

Co-Production, Interdependence and Publicness: Extending public service-dominant logic

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Abstract

This article argues that while the idea of public service-dominant logic (PSDL) has much to offer, there remains room to extend it. First, the article fine-tunes the argument that co-production is unavoidable in services management, by categorizing the different things co-producers provide and analysing their interdependencies. Second, it seeks to account for collectively consumed *public* value, which is neglected in PSDL. Third, it recognizes that far from ‘delighting’ customers, many public services entail applying the coercive authority of the state to those with whom they deal. The article proposes a reconceptualization of the notion of ‘client focus’.

Keywords

co-production, services management, publicness, social exchange, public service-dominant logic, co-creation

CO-PRODUCTION, INTERDEPENDENCE AND PUBLICNESS

Extending public service-dominant logic

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INTRODUCTION

A recent contribution to co-production research and practice is public service-dominant logic (PSDL), developed by Stephen Osborne and his colleagues (Osborne and Strokosch 2013; Osborne, Radnor, and Nasi 2013; Radnor et al. 2014). This framework brings together two separate ‘takes’ on co-production: from the field of (generic) service management and from public administration. It takes us some way towards a better understanding of the unavoidability of co-production for public services, of the links between co-production and citizen participation in decision-making, and of how services management concepts can be operationalized for co-production.

These are significant advances, but like all good theories they can be taken further, as the authors of the framework recognize. They identify some underdeveloped aspects, which constitute lacunae in the research. Here the focus is on three of them: the unavoidability of co-production in services management, the implications of ‘publicness’ and the use of coercive power. I begin with an account of PSDL, and then examine each undeveloped aspect in turn, noting its implications for how we define co-production. I suggest pathways towards filling the gaps, and a new way of thinking about ‘client focus’ in the public sector.

PUBLIC SERVICE-DOMINANT LOGIC

PSDL grew out of a reaction against the shortcomings of public management theory, especially New Public Management (NPM), which called for the importation of the characteristic tools of the private sector, including focusing on results, grouping activities by outputs, performance monitoring, incentive-based remuneration, separating ‘steering’ from ‘rowing’, and outsourcing (Hood 1991).

At the same time, NPM has attracted criticism from public administration scholars (e.g. Pollitt 1990; Considine 1988), who argue that the techniques of business management are unsuited to government in a number of respects (Pollitt 2003; Hood 2005).

This critique saw generic management as an undifferentiated set of techniques, which were dysfunctional in government (Boston et al. 1996; Self 1993; Pollitt 1990). What made the position of Osborne and his colleagues different was their recognition that *particular aspects* of business management were the problem. First, while suitable for managing *within* the organization, NPM was poorly suited to the increasingly fragmented but interdependent modern society. Governments found themselves dealing with more complex dilemmas (Head and Alford 2015; Kettl 2009) and new forms of ‘networked governance’, such as Osborne’s New Public Governance (2010), began to spill beyond the NPM boundaries.

Second, the origin of NPM was not the whole of management theory but rather a particular strand that focused on manufacturing rather than service management. This

was crucial because the majority of the work of the public sector is delivering services, but services management has a radically different logic to manufacturing. Resting on goods-dominant assumptions, NPM and generic management are not ‘fit for purpose’ (Osborne, Radnor, and Nasi 2013). Services are intangible, whereas products are concrete. The value of services lies in the experience rather than a tangible object. They are produced and consumed at the same time; while in manufacturing a good emanates from a production process, and can be stored. The user is not only a consumer but also a producer of the service, due to the inseparability of production and consumption. These features all pointed inexorably to *co-production*: the contribution of time and effort to the delivery of public services by clients and citizens, prompted by or in concert with Public Sector Organisations (PSOs).

Recognizing the distinctiveness of public services, Osborne et al.¹ have, over time, fashioned a PSDL, drawing from literature in services management, co-production and public administration. In particular, co-production draws a vital link with a central idea in services management: the ‘moment of truth’ (Gronroos 1990; Normann 2002) when the provider and the client meet:

At that moment they are very much on their own. What happens then can no longer be directly influenced by the company. It is the skill, motivation and the tools employed by the firm’s representative and the expectations and behaviour of the client which together will create the service delivery process. (Normann 2002, 21)

PSDL offers the possibility of integrating insights from different vantage-points. But Osborne et al. flag three important aspects as warranting closer examination:

1. The extent to which *co-production is unavoidable* in services.
2. *Publicness*: the fact that the services create public value in addition to private value, and the implications of this for citizens and clients.
3. The *coercion of unwilling clients*.

