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Developing a strategic orientation for resilient and sustainable public services

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This paper argues that the application of strategic planning and management to public services has been hampered by the failure to link these to a strategic orientation. This paper suggests that this is essential to the development of resilient and sustainable public services for the future and that this orientation needs to privilege creating value in the lives of public service users rather than internal organisational efficiency in isolation from such value.

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The transposition of strategic planning methods and management from the private sector to the public sector has focused, over the past decades on cost control more than on user needs and well-being. Public service organisations (PSOs) have hence become pre-occupied with their internal costs and the implications of these costs for market positioning. Drawing upon service management and marketing research and theory, this paper will argue for an alternative approach that focuses instead upon external effectiveness and upon creating value for public service users. Such a strategic customer/user orientation is essential for the evolution of resilient and sustainable public services.

This is not an entirely novel argument. Strokosch & Osborne (2020) recently pointed to the failure of successive waves of public management reforms to successfully engage public service users and citizens in the design and delivery of public services, whilst Kools & George (2020) have called for PSOs to develop a 'learning organisation' approach if they are to fulfil their potential. This present paper maintains that an essential prerequisite for PSOs to become resilient is adopt a strategic orientation that places the users, not the PSO or public service professionals, at the heart of their strategic thinking.

It is a conceptual paper, but one with significant implications for public management practice. The paper will commence by reviewing briefly the development of strategic planning and management for PSOs and by considering the strategic orientation within which these managerial disciplines have been situated. It will then argue for an alternative approach that places the public service user at the heart both of the strategic design and delivery of public services and of resilient and sustainable public services.

The strategic disciplines and public management: a brief review

Strategic approaches have been an important element of the growth of public services management (Poister 2010). However, as is argued below, the impact of these approaches has been limited by their adherence to a cost and/or market orientation alone (Llewellyn & Tappin 2003), rather than adopting the customer orientation that characterises successful firms in the commercial service sector (Schlogl 2017).

Box 1 : Strategic planning and strategic management

Strategic planning is 'a disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does and why it does it.' (Bryson 1988, p. 5).

Strategic management includes these objectives but it is also more holistically 'concerned with managing an organization in a strategic manner on a continuing basis. Strategic planning is a principal element but not the essence of strategic management' (Poister & Streib 1999, p. 310).

Strategic planning. According to John Bryson, strategic planning is about 'what to do when stakeholders matter' and 'for the common good'. Strategic planning can, though, become overly pre-occupied with a rational view of public service delivery that belies such issues as power and culture. Despite this, it has become embedded within public services management practice since the 1970s.

Strategic management. This has developed as part of public services management since the early 1990s (Nutt & Backoff 1992). It is defined as the rational decision process by which an organization formulates its goals, implements actions to achieve them and monitors results, making adjustments as environmental and organizational conditions require them to.

Strategic management has the potential to go beyond the narrow concerns of strategic planning, to embrace broader organisational goals and to address the issues of power, culture and leadership identified above (Ferlie & Ongaro 2015). John 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 in isolation (such as the stand-alone application of a SWOT Analysis or a Balanced Scorecard) rather than on embedding strategic thinking across the PSO. Areas within which the impact of strategic management have been studied are displayed in Box 2 below.

Box 2 : Studies exploring the impact of strategic management

Research studies have explored the impact of strategic management upon:

- ▶ sustainability management
- ▶ organisational performance
- ▶ stakeholder engagement
- ▶ the adoption of information technology by PSOs
- ▶ healthcare and the digital city

The literature emphasises important differences between strategic management for PSOs and for private sector firms. One straightforward example will make this point. In a private firm, shareholders alone represent the ownership of that firm, whereas there is no single owner of a PSO. Rather, there are many stakeholders who can often hold conflicting, rather than converging, interests – including service users, their families, citizens in general, taxpayers, other PSOs, and politicians. Thus for PSOs, their strategic management is enacted within an over-arching public service ecosystem (Petrescu 2019), where decisions and actions by politicians and other key external stakeholders may interact with or even overtake their internal decision-making (discussed further below). They are also subject to public funding models and have little or no autonomy in decision making within these models.

