Co-production and the co-creation of value in public services

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Co-production and the co-creation of value in public services: a suitable case for treatment?


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Abstract

Co-production is currently one of cornerstones of public policy reform across the globe. Inter alia, it is articulated as a valuable route to public service reform and to the planning and delivery of effective public services, a response to the democratic deficit and a route to active citizenship and active communities, and as a means by which to lever in additional resources to public services delivery. Despite these varied roles, co-production is actually poorly formulated and has become one of a series of 'woolly-words' in public policy. This paper presents a conceptualisation of co-production that is theoretically rooted in both public management and service management theory. It argues that this is a robust starting point for the evolution of new research and knowledge about co-production and for the development of evidence based public policy making and implementation.

Key words

Co-production, public services reform, active citizens, active communities, public service-dominant logic, co-creation, public value

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Co-production and the co-creation of value in public services: a suitable case for treatment?

Co-production is currently one of cornerstones of public policy reform across the globe (Horne & Shirley 2009, Commission on the Future Delivery of Public Services 2011, OECD 2011). *Inter alia*, it is articulated as a valuable route to public service reform (Boyle & Harris 2009, Nambisan & 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 (DoH 2010) and active communities (Scottish Community Development Centre 2011), and as a means by which to lever in additional resources to public services delivery (Birmingham City Council 2014). A significant body of research has also begun to mature (*inter alia* Cepiku & Giordano 2014, Fledderus et al 2014, Radnor et al 2014, van Eijk & Steen 2014, Hardyman et al 2015, Isett & Miranda 2015, Wiewiora et al 2015), Despite these varied roles and growing body of empirical research, co-production continues to be poorly formulated and has become one of a series of ‘woolly-words’ in public policy. This paper presents a conceptualisation of co-production that is theoretically rooted in both public management and service management theory. It argues that this is a robust starting point for the evolution of new research and knowledge about co-production and for the development of evidence based public policy making and implementation. At the centre of this conceptualisation is the relationship between co-production and the co-creation of value through public services delivery. This relationship is explored further below.

In this paper we define **co-production as the voluntary or involuntary involvement of public service users in any of the design, management, delivery and/or evaluation of public services**¹. As Osborne & Strokosch (2013) have identified, there are two, often unconnected, strands of work on such co-production – from public administration and management (PAM) theory and from service management theory. From a PAM perspective, this literature originated from the seminal work of Ostrom (1972, see also Alford 2014 for a re-evaluation of this work) in the US. She contended that public

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¹ We acknowledge that there is a further discourse about the broader involvement of citizens and not just direct service users in the co-production of public services. However this is not the focus of this discussion here.

It is possible to trace an evolution in this PAM literature, from the focus of ‘traditional’ public administration with co-production as a way through which public services could be delivered with ‘the maximum feasible participation of residents of the areas and members of the groups served’. (Judd, 1979, p. 303, see also LaPorte 1971), through an association with ‘consumerism’ as part of the New Public Management reform trajectory (Potter 1994, Barnes 1995, Powell et al 2010) and latterly as part of open systems approaches to public services delivery as exemplified by the model of the New Public Governance (Osborne 2010). It is no longer the case, for example, of exploring the top-down relationship between public policy, PSOs and the recipients of public services. Emerging new technology has offered service users potential routes to wrest (some) bottom-up control over public services from the policy, administrative and managerial structures (Dunleavy et al 2006, Bekkers et al 2011, Voorberg et al 2014).

Whilst the co-production concept has developed within the on-going discourse of PAM, however, it has failed to challenge the traditional orthodoxy of this discourse where “public officials are exclusively charged with responsibility for designing and providing services to citizens, who in turn only demand, consume and evaluate them” (Pestoff 2006, p. 506; our emphasis). Within PAM theory, co-production is largely preoccupied with how service user participation can be ‘added into’ the process of service planning and production to improve the quality of these services. Co-production thus does not

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2 Though both Ostrom and Alford have acknowledged that co-production can at times be involuntary in nature.
challenge the basic premises of this theory about public services delivery, because it can only occur at the behest of, and controlled by, service professionals (Brandsen & 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 the service delivery process. Its basic premise is that co-production is an essential and inalienable core component of service delivery: you cannot have (public) service delivery without co-production. Service users do not 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 or mental health, is as much a form of co-production as a voluntary and 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 2007): 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. Most significant in the context of this paper is the latter point about the centrality of co-production to service delivery. 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 organisations can only ‘promise’ a certain process or experience – the actuality is dependent upon the aforementioned ‘moment of truth’, where service 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 (Magnusson 2003, Venetis & Ghauri 2004).