IS CO-PRODUCTION UNAVOIDABLE IN SERVICES?

Central to the critique of traditional services management is that ‘the customer is always a co-producer’ (Vargo and Lusch 2004, 10), reflecting a growing recognition that for services, separating production and consumption is difficult. Osborne et al. contend that research to date has treated co-production as an ‘add-on’ to organizational production, and failed to recognize that particularly in services, it is an unavoidable part of the service system.

However, both claims – about the literature and about the customer – need qualification. In the literature, it is true that too many researchers have tended to

assume that co-production is an inessential 'optional extra' (e.g. Boyle and Harris 2009), but others, going back to the 1970s, *have* regarded co-production as an inescapable element of many public services (Parks et al. 1981; Alford 2009, 24–5; Loeffler et al. 2008; Whitaker 1980, 242; Pestoff, Brandsen, and Verschuere 2012). As I observed from case studies across three countries more than 10 years ago:

In all these cases, it is impossible for the organisation to create value or deliver a service unless the client actively contributes to its production. The question for the organisation is not *whether* it should use client co-production but rather *how* it can best elicit it. (2002a, 41, emphasis in original)

More significantly, the blanket statement that the customer is *always* a co-producer seems to be at odds with the fact that in many services customers apparently play little or no co-production role. Take a customer of a fine dining restaurant. If we see the service as simply provision of a meal on a plate, then she plays a minimal role in the production of her meal. Almost all of the work is done by the chef (preparing the meal) and the waiter (providing the table service). Of course, the diner has to order – but that is about deciding what should be done rather than actually producing it, which is contrary to a basic assumption in the literature that co-production is not the same thing as co-decision (Parks et al. 1981; Whitaker 1980). In this case, the customer is a passive consumer than an active participant. On that basis, it is demonstrably not *always* true that customers are co-producers; the facts seem to challenge a central PSDL tenet.

It is not surprising, therefore, that the proponents of the 'customers-are-co-producers' argument tend to qualify their assertion. In their original 2004 article, Vargo and Lusch observe: 'From a service-centred view of marketing *with a heavy focus on continuous processes*, the consumer is always involved in the production of value (2004, 18: author's emphasis). Kalaiganam and Varadarajan (2006) present a model of the degree of 'intensity of customer participation with firms', which amounts to co-production as they frame it, and which is variable (2006, 170–71). And Osborne, Radnor, and Nasi indicate that the characteristics of services (intangibility, inseparability, etc.) 'are a continuum not a steady state' (2013, 140).

In fact, the PSDL commentary offers a more fluid conception of co-production in services. Specifically, it is not just about *who* is doing the work but also about the *'unit of analysis'*² and the *basis of value*. Consider our restaurant patron. If the unit of analysis is the *whole experience* of the evening, then even if she does not produce the food on the plate, she plays a role in the service: maintaining the expected behavioural style, conferring with the waiter about the food and wine, and interacting in an entertaining manner with her dinner partners. Thus, the more service-like the product, the more the unit of analysis changes from the food amount and quality to the total interaction between the producer and the customer.

This example illustrates a crucial point about the difference between services and goods. In goods, efficiency or quality gains entail improvements in one or more of the

parameters of the producer's operational processes while holding the others constant. But in a service, value is best understood as a *calculus*, in which not only does the producer change, but so too do the other variables. The focus is not only on the output but also on the interactions with the client. As a result, the 'unit' of analysis is typically broader and more fluid. It includes client actions beyond paying money and consuming the product itself, such as providing information or behaviours that affect value. As Vargo and Lusch put it:

Production ... is an intermediary process ... goods are appliances that provide services for and in conjunction with the consumer. However, for these services to be delivered, the customer must still learn to use, maintain, repair and adapt the appliance to his or her unique needs, usage situation and behaviours ... in using a product, the customer is continuing the marketing, consumption, and value-creation and delivery stages ... shifting toward a continuous-process perspective. (Vargo and Lusch 2004, 11)

