

**CROSS-SECTORAL RELATIONS IN
THE DELIVERY OF PUBLIC
SERVICES**

STUDIES IN PUBLIC AND NON-PROFIT GOVERNANCE

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CROSS-SECTORAL RELATIONS IN THE DELIVERY OF PUBLIC SERVICES

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INTRODUCTION

The journey from traditional Public Administration structures to relational and open models of Public Governance has been widely discussed in public management literature, albeit this path has proven to be erratic and largely context dependent in most national systems. In this process, New Public Management, as an ideological and managerial movement, demonstrated merits in opening up the “black box” of administrative processes, yet at the same time took a great deal of (unintended) credit in making clear how much of the potential for organizational change and value creation fundamentally lies at the interfaces between the public sector and its societal counterparts.

Ever since Barry Bozeman’s (1987) *publicness continuum* contribution was offered, providing a framework for public entities in typifying key actors outside their own organizational boundaries, literature and practice on government have both seen an exponential growth of interest towards collaboration across societal sectors. Such collaborative arrangements, it has been argued, lie at the heart of a transformation of administrative systems into policy communities and networks, in what has been labelled as the New Public Governance model (Osborne, 2006). Most importantly, these arrangements have been seen as both a reaction to public service retrenchment and cutback in the face of fiscal crises, and as the imperative approach to deal with interdependent, rapidly evolving (or “wicked”) global problems, to which government centric responses are ill-equipped. Theoretical underpinnings of these approaches inevitably clashed, to an extent, with the realities of the implementation of cross-sectoral collaborations in different national contexts, featuring significant differences in administrative traditions and societal structures. After all, Bryson et al. (2006) had warned that collaboration usually only happens where single-sectoral solutions have been recognized to be failing, and how it is not to be considered an overall panacea.

As such, still too little is known about managerial and inter-organizational drivers facilitating collaborations to effectively overcome these failures. Either in government – non-profit, government – business and government – citizen relations, further empirical evidence is needed to deepen our understanding of how partnerships should be established, strategies should be defined and evaluated, and outcomes should be measured.

This series volume aims at contributing to this discussion and it is organized in two issues. The second issue will feature an intra-organizational approach –

investigating hybrid structures and state-owned enterprises, when partnerships are internalized to some extent into the institutional perimeter of the public actor. The present issue, instead, presents and discusses evidence on collaboration between government, businesses and non-profits, focusing on an inter-organizational perspective of managing at the boundaries between sectors.

The two opening chapters contribute to the debate with a theoretical perspective.

The first chapter “Refocusing Performance Management through Public Service Design?” by Lewandowski addresses the performance management stream of literature, by highlighting the challenges that measuring and managing performance encounters when adopting a co-creation and co-production perspective in public governance. By focusing on the public service design approach, the author links two key strands of the literature which have so far not been dialoguing enough, underlining critical aspects of contemporary performance management models and indications for perspective research.

In the chapter “An Integrated Framework toward Public System Governance: Insights from Viable Systems Approach,” a systemic perspective on the assessment of public governance initiatives is offered. Authors Polese, Troisi, Carrubbo, and Grimaldi bridge VSA and Public Value theory to formulate an integrated perspective on governance, also in this case by means of service design tools.

The following chapter by Gianecchini, Scapolan, Mizzau, and Montanari opens up a cluster of three contributions with an empirical, horizontal focus on different national contexts and collaboration phenomena. Their chapter “Public Support and Corporate Giving to the Arts and Culture in Times of Economic Crisis: An Exploratory Analysis on the Italian Case” features a corporate-centred analysis and empirically develops a typology of business support to cultural and artistic initiatives in the case of Italy. The authors also provide evidence about the characteristics of supporting organizations to different kinds of cultural initiatives, thus offering grounds to identify drivers for this specific type of relation.

Vuori, Kylänen, and Mikkonen draw on large-scale survey data from two countries in the chapter “Working Citizens’ Cross-Sectoral Preferences in England and Finland.” Focusing on the healthcare sector, the authors investigate employees’ and citizens’ preference on public, private or non-profit delivered services, discovering asymmetric and to some extent counter-intuitive preferences and discussing the role of citizens’ innovation in public services.

In the chapter “Government—Third Sector Relations and the Triple Helix Approach: Patterns in the Italian Social Innovation Ecosystem,” Bonomi Savignon and Corvo analyze survey data from a cluster of Italian third sector organizations to investigate the extent and nature of their relations with government and business. They show how contracting-out of services from public sector organizations still dominates the context and systemic collaboration

across sectors is still underrepresented, offering policy and research implications.

The following chapter by Mendonça inaugurates the final group of chapters, which feature a more focused approach to the study of collaboration in specific policy areas.

Her chapter “Paradigms of Public Management and the Historical Evolution of State–CSO Partnerships: A Comparison of AIDS, Social Assistance, and Cultural Policy” provides a longitudinal analysis of collaboration between government and non-profits in the Brazilian national context. By discussing the evolution of normative approaches and managerial practices over time, the author identifies drivers and challenges for success of each partnership form.

