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# Co-experience, co-production and co-governance: an ecosystem approach to the analysis of value creation<sup>1</sup>

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This conceptual paper explores the interplay between the participation of service users and third sector organisations and the related implications for value creation. It draws on Public Service Logic, which uses value as a lens through which to view public service delivery and presents an ecosystem perspective to understand the interconnectivity and complexity of value creation. To illustrate the conceptual discussion, a contextual case study on the Scottish Social Security Agency and its services is presented. The analysis demonstrates that value creation is enabled and constrained by the congruence of goals among actors, the strategic direction and a participatory approach which combines ‘lived experience’ with expertise. The paper adds to theory by understanding value creation from a systemic perspective, emphasising the interplay of participative processes and the wider societal context. For policy and practice, it suggests a change in how value is articulated, promised, created and measured.

## Key words:

Participation; co-production; co-governance; public value; value creation; public service lens; social security; ecosystem.

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1



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## Introduction

Over recent years, there has been an important shift in the understanding of value and of how and by whom it is created during public service production. Traditional models of public service have emphasised the expert and solitary role of public managers/professionals within a model of closed decision-making (Pollitt and Boukaert, 2004). By consequence, the theory and practice of public management has typically emphasised the internal capacity of organisations to create value. However, as a consequence of marketization, a more fragmented and pluralistic system of public services has emerged (Osborne et al, 2015), leading to increased interest in inter-organisational relationships and related contingencies and challenges for value creation through the involvement of various actors (Sicilia, et al, 2016; Sorensen and Torfing, 2018). One such relationship is co-governance, which has been applied to explain the role of the third sector during service planning and delivery (Brandsen and Pestoff, 2006). At the same time, interest in the role of citizens participating in the management, delivery and design of public services through co-production has intensified among policymakers, practitioners and academics alike (Voorberg et al, 2015; Nederhand and Van Meerkerk, 2018).

Subsequently, public management theory has seen the evolution of Public Service Logic (PSL) which draws on the unique insights offered by service management theory to develop a more holistic understanding of service user involvement during public service production (Gronroos, 2019). With a central focus on value, PSL positions public service users as active value (co-) creators through the use and experience of services (co-experience) and the contextualisation of the service in their own life circumstances (co-construction) (Osborne, 2020). Traditionally, the experiential dimension of public services has been overlooked in the Public Administration and Management (PAM) literature, where service users are typically relegated to role of passive public service consumers, who may be offered opportunities participate in the management and delivery of public services through co-production.

Although the role of public service users is critical to value creation, just as the traditional focus on intra-organisational processes of value creation have been insufficient in understanding the phenomena, so too is a discrete focus on dyadic service relationships (Petrescu, 2019). Public services are designed and delivered by networks of organisations and thus, the related dimensions of value creation at the inter-organisational level require exploration also. Likewise, consideration of the macro level is important in terms of understanding the societal processes through which a shared conception of public value is constructed (Skålén et al, 2015). Although there have been some welcome inroads into understanding value creation at the micro level (e.g. Hardyman et al, 2019) and the interconnectedness between individuals and groups (Eriksson and Nordgren, 2018) there is a dearth of research on the interplay between value creation during the dyadic, inter-organisational and societal levels (Petrescu, 2019). In order to build a more holistic understanding of value creation, this paper will therefore seek to understand value creation within a *service ecosystem perspective* and will address the following research questions:

- RQ1: how do the participative processes operating within an ecosystem interplay?
- RQ2: which factors enable and constrain value creation within a service ecosystem?

This conceptual paper offers two theoretical and empirical contributions. First, it argues for a more holistic model which defines value as multi-dimensional and subjective and emphasises the critical role of service users but also the complexity and systemic nature of

value creation within dynamic public service ecosystems (Trischler and Charles, 2019). Second, drawing on an illustrative case study of the reform of the social security system in Scotland, the interactions of various participative processes are explored, as are the factors enabling and constraining value creation. The paper starts with a discussion of value and the processes through which it is created, before considering value creation from an ecosystems perspective. It then presents empirical data from the social security case to explore the complexity of the interplay between value co-creation processes. To conclude, the paper presents final reflections on value creation in public service ecosystems and offers implications for theory, policy and practice.