This traditional formulation has also evolved recently through the exposition of the service-dominant perspective. In this perspective, ‘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 through the transformation of service components at the point of co-production (Lusch & Vargo 2006). Thus a service does not have any intrinsic value to its users. This value is co-created through co-production (Prahalad & Ramaswamy 2004, Vargo & Lusch 2008, Payne et al 2008, Svensson & Gronroos 2008, Spohrer & Maglio 2008, Gronroos 2011, Edvardsson et al 2011). 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 et al 2013). A classic public service example of such co-creation of value would be the experience of residential care for older people through the interaction of staff and service users in a residential home. The (conscious and unconscious) expectations and the personal characteristics and actions of the residents, and their

3 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 & Stappers 2008).

4 There is also a growing literature on service co-production in digital and virtual environments (e.g. Zeithaml 2002, Nambisan & Baron 2009, Gummerus 2010).
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 of the residential home is continuously co-created by these interactions. One could have two identical residential homes and 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. Residents would co-create both their own experience and value and also contribute to the co-creation of the experience for other residents. 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 experience on the home and contribute to the quality of the experience of other residents. In extreme cases residents might also be required to reside in a home because of their inability to care for themselves by a court order (coerced residence) – and this too would have an impact on the (co-created) value of the experience for these individuals and for other residents of the home.

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 clearly instances where co-production and value co-creation are high, with almost constant direct face to face 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 the inter-personal immediacy of face-to-face contact – in this case, 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.

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5 More broadly the provision of residential care also co-creates value for society as a whole, through the extent to which it is seen to be a normative social good, to meet societal objectives and needs, and/or to enhance social cohesion.
Unlike much current public administration and 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. This value comprises their satisfaction with the service, the impact of the service experience upon their well-being and the extent to which it meets their social, health or economic needs. Individuals can co-create the value of their own service, but can also contribute to the collective co-creation of value for other service users, as in the case of the residential home above. Finally public services also contribute to co-creation ‘public value’, to the extent to which they contribute to the meeting of societal objectives or contribute to social cohesion or well-being.

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 (Osborne 2010). However, a novel conceptual combination of the public administration and management and the service perspectives has the potential to further our understanding of the nature, process and limitations of the co-production of public services. This process has already begun - both in general terms, through the positing of a public service-dominant logic for public services (Osborne et al 2013, 2014, 2015) and through the use of this logic to explore co-production (Osborne & Strokosch 2013, Radnor et al 2014, Hardyman et al 2015). This present paper offers a contribution to this debate by addressing the central theoretical issue of the conceptualisation of co-production and its relationship to the co-creation of public value.

**Conceptualising co-production.**

Despite the growth of the PAM literature on co-production noted above, its conceptualisation within this literature is disappointing. In much of the policy and
practice ‘grey’ literature it is invariably defined as a normative policy good that is concerned with ‘adding in’ service users to help produce public services and that invariably leads to the levering-in of additional resources to service delivery and/or enhanced policy and service outcomes (e.g. Horne & Shirley 2009, DoH 2010, OECD 2011, Birmingham City Council 2014. Within the PAM literature, there have been some useful previous attempts to provide a conceptual framework for co-production (e.g. Brandsen & Pestoff 2006, Bovaird 2007, Alford 2014). However these have either drawn from practice alone for their inspiration and have been largely atheoretical, or have been rooted in concepts from political science and sociology. These have been important developments but they have not been based in a proper theoretical understanding of the place of co-production in public service delivery or management.

Our approach, in contrast, is rooted in an understanding of the design and delivery of public services from a perspective of the public service-dominant logic (PSDL) (Osborne et al 2013, 2014, 2015) and which links co-production directly to the co-creation of value in public service delivery, as discussed above. There are two significant strands to this. One is the application of service theory, as described briefly above, to assist in understanding the delivery of public services. The second is to situate this delivery not within PSOs alone, or even within networks of co-operating PSOs, but rather within public service systems. Situated with the NPG paradigm and drawing upon open systems theory (Scott 1981) we argue that 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 2014).