The necessity of co-production in services management, therefore, is *variable*. The extent to which a service entails co-production is a continuum, from optional to essential. But at the same time, the value-proposition and the service system are also variable. So the choice is among a whole array of possible arrangements. To acknowledge the broader compass of this framework, which situates co-production among other contextual factors, the term 'co-creation' could be employed as an umbrella term covering the more complex inter-connections among people and processes. But here the focus is mainly on 'co-production'.³

In fact, the blanket claim that the customer is always a co-producer is not really necessary in order to demonstrate the shortcomings of conventional services management. If it is applicable to just a large *majority* of customers even if not *all* of them, as seems likely in common-sense terms, then that is surely an ample basis on which to build a telling critique, and an alternative theory. The question is: what accounts for the differences?

DEPENDENCE AND INTERDEPENDENCE

The previous section showed that while co-production is strictly unavoidable in many public services, many others where it seems necessary actually exhibit only a degree of avoidability. In their pioneering work on coproduction, Ostrom and her colleagues identified two possible circumstances for co-production, each of them 'representing' the two sides of the debate (i.e. 'optional add-on' vs 'unavoidable') (Parks et al. 1981). One was *substitutability*: where service-users are capable of co-producing, but the cost of using them has to be weighed up against that of deploying in-house staff. Since co-production is not structurally demanded, whether to use it is an open question.

Table 1: Dependence, substitutability and degrees of co-production

<i>Conditions</i>	<i>Optional 'add-on' co-production</i>	<i>Unavoidable co-production</i>
No substitutability, no (inter)dependence	✗	✗
Substitutability, but no (inter)dependence	✓	✗
(Inter)dependence but no substitutability	✗	✓ Varies from minimal to maximum co-production
(Inter)dependence and substitutability	✓	✓ Varies from minimal to maximum co-production

The other condition was the level of the PSO's *dependence* on, and often its interdependence with, the contributions or efforts of its service-users – in short, where the organization is not able to achieve its purposes without some action, behaviour, resource or capability contributed by the client (see Table 1).

Whether an organization will be engaged in co-production at all is dictated by the presence of three fundamental conditions. One is that both parties must be available to perform the specific work sought from them. Another is that there should be no one else available to perform the requisite work. If these two conditions are present, then utilizing co-production is an option. But it is not *certain* unless it is found to be better than in-house production. 'Better' was originally defined by Ostrom's researchers as 'cheaper' (Parks et al. 1981), but later research showed that a more telling rationale was the relative capabilities of each group (Alford 2009, 24–5).

But having established that co-production is *possible*, the question is: how imperative is it? Osborne et al. argue that it is unavoidable in services, but they also open the door to the argument that its necessity might vary according to circumstances. This rather than substitutability will be the focus of the rest of this article. Specifically, the inseparability of the producer and consumer in delivering services dictates that the organization *depends* on clients for co-productive work to achieve purposes or complete tasks.

However, the *degree* of dependence is influenced by several factors. First is the extent to which service-users have a monopoly on the *skills and resources* necessary for co-production. Second, and relatedly, is the *centrality* of the service-users' contribution, largely a function of the capabilities required. At the lower end, clients may only engage in routine tasks, requiring no particular training but necessary to the service, such as placing bins out on garbage collection day. At the other end, the clients possess

highly complex resources or capabilities which enable greater contributions, such as the skills, knowledge or technology that he/she brings, as well as their structural location. For instance, it can reasonably be expected that a parent occasionally helping out as a teacher aide at his child's school has a greater ability to relate to and assist his own child, and some of the others also, simply by virtue of being in the role of parent.

Third is the degree of *integration* between the work of the organization and that of the client – that is, the extent to which the two work roles are interwoven, and are effectively interdependent. In this situation, each productive action by one requires or prompts an action by the other. At its most extreme, it is impossible for either to move unless the other does something. Take, for instance, the issuing of visas. In a relatively strict regime such as the United States or Australia, the immigration agency has to interact with incoming travellers a number of times, each encounter necessarily following the previous one. From an initial form providing information to the issuing of a visa, a recipient may have answered several requests for information.

