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## New development: Strategic user orientation in public services delivery—the missing link in the strategic trinity?

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### ABSTRACT

This article explores the application of strategic planning and management to public service organizations (PSOs). It argues that the impact of these approaches has been limited by the absence of an underlying strategic orientation towards value creation that would provide a value base upon which to embed these approaches within PSOs. It argues further for such an orientation to privilege the need for public services to add value to the lives of citizens and service users and not to focus solely upon internal measures of efficiency and performance.

### IMPACT

This article provides direct guidance to public service policy-makers and managers on the importance of a strategic orientation in order to enhance the impact of public services upon citizens and public service users. It provides advice as to how to enact and take forward such an orientation within public service organizations.

### KEYWORDS

Citizens; service users; strategic management; strategic planning; strategic orientation; value creation

Strategic planning and management (SPM) entered the management of public service organizations (PSOs) in the latter half of the 20th century. Llewellyn and Tappin (2003) have argued that both are alien to public administration and management (PAM) and were implanted into it from the commercial sector. This article argues that the impact of SPM for PSOs has been limited because they have indeed been so imported—and with a strategic orientation that has privileged cost and market orientation above a customer/user orientation. Consequently, PSOs have focused upon their internal costs and the implications of these costs for market positioning. This article argues for an alternative approach, based upon a strategic customer/user orientation. Such an orientation is essential for the evolution of resilient and sustainable public services.

The article is part of an evolving strand of PAM literature. Strokosch and Osborne (2020) recently pointed more broadly to the failure of successive waves of PAM reforms to successfully engage public service users and citizens in the design and delivery of public services, while Kools and George (2020) have called for PSOs to develop a 'learning organization' approach to SPM if they are to fulfil their potential. This present article builds upon these prior publications. It maintains that an essential prerequisite to achieving the potential of SPM for PSOs is to position it within a strategic orientation that places the users, not the PSO or public service managers, at the heart of strategic thinking.

It is a conceptual article, but one with significant implications for public management practice. The

article will commence by reviewing the development of SPM within PAM, and then argue for an alternative approach based on a strategic orientation that situates the public service user at the heart of SPM for public services.

### The strategic disciplines and PAM: a brief review

Strategic approaches have been an important element of the growth of PAM, with excellent reviews of them by Bryson et al. (2018) and Hoglund et al. (2018). However, their impact upon PAM has been limited by their adherence to a cost and/or market orientation alone (Llewellyn & Tappin, 2003), rather than adopting the customer orientation that characterizes successful businesses (Schlogl, 2017).

### Strategic planning

Bryson has elegantly articulated the necessity of strategic planning for PSOs. To conflate his own words, strategic planning is about 'what to do when stakeholders matter' (Bryson, 2004) and 'for the common good' (Crosby & Bryson, 2005). Strategic planning can, though, become overly pre-occupied with a rational view of public service delivery that belies such issues as power and culture (Vinzant & Vinzant, 1996).

### Strategic management

This has developed as part of PAM practice since Nutt and Backoff (1992). It is defined as a rational process of organizational decision-making, goal formulation,

implementation, monitoring and adjustment. Strategic management has the potential to go beyond the narrow concerns of strategic planning, to embrace broader organizational goals and to address the issues of power, culture and leadership identified above (Ferlie & Ongaro, 2015). Bryson et al. (2018) have asserted that it has now become 'common practice' for PSOs, though Hoglund et al. (2017) have also argued that its impact has been limited by its reliance on a 'tool kit' approach rather than on embedding strategic thinking across PSOs.

The literature emphasises important differences between strategic management for PSOs and for businesses. For businesses, for example, shareholders alone represent their ownership, whereas there is no single owner of a PSO. Rather, there are many stakeholders who can hold converging or conflicting interests—including service users, their families, citizens, taxpayers, other PSOs, and politicians. Thus for PSOs strategic management is enacted within an over-arching public service 'ecosystem' (Petrescu, 2019), where decisions and actions by these external stakeholders and funders may overtake their internal decision-making (Walker, 2013).

### **Critiques of SPM**

Bryson and Roering (1987) have admitted that 'most efforts to produce fundamental decisions and policy changes in government through [SPM] will not succeed' and that attention to its contingencies is required. Recent studies have also critiqued its undifferentiated application to PSOs, its poor understanding of the links between SPM and organizational leadership, the dominance of 'how to' tool kits, the contested links between SPM and PSO performance, and its overly rational approach to public policy and public services (for example George et al., 2019). Finally, there is a strong normative and atheoretical strand in much SPM literature (Brown, 2010).

Our distinctive critique is that the SPM literature fails to interrogate the assumption, derived from the New Public Management (NPM), that SPM is concerned with internal resources and market position alone (Llewellyn & Tappin, 2003). This is a fundamental flaw that has limited the impact of SPM for PSOs. Consequently, we now consider how PAM has privileged this strategic orientation above a customer (or user) orientation. Without this latter orientation, SPM can never truly link the management of PSOs to the achievement of external effectiveness and value-creation in delivering public services.