Cappiello, Garrone, and Nardi, in their chapter “Infrastructure Projects as a Value Co-creation Process,” focus on local infrastructural initiatives as a model of early-stage collaboration in projects. Their survey data, drawn from local utilities managers in Italy, shows evidence on main perceptions by these key actors on advantages and criticalities in collaborative initiatives.

The following chapter “The Co-production of Housing Policies: Social Housing and Community Land Trust” by Colasanti, Frondizi, and Meneguzzo analyzes innovative housing services provision by highlighting the active role that can be played by beneficiaries, and the potential societal outcomes arising from these experiences.

The chapter “Collaborative Governance: A Successful Case of Public and Private Interaction in the Port City of Naples” by Tomo, Hinna, Mangia, and De Nito develops a narrative on a good practice of government–business networks at the local level. The authors analyze enabling factors for the success of this kind of initiatives, among which a key role is played by stakeholder pressure.

The final chapter by Antonucci, “The Relationships between Government and Civil Society in Performing Public Service Hybrid Organisations: Some Insights from a Comparative Study,” delivers a qualitative study comparing five countries – Denmark, Italy, Poland, Spain, and the United Kingdom – in the context of social care services. The author explores a range of different formats of third sector organizations created in each country, highlighting differences and similarities in each of them as they “hybridize” in the process of delivering a public service. Ideally, this chapter also serves as a bridge toward the second issue of this volume.

Several of the chapters in this book stem from papers presented and discussed in the Public and Non-Profit Management Strategic Interest Group of the European Academy of Management (EURAM), and at the International Research Society for Public Management (IRSPM) and European Group on Public Administration (EGPA) Conferences. We believe that continuing exchange of ideas, methods, and experiences, both within and across the contexts of these research forums, is crucial for advancing knowledge and

understanding of arrangements for public service delivery happening at the crossroads between public, private, and nonprofit organizations.

Andrea Bonomi Savignon
Luca Gnan
Alessandro Hinna
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Editors

REFOCUSING PERFORMANCE MANAGEMENT THROUGH PUBLIC SERVICE DESIGN?

Mateusz Lewandowski

ABSTRACT

Performance management is the ‘Achilles heel’ of many reforms and public management practices and requires changes. Governance in general and co-production in particular impose an organizational setting which requires rethinking performance management, which is still conceptually embedded in New Public Management paradigm. This chapter builds on the latest co-production framework and service-dominant logic and outlines new challenges for rethinking performance measurement and management. It also discusses how public service design (PSD) may interact with them. As a result the need to shift between performance control loops has been emphasized, suggesting that service design may significantly support internal ex-nunc performance management. Although it should be facilitated in addressing some of the performance challenges, an outline of a framework for appropriate method has also been proposed.

Keywords: Performance; governance; design; co-production; public service; challenge

INTRODUCTION

Current knowledge on performance management in the public sector has a rich theoretical basis (e.g. Behn, 2003; Moore, 2013, 2014; Van Dooren, Bouckaert, & Halligan, 2015), and various systems of measuring and reporting performance are characterized in the literature (Bouckaert, 1993; Liguori, Sicilia, & Steccolini, 2014; Moynihan, 2008a). The use of performance measures is one of the most important demands of public management reform, associated with New Public Management (NPM) (Van Dooren et al., 2015). Although NPM has been criticized (Moynihan, 2008a; Premfors, 1998; Radin, 2006), and certain principles of NPM reform have been abandoned, the implementation of performance management systems based on performance information has not (Hood, 1991; Robinson & Brumby, 2005; Van Dooren et al., 2015). Performance remains a vital concept also in other models of public management, like governance (Bovaird & Löffler, 2003). However, the evolution from classic public administration to NPM, and to Networks and Public governance (e.g. Hood, 1995; Osborne & McLaughlin, 2005; Pollitt & Bouckaert, 2011; Xu, Sun, & Si, 2015) reframed the context of performance management. Both organizational and political aspects are embedded in the adoption of performance measures (Chen, 2013), and effectiveness and legitimacy are pursued by engaging a wide range of social actors in policy making and implementation (Pollitt & Bouckaert, 2011). It strengthens the need for changing performance management, identified earlier as the ‘Achilles heel’ of many reforms and public management practices (Bouckaert & Peters, 2002).

Performance management needs to adapt better to the new requirements and contemporary challenges related to, e.g. the emergence of hybrid organizations and cross-sectoral dynamics (Cepiku & Giordano, 2014), public value perspective (Spano, 2014), and networks (Martin & Downe, 2014; Provan & Milward, 2001). Public governance instruments for performance management, such as interactive control, citizens participation, and dialogue on performance, gain more importance and increased attention (Ho, 2007; Kominis & Dudau, 2012; Power, 1994). Recent trends to improve performance management include the quality of performance information (Eppler, 2006), and embrace modifications of the assumptions underlying performance management systems, in particular using alternative modes of control, remaining rather in the hands of middle managers and front-line supervisors, and involving many actors representing different perspectives and interests (Van Dooren et al., 2015, pp. 212–216). Updating those assumptions must correspond with Public-Service-Dominant approach to sustainable public services, and the co-production framework (Osborne, Radnor, Kinder, & Vidal, 2015; Osborne, Radnor, & Strokosch, 2016; Osborne, Radnor, Vidal, & Kinder, 2014).