### **Understanding value and value creation**

Although the concept of value has been in receipt of increased interest in recent years, it has lacked sufficient conceptual development, refinement and analysis (Alford, 2016). Indeed, the concept has been shaped by the pre-eminence of New Public Management (NPM) with an emphasis on intra-organisational processes and the aim of generating economic efficiency (Ferlie, 2017). Underpinning this, is a manufacturing (product-dominant) logic which suggests value is created by the input of resources (e.g. staff) to public service organisations (PSOs) which are transformed into products and subsequently transferred to service users in a linear fashion (Porter, 1985; Stabell and Fjelsdtad, 1998). Here, the roles of production and consumption are clearly demarcated. Internal efficiency has thus been framed as a core determinant of public service value, where the locus of value creation is service design, is the sole practice of public service professionals and where value outputs and outcomes are understood predominantly through quantitative performance measures.

This logic has received criticism for fatally undermining the production of effective externally-oriented public services by purporting a one-dimensional conceptualisation of value and for failing to adequately reflect the complexity of the value creation process (Alford, 2016). The value accrued by individuals and communities has been largely overlooked, as has normative consensus about broader societal benefits, such as social equity and inclusion (Bozeman, 2007). Although the Public Value narrative has contributed to a broader understanding of value based on negotiated and shared societal outcomes (Moore, 1995), the concept of value used in this latter work is contested both in its meaning and application (Shaw, 2013). The discussion of value that we advance, therefore, helps us progress beyond narrow economic conceptualisations that emphasise cost containment and towards a multi-dimensional view, which also captures value creation at the experiential level of public service delivery. Osborne (2020) differentiates value into five dimensions to capture this complexity: personal well-being (short-term satisfaction and long-term impact); whole-life experiences (including the development of social capital, enabling individuals to become more independent); service outcomes (including social and economic needs); capacity creation (by organisations and the wider service system); and societal value (e.g. social inclusion). Importantly, the relationship between these dimensions can vary for different services and are experienced and contextualised differently by service users, citizens, other stakeholders and society (Dudau, et al, 2019).

PSL posits that the design, delivery and use of public services is underpinned by a logic of value creation that focuses on a series of complex and interconnected interactions - and which starts with the fundamental nexus between production and use/consumption (the

'moment of truth') of public services as services (Normann, 1991). It further acknowledges that citizen participation is a possibility at every stage of the public service cycle and differentiates intrinsic and extrinsic processes (Osborne, 2018). The intrinsic modes of participation are co-experience and co-construction.

Participation in value creation can also take place through extrinsic processes (co-production and co-design) which require active agency by citizens, and where PSOs draw on the resources of citizens (i.e. their experience, expectations and needs) to produce services. The concept of *co-production* has been closely aligned with citizen participation, with the terms often being used interchangeably in early literature (e.g. Brudney and England, 1983). Latterly, it has developed to emphasise participatory narrative through a partnership approach where citizens collaborate with PSOs (as individuals or in groups) to actively and voluntarily engage in the management, delivery and design of public services (Parks et al, 1981; Nabatchi et al, 2017). Finally, *co-design* refers to the active involvement of citizens in the planning and design of public services (Bason 2018).

### **Public service ecosystems and value creation**

The relationship between public and third sector organisations (TSOs) in public service delivery and the associated challenges have been discussed at length in the PAM literature, against the wider issues of inter-organisational relationships, partnership, networks and collaborative governance/co-governance (Ansell and Gash, 2007; Sorensen and Torfing, 2018). *Co-governance* is defined as a collaborative approach, which benefits from a plurality of actors, whose expertise and knowledge expand the resource base, thereby improving the capacity to tackle complex societal problems and improve services (Sorensen and Torfing, 2018). However, it has been argued that the theories of governance that underpin co-governance are inadequate in explaining the actuality of public service production, given their tendency to focus on discrete networks rather than complex public service systems (Osborne et al, 2015). Furthermore, the processes of citizen participation differentiated above and co-governance are not mutually exclusive and can take place simultaneously during public service production (Brandsen and Pestoff, 2006; Strokosch, 2019). This calls for a more holistic and relational model, which interconnects service interactions within the wider service system while also emphasising the wider context and societal values that shape and influence value creation.