Box 3: The residential care services ecosystem

In case study research exploring value creation in residential care services for the elderly, the complexity of public service ecosystems was clearly demonstrated, as were the diverse goals of value creation for various beneficiaries.

Residential care services were provided by a for-profit organisation and while their objectives were clearly associated with financial profit and the sustainability of the organisation, providing a positive service experience for service users and their families was identified as a key dimension facilitating these organisational objectives. Focusing on the service experience was perceived to support the development of the organisation's reputation and therefore support both repeat and new business. Furthermore, while the wider service ecosystem was shaped by legislation and social care regulations, it also had an important societal dimension. For example, effectively designed and delivered residential care services were described as having a positive impact on other needs and public services, such as health, thereby benefiting both society and taxpayers.

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Box 3 provides a concrete example to illustrate the complexity of goals within such public service ecosystems.

Interim conclusions on strategic planning and management. At the most general level, some critics have suggested that in practice strategic management is very difficult for PSOs, because of the complexity of their operating environments. Recent studies (e.g. George et al 2019) have also suggested a number of problematics with current approaches to SPM which are summarised in Box 4.

Box 4. Problems associated with current SPM

- ▶ the mechanistic application of strategic approaches to PSOs,
- ▶ the contested links between strategic approaches and PSO performance,
- ▶ the under-theorisation of strategic approaches and the dominance of 'how to' tool kits, and
- ▶ a poor understanding of the links between strategic

Strategic planning and management also fail to interrogate the assumption, derived primarily from the New Public Management (NPM), that the management of public services should be concerned primarily with internal costs and market position alone. We contend that this is a fundamental flaw that has limited the impact of the NPM for PSOs. Consequently, in the next section, we argue for the importance of establishing a strategic orientation as a precursor and context for strategic planning and management for PSOs. Without this, we argue, strategic planning and management can never truly link the organisational decisions, processes and activities of PSOs to the achievement of external effectiveness and value-creation in delivering public services. These latter achievements are at the core of resilient and sustainable services, whether in the public or private sector. We conclude by arguing that this strategic orientation needs to be informed by an understanding both of public services as 'services' and not as a special form of manufactured goods and of the centrality of the public service user to value creation for public services.

Strategic orientation

In the private sector, *strategic orientation* has long been recognised as important for organisational performance. It refers to an organization's capacity to create a culture of shared values and behaviour to underpin its strategic approach and can be oriented towards three horizons: costs, markets, users.

Cost-orientation has an internal focus and is aimed at developing a culture of efficiency throughout a firm's internal value chain. It is of course one of the more enduring principles of the NPM - and indeed the driver of most recent public management reforms has been a cost-orientation in the face of the global recession. It focuses upon reducing internal waste and increasing internal efficiency. This is of course a necessary and vital antecedent for the organisational sustainability of PSOs, especially in times of crisis, but it is not sufficient to guarantee either their effective external performance or their sustainability in testing market conditions (Osborne et al 2015).

Competition-orientation is the creation of a business culture across the firm that is oriented to market performance. It has also been on the rise within PSOs for several decades, again linked to the influence of the NPM. The focus for PSOs has thus been upon their market positioning and the marketization of public services, rather than upon external effectiveness and value creation (Powell & Osborne 2015, 2020).

Customer-orientation is the underlying organizational culture that facilitates the understanding of what constitutes 'value' for the customers of a firm and how to embed such value at the heart of sustainable business practice (Narver et al 1998). It is a customer orientation which gives meaning to the cost and competition orientations of a business.

As we argue below, customer (or 'user') orientation has been absent from the strategic planning and management

practice in PSOs and constitute a significant limitation on their applicability to, and impact upon, the sustainability of PSOs. A recent example from our work of what might constitute a user-orientation for public services is illustrated in Box 5.

Box 5: Re-design of social security services in Scotland

By refocusing attention away from concerns of internal efficiency, the Scottish Government has recently re-designed social security policy and services from a 'lived experience' perspective. This has supported the development of a customer/user-orientation and, by consequence, services have been designed with current social security service users to ensure they are accessible and meet the needs of those using them. It also represents an important shift away from the traditional and adversarial social security system which has shaped the approach to social welfare in the UK. This adversarial model has emphasised 'value for money' and limiting the numbers of people access social security services. The Scottish model by contrast has a strategic orientation that emphasises the centrality of user experience and the significance of the co-design of the social security system around needs rather than budgets.

