



Stimulating leadership thinking

Public value and leadership

Exploring the implications

February 2007



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Published by the Centre for Excellence in Leadership (CEL)

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This publication is available in electronic form on the Centre for Excellence in Leadership (CEL) website: www.centreforexcellence.org.uk

Publication reference: 200702-H3

Introduction

1. The growing body of thinking on public value explores the role of the public service leader in creating outcomes that are considered desirable by the public. The theory proposes that the objective of public sector leaders should be to use their resource to maximise their contribution to the public realm and to the achievement of outcomes valued by the public. To achieve this objective they need to engage with their citizens and direct customers to agree what constitutes public value in that particular public service and in that specific context.
2. Significantly, the theory challenges us to think about how we gain legitimacy for our actions as public service leaders, and suggests that this is derived from our relationship with our citizens, customers and stakeholders as well as from the delivery of government priorities. This suggests a shift in orientation towards the communities we serve – not just our customers and funding government department – and towards our relationships with stakeholders such as other public services where we can make a contribution.
3. CEL believes that public value theory has the potential to provide a conceptual framework through which to analyse and develop the role of leaders in the FE system, particularly in the context of more autonomy for colleges and providers and the move towards greater self-regulation in the FE system. It promotes proactive leadership based on ambitious vision that is consistent with more autonomous and self-regulating colleges and providers. This paper explores this potential and proposes how its practical application might be taken forward in the FE system.

Background

4. Professor Mark Moore from Harvard¹ originated the concept of public value and became involved in the UK through Professor John Benington, Professor of Public Policy and Management at Warwick Business School, and Will Hutton, Chief Executive at The Work Foundation. Moore has worked with opinion formers in the UK, including senior members of government, and Benington and Hutton have raised the profile and developed the concept for the UK context. As a result, there is increasing debate and application of thinking about public value among the leadership of public services.
5. There has been some analysis of the relevance of the concepts specifically to the FE system. In 2005, Mager and Grigg published a stimulus paper *Public Value and Learning and Skills*² that described the main tenets of thinking on public value. The publication generated particular interest in how public value might be used to describe the value created through public services in a more complete and compelling manner. We have grown accustomed to public services being judged in terms of narrow targets that do not do justice to their purpose or their contribution to economic, social and environmental well-being. Public value theory highlights the importance of taking a more holistic view of the purposes of public services.

1 Mark Moore is Hauser Professor of Non-profit Organizations and Faculty Director of the Hauser Center. See http://ksgfaculty.harvard.edu/mark_moore for more information.

2 Grigg P, Mager C, 2005. Public Value and Learning and Skills. London: LSDA. Available at http://www.lsneducation.org.uk/user/order.aspx?code=041940&src=XOWEB&cookie_test=true

6. While this remains an important and controversial area, current thinking on public value in the UK suggests that the *process* of public value creation is fundamental. Through the deliberative process of negotiating what constitutes public value in a specific context, public value is defined and created. This dimension of public value is particularly germane to leadership. For example, it:
 - places agency with leaders and managers in their context
 - animates the notion of engagement with customers and communities
 - highlights the importance of gaining legitimacy and authorisation for action
 - provides a conceptual basis for leadership in a self-regulating environment
 - offers a public service compass within a market-driven system.

Public value – the theory to date

7. The original notion of public value was developed by Mark Moore³. His publication³ offers the following description of what public value might provide:

“A framework that helps us connect what we believe is valuable ... and requires public resources, with improved ways of understanding what our ‘publics’ value and how we connect to them.”

8. In essence, Moore presents public value thinking as a means of focusing public services on delivering ends that are endorsed and supported by service users and their communities. The role of the public service leader is to maximise the amount of public value created, within their given remit. Moore argues that in shaping proposals for the development of a public service, the leader needs to consider:
 - whether the proposed outcome is publicly valuable
 - whether it will be politically and legally supported, and
 - whether it is administratively and operationally feasible.

³ Moore, MH, 1995. *Creating Public Value: Strategic Management in Government*. Cambridge, MA: Harvard University Press.

9. Moore's strategic triangle represents this diagrammatically, setting out the dimensions that the public service leader or manager needs to consider in developing a course of action:
- The **authorising or political** environment – for example, ensuring that customers, stakeholders, sponsors and funders support the proposed action
 - The **operational capacity** – ensuring that the organisation has the operational capacity, skills and competences to carry out the proposed action
 - **Public value, strategic goals** – ensuring that the action is in line with the values, mission and purpose of the organisation.



