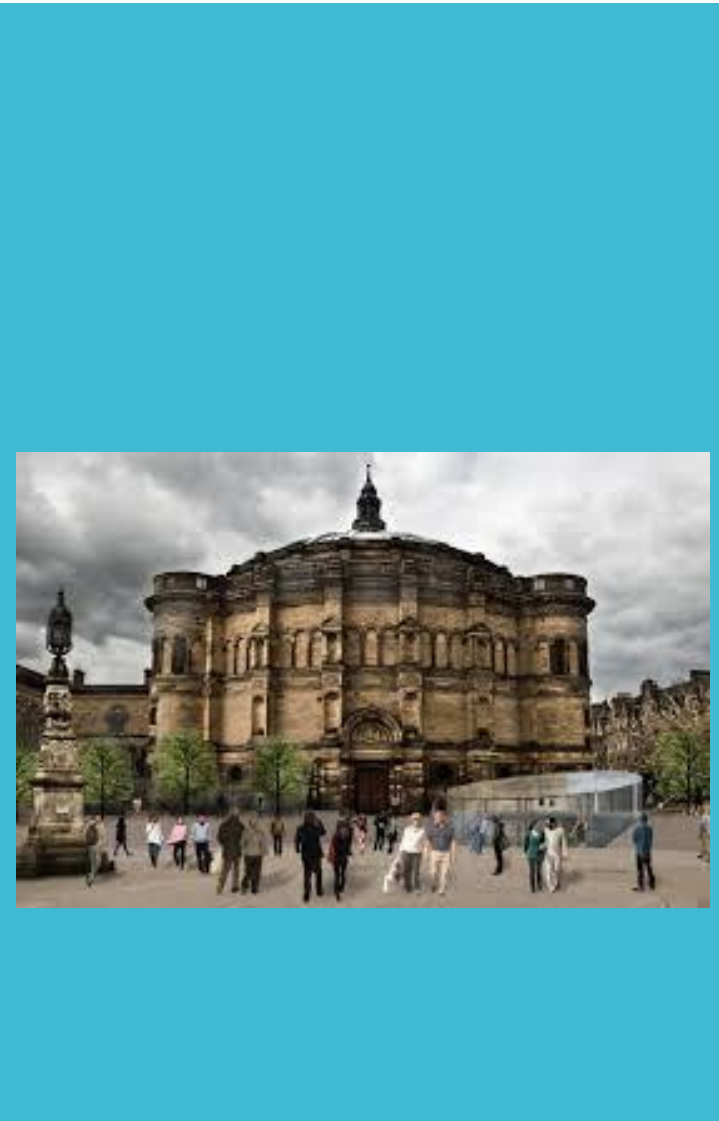


Public service innovation: a *value co- creation framework*

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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'

Osborne (1998)
 'Naming the
 Beast: Defining
 and Classifying
 Service
 Innovations in
 Social Policy' in
**Human
 Relations** (51, 9)

		Organisational capacity	
		<i>Existing organisational capacity</i>	<i>New organisational capacity</i>
Social/economic needs	<i>Existing needs</i>	<i>Incremental development</i>	Evolutionary PSI
	<i>New needs</i>	Expansionary PSI	Total PSI



- **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*

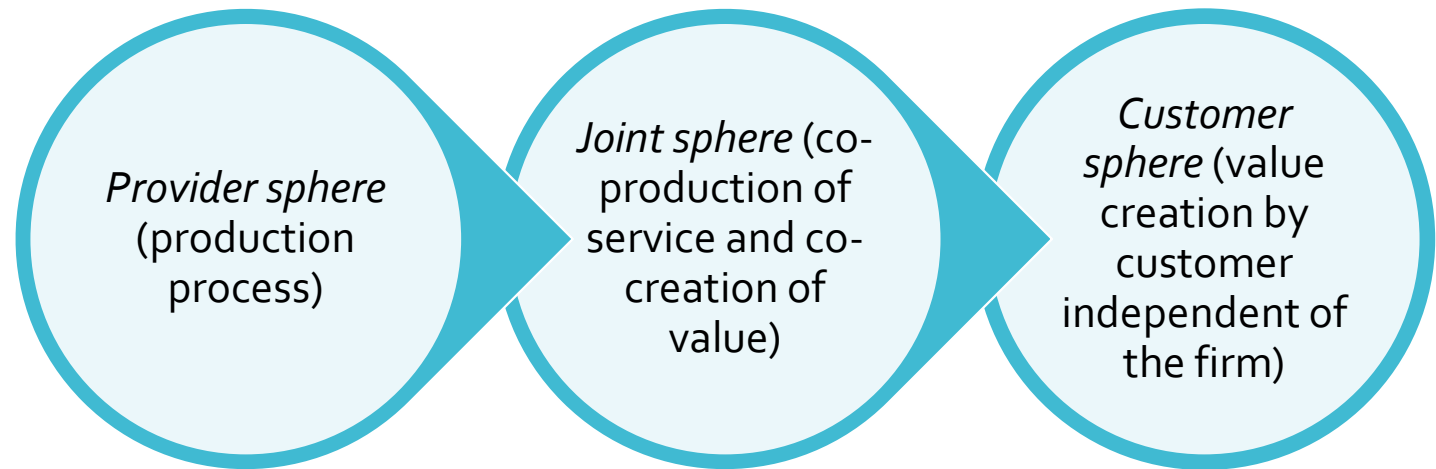
Service management and marketing

- 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'

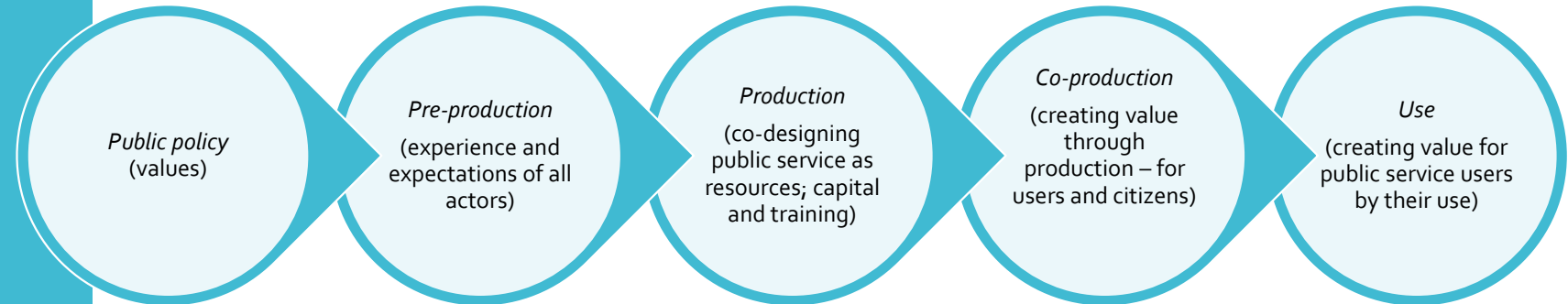
The value creation process



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 ecosystem





***The Value Matrix for
public services***

	Value elements				
Value dimensions	Satisfaction or well-being	Outcomes	Lived experience	Capacity creation	Public or societal value
Value in Production					
Value in Use					
Value in Context					

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

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

'It's **public**
service
innovation
Jim, but not
as we know
it....' Time to
seek **new**
frontiers



And in
conclusion...

• **THANK YOU
ALL!!**