This chapter builds on the latest co-production framework (Osborne et al., 2016) and service-dominant logic (Osborne et al., 2015; Osborne,

Radnor, & Nasi, 2013) and outlines some new challenges for rethinking general assumptions of performance measurement and management in the public sector. Then, this chapter applies the perspective of public service design (PSD), as a co-production instrument (Radnor, Osborne, Kinder, & Mutton, 2013), and discusses its potential to respond to the performance management challenges previously indicated. The next step delineates general propositions for revising performance management in various types and levels of public organizations. As a result, this study provides grounds to theorize the logics of two performance control loops and the need to shift from one to another and also provides a framework of an instrument facilitating service design management process, in particular responding to several performance challenges. Nevertheless, despite some applicative potential, many obstacles related to organizational setting hinder the implementation of the proposed assumptions and performance logic. Therefore, it remains an ideal to a lesser or larger extent, and its conditions must be debated too.

PUBLIC GOVERNANCE AND CO-PRODUCTION AS A SETTING CHALLENGING PERFORMANCE MANAGEMENT

Public governance (referred to as governance later in the chapter) is not a new construct, and there are at least several relevant approaches in the literature, pointing mainly, but not exclusively, to institutional relationships within society, self-organizing inter-organizational networks, and workings of policy communities and networks (Osborne, 2006). In general, governance pursues effectiveness and legitimacy by engaging a wide range of social actors in policy making and implementation (Pollitt & Bouckaert, 2011), and co-production plays a key role (Bovaird, 2007). Although the lack of clarity about ‘post-NPM concepts’ and governance conceptualizations has been noticed (Pollitt, 2016), currently it is counter-balanced by Public-Service-Dominant approach gaining far better outlined basis.

Public-Service-Dominant approach is characterized by four propositions pertaining to strategic management, public sector marketing, co-production and operations management (Osborne et al., 2013). Strategic orientation of public service organizations (PSOs) considers citizens and users as essential stakeholders who add value to public policy and public service delivery processes. Marketing is a nexus between the strategic intent of a public service and its offering. Marketing allows users to shape their expectations of the services and delineates the role of staff in delivering it. Moreover, marketing helps to build trust between PSOs and service users. Co-production of public services builds on the experiences and knowledge of the service user. It conditions, together with operational management, effective and efficient public service design and

delivery (Osborne et al., 2013). This perspective locates co-production as one of the key concepts of public management. In turn, the assumptions of SERVICE framework for sustainable business models for PSOs delineate the new context of performance (Osborne et al., 2014, 2015):

1. Public services are systems and not just organizations, or even inter-organizational networks, and need to be governed as such, embracing all of their elements.
2. Individual PSOs need to embrace organizational sustainability in their own right in the short term – but this is a necessary and not a sufficient condition for the long-term sustainability of PSOs and of public service systems.
3. Sustainable PSOs are dependent upon building long-term relationships across service systems rather than seeking short-term discrete and transactional value.
4. Consequently, such internal efficiency is necessary for individual PSOs but will not in isolation produce sustainable public service systems; rather PSOs need to be outward-focused on external effectiveness for service users and on creating sustainable public value for local communities.
5. PSOs need to innovate and negotiate innovation across service systems to achieve service effectiveness.
6. Co-production is at the heart of public service delivery and is the source of both effective performance and innovation in public services.
7. Public service systems need to develop, capture and use the key resource of knowledge to sustain and deliver effective service experience.

Assumptions outlined above clearly impose new expectations towards performance management systems. Generally speaking, given theorization calls for an ecosystem perspective and reciprocity of performance information flow. If users of a service are engaged in service design, co-production and delivery, the one-way input–output–outcome framework is not sufficient anymore (Bovaird, 2007; Bovaird & Loeffler, 2012; Farr, 2016). PSO and service users are not on the opposite sides in terms of input–output or inside–outside of the organization. Rather, all actors contribute to the creation of services or their components, and the saying that a chain is only as strong as its weakest link reflects the logic of shared performance. In this vein some propositions and conceptualizations of network performance have been delivered in the literature (Kenis & Provan, 2009; Provan & Milward, 2001). Other studies focused more or less explicitly on the role of network coordinators, who are responsible for network performance (e.g. Koppenjan, 2008; Moeller, 2010; Ryu, 2014). The latter aspect is considered here as crucial, thus:

Proposition 1: Performance measurement should embrace coordination of different actors' activities.