To explain the systemic nature of value creation within the service setting, the ecosystem metaphor has recently been borrowed from biological sciences (Vargo and Lusch, 2011; Mars et al, 2012). Service ecosystems are defined as the integration of actors, resources and technologies and the interactions between them within a specific context (Petrescu, 2019). However, "the full extent of the interconnected, massively collaborative, and systemic nature of value (co)creation seems [within ecosystems] often underappreciated and not well understood" (Wieland et al, 2012, p. 13) leading to calls for further empirical research in both the public and for-profit sectors. Whilst there is a growing service ecosystem literature on how formal/informal rules and norms impact value creation (e.g. Edvardsson et al. 2011) this discussion is not within the remit of this present paper.

The ecosystem perspective suggests that value is not delivered in a linear fashion by PSOs working in isolation, or even through the horizontal relationships that characterise networks

and service encounters. Rather the process of value creation is supported or constrained within complex and dynamic ecosystems where multiple actors (e.g. policymakers, organisations from across sectors, activists, communities and service users) plan, design, deliver and consume public service, and accrue value, through various, nested layers of interactions (Frow et al, 2016; Trischler and Charles, 2019). Value-creating interactions therefore operate on the micro (e.g. service interactions and contextualisation of services), meso (e.g. inter-organisational interactions or co-production with community groups) and macro (e.g. interactions at the national level to shape legislation) levels (Frow et al, 2014). These interactions may be collaborative and co-operative, or antagonistic, adversarial and coerced in nature and can involve a combination of relationships (Laamenen and Skålen, 2015).

Service interactions are supported by the development of value propositions which define the service and reflect the value it aspires to create. From an ecosystem perspective, this is a multi-agent task, which requires PSOs to draw on resources, experience and expertise both from within their own and other organisations (co-governance), and from service users and citizens (co-production). The PSO must integrate the inputs from each to develop value propositions which aim to satisfy the needs of multiple service users (and including its own organisational goals) and support the realisation of social outcomes. However, because value is experienced and perceived subjectively by each actor, value propositions are not an end in themselves. Rather, PSOs create potential value that is actualised through service interactions (co-experience) and perceived subjectively by each actor within their own social contexts (co-construction) (Rihova et al, 2013; Eriksson, 2019). Co-experience and co-construction may be understood as having individual and collective dimensions, both of which can influence a service user's perception of value. Service interactions may involve a dyadic relationship between individual service users and PSO staff (e.g. between a doctor and patient), or might entail more complex inter-relationships among multiple service users and PSO staff (e.g. between various school pupils and teachers). Furthermore, the way in which an individual understands and contextualises value can be influenced by their own lived experience of the service and related services (Helkkua, et al, 2012) but also by the shared experience of others within their social context (e.g. family, friends, strangers) (Rihova et al, 2013). This suggests that the process of value creation has a core social dimension at the point of service delivery but also during contextualisation. Importantly, within a public service setting, value creation is further influenced by the values of wider society, such as democracy and citizenship, which are also negotiated by a diverse set of stakeholders within political systems (Fleming and Rhodes, 2018).

Within the service ecosystem, value takes various forms and follows different logics depending on the beneficiary (de Graaf and van der Wal, 2008; Eriksson et al, 2019). The value of public services is associated with the outputs, outcomes and experiences for various individuals and groups in society (e.g. individual citizens, public service users, taxpayers, communities) but is also pursued by the organisations delivering services. Although ecosystems might be anchored in negotiated or shared societal goals (e.g. to eradicate homelessness, or improve social equality) their various actors are likely have multiple and competing agendas (Skålen et al, 2018). Different organisations' strategic goals will influence the way value is articulated through service offerings, and which may or may not align with societal goals or indeed the needs of service users. Value in this sense is not only multi-

