EDITORIAL ESSAY

Delivering Public Services: Time for a new theory?

In previous articles, I have developed two inter-linked lines of argument. The first has been that the complexity of public services delivery in the twenty-first century has moved beyond a situation where it can be understood either by the policy and administrative focus of public administration or by the intra-organizational and managerial focus of public management. While these imperatives continue to be important, they are now subsumed within a pluralist environment where the delivery of public services requires the negotiation of complex inter-organizational relationships and multi-actor policy-making processes. This requires that the central (if not exclusive) issue for our attention is the governance of these relationships and processes (Osborne 2006).

The second line of argument has been that the consequence for the public management research community of this transition is a necessity to start asking new questions about public services delivery. It is now no longer appropriate to continue with a focus simply upon administrative processes or intra-organizational management. Rather these foci must be subsumed with a new one upon the governance of inter-organizational relationships and the efficacy of public serve delivery *systems*, rather than organizations. This shift requires therefore that the research community starts to ask new questions about public services delivery that recognizes this tectonic shift in the policy and service delivery landscape (Osborne 2009).

This editorial essay now takes this argument one stage further. Its central proposition is that the core theory used to understand public services delivery is now no longer 'fit for purpose'. Indeed it is questionable if it ever were so. Much of the theory that has formed the basis for research about public (services) management has in fact been drawn from the experience of the manufacturing rather than the services sector. This is a fatal flaw in the theoretical basis of our discipline and has persisted despite the existence of a substantive theory of services management. It is this latter body of theory, it is argued here, that should inform our understanding and analysis of the delivery of public services.

THE THEORETICAL BASIS OF PUBLIC MANAGEMENT: A FLAWED APPROACH?

Hood's (1991) seminal article on the 'New Public Management' (NPM) rightly drew attention to the growth of the managerialization of public services delivery and its

implications. Key elements of the practice of the NPM included an attention to the lessons from private sector management, a focus upon entrepreneurial leadership for public service organizations (PSOs), an emphasis upon input and output control, the dis-aggregation of public services to their most basic units and a focus upon the control of their (unit) costs and the growth of the use of markets and competition as key allocative mechanism for the resources for delivering public services. This seminal article, and others, led subsequently to important debates both about the appropriateness of the managerial model for public services delivery and about its impact upon this delivery (for example, Metcalfe and Richards 1991; Kickert 1997; Flynn 2002; Pollitt and Bouckaert 2004). Alongside, and indeed predating, this discussion has been a further dialogue about the comparable natures of private and public sector management: are they indeed, to use a classic formulation of Allison (1983) 'alike in all unimportant aspects' - or not?

What has been remarkable in these twin discourses has been the implicit assumption of a unified and integrated body of management theory derived from private sector experience. Yes this is far from the case. Over the past three decades there has developed an alternative and robust body of theory and research about the management of services. Originating initially in a discussion about the marketing of services (e.g. Gronroos 1978) this has now evolved into a substantive theory of services management in its own right (e.g. Gronroos 2000; Normann 2002). What is remarkable is that this extant body of research and theory about services management has been almost wholly ignored in the development of public management theory. The time is therefore long overdue, surely, to explore the contribution of services management theory to the public services management field.

SERVICES MANAGEMENT: KEY TENETS

At its most basic level, manufacturing theory relates to activities that physically change materials to produce saleable goods while services theory relates to activities concerned with the transaction of intangible benefits (Normann 2002). While there are numerous statements of the characteristics of such services, three core characteristics are generally agreed upon. First, that while a product is invariably concrete (such as a washing machine) a service is intangible – it is a process (staying at a hotel is not simply about the quality of the room that you rent, it is also about the overall process/experience of your stay).

Second, that there is different production logic for manufactured goods and services. For the former, production and selling/consumption occur separately (as with the above example of a washing machine). With services however, production and consumption occur simultaneously. The production of a sporting event takes place at exactly the same time as its consumption, for example. Because production and consumption are not separated for services, this implies entirely different business logic for them from manufactured goods (Prahalad and Ramaswamy 2004; Edvardsson et al. 2005).

Third, and as a result of the above, the role of the consumer is different for manufactured goods and services. In the former they are 'simply' their purchasers and consumers. However, for services, the consumer is also a co-producer of the service. ² This means that understanding and influencing the customer's perceptions of a service is fundamental to their experience of, and satisfaction with, that service. This is in part about shaping their expectations and in part about managing the interaction between service staff and a customer at the point of consumption.

The implications of this are legion. However two are especially significant: that the performance of a service is an essentially subjective construct of the consumer, made up of the confluence of their expectations of the service and their perceptions of the process, and that this process experience is created at what Normann (2002) has called the 'moment of truth' when the service user and a specific staff member (be it professional, receptionist or car park attendant) of the service organization interact. Thus services

are the result of social acts which take place in direct contact between the customer and representatives of the service company. To take a metaphor from bullfighting ... the perceived [service] quality is realized at the moment of truth, when the service provider and the service customer confront one another in the arena. At that moment they are very much on their own ... It is the skill, motivation and the tools employed by the form's representative and the expectations and behaviour of the client which will together create the service delivery process.