Customer and user strategic orientation in private and public services

Private sector customer-orientation. The for-profit literature has long understood the significance of a customer orientation for business success (e.g. Frambach et al 2016). Within *the service management literature*, the importance of such an orientation is even greater. the 'moment of truth' (Normann, 1991) emphasised how the relationships between the customers and staff of a service business were fundamental to the creation of a 'virtuous cycle' of enhanced market performance for the service business. Relationship marketing developed this approach further by creating a robust strand of theory and practice that situated a customer-orientation as a necessary condition for successful and sustainable service. Thus for service businesses the focus has shifted

“ ...from the activity of attracting customers to activities which concern having customers and taking care of them. The core of relationship marketing is relations, a maintenance of relations between the company and the actors in its micro-environment... and of course customers as the most important actor. The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced. (Ravald & Gronroos 1996, p. 19) ”

As the service management literature has evolved subsequently, the emphasis has shifted from involving service customers in the production of services (co-production) and to their role in the consumption/use of services in order to create value in their own lives (co-creation) (Vargo et al 2008, Gronroos 2011). This emphasis has subsequently been articulated as the basis of success for service firms (Gronroos 2017). Thus, a customer orientation is the basis for sustainable service businesses. It establishes a customer-oriented culture that is the basis for interpreting cost and market information rather than vice-versa. This then becomes the basis for strategic decision-making. This customer orientation is entirely lacking from contemporary public service management and has, we argue, substantially limited the impact of strategic planning and management on PSO effectiveness, performance and sustainability.

Creating a public service user-orientation. Stakeholder engagement is about a series of operational tactics and approaches to drawing a range of key actors into the strategic planning and enactment cycle. This is not the same thing as user-orientation, though. A user-orientation goes beyond stakeholder engagement to embed public service users and the creation of value in their lives at the heart of public service management. This orientation, we argue is at the core of a service approach to PSOs, as the basis for sustainable public services.

The rhetoric of user orientation has of course been a mainstay of public service reforms for some years, though research has increasingly questioned its actuality (Boyne & Walker 2010). *Inter alia*, this research has argued that in reality a user orientation has both become conflated with 'consumerism' as part of NPM-style reforms and that this has undermined substantially its impact and has conflicted with public service motivation to undermine public service performance. Others have also argued that the rhetoric is empty and has achieved little in putting service users at the heart of public service delivery. Flemig & Osborne (2019), for example, have suggested that the lack of substance behind the user orientation rhetoric has undermined the potential achievements of co-production. Building on this work, Strokosch & Osborne (2020) have argued that successive waves of public service reform have failed to achieve a user orientation in the design and delivery of public services. This has been because these reforms have seen a user orientation as something to be added into existing public services as an 'add-on'. This has had the effect of limiting significantly actual user involvement and/or citizen participation as either a means or an end of these reforms. They argue for an alternative approach to public service management that integrates insights from the service management and marketing literature with public management.

In this approach, the user is not at the periphery of the process of public service delivery, where PSOs have to struggle to engage them in this process. Rather they are at the heart of a public service 'ecosystem' that includes all the key stakeholders and elements of public service delivery. Consequently, they are central both to the co-design and co-production of public services and to the co-creation of value in their own life through these services. It is not a question of how to engage public service users in public service and delivery. Rather the question is how PSOs can develop their own user orientation to engage effectively with the actuality of public service delivery.

Such an approach has a significant impact for our understanding of public services in general and of strategic planning and management for PSOs in particular. We argue here that this strategic orientation to the centrality of the user for public services is essential to give meaning to the existing cost and market orientations of PSOs as the basis of effective strategic planning and management. Such a strategic user-orientation is, we would argue, the missing strategic link between internal efficiency, market position and true external effectiveness and value creation. This argument is developed further in the final section of our paper. Box 6 also provides an illustrative example of how a cost/competition strategic orientation might constrain attempts to shift towards a customer-orientation during service re-design.