In fact, performance debate turned already to some more governance-related assumptions and measures (Bovaird & Löffler, 2003; Bozeman, 2007; United Nations, 2007). For example, Bozeman (2007) revised NPM against public interest theory and proposed management of publicness as a counter proposition to NPM. Managing publicness encompasses (Bozeman, 2007, p. 184):

1. Emphasis on participation from lower echelon and from citizens in addition to 'hand-on' professional management; active, visible control from top managers.
2. Preference for outcomes-based performance management with outcomes focused on explicit public values.
3. Preference to resources linked to public value prerequisites, rather than performance.
4. Emphasis on the integration of public duties, coordination, but recognizing the coordinated networks may be (and should be) temporary.
5. Focus on maintaining capacity, contracting augmenting existing capacity; competitive bidding only when there is 'real' competition (multiple vendors).
6. Neutral on management style, pragmatic choice of management approach, reinforce public service motivations.
7. Emphasis on effectiveness in achieving public values and administrative effectiveness.

United Nations acknowledged measuring governance as a relevant and global issue, outlined specific information needs about governance on global, national and local levels, and defined several methods and indicators (UN, 2007). One of the key instruments – Urban Governance Index – comprises five categories: effectiveness (efficiency, subsidiarity, strategic vision), equity (sustainability, gender equality, intergenerational equity), accountability (transparency, rule of law, responsiveness), participation (citizenship, consensus orientation, civic engagement) and security (conflict resolution, human security, environmental safety) (UN, 2007, p. 36). There is a widespread interest in measuring the quality of services, and the improvements of quality of life and in governance processes (Bovaird & Löffler, 2003). Bovaird and Loeffler (2012) incorporated value chain perspective to approach public value and co-production. They suggest that 'value-added' in the public sector has several typical dimensions:

- user value,
- value to wider groups (such as family or friends of service users, or individuals who are indirectly affected),
- social value (creation of social cohesion or support for social interaction),
- environmental value (ensuring environmental sustainability of all policies),
- political value (support to democratic process, e.g. through co-planning of services with users and other stakeholders).

Such a multidimensional character of co-created value has been strongly argued for from the perspective of public value strategic triangle or public sector business models (Bryson, Sancino, Benington, & Sørensen, 2017; Lewandowski & Koźuch, 2017). Co-production literature suggests also that various political, institutional and organizational settings influence how co-created value is evaluated. For example, Farr (2016) analysed the processes of co-production and value co-creation within outcome-based contracting (OBC) and investigated existing evaluations that focus on users' experiences of OBC in welfare-to-work services and a homelessness project. This study showed how the political and policy context of public services affects both service pathways and their outcomes (Farr, 2016). Harmony between the values appears as a challenge to be pursued by public managers, and although conflicts are inevitable, some optimism is expressed by Alford (2016): 'But by increasing the number of variables in play, it can also expand the range of possible solutions' (p. 685). Thus:

Proposition 2: Performance measurement should embrace the perspective of multiple and mixed values reflecting how they are balanced between stakeholders.

However, co-production not only delivers benefits, but has also negative effects related to co-destruction of value and public value failures. The dark side of co-production of public value has been labelled co-contamination (Williams, Kang, & Johnson, 2016), and there are many ways how co-production may lead to co-destruction (Osborne et al., 2016). Although it requires further research, some potential links may be made to, e.g. the activity of organizational psychopaths (Boddy, Miles, Sanyal, & Hartog, 2015), organizational charlatans (Parnell & Singer, 2001), deception and fraud (Farber, 2005), or shadow economy (D'Hernoncourt & Méon, 2012). The negative side of activities has also been investigated for other constructs, generally regarded as positive, such as trust (Skinner, Dietz, & Weibel, 2013) or public sector innovation (Andrews & Boyne, 2013). Negative performance, when reported to the public, is expected to cause negative effects, like decrease in trust. However, from the perspective of learning function of performance management (Van Dooren et al., 2015, p. 120), it is crucial to know the failures, for the sake of future improvements. Therefore:

Proposition 3: Performance measurement should embrace the positive and negative side of multiple and mixed values co-creation.

The latest framework of co-production clearly delineates two dimensions relevant for measuring performance – the perspective of an individual service user and the perspective of the service system (Osborne et al., 2016). Public services, for several reasons, should meet the criteria of being personalized; however, the quality of interpersonal and communal relationships is claimed to be

most influential on subjective well-being (Jordan, 2005, p. 156). The perspective of personalization of public service has been debated from many angles, like public service quality (Hsieh, Chou, & Chen, 2002; Redman, Mathews, Wilkinson, & Snape, 1995), public sector marketing (Laing, 2003; Lamb, 1987; Lee & Kotler, 2007), public sector business models (Lewandowski, 2017) and relationship to public value (Alford, 2016). Yet, such instruments as Balanced Scorecard, Common Assessment Framework, SERVQUAL, fail to address individualization in satisfactory way (Niven, 2003; Staes & Thijs, 2010; Wisniewski, 2001). Thus, what requires more attention in performance management are human beings and their particular, individual needs. Several purposes of using performance measures, indicated by Behn (2003), also do not take seriously into account the condition of an individual human being, as humanistic management has argued for (Kociatkiewicz & Kostera, 2001).