10. The proposition in the strategic triangle is that purpose, capacity and legitimacy (which would include customer demand) must be aligned in order to provide the public manager or leader with the necessary authority to create public value through a particular course of action. This would equally be true of the private sector although the concern would be with creating shareholder value rather than public value. The *scope* of the authorising environment and the *process* of seeking authorisation are key to Moore's proposition.

11. Moore makes an important distinction between 'clients' – direct customers – and citizens. He argues that in order to introduce a radical or challenging change in public services (for example, changing the use of a public building, or introducing new charging policies) that robust support is needed not just by those who will benefit directly but from the wider community within which the services are delivered. So for example, taxpayers may support the provision of sheltered housing, a children's library, a youth activity or playground facility because they recognise the value to their community or wider society, even if they do not personally use the services concerned. Implicitly these taxpayers are accepting that these services make a positive contribution to the society they live in which they are willing to pay for.
12. Moore's work suggests that this public acceptance needs to be sought explicitly and deliberately to establish robust authority for action. If this authorisation is not achieved, then the enterprise is vulnerable to public criticism and susceptible to being abandoned and losing the necessary political support. In order to achieve this authorisation, there needs to be a process of engagement and deliberation which encourages individuals to take an informed and wider perspective of the social and public outcomes of particular transactions and services.
13. This is not intended to suggest that customer views are unimportant. Customers' feedback is vitally important in understanding users' desires and priorities for service improvement but their satisfaction will not necessarily deliver public legitimacy for a specific service. Wider public endorsement is also important.
14. In order to gain this broadly-based legitimacy for action, leaders and managers need to negotiate endorsement for their ambitions with stakeholders. This needs to be more than a cursory process if radical action is to be taken and defended by the stakeholders. For example it may involve negotiation with stakeholders, building support and commitment to particular courses of action with key partners, opening up strategic planning processes to significant external influence, perhaps setting up a high-profile citizens' enquiry.
15. Clearly effective leaders across the system use, to a greater or lesser extent, the kind of consultative approaches promoted by public value proponents. However, it is also true that the current predominance of centralised performance management systems has meant that, across the range of public services, managers and leaders have tended to be primarily orientated towards their funders and planners rather than towards the customers they serve.
16. The performance of public services is judged by achievement of nationally determined targets, irrespective of whether these reflect what their particular customers most desire or what their leaders and managers might judge to be the most efficient use of their resources. The FE system has tended to orient itself towards LSC and DfES for permission or authority for action rather than towards their communities and customers. The levels of centrally driven scrutiny, planning and performance management of the system have encouraged this orientation.

17. The approach proposed by Moore suggests that legitimacy is earned by public services, not just by their achievement of government targets, but by their relationship with their publics – their customers, citizens and stakeholders. It places onus on leaders and managers to engage in an open and engaging process, be prepared to shape and educate thinking, to determine a course of action. Integral to Moore's theory is a challenge to the prevalent performance management approaches which encourage compliance and managerial approaches rather than the entrepreneurial and innovative approaches needed to maximise the impact of public services.

Public value thinking in the UK

18. Moore's thinking on public value has been developed and honed for the UK context. An early analysis was by the government's Strategy Unit in the Cabinet Office⁴ but the main development has been undertaken by Professor John Benington, Professor of Public Policy and Management at Warwick University and by Will Hutton and Louise Horner and team at The Work Foundation⁵.
19. UK proponents have argued that public value offers a potential development from New Public Management (NPM) theory which sought to bring in private sector doctrines and practices to public sector performance management in order to deal with capture of public services by public sector bodies. The theory promoted the importance of consumers rather than citizens and the numerical quantification of quality through targets. Benington and Hutton argue that public value theory brings back accountability downwards towards the customer and citizen, with a recognition that users are citizens as well as consumers. It also emphasises the importance of informed and knowledgeable citizens to give legitimacy to public services.
20. Benington has argued⁶ that the NPM, top-down approach to performance management has run its course and that while it may have helped to address poor performance, it has failed to mobilise continuous improvement across the mass of public service providers. He argues that government needs a body of theory regarding public service reform and that public value could provide the theoretical underpinning for a new approach.
21. Public value thinking also has the potential in the UK to reinvigorate public service ethos. It is a way of mobilising those who work in public institutions to be more responsive to the public and better at involving the public in the design and provision of services – reinvigorating an ethos of service to the public. It also emphasises the importance of clear vision and explicit values which are also central to a motivated workforce. While this paper focuses on implications for organisational leaders, its potential to motivate the whole workforce to be outwardly facing is powerful.

