

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

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## **Strategic user-orientation in public services delivery: the missing link in sustainable and resilient public services?**

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**Strategic user-orientation in public services delivery: the missing link in sustainable and resilient public services?**

**Abstract**

***Key words***

Strategic orientation, strategic planning, strategic management, Public Service Organisations, user orientation, public service delivery, Public Service Logic

## **Strategic user-orientation in public services delivery: the missing link in effective public services delivery? <sup>1</sup>**

Strategic planning and management (SPM) entered the management of public service organisations (PSOs) in the latter half of the twentieth century. Llewellyn & Tappin (2003) have argued that both are alien to public administration and management (PAM) and were implanted into it from the commercial sector. This paper argues that the impact of SPM for PSOs has been limited because they have suffered from a strategic orientation that has privileged cost and market orientation above a customer/user orientation. Rather than strengthen the sustainability of PSOs this has in fact undermined it. 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 PAM 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 to SPM if they are to fulfil their potential. This present paper maintains that an essential prerequisite to achieving the potential of SPM is to position it within a

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strategic orientation that places the users, not the PSO or public service professionals, at the heart of 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 SPM within PAM 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 PAM (Poister 2010). Bryson et al (2018) and Høglund et al (2018) provide excellent reviews of these approaches. 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).

In their seminal review, Poister & Streib (1999) make the important distinction between the strategic planning and strategic management literatures. *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 they argue that 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.** The doyen of the strategic planning literature is undoubtedly John Bryson. He has elegantly articulated the necessity and import of this approach for PSOs (e.g. Bryson & Roering 1987, Bryson 1988, Bryson et al 2009). This opus has developed a substantial tool-kit of approaches to 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 and 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). Despite this, it has become embedded within public services management practice since the early (Berry & Wechsler 1995, Poister and Streib 1994).

**Strategic management.** This has developed as part of public services management since the publication of the seminal text on it in 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 (Roberts 1993).

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). Bryson et al (2010) have asserted that it has now become 'common practice' for PSOs, though Høglund 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 the PSO. Studies can now be found that explore the impact of strategic management upon such issues as sustainability management (Enticott and Walker

2008), organisational performance (Meier et al 2006), stakeholder engagement (Holman et al 2007), the adoption of information technology by PSOs (Yang and Melitski 2007), healthcare (Ferlie et al 2016), and the digital city (Ribeiro et al 2019).

The literature emphasises important differences between strategic management for PSOs and for private sector firms (e.g. Alford & Greve 2017). 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 overtake their internal decision-making (Bozeman & Straussman, 1990). They are also subject to public funding models and have little or no autonomy in decision making within these models (Walker 2013).

***Interim conclusions on SPM.*** At the most general level, seminal studies have suggested that ‘strategic management in the public sector may be extremely difficult’ (Ring & Perry 1985, p. 281), and that ‘most efforts to produce fundamental decisions and policy changes in government through [SPM] will not succeed’ (Bryson and Roering, 1987, p. 606). Recent studies have also suggested a number of problematics with current approaches to SPM. These include the undifferentiated application of SPM to PSOs (Meier et al 2006), the contested links between SPM and PSO performance (George et al 2019), the under-theorisation of SPM and the dominance of ‘how to’ tool kits (Brown 2010) and a poor understanding of the links between SPM and organisational leadership (Lane & Wallis 2009).

To these critiques, we would add our own, in three parts. First, the SPM literature can be overly rational in its expectations as to how public policy decisions are made and how PSOs enact public services (Bowry et al 2019). Second, there is a strong normative strand in much of the SPM literature. This asserts what PSOs and their managers either 'must' (Poister & Streib 1999) or 'should' (Brown 2010) do. Finally, and most significant for this present paper, the literature fails to interrogate the assumption, derived primarily from the hegemony of the New Public Management (NPM) since the early 1980s, that SPM is concerned with internal costs and market position alone (Llewellyn & Tappin 2003). We contend that this is a fundamental flaw that has limited the impact of SPM for PSOs. Consequently, in the next section, we consider how PAM has privileged such a cost and market strategic orientation above a customer (or in the public service context, user) strategic orientation. Without this, we argue, SPM 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.