Proposition 4: Performance measurement should embrace the level of a person and its individual needs.

PERFORMANCE MANAGEMENT CHALLENGES AND PSD

The literature on PSD provides some basic information allowing to verify, on a theoretical basis, how this construct helps to address the challenges of performance management indicated above and by Van Dooren et al. (2015).

Alternative Modes of Control – Being More Agile

Van Dooren et al. (2015) noted that performance management must be agile to deal with complexity. They pointed three models of organization, such as markets and prices, hierarchy and authority, and networks and trust in professionalism. Each one may be associated with public management paradigm, such as public administration, NPM and Governance, respectively. Co-production, and service design therein, is mostly related to the third model and to Governance, and control therein should be based on customs, tradition, reciprocity, professionalism and trust (Van Dooren et al., 2015, p. 213). From service design perspective, the effectiveness and efficiency are achieved through: creating value by designing relevant services (the relevance comes from user insight), reducing the financial risk through extensive testing in advance, and streamlining the service processes by removing unnecessary elements and reducing costs (Thoelen et al., 2015, p. 19). Discovering phase of service design process is focused on gathering deep insights into the experiences of the users to support and refine the knowledge of the existing situation, in order to find the best way to solve the

problems and improve service quality (Thoelen et al., 2015, p. 10). The ongoing evaluation through deep insights of the problems, prototyping and testing solutions, and incorporating users' perspectives provides a basis to rely on customs, tradition and trust, guaranteed by professionalism of service designers involved in the process. Such a built-in and ongoing evaluation may help to avoid a paralysis due to information overload, and accountability dispersion (Van Dooren et al., 2015), and reflects what Kominis and Dudau (2012) called 'a major shift in emphasis: away from constraint and towards freedom in policy implementation' (p. 153). In this sense, PSD reveals potential to support dialogue-based control strongly advocated for elsewhere (Ho, 2007; Moynihan, 2008b; Power, 1994; United Nations, 2007). Relying on agile modes of control may be balanced with an evaluation made by independent bodies, including observatories, watchdogs and audit institutions (Blanes, 2007; Pollitt & Summa, 1997).

Close to Action

Performance management should remain rather in the hands of middle managers and front-line supervisors (Van Dooren et al., 2015). This is supported by the arguments that even if performance information is available, there is no guarantee that it is used (Moynihan, 2008b), and that the number of actual users is generally small, and they are rather internal ones (Liguori et al., 2014, p. 90), in particular middle managers (Taylor, 2011). PSD, as a methodology, is applied by experienced management and front-line staff of public organization, together of course with other relevant stakeholders and professional service designers (PDR, 2013).

Coordination of Different Actors and Activities

Co-production framework delineates two ways of service improvement – (1) by an individual in a 'pure', technical co-production and (2) through participation and engagement in cooperation with public administration staff and various stakeholders (Osborne et al., 2016). According to this framework, the latter is achieved through co-design of a particular service, or co-innovation in a longer perspective (Osborne et al., 2016). Design principles say, and many cases illustrate, that multiple actors are involved in iterative actions (Design Commission, 2013; PDR, 2013; Radnor et al., 2013). Thus, the process of service co-design and co-innovation resembles working through networks. As a consequence, service co-design and co-innovation may require network coordination. It has been claimed that networks' performance becomes more important (Moeller, 2010; Ryu, 2014), but it is an evaluation of coordination in non-business environment

that needs more attention and development (Balcik, Beamon, Krejci, Muramatsu, & Ramirez, 2010; Brabant, 1999). Moreover, putting performance measures of co-production in action requires appropriate prior cognition and acceptance of the roles of co-producers (Lam & Wang, 2014). Putting it differently, PSO staff must use appropriate methods to enhance citizens participation and engagement, and this in several circumstances is demanding and difficult (McGrathm, 1989).

Balanced Interests

In general, the balance of interests has been incorporated in the multiple-constituency approach to organizational effectiveness by Connolly, Conlon, and Deutsch (1980), and earlier by Keeley (1978). Those two studies offer different approach to the distribution of satisfaction to participants. While Keeley (1978) builds on the criterion of social justice and perceives effectiveness in terms of least satisfied participant, Connolly et al. suggest 'intersections of multiple influence loops, each embracing a constituency biased towards the assessment of the organization's activities in terms of its own exchanges within the loop' (p. 215). Moreover, an evaluator should be considered as a stakeholder too (Barbier, 1999). Following those arguments, more attention should be put on the ex-nunc performance evaluation, allowing to express and negotiate the terms of exchanges within influence loops, to minimize the disproportions between the least and most satisfied participant. From the perspective of PSD, balancing interests means engaging various stakeholders into the process. It is being achieved mainly through stakeholder mapping, coordination activities and involving professional service designer in the process who is capable to conduct co-evaluation (Currano, Steinert, & Leifer, 2012; PDR, 2013; Thoelen et al., 2015). Service design process incorporates various techniques to gain knowledge on users experiences, but should also embrace often neglected reciprocity of exchange in co-production of public service – what the customer wants from PSO and what PSO wants from the customer? (Alford, 2016). One of the weaknesses of PSD is neglecting public value and public power; however, this may be achieved otherwise, for example by mapping public value process (Alford & Yates, 2014).