A fourth factor is the extent to which co-producers are engaged in *changing themselves* in some way, such as their health, their psychological state or their educational credentials. For instance, a drug treatment agency could not succeed in rehabilitating one of its clients (and thereby achieving its purpose) unless that client takes his/her naltrexone and undertakes intensive counselling and vocational training. It cannot switch to another co-producer, because by definition that would mean also switching to a new client.

The four conditions can apply to a 'one-way' dependent relationship, where the PSO relies on citizens or service users to contribute work, but not vice versa. But more often than not, the dependence goes both ways, in an *interdependent* relationship, with a more thoroughgoing form of co-production.⁴ For instance, the visa applicant relies on the immigration department to grant successive approvals as he/she passes through the system. The job seeker looks to the employment agency for skills training or referrals. In these cases, the co-productive relationship entails contributions from both parties.

PUBLICNESS

A central aspect of the PSDL framework needing elaboration concerns the *publicness* of public services, which are different from private-sector services in important ways (Allison 1980; Pollitt 1990; Hood 1991). Although Osborne et al. mention this difference, their actual analysis has largely been about *generic* service-dominant logic, in which the customers interact with the service system as individuals.

The most significant difference lies in the nature of the value that the two sectors are responsible for producing, manifested in an asymmetry between them. The purpose of businesses is to provide *private* value – products and services that directly benefit private individuals, and that they obtain typically as paying customers in direct, voluntary,

economic exchanges. But the value created by PSOs is more complex. They too produce things that offer private value, such as water, transit rides, mail deliveries or public housing. Some of their consumers are paying customers as in the private sector, whereas others receive the service but do not pay any money directly for it (although they pay through taxes).

More crucially, PSOs are also responsible for producing *public* value, to a greater extent than private value. Public value is public not because of who *produces* it but of who ‘consumes’ it⁵: the collective citizenry, mediated through the political process. It has several aspects (Moore 1995, 2013). First, it is *partly* analogous to public goods in the sense that it is usually available to all if to any. But it is about more than goods, and can refer to a range of publicly beneficial outcomes, including but not limited to various remedies to market failure (Hughes 2012; Weimer and Vining 2005). By extension, we value the institutions that enable the conditions for the market and the broader society to function. Most basic is the rule of law, which not only provides security to citizens but also underpins the market, by enforcing property rights and contracts through the police, courts and prisons. However, all of the value propositions in this vein refer to things which are (1) of benefit to the individual but (2) can only be consumed collectively. It assumes people seek collective ways of doing things only because it is in their personal interest to do so.

But secondly, as Moore (2013) explains, people also value things which transcend their own self-interest: aspirations for society as a whole, founded in normative principles or social milieu. Thus, what the public values is more than instrumental efficiency and effectiveness. It also attaches weight to what is right in deontological terms, such as protecting children, upholding human rights or assisting the poor. People may value these things even if they are personally disadvantaged by them – for instance, a high-income earner supporting progressive income tax (Moore 1995, 44–48).

Third, we value the institutions that enable society to discern what is valuable, in particular, by facilitating public deliberation. Examples include parliaments, independent public service policy advisers, political parties, electoral commissions and freedom of the media. Thus, public value resides not only in decisions and policy outcomes, but also in processes and institutional arrangements. More broadly, citizens may derive value – such as intrinsic reward or affirmation of broader norms – from the opportunity to participate in deliberative processes and share in shaping the society.

Fourth, public value has a dynamic dimension: it can reside in measures to anticipate the future by investing in the maintenance and enhancement of both individual and institutional capabilities. This involves foregoing value in the present through investments in programmes, infrastructure, community development, capability-building and many other things that may only be enjoyed by citizens of the future (Mintrom 2013).

These are all positive things, but on the other side of the ledger is the possibility of *co-destruction*, in which contributions of effort by service-users can diminish public value and generate bad or even evil outcomes. But note that the difference is not so much in

the ‘co-’ aspect of the term, but rather in the reorienting of ‘production’ into ‘destruction’. Like all human creations, effort devoted to actions can be for good or evil, but co-production is overwhelmingly more common than its reverse (Echeverri and Skallen 2011; Plé, Chumpitaz Cáceres, and Harris 2010).