Box 6: Service design in an English Borough Council

This case explored the re-design of services of an English Borough Council located in the east of England. Service re-design was connected to a broader programme of transformation and service modernisation, of which digital transformation formed a core dimension.

The goals and practice of service design, in this case, were closely linked to the strategic objectives of the organisation and in particular, concerns of internal efficiency. Although a consultancy organisation had introduced the concept of human-centred design to Council staff, the emphasis of senior management was on creating efficiencies and maintaining centralised control of service production and the design process, rather than centralising the role of Borough residents and service users. This significantly impacted upon the processes and impacts of the service redesign process. This case highlights the importance of strategic orientation and the way in which it might constrain attempts to transform services.

Public Service Logic (PSL) (Osborne 2020) Integrates service management and public management. PSL has argued that the core of effective public service performance derives from understanding them as services, rather than products. This requires four things:

- ▶ An understanding of public services as intangible processes that cannot be stored but where their production and consumption occur simultaneously in real-time;
 - ▶ An awareness that these public service delivery processes take place within **public service ecosystems**;
 - ▶ An appreciation of **public service users as central to the co-design and co-production** of these services; and
- An appreciation of **value creation** for public service users as being at the heart of these services.

Within this approach, PSOs provide resources for citizens, in the form of public services. However, it is the user who creates value in their life by how they combine these resources with their own needs, experiences and expectations. This process can also be shared with public service staff to co-create value. The public service user is thus at the core of the public service delivery process and is the engine of value creation, not the PSO. *A user orientation is thus essential for the development of effective and sustainable PSOs.* It is only in the context of such a user-orientation that PSOs can make sense of their cost and market information in order to develop effective and sustainable public services (Osborne et al 2015).

For public services, both the production *and* use/consumption of such services are important – value can be created as much through user involvement in the co-design and co-production of public services as through their use.

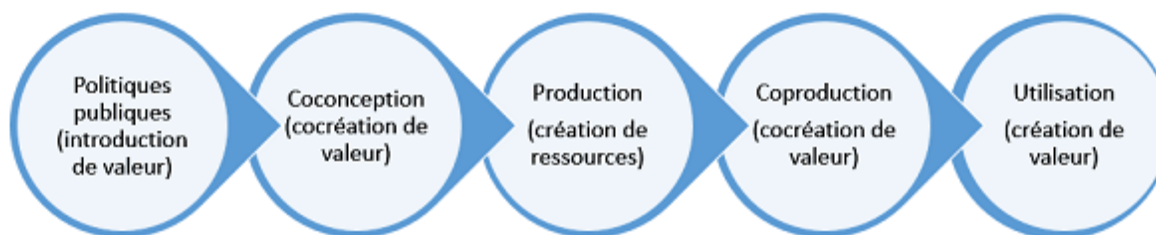


Figure 1. The public service production and consumption process

PSL understands public service delivery as a process that moves from societal values through to the use of public services (Figure 1). Societal values are embedded in public services through public policy. These policies are translated into public services by co-design with citizens and public service users. Public service organisations create resources (i.e. public services) for citizens to use in addressing their needs, and the actual experience of these services is co-produced by the PSO and the public service user. This process takes place within the context of a public service ecosystem. Finally the public service user integrates these services, both consciously and sometimes unconsciously, with their needs, experiences and expectations to create value for themselves. Importantly it is not assumed that value is always created: badly designed or misused public services can also destroy value for their users.

Three types of value can thus be created:

- ▶ **Value-in-production** – this comes from the role of users in the co-design and co-production of public services, either through strengthening the focus of these services on needs or by enabling users to develop their own skills and confidence by such involvement. Citizens who are not service users can also gain such value by their role as volunteers;
- ▶ **Value-in-use** – this comes from the experience of using a public service and can affect the short-term and long-term well-being of service users and also provides a milieu for their engagement with the aims of public services; and

Value-in-context – this comes from the extent that public services address the social and economic needs of citizens in the context of their own life experiences and expectations.