Wins and Losses

PSD addresses the problem of wins and losses, or performance and counter performance, mainly by gaining deep knowledge and understanding of the problem, empathic approach, and through the stages of developing and testing prototypes (Bason, 2014; Michlewski, 2008; Thoelen et al., 2015). Such

activities allow to diminish, at least to some extent, the negative sides before the service is implemented and mistakes are multiplied. This approach has potential to enhance performance culture, instead of measurement culture, as the learning purposes are more important for service improvement. One of the biggest difficulties would be capturing the losses of various stakeholders, and in situations when services are imposed (Alford, 2016; Osborne et al., 2016). This would require involving independent bodies, such as observatories, watchdogs and audit institutions (Blanes, 2007; Pollitt & Summa, 1997).

Humanization of User Value

PSD is human oriented by definition (Saco & Goncalves, 2008; Thoelen et al., 2015; Whicher, Swiatek, & Cawood, 2013). However, top-down design approach omits how citizens experience the services, because it is not based on participation and recognition of user experience in contrast to participatory design (Anthopoulos, Siozos, & Tsoukalas, 2007). PSD, usually meaning participatory design, uses methodology allowing to recognize individual needs of service users, such as affinity diagram (Beyer & Holtzblatt, 1998), Experience-Based Design (Donetto, Pierri, Tsianakas, & Robert, 2015), Storytelling Group (Kankainen, Vaajakallio, Kantola, & Mattelmäki, 2012), behavioural maps (Wang, 2014) or emotional maps (Bowen et al., 2013). In the next steps of design process, individual needs are being aggregated and assigned to particular personas – identified types of service users (PDR, 2013; Thoelen et al., 2015). Such a methodology pursuing best possible responsiveness to the individual (although aggregated) needs offers potential to introduce more human-centred values into daily routine of administrative procedures and bureaucracy, and humanize public administration and public services. This, and dignity in particular, is a matter of concern in the agenda of contemporary and future management, also in the public sector (e.g. Goodwin, 1995; Kostera & Pirson, 2017; Sayer, 2007). Design applied to physical structure has been claimed to raise the feeling of dignity (Mannen & MacAllister, 2017). Moreover, design thinking is applied to develop value proposition for product and service users, and such a value is composed of customer jobs, describing what customers are trying to get done in their work and lives, customer gains, describing desired outcomes or sought benefits, and customer pains, describing bad outcomes risks, and obstacles related to customer jobs (Osterwalder, Pigneur, Bernarda, & Smith, 2014). Regarding the group of imposed public services (Alford, 2016; Ferrari & Manzi, 2014; Osborne et al., 2016), such an approach opens possibilities to improve even this kind of services. Although, unlike in many private services, there are certain demands from the public service users, which PSOs must consider in the service design process – users inputs, embracing behaviours,

information and material contributions (Alford, 2016). Obtaining them may challenge dignity (Curwin, Mendler, & Mendler, 2008). Therein, applying design thinking to public service creation and delivery may appear as a potential solution to some of the problems.

Conducted reasoning suggests that PSD has a significant potential to address most of performance management challenges (Table 1). Outlined challenges of performance management pertain to the locus of control-related power and to balancing and humanization of value.

IMPLICATIONS FOR PERFORMANCE MANAGEMENT

The Need to Refocus on Internal Ex-Nunc and Independent Ex-Post Control

Current performance management is focused mainly on the assessment of the effectiveness, efficiency and cost effectiveness within the production model of performance. Such an approach is heavily based on ex-post assessment of the results and processes and ex-ante assessment of the inputs (Van Dooren et al., 2015). It uses many NPM instruments, such as Balanced Scorecard, Common Assessment Framework, SERVQUAL and audits (Niven, 2003; Radnor & Buxton, 2012; Wisniewski & Donnelly, 1996). Within this control logic, insufficient attention is devoted to the features of services, during the creation phase. Therefore, many mistakes are not designed-out and are multiplied by delivering impaired services to many people. This, in turn, raises citizens' complaints and strengthens the need to develop ex-post quality control systems, like SERVQUAL for instance. Such systems offer performance information relevant for learning in a longer time perspective, as potential changes may be implemented to already existing services. This is driven by the improvement-pursuing logic, which assumes finding and eliminating a failure. Moreover, the negative results are likely to be kept unrevealed (Parnell & Singer, 2001), so this logic may evoke more control, preferably executed by some external independent bodies, and embrace also preventive actions as well. Within this logic, reported results of control drive future activity towards improvement in the scrutinized areas, what constitutes existing ex-post control system and distracts attention from other important issues. For example, as Radnor and Buxton (2012) study showed, the indicators-based audit and inspection contributed to focusing on performance targets and achieving the efficiency savings, but not to meeting the local community needs.