### **Strategic orientation**

In the private sector, *strategic orientation* has long been recognised as important both for SPM and for organisational performance (e.g. Deshpande et al. 1993; Hurely & Hult 1998). Strategic orientation refers to an organization's capacity to create a culture of shared values and behaviour to underpin its strategic approach (Sinkula 1994; Deshpande & Webster 1989). In particular, this literature focuses on three types of strategic orientation: cost, market, and customer orientation.



*Cost-orientation* has an internal focus and is aimed at developing a culture of efficiency throughout a firm's internal value chain (Porter, 1998). *Competition-orientation* is the creation of a business culture across the firm that is oriented to market performance' (Narver & Slater 1990, p. 20). *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). As we argue below, such nuanced distinctions and understanding are absent from the SPM literature within PAM and constitute a significant limitation on its applicability to, and impact upon, sustainable PSOs.

***Strategic orientation, SPM and public services.*** An internal *cost-orientation* 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 (Kickert & Randma-Liiv 2017). As such, it is embedded in many current PSO strategies and operating mechanisms. A cost-oriented PSO places a high level of importance on developing tools and knowledge about the resource inputs used to produce its services and the costs of these resources. It focuses upon reducing internal waste and increasing internal efficiency (Hyndman & Lapsley 2016). This is of course a necessary 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 (Bouckaert & Halligan, 2008. Osborne et al 2015).

Similarly, *Competition-orientation* has also been on the rise within PSOs for several decades, again linked to the influence of the NPM. It does appear to have enhanced the sustainability of individual PSOs within public service markets and quasi-markets

(McLaughlin et al 2002). However, the evidence is that this has been at the cost both of the overall effectiveness of public service delivery ecosystems in responding to societal needs and of the ability of PSOs to respond creatively to the most pressing of global social and economic problems in a holistic manner (Benington & Moore 2010, Pollitt 2016). 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). It is this latter issue that is at the core of a *customer-orientation* (or, in the context of public services, *user-orientation*) that would articulate how to negotiate and create enduring value for the users of public services (Powell & Osborne 2020) and which would provide a meaningful context for the practice of SPM within PSOs.

### **Customer and user strategic orientation**

***Customer-orientation in the private sector.*** The for-profit literature has long understood the significance of a customer orientation for business success (e.g. Slater & Narver 1994, Frambach et al 2016). Within the service management literature, the importance of such an orientation is even greater. Starting from the seminal work of Richard Normann (1991) on the ‘moment of truth’ and Christopher & Ballantyne (1991) on relationship marketing<sup>2</sup> a robust strand of theory and practice has developed in the service management literature that posits a customer-orientation as a necessary condition for successful and sustainable service businesses (e.g. Wang et al 2016, Groth et al 2019 Neneh 2019).

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<sup>2</sup> Berry (1983) is credited with first using the term ‘relationship marketing’, but Christopher & Ballantine (1991) are generally agreed to have popularised the idea.

Normann's initial work (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. Relationship marketing developed this further by linking a customer orientation to value creation for service firms:

*'The focus is shifting [for service firms] 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, both in general (Gronroos & Voima 2013) and across a range of dimensions (e.g. Janteng et al (2017) on supply chain management, Zaborek & Mazur (2019) on SME performance, and Taghizadeh et al (2019) on new service development and innovation). 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 PAM and has, we argue, substantially limited the impact of SPM on PSO effectiveness, performance and sustainability.