These three types of value are themselves made up of a mix of value elements:

- ▶ the **short-term satisfaction** of public service users with their services and the influence of this upon their well-being;
- ▶ **public service outcomes**, in terms of the effects and impacts of a public service;
- ▶ the influence of public service on the **wider whole-life experience** of a service user;
- ▶ the extent to which public services create **individual and/or societal capacity** to change and improve in the future; and
- ▶ the creation of **societal value** either through the delivery of public goods (e.g. street lighting) or through secondary benefits (such as fostering of active citizenship or an inclusive society).

A key challenge for any public service is hence to determine the dimensions of value that it is trying to create and the elements that make up these dimensions. This mix will be different for each public services (and indeed for each PSO). A crucial task for every PSO is therefore to determine this balance and use this to structure its user orientation. A tool to do this is the Value Matrix displayed in Table 1.

Table 1 : The Value Matrix

Dimensions of value

Short-term life experience and satisfaction

Service outcomes (effects and impacts)

Long-term creation of personality and whole-life experience

Capacity creation for future change

Value create for society

Value-in-production

Value-in-use

Value-in-context

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This value is created or destroyed within public service ecosystems. The elements of these ecosystems are identified in the Box 7 below.

Box 7. Elements of the public service ecosystem

The societal values and norms and the public policy context of a public service

The key individual actors and stakeholders to a public service, including citizens; public service users; public service professionals, workers and support staff; and significant others (such as the family/carers of a service user or volunteers); and encompassing

- ▶ *Their social and economic needs,*
- ▶ *Their personal beliefs/philosophies, prior experiences (both service-specific and whole-life) and future expectations of these key actors, and*
- ▶ *Their actions and activities within the public service ecosystem*

The organisations involved in the ecosystem, often operating within complex and interactive service delivery networks, including PSOs but also organisations supporting their work or supplying resources (such as software firms, outsourced administrative services, or suppliers of essential equipment)

The resources that go into the production of a public service by a PSO, including the capital, buildings, training of staff, etc.

The public service infrastructure, including the hard and soft technology that supports the public service delivery, as well as essential 'back-office' support services and administration

The spatial locus of a public service and its impact upon service delivery (e.g. whether a public service is delivered in an open-plan or closed environment, or at a location at the top of a hill or in a town square)

The processes both of service enactment and use and of value creation, including their design/co-design, production, co-production and usage.

Conclusions: the implications of PSL and a user orientation for strategic planning and management and for PSOs

To return to the starting point of this paper, a PSL approach to the design and delivery of public services has five implications for the practice of strategic planning and management by PSOs.

First, strategic planning and management needs to be informed neither by a narrow focus on internal costs nor by the market performance of individual PSOs (alone). Rather it must be informed by an understanding of the centrality of the public service user to the delivery of effective and sustainable public services. It is only in the context of this central user role that cost and market information can be made sense of.

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Second, PSOs need to realise that public service delivery occurs not through the actions of single PSOs but rather in complex and interactive public service ecosystems. Both sustainable PSOs and sustainable public services require a strategic focus on the ecosystem rather than on the PSO in isolation.

Third, PSOs need to concentrate not upon internal resource and performance measures in isolation, but rather the import of these measures for the creation of value in the lives of public service users and society. The dimensions and elements of this value will differ across different public services and different societal contexts, as described above.

Fourth, it is only by embracing PSL and a user orientation that PSOs can become truly sustainable. This requires that they adopt such an orientation to steer the strategic direction of public service reform and the role of individual PSOs within these reform trajectories. It also requires them to understand that the sustainability of individual PSOs is only possible within the context of healthy and thriving public service ecosystems. This systemic approach will drive the creation of sustainable public services and sustainable PSOs, rather than an absorption either with internal costs or with individual PSO market position at the expense of the health of the overall public service ecosystem.

Fifth, none of the above is to downplay the importance of cost or market information and orientation for public services. The NPM has created very efficient but permanently failing public services by focusing on cost and market information in isolation. It would be a tragedy if a user orientation were to lead to highly effective but unsustainable public services by failing to consider cost and market information in the context of a strategic user orientation. This is the core of Public Service Logic.

References

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