dimensional and contextual, but also contested (Gronroos and Voima, 2013) and those actors with greater power and resources are likely to exert the strongest influence on the type of value created (Fenwick et al, 2012). The societal goal of education, for example, may be improved educational attainment and the well-being of children. This goal translates into a policy direction or promise (e.g. equality of education for all) the specifics of which will have been negotiated by government with various stakeholder groups. Importantly though, the policy goal is also contextualised within the broader political agenda (e.g. austerity and budget cuts). The focus of municipalities delivering education may therefore be to support educational attainment and well-being at the lowest possible cost. Under the guidance of the municipality, publicly funded schools might therefore seek to maximise class numbers, which impacts the original value promise and may negatively impact educational attainment. Different groups may also influence the value propositions made by individual schools. Teachers' Associations may focus on the implications of increased class sizes for the well-being of their members, while local residents may place greater emphasis on the school meeting community needs. Individual pupils and their families, by contrast, are likely to show greater self-interest and focus on the effectiveness of the day-to-day service in meeting the specific needs children and such expectations are inevitably shaped by their social circumstances.

The next section will present an illustrative case study to explore the complexity of the interplay between value co-creation processes within the social security service ecosystem in Scotland. This case was selected for two main reasons. First, because social security in the UK has recently been in receipt of much interest and criticism; and second, because the Scottish Government has sought to take a different approach to social security policy and service development compared to other nations within the UK.

### **Case Study: Social Security in Scotland**

The UK's social security system has historically been considered one of the most comprehensive in the world (Mitton, 2009) offering an essential means of support for vulnerable groups, including the disabled and unemployed. Since the late 1990s, though, the system has also been characterised by decreasing entitlements. This has been shaped by a political agenda which draws parallels between welfare dependency and public sector debt and has resulted in strong criticism of the UK approach (Edmiston, 2017). Indeed, research has shown that the most deprived communities are typically the hardest hit by social security cuts (Beatty and Fothergill, 2014) and empirical studies have stressed the implications for citizens of ill health, food insecurity, fuel poverty and social isolation (Edmiston, 2017).

In 2014, the Smith Commission recommended that the governance of various social security rights and services should be devolved from the UK to the Scottish Government. The Scotland Act (2016) transferred such powers and subsequently a new Scottish social security system based on a human rights approach, and to be designed with citizens, has developed. Responsibility for the delivery of various social security services was transferred from the UK Department for Work and Pensions (DWP) (which was previously responsible for social security in the whole of the UK) to Social Security Scotland, an Executive Agency of the Scottish Government. However, controversially, the DWP retained control over certain entitlements such as Universal Credit, which is provided to those who are in low income or

unemployed and which integrates various entitlements that were previously allocated independently (e.g. income support and housing benefit).

**Methodology.** This present empirical study was conducted as part of a broader study on the co-creation of value in public services. A single cross-sectional case study research design was adopted, using an inductive approach to explore value creation (Bryman and Bell, 2015). While such a research design is limited in terms of its sample, representativeness and generalisability (Yin, 2009) it is a flexible and approach to developing the illustrative empirical data and offers an exploratory account to generate knowledge and understanding.

A snowballing sampling strategy was used to select participants. In total, three interviews were conducted with policymakers from the Scottish Government, seven with stakeholders from TSOs, three with frontline service staff providing support to people accessing social security, and six with service users. One direct observation of a stakeholder reference group was also conducted. Although this is a comparatively small number of interviews, they were used to generate rich and insightful data into various understandings of value and the experience of value creation within this public service (Silverman, 1993). Furthermore, the research design selected its respondents purposively, to support the breadth, depth and saliency of data necessary for a comparative analysis of value creation through public service delivery (Payne and Williams, 2005). Finally, this research was complemented by a review of the 'grey literature', such as policy documents and guidelines which provided contextual background to the case.