(Normann 2002: 20-1)

Hence the key role for successful services management lies both in governing and responding to the service expectations of consumers and in training and motivating the service workforce to interact positively with the consumer - whatever the actual outcome of the service experience.

It is important of course, not to reduce the array of service experiences to sophistry. There is a world of difference between hospitality services, the creative industries and financial services, for example - the latter may limit consumer 'coproduction' purely to the completion of forms to input personal data (Maddern et al. 2007). Similarly the increasing use of web-based and electronic media to provide financial services has a whole logic and service experience of its own (Bitner et al. 2000). Moreover, positive service experiences are by no means about simply always giving the consumer what they expect. Services research has long shown that negative services experiences (such as a poor meal in a restaurant) can be retrieved by a positive and pro-active response to this by the service staff (Venetis and Ghauri 2004; Vargo et al. 2008).

It is true to say, therefore, that there is now a substantive body of research and theory about services management that deals directly with the service experience and its implications for managing services. It is this body of theory that is, by and large, most notable in the field of public services management by the degree of its absence.

A SERVICES MANAGEMENT APPROACH TO THE DELIVERY OF PUBLIC SERVICES

It is important in this argument not to overstate this case. There are indeed distinct bodies of public services theory and research in relation to such industry specific topics as public leisure management (Robinson 2003; McCree 2009; Sam 2009) and regional tourism policy (Kotler *et al.* 2001) that have engaged with the services literature for some time. Similarly, discrete tools from services management have been applied to public services delivery — as the discussion below of the SERVQUAL quality tool makes explicit.

However it is argued here that insights from the services management literature have been notable in their absence from the core literature and debates in the field of public management. It is this absence from the theoretical underpinnings of our field which is the focus here. Surely, it is argued, now is the time to rectify this absence. Inevitably, it is not the role of this short editorial essay to suggest a fully articulated application of services theory to public services. However four brief examples will, I believe, make the case for further exploration of the potential efficacy of such an application.

The case of the 'missing product'

An underlying theme in much of the services management literature is what Gronroos has termed the 'missing product' phenomenon. Service firms 'do not have products' he argues 'they only have processes to offer their customers' (Gronroos 2000: 63). In support he cites an example of an elevator repair firm in crisis. The roots of this crisis were that the firm thought they were providing a 'ready made product' of successfully repaired elevators while their customers expected a process that would include a successful outcome (a repaired lift) but where the process of the repair was the determinant of service quality – '[the service outcome] was perceived by the customers as a prerequisite [but] in the final analysis it was the quality of the process that counted' (Gronroos 2000: 65, emphasis added). Service users expect effectiveness as a necessary condition of services delivery – but invariably judge their satisfaction upon the basis of process issues.

This has significant implications for providing and managing public services. Thus, while there is a significant cost—benefit literature looking at the outcome of public service interventions (e.g. Killie et al. 2007; Felce et al. 2008; Knapp and Chisolm 2009) there is rather less that is concerned with the import of process for them. Encouragingly, there has been a recent growth in the use of generic services quality instruments such as SERVQUAL (Brysland and Curry 2001; Wisniewski 2001; Donnelly et al. 2006) — though this has been in the absence of any more fundamental attention to the application of the extensive services quality literature to public services (e.g. Woodruff and Gardial 1996; Venetis and Ghauri 2004). Similarly, while there is a solid literature that has considered for some time the evaluation of the impact of

networks upon public services delivery (e.g. Kickert et al. 1997) it is only now that appropriate attention is being given to the evaluation of the process of network governance itself, rather than of the impacts of these networks upon public services (e.g. Head 2008; Mandell and Keast 2008).

Public services marketing

McLaughlin et al. (2009; see also Laing 2003) have made the argument that public services marketing, in particular, has been ill served by its roots in traditional (manufacturingbased) marketing, with its focus upon discrete transactions by firms acting in isolation from each other, which transactions have 'a distinct beginning, short duration and sharp ending by performance' (Morgan and Hunt 1994). Such a model has been increasingly critiqued by authors focusing upon services management, notably the seminal work of Gummesson (1987) and Gronroos (1989). These critics have argued that many of the tools of 'traditional' marketing are increasingly out of kilter with the needs of services management - such as the archetypal '4Ps' approach to the marketing mix (Constantinides 2006). As a consequence of this critique an alternative paradigm of relationship marketing has evolved that is concerned not with selling products but rather about building trust and enduring relationships with consumers (e.g. Sheth and Parvatiyar 2000; Veloutsou et al. 2002). Subsequently this literature has expanded to include interorganizational business-to-business ('B2B') relationships (Coviello and Brodie 2001).

As McLaughlin et al. (2009) argue in their article, this literature offers a rich seam of theory upon which to build public management theory both about the marketing of public services to their users and about the governance of inter-organizational relationships. To date it has had only limited impact (see Laing and McKee 2000 and Wright and Taylor 2005 for isolated examples). This is surely a contribution to be built upon, however.

