Public service innovation: a value co-creation framework

Professor Stephen P Osborne, Director of the Centre for Service Excellence, University of Edinburgh Business School
Centre for Service Excellence

- University of Edinburgh Research and Engagement Centre
  - Cross-school and concerned with public and private services
  - Research into effective service delivery
  - Engaging with service firms and public service organisations to improve service delivery
  - Working with our UG and PG students to prepare them for working in the service sector

- Stephen.Osborne@ed.ac.uk
Structure

I – What do we mean by ‘innovation’?

II – A value co-creation framework

III – Implications for public service innovation

IV - Conclusions
Two premises...

- **Premise I:** public services should seek to add value to citizens and communities
- **Premise II:** public service innovation requires a value co-creation framework
I – What do we mean by ‘innovation’?
Innovation...

- Is not the same thing as change – or even ‘good change’!
- Innovation is *discontinuous change* – a ‘step change’ and *uncertainty*
  - Not about improving the present but embracing the future
  - Training vs. redundancy
- **Innovation** is...
  - Risky (socially constructed, stakeholder and locus dependent, how much risk for what benefit?)
  - Costly (BUT can be an effective route to public service reform)
  - Often fails (AND important to learn from failures)
  - Being challenged by digital/smart revolution/AI (can change power relations, and changing role for professionals as ‘knowledge integrators’)
Osborne typology of Public Service Innovation (PSI)

- ‘Discontinuity’ - newness in terms of organisational capacity and/or needs addressed
  - Total innovation (HIV/AIDS)
  - Expansionary innovation (young and adult offenders)
  - Evolutionary innovation (community care)
  - NOT developmental change

- Symbolic value - ‘conspicuous production’

<table>
<thead>
<tr>
<th>Social/economic needs</th>
<th>Existing needs</th>
<th>New needs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incremental development</td>
<td>Expansionary PSI</td>
</tr>
</tbody>
</table>

Centre for Service Excellence, University of Edinburgh Business School
II – A value co-creation framework
What are public services?

- NMP is flawed and failed
  - Flawed – product-dominant
  - Failed – internal focus, ignored process/service systems (phlebotomy and ward admissions)

- Public services are... SERVICES
  - But different...

- NOT products
  - Intangible, process-based
  - Are on a continuum and can contain concrete elements
  - Different business logic – simultaneous production and consumption, key role of staff, role of experience, delivered in service systems
  - ... To Public Service Logic

Centre for Service Excellence, University of Edinburgh Business School
Service management and marketing

- Services are experiential and production is predicated upon co-production
- Key issue *how customers created value* by use (consumption)
- *Value-in-use* – a service is valueless
  - it has no intrinsic value
  - ‘value emerges during use’
- Value is created in the context of customers lives, experiences and expectations – *value-in-context*
- Usage occurs in *service eco-systems*
- Service firms facilitate value creation by *offering resources* to customers in the form of *a value promise*
  - Ryanair vs. Emirates
  - A multinational operating in Muslim and Christian countries
- Customers create/co-create value by *integrating these resources* with their own needs, expectations, and experiences
- *Value destruction* can occur as well as value creation
  - Poor design, poor offering by firm, poor use by customer
What is value?

- Gronroos (2017)
  - Value is an effect whereby the customer ‘is or feels better than before’ as a result of using a service
  - Value creation as is the key process that enables this effect
    - ‘Value is created by the user for the user’ (i.e. not by the service firm)
    - Can also include value destruction!
  - Value creation important as part of service-dominant business model – facilitates ‘repeat business’
The value creation process

- **Provider sphere** (production process)
- **Joint sphere** (co-production of service and co-creation of value)
- **Customer sphere** (value creation by customer independent of the firm)
Public Service Logic (PSL)

- Public services are services
  - Sector is irrelevant
- An external value-creation focus is the only way to make sense of internal PSO performance information
  - Avoid very efficient but permanently failing PSOs
- Experience both is important in its own right and drives service outcomes
- Values underpin public services and these influence value creation
- Public services can create/destroy value for citizens and the community/society
  - Individual and societal value creation can conflict
The public service eco-system

Public policy (values)

Pre-production (experience and expectations of all actors)

Production (co-designing public service as resources; capital and training)

Co-production (creating value through production – for users and citizens)

Use (creating value for public service users by their use)
The Value Matrix for public services
<table>
<thead>
<tr>
<th><strong>Value dimensions</strong></th>
<th><strong>Value elements</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value in Production</td>
<td>Satisfaction or well-being</td>
</tr>
<tr>
<td>Value in Use</td>
<td>Outcomes</td>
</tr>
<tr>
<td>Value in Context</td>
<td>Lived experience</td>
</tr>
<tr>
<td></td>
<td>Capacity creation</td>
</tr>
<tr>
<td></td>
<td>Public or societal value</td>
</tr>
</tbody>
</table>
What is the locus of value creation?

- The individual
  - Service user, citizen, volunteer, significant other, public service staff
- The public service eco-system
- Society and the community
What are the processes of value creation?

- **Production (voluntary processes)**
  - Co-design
  - Co-production

- **Use (involuntary processes)**
  - Co-experience
  - Co-construction
III - Implications for PSI
Key implications

- **What type of value** are you trying to co-create by innovation through what processes?
  - A PSL framework is required
  - *Creating solutions to problems* NOT designing public services
  - The Value Matrix helps identify this

- **Key challenges**
  - What *values* (or mix of values) underlie this endeavour, and held by whom?
  - What *risks/costs* (to whom) does the innovation entail for what promised benefits?
  - How do you *learn from failed innovations* (*learning how to* and *learning from*)
  - How do you *negotiate* these challenges?

- A *service design perspective* helps address these challenges
  - Creating/Changing *organisational culture* not using a tool kit
  - *Blue-printing* the service process from inside-out - seek out *fail-points*
  - Exploring the *experience* of a service by its users and its impact on outcomes and well-being – innovate in service experience not just service outcomes
Conclusions – knowing co-created value through PSI when you see it

<table>
<thead>
<tr>
<th>Example – University Education</th>
<th>Private value</th>
<th>Public value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experiential</strong></td>
<td>Well-being – how does a university experience change your <em>whole</em> life?</td>
<td>What does its higher education system say about a country?</td>
</tr>
<tr>
<td><strong>Outcomes</strong></td>
<td>What degree do you get and what opportunities does this open for you?</td>
<td>(i) How does a university rate compared to other universities? (ii) How does a country’s HE system compare to others?</td>
</tr>
</tbody>
</table>

Centre for Service Excellence, University of Edinburgh Business School
‘It’s public service innovation Jim, but not as we know it….’ Time to seek new frontiers
And in conclusion...

• **THANK YOU ALL!!**