4 Kelly G, Mulgan G, Muers S, 2002. *Creating public value: an analytical framework for public service reform*. London: Strategy Unit, Cabinet Office. Available at http://www.cabinetoffice.gov.uk/strategy/downloads/files/public_value2.pdf

5 Horner, L et al, 2006. *Public Value – Deliberative Democracy and the Role of Public Managers*. London: The Work Foundation. Available at http://www.theworkfoundation.com/Assets/PDFs/PVfinal_report_AG.pdf

6 See the notes of the CEL policy seminar with John Benington at <http://www.centreforexcellence.org.uk/UsersDoc/SeminarTwoProgrammeNotes.pdf>

22. Because of the predominance of centralised performance measures in the UK, another dimension of public value that has been developed here, is the notion of public value performance indicators. Will Hutton has been particularly concerned to develop measures that will reassure the Treasury that measurable outcomes are being achieved in return for public money. The Work Foundation has worked with the BBC and other public services to develop measures which give a fuller account of the outcomes achieved. Their version of the strategic triangle places a stronger emphasis on measurement, describing the dynamic as an iterative process of authorisation, measurement and creation of public value. The authorisation process of defining desirable outcomes would also establish the evaluative criteria for the measurement of public value.
23. The Work Foundation report also explores the concept of deliberation and how to listen to and refine the preferences of the public. This is complex territory. For example, when embarking on a process of consultation about development or changes to services, leaders need to make clear the strategic purposes, policies and priorities which legitimately limit their scope for negotiation; the need to be clear about their vision and values; they need to be vigilant about capture by articulate self-interest, and lack of access for those with a less strident voice. Leader need may need to take tough and unpopular decisions and cannot simply move with a majority view. This is an area where the development of practice and guidelines is likely to be beneficial.
24. **In summary**, the thinking outlined above offers a number of important ideas:
- As public servants we must understand and value what the public wants and values in our services
 - As public servants we should consider that our role is to add public value
 - We need to be very clear about our purpose and values as the basis for discussion and deliberation with the public
 - We should be able to describe what we deliver in terms of how it adds to the public good. Although performance targets are a necessary tool in gaining political authorisation, they should be balanced with a wider and more comprehensive account of outcomes
 - We need to think about how we gain legitimacy and authority for our role and purposes and be prepared to negotiate a settlement between legitimate and often conflicting demands, including those of politicians, customers, citizens and other stakeholders
 - Leaders and managers of public services should proactively engage customers, stakeholders and citizens in defining and shaping services in a process that simultaneously defines public value and helps to produce it
 - Leaders need to be prepared to educate and shape public preferences, not simply follow them.

Implications for leadership

25. As stated earlier, the approaches implied by public value thinking are part of leadership practice in the FE system. However, the scale of application has been limited in a period of unprecedented centrally-driven performance management. As we approach a more self-regulating and market-driven rather than plan-driven phase of development, there is a strong rationale for developing and opening up strategic processes to greater external participation and engagement in order to enhance the legitimacy and public buy-in to the services we offer.
26. In addition there is increasing impetus for public services to work more effectively together to address persistent inequalities such as social deprivation. Public value thinking encourages such an orientation.
27. Public value thinking promotes an essentially *proactive* role for the public leader. Leaders have a responsibility to *educate and shape public opinion*, understanding and awareness to maximise valuable outcomes. The approach calls for significant political acumen, and could extend the legitimate space within which public sector managers can operate and promote innovation while managing risk. It urges leaders to consider how to exploit the head-room that they have and use their operational capacity creatively in order to take initiatives to deliver publicly desirable outcomes.
28. Current systems of accountability point leaders overwhelmingly towards Whitehall via the LSC. *Public legitimacy* for the FE system depends on the support not just of government, but of customers, citizens and taxpayers. Therefore leaders need to consider how to maintain accountability to the centre while building greater credibility with their community and citizenry. A stronger basis of legitimacy from their communities and citizens will arguably strengthen the strategic voice of leaders in the sector in contributing to government policy development.
29. The stronger *community focus* implied by public value thinking highlights the potential for leaders to make a real contribution to more effective and coherent public services in a local area. This is another way of promoting and delivering the wider benefits of learning and extending the reach of the FE system. By building coalitions of interest and working in partnership with other public services around desirable outcomes (for example in health, social services, local government regeneration strategies, etc) we can highlight the education and training dimensions of a wide range of social outcomes, and establish our role in their delivery.
30. This implies that the wider outcomes achieved are a result of a deliberate and strategic decision to work in collaboration with for example local health professionals to achieve specific joint or integrated health and education outcomes. This is quite different to describing as public value outcomes, those outcomes which are a windfall product of existing practice. It is vital that we do not allow the notion of public value to be used as a flag of convenience simply to justify existing practice or provision.