PSD supports alternative performance logic, driven by pursuing to design-out failures. Design thinking shifts to the alternative modes of control, based on trust and professionalism (engagement of citizens and various experts), and makes control more agile by moving more power of performance management

Table 1. Public Service Design Contribution to Performance Challenges.

Performance Challenge		PSD Potential to Address Performance Challenge
Alternative modes of control		<ul style="list-style-type: none"> • Ongoing evaluation • Deep insights of the problems • Prototyping and testing solutions • Incorporating users perspectives before the service is delivered
Remaining in the hands of middle managers and front-line supervisors		<ul style="list-style-type: none"> • PSD is used on the operational level
Embracing coordination of different actors activities		(Not recognized)
Involving many actors representing different perspectives and interests	Embracing the perspective of multiple and mixed values reflecting how they are balanced between stakeholders	<ul style="list-style-type: none"> • Engaging various stakeholders into the process • Stakeholder mapping • Involving professional service designer • Co-evaluation
	Embracing the positive and negative sides of multiple and mixed values co-creation	<ul style="list-style-type: none"> • Gaining deep knowledge and understanding of the problem or situation • Empathy is required from public managers • Prototyping and testing
Embracing personalized and humanistic needs		<ul style="list-style-type: none"> • Human-centred assumptions of PSD • Methodology allowing to recognize individual needs of service users

to the level of front-line supervisors and middle managers. Thus, applying design thinking allows much better ongoing (ex-nunc) evaluation during the ‘production’ process through prototyping and testing. Better final results, in terms of quality, responsiveness and costs, are likely to be achieved (Bason, 2014; Michlewski, 2008). In contrast to keeping negative ones unrevealed (Parnell & Singer, 2001), good results are probable to be rather eagerly disclosed to the public opinion and evaluating bodies. Therefore, external civic observatories, such as watchdogs, could be engaged to monitor the outcomes, or even the processes if they have had participated. If so, the internal ex-post executive control may be reduced to a minimal, necessary level. In addition, due to relying on trust and professionalism leading to good results and engaging watchdogs to support internal executive control, less preventive actions are expected to be undertaken. Thus, it diminishes involvement of resources in control processes. Retrieved organizational capability may be potentially reallocated elsewhere.

Performance logics, briefly outlined, definitely need further elaboration and empirical verification. However, some recent studies seem to support this line of argumentation. For example, Van Eijck and Lindemann (2014) within their framework of praxis of public value creation captured two opposite directions pertaining to design and implementation, and control. Good results from professional PSD could support cooperation in the control processes and help to reduce public costs of maintaining control systems. To some extent similar notion has been recently supported in the literature (Cepiku, Hinna, Scarozza, & Savignon, 2016):

(...) cooperation should be preferred over conflict when it comes to measuring and using performance data. Where it happened (...) benefits resulted in establishing a virtuous cycle with: public managers and employees engaged in using the system, its potential integration with the other managerial systems and the achievement of an impact in terms of quality and reduction of unproductive activities.

If the performance logics are correct, PSD might address the problem of cutting agency costs of public sector performance measurement (Monteduro, 2017).

The Need to Facilitate PSD Regarding Performance Challenges

Although PSD helps to address the challenges of balanced interests, embracing wins and losses, and humanization of user value, the methodology of PSD evaluation is not very useful for this purpose (Ferrari & Manzi, 2014; IDEO, 2012; Thoelen et al., 2015). Some methods try to capture wins and losses of particular stakeholders (IDEO, 2012, p. 148), but it is up to the creativity of the evaluators involved, how they will operationalize balancing interests and humanization. Therefore, a framework facilitating such a tool is proposed.

In order to address indicated performance challenges, the framework must embrace the perspective of personas (not general stakeholders), incorporate value components, i.e. proposed by Osterwalder et al. (2014), such as pains,

Table 2. Facilitating Ex-nunc Performance Management within PSD – An Overview.

Persona/ persona	Stakeholder 1		Stakeholder 2	
	Persona 1	Persona 2	Persona 3	Persona 4
Persona 1	Value wins and losses	Identified conflicts of interests	Identified conflicts of interests	Identified conflicts of interests
Persona 2	Identified synergies of interests	Value wins and losses	Identified conflicts of interests	Identified conflicts of interests
Persona 3	Identified synergies of interests	Identified synergies of interests	Value wins and losses	Identified conflicts of interests
Persona 4	Identified synergies of interests	Identified synergies of interests	Identified synergies of interests	Value wins and losses

gains and to-dos, and confront value sets for each pair of personas. The general framework is presented in [Table 2](#).