***User-orientation in public services.*** There is a strong strand of theory and practice around stakeholder engagement for PSOs in SPM, especially in strategic planning (Bryson et al 2011). This is not the same thing as user-orientation, though. 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. A user-orientation goes beyond this to embed public service users and the creation of value in their lives at the heart of PAM. This orientation is at the heart 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 in recent years (e.g. Flynn 1995). Increasingly, though, research has questioned the actuality of this (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 (Jung 2010) and has conflicted with public service motivation to undermine public service performance (Jensen & Andersen 2015). Others have also argued that the rhetoric is empty and has achieved little in putting service users at the heart of public service delivery (e.g. Loeffler & Bovaird (2016) and Flemig & Osborne (2019) have suggested that the lack of substance behind the user orientation rhetoric has undermined the potential achievements of co-production).

Most substantively, Strokosch & Osborne (2020) have argued that successive waves of public service reform have actually failed to achieve a user orientation in the design and delivery of public services, primarily 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 posit

an alternative approach to PAM that is adapted from the service management and marketing literature – Public Service Logic (Osborne 2020).

In this approach, the user is not at the periphery of the process of public service delivery, where PSOs have to struggle to engage 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 SPM for PSOs in particular. We argue here that such an approach is essential to give meaning to the existing cost and market orientations of PSOs as the basis of effective SPM. 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.

**Public services and SPM from a Public Service Logic perspective.** Starting from the work of Osborne et al (2013), the last decade has seen increasing attention both to understanding and to managing PSOs as service organisations. This has been in contrast to the more product-dominant approaches that characterised the NPM (e.g. Alford 2016, Trischler & Scott 2016, Heidemann et al 2017, Hodgkinson et al 2017, Eriksson 2019, Gronroos 2019, Engen et al 2020). Initially termed Public-Service Dominant Logic, this body of literature has subsequently become known as Public Service Logic (PSL).

Drawing upon service management and marketing theory and research, this work has argued that the core of effective public service performance derives from understanding them as services, rather than products. This requires three things. First, it requires an understanding of public services as intangible processes that cannot be stored but where their production and consumption occur simultaneously in real-time. Second, it requires an appreciation of public service users as central to the co-design and co-production of these services. Third, it requires an awareness 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. 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 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).

A full exposition of PSL is beyond the remit of this paper and is available elsewhere (Osborne 2020). Rather the intent is to argue for its import as a coherent framework for SPM for public services and for the creation of sustainable public services. Consequently, we will now explore the implications of a strategic user orientation for SPM and for effective public services.

This paper commenced by exploring the strengths and limitations of the public management SPM literature. It emphasised that such SPM was limited in its impact upon the creation of sustainable PSOs by the prevailing cost/market orientation of PSOs. Drawing upon the private sector service literature, it argued that this

orientation might be an effective one for product-dominant businesses, but that service firms required a different approach. This latter approach is one that understood the nuances of sustainable service-dominant, as opposed to product-dominant, firms. This understanding put the service user at the heart of the co-design and co-production of public services and at the core of value creation for these services. Consequently sustainable PSOs require a user-orientation to engage effectively with the reality of public services provision.

### **Conclusions: the implications of PSL and a user orientation for SPM and for PSOs**

To return to the starting point of this paper, a PSL approach to the design and delivery of public services has four implications for the practice of SPM:

First, SPM needs to be informed neither by a focus on internal costs nor by the market performance of individual PSOs (alone), but rather 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 (Alford 2016).

Second, PSM needs to realise that public service delivery occurs not through the actions of single PSOs but rather in complex and interactive public service ecosystems (Petrescu 2019). Both sustainable PSOs and sustainable public services require a strategic focus on the ecosystem rather than on the PSO in isolation.

Third, PSOs needs to concentrate not upon internal resource and performance measures alone but rather the import of these measures for the creation of value in

the lives of public service users and society. This value includes five elements, but the mix of these will differ across different public services and different societal contexts (Osborne 2020):

- 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 ('lived experience');
- 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).

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, not an absorption either with internal costs or with individual PSO market position at the expense of the health of the overall public service ecosystem.