Innovation

The need for the reform of public services and the import of innovation for this process is a particularly strong theme in the current public policy discourse. A great deal of UK government attention has consequently been devoted to creating structures and incentives for innovation (e.g. National Audit Office 2000; Prime Minister's Strategy Unit 2006; Audit Commission 2007; DIUS 2008). Yet many of these structures and incentives have drawn lessons from the mainstream manufacturing-based innovation literature – and notably Porter (1985). They have also invariably been concerned with the technical design of innovations or with incentives for innovation (for example, Lekhi 2007; Horne 2008). Yet, again, the services management literature does have a distinctive perspective upon innovation within a services context - and which is currently absent from the public management discourse. This literature emphasizes

fundamental change in service delivery processes, rather than simply the creation or redesign of a product (for example, Gallouj 2002; Tether 2003; Blazevic and Lievens 2004; Magnusson et al. 2003).

Further, this services literature also poses a distinctive and fundamental role for the service user as the co-producer of successful service innovations (notably Gruner and Homburg 2000; Alam 2006). The customization of the innovation process for services is essential to the successful implementation of service innovations, it is argued – though this also has to be balanced against the potential (limitless) costs of over-customization. This literature has a real potential to make a significant contribution to the debate about public services reform and innovation – but only once it has been acknowledged.

Co-production

Following on from this point, the final brief example of the potential of services management theory for the management of public services delivery is the broader discussion of co-production within the services management literature. Of course there is actually a distinctive provenance for this concept within the public policy literature. This explicitly differentiates the 'co-production' of public services from traditional forms of their delivery, where the service delivered to the user is mediated by the expertise of the professional service provider (such as a social worker or teacher). In this context, co-production is argued to enhance this traditional form of service delivery, adding value by the engagement of the service users in meeting their own needs and/or by providing the professional service provider with additional information (through 'consultation') with which to plan service delivery (Brudney and England 1983; Pestoff 2006). Significantly, though, the professional invariably retains control of such co-production by structuring the opportunities and mechanisms through which it takes place (Simmons et al. 2007).

Such an analysis is somewhat alien to the concept of co-production in the service management literature, though. As noted above, co-production in this context is not something that is in the gift of the service provider to give or to withhold; nor is it something that a service user/consumer can chose, or not, to undertake. Rather coproduction is fundamental to any service encounter because of the inseparability of the production and consumption of services (Vargo et al. 2008).

The potential contribution of the services management literature in this case is somewhat different from the other three examples. Here its strength is in its combinatorial potential with the public policy discourse on co-production in order to develop a more rich understanding of the role of co-production in public services. Thus Strokosch and Osborne (2009), for example, have integrated the two literatures to create a taxonomy of co-production that explores the interaction in public services of co-production as an inherent characteristic of these services and as an enhanced element of the public services delivery process.

CONCLUSIONS

As detailed at the outset, the intention in this essay has not been to propose a fully worked out alternative theory of public services delivery and management embedded within the services management literature. Rather it has been to make the point that there is a substantive contribution to our field to be made from this literature. Far too much public management theory is embedded within the traditional, manufacturing based, body of management theory. Part of the reason for this is undoubtedly in its genesis as the 'NPM'. In the UK and Australia/New Zealand, at least, this stemmed from an explicitly political attempt to apply manufacturing logic, from such writers as Porter (1985) to public services (Osborne et al. 2008; Steane 2008). Yet part of the responsibility must also lie with our research community for steadfastly ignoring the services management literature over the past two decades, and longer.

Public Management Review has, I believe, been in the forefront of the development of public management theory both about the NPM (e.g. Chapman and Duncan 2007) and about public governance (e.g. Klijn 2008). An aspiration for our journal, as we enter our second decade, is that it can also make a contribution to our field from the concepts, models and insights of services management theory.

NOTES

- 1 Of course, governance is by no means a new concept or focus for the public management research community. There has been a deal of substantive writing in this field for a number of years (Rhodes 1997; Peters and Pierre 1998; Kooiman 1999; Salamon 2002, to name but a few). What is new though, is its emergence as the dominant paradigm of public services delivery, where public policy making and implementation and intra-organizational management take place within this paradigm, rather than creating the conditions for inter-organizational governance.
- 2 This does not imply any active willingness to co-produce upon the behalf of the customer simply that it is impossible to purchase a service without, in some way contributing to its co-production (Korkman 2006). This might be at a minimal level (by co-producing an insurance policy by inputting your personal details) or more holistically (by co-producing a vacation experience through your needs, desires and involvement in 'your' holiday).
- 3 This is not to say, of course that enduring relationships are always positive sometimes they can tie service firms into relationships that are negative or prevent them from taking new directions. Relationship marketing is as much about knowing when to terminate relationships as about how to maintain them (Anderson and Jap 2005).

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Stephen P. Osborne Editor-in-Chief Public Management Review