The analysis was guided by the research questions above but adopted a relatively unstructured format, which enabled the data to be processed conceptually and supported the construction of emergent themes (Corbin and Strauss, 2008). Data reduction formed a key dimension of the analysis through the selection, summary and paraphrasing of data in order to organise, focus, discard and sharpen it to draw conclusions (Miles and Huberman, 1994). However, emphasis was placed on the context so as not to lose any meaning from the data (Corbin and Strauss, 2008). Three themes emerged from this analysis: the development of a "Scottish approach" to social security reform, which forms the context of service ecosystem; the potential for value creation through co-production and co-governance; and the factors enabling and constraining value creation. Each will now be discussed in turn.

## **Findings**

**Developing a "Scottish approach".** The devolution of social security to the Scottish Government was described by all respondents as an opportunity for reform, but also a significant challenge in shifting the entrenched philosophy of the DWP of cost savings and claimant suspicion which were believed to underpin the UK system. It was widely considered a unique opportunity for developing an open and participatory "Scottish approach" to reform, within which co-production and co-governance were described as essential processes. This was set against widespread calls in Scotland for a shift towards new approaches of public service delivery based on co-production, so as to achieve more personalised outcomes for service users (e.g. Christie, 2011).

The Social Security (Scotland) Act 2018 defined eight underpinning principles of the new social security system, which respondents argued demonstrated the intended shift in ethos from

the negative and inhumane approach of the prior UK system. These principles were: investment in the people of Scotland; a human rights approach; the delivery of social security as a public service; respect for the dignity of people; contribution to the reduction of poverty; co-design with service users; continuous improvement to meet the needs of service users and endorse equality; and the delivery of efficiency and value for money (Scottish Government, 2016). Respondents from the TSOs spoke of contributing to and shaping these principles, primarily through the consultation phase of the legislative process, which had 521 written responses - 280 from individuals and 241 from organisations.

The subsequent design of the Agency and its services was explicitly conducted by co-production with existing service users, supplemented by the involvement of TSOs. Co-production through “lived experience” panels drew on a pool of 2,400 people who had “a variety of perspectives and experiences connected with social security” (Policy B). This involved consultation, surveys, focus groups, interviews and user research. This approach was described by policymaker respondents as “deliberative”, which enabled service user participation and supported it. Service user knowledge and experience of existing social security services was viewed as a valuable asset in the design of the new service by all policymaker and TSO respondents: “the folk that are using the system know better than anyone, what are the right things to do.” (Policymaker).

Alongside the experience panels, various ‘stakeholder reference groups’ were initiated to inform the design of the services - all TSO respondents spoke of being party to these. Through the groups, policymakers strove to access the expertise of TSOs and to encourage buy-in through a collaborative approach: “I’m hoping the value-add for us will actually be about joined up services and about more organisations working together for the good of the person” (Policymaker). The mediating role of TSOs was also demonstrated. They were valued for their closeness to service users, which enabled them to articulate and respond to need and to speak on behalf of certain groups and therefore act as a conduit between government and citizens (Berger and Neuhaus, 1978): “they know their client based better than we ever will, but they also know what will help improve our service” (Policymaker). All this was argued by all respondents to develop a genuine “Scottish Approach”.

***Co-production, co-governance and value creation.*** It is difficult to argue against co-production and co-governance at a normative level because both processes, theoretically, are framed as offering potential for transformative change and value creation (e.g. Klijn, 2008). In this case, the experience-led co-production approach endorsed was described as a welcome opportunity for change, leading to potential service improvement and innovation: “it’s more than a sum of its parts ...value in the public sector comes from ensuring... bringing together different perspectives, experiences, voices, feelings...” (Policymaker).

Respondents emphasised the complexity of the social security ecosystem and the involvement of multiple actors:

“value is not created by one group of individuals, it’s actually created by government from the... politicians, civil service, but predominantly from people who use the system, so whether that be front-facing workers or whether that be people trying to access social security entitlements. It’s a mixture of all of those things” (Stakeholder).

