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Osborne, Stephen P.; Strokosch, Kirsty; Radnor, Zoe

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3 Co-Production and the Co-Creation of Value in Public Services

A Perspective from Service Management¹

*Stephen P. Osborne, Kirsty Strokosch
and Zoe Radnor*

Co-production is currently one of the cornerstones of public policy reform across the globe (e.g. OECD, 2011). *Inter alia*, it is articulated as a valuable route to public service reform (Nambisan and Nambisan, 2013) and to the planning and delivery of effective public services (Durose et al., 2013), a response to the democratic deficit (Pestoff, 2006) and a route to active citizenship and active communities (DoH, 2010), and as a means by which to lever in additional resources to public services delivery (Birmingham City Council, 2014). A significant body of public management research has also begun to mature (see also Verschuere, Brandsen and Pestoff (2012) and Alford (2014) for good summaries of this work). Despite this growing body of empirical research, though, co-production continues to be one of a series of ‘woolly-words’ in public policy.

From a service management perspective, co-production is intrinsic to any service experience. This contrasts to public management theory, where the exploration of co-production is almost exclusively on how to ‘add-in’ service user input into public services planning and delivery, on a voluntary basis. Co-production in this latter conceptualization thus does not challenge the basic premises of public management, because it can only occur at the behest of, and controlled by, service professionals (Brandsen and Pestoff, 2006).

From a service management perspective, however, the nature and role of co-production in public service delivery is somewhat different. Crucially, this literature is not concerned with how to ‘enable’ or ‘build in’ co-production to service delivery. *Its basic premise is that co-production is an essential and inalienable core component of service delivery: you cannot have service delivery without co-production.* Service users do not consciously choose to co-produce or otherwise—it occurs whether they choose to or not, whether they are aware of it or not, and whether the public service encounter is coerced or not. Indeed, resistance to service delivery, especially in the more coercive areas of public services such as the criminal justice system, is as much a form of co-production as a voluntary/conscious willingness to

co-produce. *Co-production thus comprises the intrinsic process of interaction between any service organization and the service user at the point of delivery of a service—what Normann (1991) has termed ‘the moment of truth’ in service provision.*

Briefly, *traditional service management theory* stems from tripartite notions of intangibility, inseparability, and co-production (Gronroos, 2011): services comprise intangible processes not concrete products (even if they may utilize such concrete elements in their delivery); the production and consumption of such services are not separate processes but rather are inseparable and occur contemporaneously (you cannot ‘store’ a service for delivery at a later date—it is consumed at the point of its production; and the user/consumer is a (willing or unwilling, conscious or unconscious) participant in service production and enactment. The quality and performance of a service process is shaped primarily by the expectations of the user, their active or passive role in the service delivery, and their subsequent experience of the process. This is at the heart of co-production. Service organizations can only ‘promise’ a certain process or experience—the actuality is dependent upon service enactment, where user expectations of a service collide with their experience of it—and which determines both their satisfaction with the service experience and the performance and outcomes of this service encounter (Venetis and Ghauri, 2004). *Crucially, co-production is about the interaction between service users and service providers—it is not the same as ‘consumerism’ or even user empowerment.*

Service management theory has also evolved recently through the *service-dominant* perspective. Here, ‘service’ is not an industry description but is rather the process through which value is added to any service or product. Value is *co-created*² through the transformation of service components when a service is utilized at the point of co-production—termed ‘value in use’ (Lusch and Vargo, 2006). Thus a service does not have any intrinsic value to its users but is co-created through co-production (Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2008; Gronroos, 2011; Edvardsson, Tronvoll and Gruber, 2011).³ To take a simple example, the ‘value’ to a customer of a meal in a restaurant is not a simple financial transaction—it is not an aggregation of the cost of the ingredients of the meal and the wages of the restaurant staff. Rather, its value to the customer is co-created by that customer and the restaurant at the point of consumption and includes not only the quality of the meal itself but the ambience of the restaurant, the actions of the restaurant staff, and the impact of this upon the well-being of the customer. This latter point is directly related to the expectations of the customer of the meal and the extent to which they are met—is the meal meant to impress a potential business partner, for example, or to be a romantic episode or a celebration? The interaction of these expectations and the actual experience is where genuine value is co-created for the customer. This insight is fundamental to understanding the process and import of co-production for service delivery.