In order to illustrate how it might be used in practice, it has been applied to one of the cases of co-production – Villa Family Project – described by [Bovaird \(2007\)](#). This is a public–private partnership involving several stakeholders. In general, Villa Family is an alternative for nursing homes, offering elderly people an opportunity to live in a house with a family and receive professional care from them. Good design within this project pertains not only to the architecture of the house but also to the architecture of the cooperation. Three major problems have been identified and already addressed by designers of Villa Project:

- Parents and kids can’t go on holidays – with two host families under the same roof, hosts can stand in for each other.
- House facilities not adjusted to the needs of elderly people – the architecture of the Villa Family is specially designed to overcome typical problems in such arrangements and helps to professionalize carers’ job.
- Elderly people not empowered in their relation with hosts and carers – elderly people employ the hosts.

Some of the captured wins and losses and conflicting interests of several personas are presented in [Table 3](#).

It must be noticed that many obstacles may hinder the implementation of the proposed logic and framework. In case of measuring local public networks performance, studies revealed the impact of institutional arrangements at a national level, the differences between sectors regarding budget systems, professional networks and performance frameworks, and difficulties of inspection agencies with using new kinds of evidence ([Martin & Downe, 2014](#)). Moreover, some capacities pertaining to co-production, co-design and measurement may be hardly available in some jurisdictions or levels of governments or may be

Table 3. Examining the Relations between Personas' Interests – Example of Parents versus Elderly.^a

Persona	Value Wins and Losses	Relations – Synergies and Conflicts	Value Wins and Losses	Persona
Parents value wins	Main function(s): • House, a place to live • Job to earn for living		Main function(s): • <u>Professional 24h care</u> • Place to live	Elderly people wins
	Related gains: • <u>Attractive salary</u> Can bring up their children and build the bond with them • Saves money related to nanny or kinder garden		Related gains: • Family atmosphere, • Friends, • Reach facilities • <u>More comfort comparing to typical nursing home</u>	
	Relieved pains: • Saves time, • No need for nanny or kinder garden		Relieved pains: • No need to move – may live in their villages, close to relatives and friends • Affordable rents	
	Humanization: • <u>Self-fulfillment</u> , • Good parent feeling, • Happiness from relationships		Humanization: • Feeling needed, • Deeper interpersonal relations	
Parents value looses	Main functions(s) –		Main functions(s): –	Elderly people looses
	Missed gains: • <u>Difficult to go on holidays</u> • <u>Restrictions in arranging house interior</u>		Missed gains: –	
	Caused pains: • Less privacy due to shared space • Less comfort • Conflicts between elderly people		Caused pains: • <u>No or small control of service quality</u> • <u>No possibility to adapt the interior space to the needs</u>	
	Humanization: • More difficult to have esthetic interior		Humanization: • Risk to be abused	

Source: Adapted from the literature (Bovaird, 2007; Lewandowski, 2017).

^aMix of real and hypothetical values.

constrained by existing bureaucratic rules and culture (Guarini, 2014; Sicilia, Guarini, Sancino, Andreani, & Ruffini, 2016; Van Eijck & Lindemann, 2014).

CONCLUSION

Evolution of public management imposed new conditions on performance management, related to public governance, and co-design therein. Yet, NPM instruments, such as Balanced Scorecard, SERVQUAL, Common Assessment Framework and audits, are used in most cases. Although it is justified and

needed in times of financial crisis (Hyndman & Lapsley, 2016), there is a growing need to better adjust performance management to public governance setting, and to co-production and public-service-dominant logic in particular. Within this context, there are six major challenges which underlie rethinking of performance management, such as:

1. Using alternative modes of control,
2. Remaining in the hands of middle managers and front-line supervisors,
3. Embracing coordination of different actors activities,
4. Including the perspective of multiple and mixed values reflecting how they are balanced between stakeholders,
5. Considering both the positive and negative results pertaining to the multiple and mixed values co-creation, and
6. Encompassing personalized and humanistic needs.

PSD, as an instrument of co-production, allows to address most of those challenges. However, it requires methods to facilitate the process of monitoring how stakeholders' interests and benefits are harmonized and balanced, including wins and losses and humanistic aspects of created value. PSD may be applied to shift from improvement-pursuing performance logic to the one focused on designing-out failures. The latter is more relevant for co-production and governance. Such a shift would refocus performance measures and management on internal ex-ante control and independent civic ex-post control, and should help to retrieve organizational capacity. Nevertheless, there are many limitations hindering implementation of this concept and limiting its usability.

Future research could focus on several issues. It is needed to revise and verify outlined performance control loops, and examine antecedents and consequences of the shift proposed. Co-existence of those performance logics could be scrutinized too, in order to improve management in PSO. Moreover, useful performance management depends heavily on the quality of performance information (Bouckaert, 1993; Van Dooren et al., 2015). In relation to governance context, some experiments showed that its quality may be achieved by applying participation directly to performance management (Ho, 2007). However, many researchers agree that an organization must be ready to implement and use performance management (e.g. Niven, 2003). Therefore, it is urgent to examine the antecedents of performance information quality relevant to indicated performance challenges.

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