Although co-production and co-governance were described by respondents as facilitating value creation, they also emphasised the importance of the service encounters and the contextualization of services in supporting the extrinsic processes of value creation. The service experience was identified as *the* key point of value creation/destruction, with all respondents noting the failure of the current system, such as the experience of assessment centres where service users felt subjected to intrusive questioning to ascertain their eligibility for disability payments. Respondents perceived value destruction as being closely linked to ineffective administrative processes and untrained frontline staff. The focus of co-production was consequently upon operational level service design with a view to drawing on ‘lived experience’ of current service users to improve service interactions. Service users, thus, had input to the layout of buildings, the content of the website and the demeanor of frontline employees:

“how you want the staff to appear to you, do you want face to face, do you want digital access, how would you best be able to access the service... I’ve answered a million and one questions about the colours for the service...Do they appear friendly and helpful...” (Service User).

**Factors enabling and constraining value creation.** In line with other research (Osborne et al, 2018), all respondents spoke positively of the open, participative approach adopted but various constraints impeding value creation within the service ecosystem were also uncovered in this study. The enablers and constraints are listed in Table 1 below.

Enablers	Constraints
<ul style="list-style-type: none"> <li>• Congruence of goals</li> <li>• Lived experience approach</li> <li>• Third Sector expertise</li> <li>• Leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Tension between co-production and co-governance</li> <li>• Incongruence of goals</li> <li>• Political leadership</li> <li>• Legacy of UK system</li> </ul>

**Table 1: Factors enabling and constraining value creation**

Congruence of goals and particularly a shared sense of societal value was described as supporting value creation. The principles of the 2018 Act were understood by various respondents as articulating shared goals and most TSOs recognised that these were more closely aligned to their organisational goals compared with those of the previous system. Indeed, our analysis highlighted a clear strategic intent shared by all actors. Most respondents also described the lived experience approach underpinning co-production as vital to enabling value creation. There was agreement that understanding service users’ needs facilitated the creation of multiple dimensions of value: “it’s got to be about the clients. So, it’s not [my] agenda, or the [organisation’s] agenda” (Stakeholder). All respondents acknowledged the need for social security reform to be informed by service users’ day-to-day experiences through co-production. Service user knowledge was considered an essential asset in developing value propositions for the new services by policymakers and TSOs alike: “I don't know what it's like to go into a social security agency ... you could guess what that experience is like... But only they know what that feels like, and only they can, I think, tell you how you can make that better” (Policymaker). However, respondents emphasised the challenge of translating experience into strategic intent: “It’s very difficult to get people to

talk about stuff that isn't about their experience." (Policymaker). Research participants thus reflected on the need to complement co-production with *Third Sector expertise*, which provided a more strategic and broadly informed view. TSO respondents viewed themselves as injecting precisely such expertise, which they said also served to maintain a check and balance on government. The argument here was that co-governance should be understood and implemented as a complement to co-production, rather than a threat.

However, a *tension between co-production and co-governance* was noted as a constraining factor: "[it's] not informed necessarily by anything other than experience, and so you don't get that kind of evidence base...informed by the [third] sector... You don't get a, kind of, rounded view, you get that individual's view" (Stakeholder). Some TSO respondents argued that co-production was being implemented as a management tool by policymakers to exclude TSOs and to limit the information provided to service users or by asking specific questions to reduce their input to the decision-making process: "just because you asked that question, doesn't necessarily make it the right question" (Stakeholder). Moreover, from the policymakers' perspective, they argued that while TSOs possessed important technical expertise and knowledge of their client group, they might be pursuing their own agenda and this led to an *incongruence of goals*. Consequently, they might discourage service users from sharing valuable experiences and knowledge: "we don't want them, kind of, constraining or, you know, intimidating people" (Policymaker). There was also evidence of potentially conflicting perspectives of value (Mars et al, 2012). While stakeholders, frontline employees and service users spoke of the qualitative and subjective dimensions of value and recognised the presence of shared values at the policy level, they perceived government as more interested in efficiency and value for money, which was at odds with their emphasis on the value creation for the specific communities or groups they represented, such as independent advocacy for disabled people: "[This organization tries to] contribute to social policy. And I would argue, you know, that's a value. But the government might not see it like that if it costs money" (Frontline).