This approach was first applied to co-production in Osborne & Strokosch (2013). Subsequently we have refined this approach to produce the conceptual framework presented here in Figure I. Our starting point, as explicated above, is that co-production is intrinsic to the process of public service delivery and is linked directly to the co-creation of value both for service users and for society\(^6\). Here we refer to four ideal types of value which are co-created in public service delivery by the iterative

\(^6\) This latter conception of value is sometimes denoted ‘public value’ derived from the work of Mark Moore (2002) and articulates the links between the outputs and outcomes of public services and what they contribute to society as whole, rather than to individual service users.
interactions of service users and service professionals with public service delivery systems:

- The co-creation of value by the meeting of an individual social need (or of groups of individuals) through co-production in a way that adds to society – such as enabling individuals with disabilities to enhance their lives (Type I),
- The co-creation of value by the meeting of community needs through co-production in a way that adds to society – such as through a community regeneration scheme (Type II),
- The co-creation of value by the individual well-being created through type I or type II activities, such as the well being created for individuals as a result of helping them resolve the impact of a disability upon their life (Type III),
- The co-creation of social capital in an individual and/or community through co-production that co-creates capacity to resolve problems in the future – such as developing the skills and/or confidence of individuals with disabilities or local communities, as a consequence of Type I or Type II activities, and that enable them to address and resolve other issues in the future (Type IV).

The import of co-production hence derives not only from its role in contributing to the external, social, impact and effectiveness of public services in real-time (Types I and II value co-creation) but also from the sense of well-being that results from this real-time activity (Type III co-creation) and from its potential to facilitate the evolution of individual and community capacity to respond independently to social needs in the future (Type IV value co-creation). This co-creation of value is fundamental to public services that are capable not only of addressing individual social, health and economic needs in the present but which are also capable of producing a broader viable and effective contribution to society now and in the future. It is at the heart of the development of sustainable public services in the twenty first century (Osborne et al 2015).

Figure I thus seeks to integrate the insights from both the PAM and service literatures, to differentiate the cluster of related concepts that are contained within the term ‘co-production’ and to link these into the co-creation of value through public service delivery. It disaggregates co-production from an undifferentiated global, and somewhat amorphous, concept into a cluster of differentiated concepts that both are
capable of proper research evaluation and are a usable framework to guide both public policy creation and the delivery and management of public services.

The vertical dimension of the framework incorporates the service theory perspective of co-production as an inalienable and involuntary element of the public service delivery process and the PAM perspective of co-production as voluntary action that can enhance public service delivery. It focuses upon the extent to which co-production adds value to public service delivery. The horizontal dimension incorporates an understanding of public services both as entities in their own right (such as a residential home or a school) and as part of holistic service delivery systems (such as community care facilities and activities or a local education system). It focuses upon the locus of co-production and upon the ‘touch-points’ and ‘fail-points’ (Radnor et al 2014) that occur in public service delivery within public service systems.

This produces a four quadrant typology of co-production that integrates key theoretical perspectives. This typology is not designed to indicate ‘progression’ between I and IV. It is rather a heuristic through which to ‘unpack’ the nested concepts of co-production – and so that a more nuanced discussion and development of theory can take place to support public service delivery. Quadrant I concerns the actuality of the co-production of a public service. This is ‘pure’ co-production where the user co-produces the service experience and 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’ – and may indeed often be unconscious on the part of the service user. In this sense it is ‘technical’ co-production – it is impossible to deliver any form of public service without at least some element of such technical co-production. Moreover resistance by a coerced or unwilling service user is as much an act of co-production as willing or unconscious involvement. A key point here is that such co-production cannot be avoided as it is part of the service process. Service professionals and users therefore either have to choose to engage with this existing and intrinsic process to seek to enhance the service delivery experience, process and outcomes - or to ignore it and to accept its implications for the service experience and performance, however they turn out. Just because the process is unconscious, coerced and/or unavoidable does not mean that service users and staff cannot chose to actively engage with the process – indeed such active engagement is highly
desirable in maximizing its role is co-creating value through public service delivery. An example of co-production in this quadrant would be patients undergoing a surgical procedure, elderly residents living within a residential home or students within a learning environment. Actively engaging with the inalienable co-productive roles of these individuals can enhance the process and impact of public services delivery.

Quadrant II comprises the more common pre-occupation in the PAM literature, where co-production is a conscious and voluntary act and is concerned with how to create capacity within public service delivery systems and to improve the design and delivery of a public service. We term this element of the typology as co-design (Lengnick-Hall et al 2000, Steen et al 2011). It is about improving the performance of existing public services by actively involving the service user in their design, evaluation and improvement. This might either be by active involvement in the co-design and/or delivery and management of their own services or by involvement in the planning and incremental improvement of the service as a whole. Designing packages of care for an elderly person living at home would be an example of this where the elder user and their carer(s) are actively involved in the design of their own care process. Another example would be using service user feedback to improve overall service delivery, for example in a day support unit for adults with mental health problems.