### **Strategic orientation**

#### **Businesses**

For businesses, strategic orientation has long been recognized as important for organizational

performance (Deshpande et al., 1993). It refers to an organization's capacity to create a *culture* of shared values and behaviour to underpin SPM. The literature focuses on three types of strategic orientation: cost, market, and customer orientation:

- Cost orientation has an internal focus, aimed at developing a culture of efficiency throughout a firm's internal value chain.
- Competition orientation is the creation of a business culture across the firm that is oriented to market performance.
- Customer orientation is the underlying organizational culture that facilitates the understanding of what constitutes 'value' for a firm's customers and how to embed such value at the heart of sustainable business practice.

Two points are important here. First, that strategic orientation is about the values and culture that underpin an organization. Second, that while cost and market orientation are necessary for organizational survival, it is a customer orientation that is an essential pre-condition of organizational effectiveness and the creation of customer value. Without this latter orientation, organizations risk becoming highly internally efficient while failing to achieve a sustainable market presence—and especially in highly relational service contexts (Mediano & Ruiz-Alba, 2019).

#### **Public services**

For public services, an internal cost orientation is an enduring principle both of the NPM and of recent public management reforms in response to the global recession. A cost-oriented PSO places a high level of importance on developing tools and knowledge about its resource inputs and their costs and about reducing waste (Hyndman & Lapsley, 2016). This is a required antecedent for the short-term survival of PSOs, but it is not sufficient to guarantee their enduring sustainability (Osborne et al., 2015).

Similarly, a competition orientation has been a feature of PSOs that is also linked to the influence of the NPM. It has enhanced the performance of individual PSOs, but often at the cost both of the overall effectiveness of public service delivery ecosystems in responding to need and of the ability of individual PSOs to respond to emergent social/economic issues (McLaughlin et al., 2002). The focus for PSOs has been on their market positioning and the marketization of public services, rather than upon external effectiveness and value creation (Powell & Osborne, 2020). These orientations have limited the impact of SPM for PSOs.

## Customer/user strategic orientation and services

Within the service management literature, the importance of this orientation is even greater and a robust strand of theory and practice has developed that posits a customer orientation as a necessary condition for successful service businesses. Further, as the service management literature has subsequently developed, this customer orientation has shifted from involving customers in the production of services (co-production) and to their role in the consumption of services in order to create value in their own lives (co-creation) (Vargo et al., 2008; Gronroos, 2017). Thus, a customer orientation has become the basis for interpreting cost and market information, rather than being led by them, and for strategic decision-making. This is lacking from PAM (Groth et al., 2019).

For public services, the equivalent of customer orientation is user orientation. The rhetoric of user orientation has certainly been a mainstay of public service reforms in recent years, though research has questioned its actuality (Boyne & Walker, 2010). While there is a strong tradition of stakeholder engagement in SPM, especially in strategic planning, this is not the same as user orientation. A user orientation goes beyond the tools and tactics of stakeholder engagement to embed the user as at the heart of effective PSOs and as a core determinant of their value creation.

Studies have also argued that this rhetoric has achieved little in putting service users at the heart of public service delivery (for example Loeffler and Bovaird (2016) and Flemig & and Osborne (2019), on co-production). Strokosch and Osborne (2020) have also argued that successive waves of public service reform have failed to enable a user orientation because they articulated it as something to be 'added into' existing public services. Consequently, they posit an alternative approach that has a user orientation embedded at its heart—Public Service Logic (PSL) (Osborne, 2020).

The last decade has seen increasing attention to understanding and managing PSOs as service organizations (for example Osborne et al., 2013; Hodgkinson et al., 2017; Engen et al., 2020). This is the genesis of PSL. A full exposition of PSL is not the purpose of this article. Rather, it is to argue for its import in positing a user orientation as at the heart of SPM for effective and sustainable public services.

## The implications of PSL and a user orientation for SPM and for PSOs

A user orientation is fundamental to PSL and has four implications for SPM within PSOs. First, SPM needs to be informed by an understanding of the centrality of the user to the delivery of effective and sustainable

public services: it is only in the context of this user orientation that cost and market information can be made sense of (Alford, 2016).

Second, and consequently, PSOs need to focus not upon internal resource and performance measures alone but rather to evaluate these in the context of external value creation and user needs.

Third, it is only by embracing a user orientation that PSOs can become truly sustainable as services, else they will continue to fail to be 'fit for purpose'. This requires that they adopt such a user orientation to steer their strategic direction and their role within public service reform trajectories. It also requires them to understand that their sustainability is not possible in isolation but only possible within healthy and thriving public service ecosystems. Such a systemic approach will drive the creation of sustainable public services and sustainable PSOs, rather than an absorption either with internal costs or with the market position of individual PSO at the expense of the health of the overall public service ecosystem.

Fourth, therefore, SPM must embrace a user orientation that takes values and value creation for the service user as the pre-eminent strategic intents of PSOs.

Such a change will require five elements:

- Clarity over the societal values that public services enact and their implications for the delivery of public services (Haynes, 2018).
- An emphasis upon the performance of the overall public service ecosystem rather than individual PSOs (Petrescu, 2019).
- An appreciation of what 'value' comprises for public service users and a focus for PSOs of co-creating such value in partnership with public services users (Osborne, 2020).
- Consequently, the establishment of performance management systems predicated upon value creation rather than internal resource usage (Foglieni & Holmlid, 2017).
- Cultural change within PSOs to embed this new approach—not easy but not impossible either (Karp & Helg, 2008).

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