It is equally central to understanding the delivery and impact of public services (Osborne and Strokosch, 2013, Osborne, Radnor and Nasi, 2013). A classic public service example of such co-creation of value would be the experience of residential care for older people. The (conscious and unconscious) expectations and the personal characteristics and actions of the residents, and their significant others, of a residential home create the experience of that home as much as do the actions of its staff. The experience and performance (‘value’) of the residential home is continuously co-created by these interactions. One could have two identical residential homes which employed the same staff—but the experience and impact of each home would be different—because this would be co-created by the interactions with the residents of the home. Nor is such public service value co-creation dependent upon voluntary or conscious intent. Such residential homes can be a home to residents who resent being there but have no other option because of their own lack of self-care abilities (involuntary residence), or who may be suffering from conditions such as dementia and so are actually unaware of their residence (unconscious residence). Yet these individuals would still nonetheless co-produce both their own lived experience of the home and contribute to the quality of the experience of other residents.⁴

In reality, of course, such co-productive elements are more of a continuum than a steady state. Services such as residential care and education are instances where co-production and value co-creation are high, with iterative inter-personal contact between the service user and the service provider. By contrast, they are rather lower for electronic financial services, such as tax returns, because production and consumption occur through the medium of an electronic interface that does not have such inter-personal immediacy—here, the co-production of a financial service is essentially passive (the inputting financial data for their tax return by a citizen or choosing from a list of pre-set options, for example), mediated through a virtual interface.

Unlike much current public management literature, therefore, the service management literature emphasizes the iterative interactions between the service producer and the service user in the co-production of public services and the interdependency between these two at the operational level. The user’s contribution as a co-producer during service production is not only unavoidable (and can be unconscious or coerced) but is also crucial to the performance of a service. *Such co-production leads to the co-creation of value for the service user, which we explore further below.*

If service theory has insights to offer to our understanding of co-production, it also has its limitations, however. It has no real understanding of the political and policy context of public services, for example, nor of service production in the context of unwilling or coerced service users (as in the case of the criminal justice system, for example) or where the desired outcomes of a service are multiple and/or contested—as can be the case in a range of child care services (e.g. child protection services). Further the concept of ‘value in use’ is limited in its understanding of public

services both where there are contested outcomes expressed by different stakeholders and where ‘repeat business’ can be an admission of service failure rather than success (a patient returning to a doctor because their illness has not been resolved rather than for the positivity of the experience, for example). Nonetheless, service theory can contribute significant new insights to the understanding of public service delivery. This is already evolving—both in general terms through the positing of a *public service logic* (Osborne, 2018—previously ‘public service-dominant logic’ (Osborne, Radnor & Nasi 2013, 2015)) and through the use of this logic to explore co-production (Radnor et al., 2013). Crucially public service logic argues that it is public service users who create value through their interaction with public services—and it is public service organisations that co-produce this with them, not vice versa.

Conceptualizing Co-Production from a Service Management Perspective

Our approach, rooted in an understanding of the design and delivery of public services from a service management perspective (Osborne, Radnor and Nasi, 2013, 2015), links co-production directly to the co-creation of value in public service delivery. Central to this understanding, and to service management theory, is the premise that such service delivery does not occur within public service organizations (PSOs) alone, or even within networks of co-operating PSOs. Rather, public services are actually delivered within *holistic and dynamic public service systems* that include PSOs, service users and their significant others, the local community, hard and soft technology, and sometimes other significant stakeholders (Radnor et al., 2013).

This approach was first applied to co-production in Osborne and Stroskosch (2013). Subsequently we refined this approach to produce a conceptual framework of co-production (Osborne et al., 2016). In this current chapter, this framework is developed to articulate the relationship between co-production and value creation in public services, focused upon *value creation in relation to individual services users or citizens and not society as a whole*.

In this context, we refer to three types of value which are co-created in public service delivery by the iterative interactions of service users and service professionals (‘co-production’) with public service delivery systems. These are value derived from

- the meeting of individual economic/welfare needs (enabling individuals with disabilities to enhance their lives),
- the generation of individual well-being as part of a service interaction (the well-being created for individuals as a result of helping them resolve the impact of a disability upon their life—or simply from their experiences within a public service),

- the creation of individual capacity to resolve problems in the future as a consequence of the above two value creation processes (the skills and/or confidence created for individuals with disabilities that enable them to address and resolve other issues in the future).

Developed from Osborne et al. (2016), Figure 3.1 below conceptualizes four distinct processes through which co-production can lead to the co-creation of such value in public service delivery. It disaggregates these processes from an undifferentiated, and somewhat amorphous, cluster of concepts into a set of four differentiated processes that both are capable of proper research evaluation and are a usable framework to guide public policy creation and the delivery and management of public services.

The vertical dimension of the framework incorporates the perspectives of co-production as an inalienable and involuntary element of the public service delivery process and as voluntary action. The horizontal dimension incorporates an understanding of public services as individual services (a residential home or school) and as part of holistic service delivery systems (community care services or a local education system).