Quadrant III shifts the focus to the service system rather than the service in isolation. Here the intrinsic experience of the service user as co-producing their service experience interacts with the service system as a whole to co-construct (Schembri 2006) their ‘lived experience’ (Von Manen 1990) of the service. This is about how the service experience integrates with their overall life experience. It results partly in their personal experience and satisfaction with the service, but also more fundamentally in how the service experience impacts upon their own life at an emotional and personal level. On the one hand 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. This is part of their co-construction of the service system. On the other hand the lived experience of being within the service system will impact

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7 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)
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. A graphic example of this lived experience could be the experience of an adult with Multiple Sclerosis in the adult care service. Their actual ‘service encounters’ might involve meeting their consultant only two or three times a year – yet their lived experience of the service would comprise the wider series of interactions between the individual and the care system and its impact upon their life. Key here are the ‘emotional touch-points’ (Dewar et al 2010) between the service system and the service users.

Finally Quadrant IV focuses upon the conscious and voluntary involvement of service users not just in the improvement of existing services but rather in the co-innovation (Dinesen et al 2011, Lee et al 2012) of new forms of public service delivery within service systems. The focus here is not upon the service alone but how it is produced within the holistic service system and upon novel combinatory means to improve such service delivery. Service theory has long held that service users are the most profound source of innovation in service delivery, with some estimating that over two-thirds of innovative service models are derived directly from user experience and involvement in the innovation process (Alam 2006). Within the UK co-innovation could refer to the establishment and implementation of ‘free schools’ where parents join together to form a ‘school’ for their children, setting up a management structure and having oversight of the teaching. It might also include adults with physical disabilities working within the community care service system to generate new resources as alternatives to residential care.

This framework and typology is, we believe, a significant step forward in enhancing our understanding of co-production. It unpacks the term to become a relational framework of related but differentiated ones and which enables its dynamics to be

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8 To clarify the distinction between the improvement of existing forms of public service and the innovation of new such services see Osborne & Brown (2011)
understood more clearly. It delineates between the service theory and PAM conceptions of co-production as respectively involuntary and voluntary action, it explores the service and system levels of co-production, and it brings into clear focus the impact of co-production both upon the delivery of public services, their improvement, the lived experience by services users of such service delivery and upon innovation in public services delivery.

Further work is required to refine this framework further. We would highlight seven issues here, but there are surely more. First this framework focuses explicitly upon the role of service users. It does not address the wider role of citizens in the co-production of public services. This needs further serious consideration. Second it draws analogies between the co-creation of value by commercial services and the co-creation of value by public services – and it suggests four ‘ideal types’ of such value that may be co-created through the co-production of public services. More work is required now to refine these ideal types of value and to relate them more explicitly to the different modes of the co-production of public services delineated here. Third, 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 & Cacares 2010, Echieverri & Skalen 2011). This is true also for public services, though this insight has often been absent from the theoretical and policy and practice discourses about co-production. Faith-based schools, for example, might be a way by which parents can co-produce the education of their children together with teachers within a specific religious framework, for example, yet many have argued also that such schools are socially destructive because of the sectarian divides that they reinforce (Short 2002, Jackson 2003). At the individual level, failure to recognise the intrinsic co-productive activity comprised in Quadrant I could also lead to maladaptive or ineffective service delivery.

Fourth, the framework does raise the issue of the ‘lived experience’ of service users and its co-creation within public service systems. However the links between service delivery, the individual experience of public services, and the varied impacts of such encounters upon the wider life experience of service users is poorly understood. It is worthy of much more detailed theoretical and empirical exploration. Fifth, the focus of the discussion here has been primarily upon the role of the service user in co-
production. However the role of the service professional is equally important – co-production describes the interactions of both service users and service professionals. Insufficient attention has been given to this element of co-production to date. Too often has co-production been confused with user-led or consumerist services. This key interaction, and the role of service professionals within it, requires further exploration. Sixth, insufficient attention has also been paid to the role of learning in co-production – both how service users and professionals learn to co-produce together effectively and how the lessons of co-production are captured at a service level\(^9\). Finally, mention has already been made of the impact of digital and e-services upon public service delivery and it clearly has significant import for our understanding of co-production. The framework presented here does not address digital public services directly. Nonetheless it does provide a robust analytic structure for exploring and evaluating their impact upon both the experience and performance of public service systems and upon the co-creation of value in public services delivery.

\(^9\) Aulton (2015) has been an important first exploration of this topic.
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Figure I. Conceptualising co-production
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