Stakeholders and frontline staff also highlighted the perceived conflict arising from the presence of for-profit organisations, which were responsible for conducting assessments and operating call centres in the pre-existing UK system. Their motive to make profit was described as operating in conflict with goals of creating value for service users and taxpaying citizens, particularly in terms of the stress the assessment procedures subjected them to and its cost: "the profits of the companies undertaking the assessments are going up because they're carrying out many, many more assessments than they told the government they were going to be doing" (Stakeholder). Overall, the competing organisational agendas suggest three constraints on value creation in this case: the asymmetrical strength of government in terms of decision-making power and specifically which value goals should take precedence in any service ecosystem (Fenwick et al, 2012); the challenge of achieving and balancing value for all potential beneficiaries, especially in cases where goals are misaligned; and a potential discrepancy between rhetoric and reality, where value goals might be positioned as a means to achieve or maintain political power: "I think that the human rights-based approach, that's window dressing..." (Stakeholder).

Our research suggests that *political leadership* and commitment, whilst essential, also had a negative side. Respondents did recognise the need for government to work strategically,

effectively managing the participation of citizens and TSO stakeholders to facilitate value creation: “But it’s some, sort of, combination of putting all those things in a pot. But then of course somebody has to bring them out of the pot” (Policymaker). Despite the participative model, however, all respondents pointed to the continuation of hierarchical structures with politicians exerting ultimate control over the design of Social Security Scotland and its services and the influence of political objectives on decision-making (Sorensen and Torfing, 2018; Connell et al, 2019). Furthermore, TS respondents questioned whether government’s role was to take the lead to facilitate the development of a new culture, or to fully endorse the mandate of experience panels and potentially, therefore, support the status quo:

“[The] question is at which bit does government lead and does it try and change public opinion and at which bit does it follow public opinion... We’re not going to use ‘benefits’. We’re not going to use ‘welfare’. We’re going to move away from all that language... But the disappointing thing for me is that civil servants are saying, well, this is the language the experience panels use and my challenge to that is, yes, but...that’s the prevailing use of that language in society, at the moment. I thought we were striving for something better than that and I thought, actually, government was going to lead rather than follow on this.” (Stakeholder).

The leadership of co-governance was also identified as constraining value creation. While all respondents were in agreement that the stakeholder reference groups were an important source of expertise, one respondent noted that the government took steps to divide the collegiate relationship between TSOs to support policy objectives: “the government worked really hard to divide organisations...” (Stakeholder). Some respondents argued that this had undermined relationships built on prior trust and would make future working relationships with some TSOs challenging.

This case clearly illustrates the embedded and negative potential of poorly designed administrative processes and service encounters, which many felt was the *legacy* of the UK social security system and which continued to form a constraining context for the new Scottish system. The closed, intra-organisational approach of the UK system and negative perceptions of entitlements such as Universal Credit, were described by all respondents as “destroying” real value for service users (in terms of the value accrued during the service experience and also the system’s outputs and outcomes) and for impacting negatively on health, employment and social housing services. Respondents raised concerns about the positioning of Scottish social security within the context of “an adversarial UK system”, where value propositions had not been developed collaboratively and so consequently failed to reflect mutual consensus over the broad aims of the service. There was uncertainty, therefore, as to whether the “Scottish approach” would actually engender the widespread cultural change argued as necessary to support real reform of the perceived inadequacies of the current UK system. Perhaps unsurprisingly, this suggests that a shared conception of value is influenced and shaped by the highly politicised and historical context of the broader UK social security system (Haynes, 2018). In other words, existing legislation, budgetary constraints, the ethos of social security and established administrative processes all continued to influence future value creation within a service ecosystem. The past and present coexist uncomfortably rather than one simply replacing the other (Lindsay et al, 2014).