This produces a four quadrant typology of the processes of value co-creation. Quadrant I identifies value created by ‘*pure*’ co-production, where the user (consciously or unconsciously) co-produces their service outcomes (public value) with public service staff (Etgar, 2008). As discussed previously, this process is not voluntary but rather is intrinsic to the nature of a public service as a ‘service’—it is impossible to deliver any form of public service without at least some element of such technical co-production. Just because this process is unconscious, coerced, and/or unavoidable, however, does not mean that service users and staff cannot chose to actively engage with the

		<i>Locus of co-production</i>	
		<i>Individual service</i>	<i>Service system</i>
Nature of co-production	<i>Involuntary</i>	I: Co-production	II: Co-construction
	<i>Voluntary</i>	III: Co-management	IV: Co-design and Co-innovation

Figure 3.1 Conceptualizing Co-Production and the Co-Creation of Value in Public Services from a Service Management Perspective

process—indeed such active engagement is highly desirable in maximizing its role in co-creating value through public service delivery. Examples of such co-production would be elderly residents living within a residential home or students within a learning environment. Actively engaging with this pure co-production will maximize its potential to create value for service users.⁵

Quadrant II shifts the focus to the service system rather than the service in isolation. Here the wider life experiences and context of the individual service user experience of the service user interacts with their experiences within the service system as a whole to *co-construct* (Schembri, 2006) their ‘lived experience’ (Von Manen, 1990) of the service. This process creates value partly as a result of their satisfaction with their experience of the service, but also, more fundamentally, in how the service experience impacts upon their own life/well-being at an emotional and personal level. The personal life experience of the service user will affect how they engage with a service and what characteristics, expectations, or skills they bring to the service experience, whilst the lived experience of being within the service system will impact upon their life as a whole—the on-going service encounter within the service system will co-construct their life experience as it interacts with their holistic life experiences. Thus an adult with profound mental health problems will bring their disordered life experience to the process of service delivery, whilst the process of being within the broader mental health system will co-construct their own life experience as well through the relationships and occurrences within this system. Key here are the ‘emotional touch-points’ (Dewar et al., 2010) between the service system and the service users.

Quadrant III concerns co-production as a conscious and voluntary act and is concerned with how value is created for service users by their conscious *co-management* of their individual service experience. This will impact upon the extent to which it both meets their expressed needs and enhances their satisfaction (and well-being) with the service. Individual planning models for elderly people are a good example of this. The extent to which this genuinely creates value for the individual will be dependent upon the extent to which there is genuine co-production between service users and staff, rather than linear consultation. This form of value co-creation can fundamentally challenge existing power balances and relationships within public services.

Finally, Quadrant IV focuses upon the conscious and voluntary involvement of service users in the *co-design* (Lengnick-Hall, Manschot and De Koning, 2000; Steen et al., 2011) and improvement of existing public service systems (for themselves or as a whole) and the *co-innovation* of new forms of service delivery (Dinesen, Seemann and Gustafsson, 2011; Lee, Olson and Trimi, 2012). Service theory has long held that service users are the most significant source of innovation and change in service delivery, with over two-thirds of service innovations being derived directly from user involvement in the innovation process (Alam, 2006). This form of value co-creation is about the capacity to change both individual services and service systems. An example could be adults with physical disabilities working

within the community care service system to generate new resources as alternatives to residential care.

This framework is a substantial step forward in enhancing our understanding of the relationship between co-production and value co-creation in public services. Further work is required to refine this framework further. We would highlight four issues here, but there are surely more. First this framework focuses primarily upon the role of service users. However, the role of service professionals is the other ‘half’ of the co-productive relationship and their role in value co-creation is significantly under-researched. Second, service theory makes explicit that co-production is not a normative good—it has the potential to lead to the *co-destruction* of value as much as to its co-creation (Ple and Cacaes, 2010, Echieverri and Skalen 2011). This is true also for public services, though this insight has often been absent from much of the discourse about co-production. Failure to recognize the intrinsic co-productive activity comprised in Quadrant I, for example, could also lead to maladaptive behaviour by service staff or users that could lead to the destruction of value in the service encounter.

Third, the focus here has been primarily upon ‘value’ as welfare outcomes and personal well-being. The co-creation of value as capacity to change and develop has not been explored sufficiently. The framework provides a robust analytic structure for exploring and evaluating the impact of new developments upon both co-production and upon the co-creation of value in public services delivery.

Fourth, the delivery of public services also creates value for society as a whole and reflects what it values. The dynamics of this relationship require further exploration.

Notes

- 1 This chapter is an abridged and revised version of S. Osborne, Z. Radnor & K. Strokosch 2016 ‘Co-Production and the Co-Creation of Value in Public Services: A suitable case for treatment?’ in *Public Management Review*, (18:5) pp. 639–653.
- 2 Co-creation in this context is conceptually different from its usage in relation to the co-design and co-creation of innovation in service delivery (e.g. Sanders and Stappers, 2008).
- 3 There is also a growing literature on service co-production in digital and virtual environments (e.g., Gummerus, 2010).
- 4 More broadly the provision of residential care also co-creates (social/public) value for society as a whole, through the extent to which it is seen as a normative social good, meeting societal objectives and needs, and/or enhancing social cohesion.
- 5 We know, for example, that the active involvement of oncology patients in the design and implementation of their care plan increases clinical outcomes, irrespective of any other clinical decision making or procedures (Katz et al., 2005).

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