31. The term ‘joined-up government’ has been a leitmotif of government rhetoric but has been stubbornly illusive at national policy level. It remains to be seen whether the alignment of objectives of employment and skills policy proposed by the Leitch Review of Skills will work in practice. Public value thinking suggests approaches that *join up action at local level*. A consultative, deliberative approach could be used to secure legitimacy and develop joint strategies with partners to address specific local issues which need to be co-ordinated across different public service areas.
32. There are substantial **challenges** in the deliberative approach promoted in public value thinking. For example,⁷ for the FE system, the following are likely to be particularly relevant:
- Securing effective and efficient engagement with relevant policy and decision-making processes and bodies – this can be time-consuming and frustrating if there is not a reciprocal commitment to joint action, particularly if working with partners outside the FE system. Building coalitions of interest with key local partners around a clear focus or priority is a critical skill
 - Navigating complex ‘authorising environments’ and handling implications for governance and accountability; for example, being clear if there are lines that cannot be crossed in relation to legal requirements, equity issues, accountability or organisational policy
 - Developing organisational culture and capacity to respond to the outcomes of consultations and deliberations, including addressing aspects of the culture that get in the way of responsiveness to the public
 - Exploring the potential of public value to motivate staff and reinvigorate the sense of public service ethos
 - Managing the political sensitivities of consultation including determining when to lead and shape public preference and when to respond
 - Readiness at different levels of the organisation, including at board level, to be publicly visible and to carry out processes in a very open manner
 - Developing capacity to deal with potential conflicts of values and priorities revealed through the processes of consultation/deliberation – this will require clarity about purpose and about any limitations to capacity to respond and must avoid raising unrealistic expectations.
33. The challenges above suggest the need for action research to explore effective strategies and approaches, building on current practice in order to understand how to support leaders and in developing individual, organisational and sector capacity. CEL is discussing with partners how this might be facilitated.
34. The above analysis suggests **questions** that leaders might ask about their approaches:

7 Adapted from a presentation by Louise Horner, The Work Foundation.

- Does the organisation play a full part within the local community of public services? Is the college or provider embedded in delivery of the learning dimension across public service delivery? Where are stronger coalitions of interest required to play a full part?
- Much current planning activity takes place behind closed doors or with the LSC. Which aspects of strategic planning might benefit particularly from greater external engagement?
- What processes are in place to secure legitimacy for services? What systems and processes are in place to engage the public in influencing and shaping services?
- Are there intransigent issues to do with levels of skills or participation in learning that would benefit from public debate and discussion to develop a coherent and robust strategy? Is there a case for developing campaigns or high-profile activities with stakeholders in order to shift patterns of participation or engagement with education and training?
- Do performance management systems in the organisation promote outward-facing and innovative thinking? Could the strategic triangle help staff at different levels of the organisation to be more innovative and to manage risk more safely?

Potential benefits

35. This paper argues that public value offers us a way of looking at the role of the leader of public services which orientates the focus towards taking greater agency and authority for action on the basis of clear legitimacy and public accountability and an unambiguous public service ethos and purpose. It is clearly not an entirely new way of looking at the world, but it has potential to shift priorities and could offer the benefit for the FE system of:
- Enhancing legitimacy and authority
 - Providing a stronger basis for self-regulation
 - Building reputation with the wider public as well as with direct customers
 - Increasing its contribution to public service delivery and outcomes.
36. This paper has been prepared in order to stimulate discussion about the role of leadership in the evolving FE system. Please email your comments to me at Caroline.Mager@centreforexcellence.org.uk

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Centre for Excellence in Leadership

The Centre for Excellence in Leadership (CEL) was launched in October 2003, as a key national agency within the government's *Success for All* initiative, and has a crucial role to play in developing organisational leadership in the learning and skills system to anticipate, influence and respond to government policy initiatives.

CEL's remit is to foster and support leadership improvement, reform, transformation, sustainability and quality improvement. It serves the existing and future leaders of all providers within the further education system, including FE colleges, training and work-based learning providers, adult and community providers, offender learning, specialist colleges and voluntary organisations.

Following the publication of the White Paper, CEL will be involved in the introduction of a mandatory principal's qualification and the development of the quality improvement strategy for further education. The White Paper also heralds an expansion of CEL's diversity and equality remit.

CEL now operates through a charitable trust formed by its operating company on 1 April 2006.

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Leadership for the Learning and Skills Sector