## **Conclusions and implications**

**Contribution to theory.** This paper suggests that significant identifiable interactions, including co-experience, co-production and co-governance, are critical to supporting value creation and the ultimate balance and effectiveness of public service ecosystems in tackling complex societal challenges. We have argued for an understanding of value creation that starts with public service users, who are positioned as an essential component of effective public service delivery, rather than an exclusive focus on intra-organisational efficacy. By adopting an ecosystem perspective, we have expanded this by arguing for a processual and systemic model of value creation where various participative and inter-organisational relationships are at play. This moves beyond the transactional and linear approach associated with NPM, towards a relational model where value is shaped by the *interplay between all of these dimensions* and not least by the wider societal context and the *values* that underpin it.

A key argument presented here is that within any public service ecosystem, co-experience, co-production and co-governance do not necessarily co-exist harmoniously (Fyrberg Yngfalk, 2013). Although value is principally framed as being for the good of society and/or service users, the social security example shows that in practice a composite and potentially competing array of goals underpin and influence the articulation of value at every level of the service ecosystem. Alternative formulations compete for hegemony. The implications for public services are that policy promises reflecting societal value are shaped and altered at the meso and micro levels by the various actors of the ecosystem. Furthermore, the context of the ecosystem (i.e. political, financial, legal, historical factors) also influence how shared policy goals are translated on the ground. The systemic nature of value creation and the interconnection between the micro, meso and macro levels advocated through the service ecosystem approach is hence of importance to other public service contexts, and particularly those where multiple complex needs are the focus and where various actors seek to create value for themselves or support the value creation process for others (e.g. social housing, health and social care).

**Contribution to policy/practice.** This research suggests four implications policy and practice, particularly in relation to how value is articulated, promised, created and measured. First, because the interplay between co-experience, co-production and co-governance and the impact on value creation is dependent upon the congruence of goals, there is a need to appreciate three factors: how each actor defines and interprets value; which goal each actor is striving to attain; and how these goals might be balanced to effectively support value creation for service users and wider society. This implies a significant leadership role for both politicians and public managers. Elected officials retain hierarchical control within an ecosystem and must therefore strive to balance the interests of all the actors with those of democracy (Sorensen and Torfing, 2017). This research demonstrates how destructive tensions arise when this is not the case. Public managers also play a significant role as intermediaries between civil society and politicians, linking the two through interactive decision-making (Jeffares and Skelcher, 2011) and facilitating the processes of value creation by balancing multiple goals to ensure value propositions are appropriately informed and aligned with societal goals (Sicilia, et al, 2016).

Second, and related to the first point, promises about societal value should clearly articulate the intended beneficiaries and politicians should seek to support the translation of these promises into the value propositions of related services – no public service is an island! In this

sense, the orientation of policy is critical to supporting (or constraining) value creation for service users and wider society, acting as the context for any service ecosystem.

Third, a value creation approach requires a shift in the interactive processes within the service ecosystem and specifically, a shift from a closed, intra-organisational approach to an interactive and outward-facing systemic model that draws on the resources of various organisations, service users, citizens and communities. The related management challenge is the integration of a PSO's internal competencies (e.g. expertise, technologies and business techniques) with these multiple external partners (Normann and Ramirez, 1993). This challenge also exists at the policy level, where it is necessary to develop evidence-based policy that draws on the experiences of practitioners and service users in order to bridge the gap between policy promises and value propositions made regarding implementation (Fleming and Rhodes, 2018).

Finally, cultural transformation across public services is required to support the broader conceptualisation of value articulated here. This would be supported with a shift from short-term organisational goals of internal efficiency, towards understanding value as a longer-term, multi-dimensional goal. Internal efficiency needs to be viewed from this more strategic lens. Related to this, a broader criteria of performance measurement is required which captures the multi-dimensional nature of value, including its subjective components, and which shifts the attention of policymakers and funding bodies from inputs and outputs alone towards strategic external value creation objectives (Echeverri and Skålén, 2011). Cultural transformation should also be supported by an understanding from policymakers and practitioners that value creation is not limited to the operations of one organisation, or even one service ecosystem, and that value creation/destruction is not time-limited and can have future implications for other public services. In the case of social security, for example, the failures of the current system were understood as having wider and future implications for health services and housing. An ecosystem approach assists in this broader understanding of the nature of public services and their interactions with each other.

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