the collaborative processes of achieving value.

## 6. CONCLUSIONS

The new “public value” conceptual framework has been created as a solution to the fact that the public administration is insufficiently flexible, innovative and creative and also, does not respond to changes in citizens’ aspirations and does not produce results in terms of efficiency and effectiveness. Each perspective of the “public value” concept reflects the perception that the previous organizing models of the public sector neglected the civil society and public positioning as a passive receiver of public goods or as a simple consumer on a huge market.

We can conclude that we are witnessing a new kind of governance through network that glides from the state and market to the civil society, from adjusting through outputs (results) to adjusting through trust and loyalty, from coordination through hierarchy/market to the coordination through network. It is that kind of governance where the value is created through economic prosperity, social cohesion and cultural development. Value, under its various forms – better public services, increased confidence, reduced social problems, etc., is decided by the citizen who is regarded as a shareholder.

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