Ensuring that these and other forms of *public* value are produced is further complicated by the fact that most instances of creating public value are accompanied by an effect – positive or negative – on *private* value. For example, education is valuable to society in social, economic and cultural terms, but the very same process is also beneficial to students, enhancing their lifetime income and job choices. Any co-productive process is likely to have dual results: both public and private values.

Thus, analysing public value in the work of PSOs includes taking account of private value and its relationship to public value. The fact that they are nearly always produced together in the same process means that there is a degree of interdependence between them. When service logic is also included, the interdependence is heightened. This presents a challenge to the public manager: although the two types of values are produced together in one process, they are discerned by different mechanisms and consumed separately.

First, the primary way public managers find out what they are supposed to be creating differs between private and public values. Private value is discerned through individual expressions of satisfaction or dissatisfaction. If private sector customers are dissatisfied with a company’s product, they ‘exit’ and switch providers. In the public sector, an alternative provider may not be available, so clients express their dissatisfaction through the mechanisms of *voice* – complaints and demands through direct communication (see Hirschman 1970). Either way, the locus of opinion is at the level of the individual, each of whom has his/her own set of preferences.

By contrast, *public value is not the sum of individual preferences*, which are virtually impossible to aggregate, for several reasons. Many of them attach value to non-comparable things – for instance, how much weight should we give to AIDS research and how much to immigration control? In some services, their relative value might change in response to events at large or to the actions of decision-makers or other stakeholders. Finally, different people order their preferences differently, such that it is impossible to satisfy all of them (Arrow 1963). Rather than simply *adding* the preferences up through atomized voting, they need to be fashioned into a coherent set of understandings by a process in which people mutually adjust their priorities in the light of others’ changed preferences: *deliberation*, through the democratic political process. Thus, the primary channel through which *citizens* convey what they want (and managers find it out) is government, structured as some form of democracy. Of course, any of these forms is imperfect, and prone to various shortcomings (Alford 2002b, 339). But they are arguably the most acceptable forms of government to the citizenry.

Not only are public and private values discerned differently by PSOs, but also they are ‘consumed’ by different actors. In the education example above, public value is enjoyed by the citizenry, whereas the private value is consumed by school pupils and

their parents. This is true even without co-production, but even more so where clients do co-produce the service. For instance, a government employment service co-produces job acquisition by unemployed people, which is valuable to the public in promoting social cohesion as well as reducing public spending, but also valuable in obvious ways to the jobseekers themselves.

Thus, the relationships between public and private values are subject to three different logics. The two types of values are usually *produced* together, but they are *discerned* through radically different processes and *consumed by different actors*. The question is, ‘Can these logics be reconciled?’ To answer this, we first need to look at client focus in co-produced services, then at the notion of ‘generalized exchange’.

CLIENT FOCUS

‘Client focus’ is central to services management, but fits patchily with the public sector. Some clients are paying customers, but mostly they are not. Some are *beneficiaries*, such as government school pupils, welfare recipients or public housing tenants, who ‘consume’ the service but do not pay any money directly for at least part of it. Others are *obligatees*, who have the ‘service’ imposed on them by the state, when they do not really want it – such as prisoners or regulatees. These are *roles* rather than categories, and most clients constitute some mixture of them. From these roles, the organization is seeking co-productive contributions. To induce them, it can resort to any of four levers (Loffler et al. 2008; Alford 2009; Verschuere, Brandsen, and Pestoff 2012): *compelling* users to co-produce (to be discussed in the next section), fostering clients’ *identification* with the norms and values inherent in the mission, making it easier for them to contribute importantly, (*social*) *exchange* between the organization and service users. Typically, the organization resorts to some mix of these, but exchange is present in most co-production and is the focus here.

The private sector conception of exchange is usually an economic one, in which the organization offers goods and services to the customer, and receives money in return. The transaction proceeds if each party perceives the exchange to be value-creating, where each gains more than they lose. The client-focused private company, therefore, looks for profitable ways to offer ‘value for money’, by asking ‘What do our clients want from us?’, to understand customers’ needs, tailor products to preferences, structure the organization to align with client segments and sponsor a customer-responsive culture. The aim is to ‘delight’ customers, who come back for more and tell their friends. The measure of success is overall sales.

Thus, the primary concern of the organization in the standard conception of exchange is to encourage ‘willingness to pay’ in its customers. But in the public sector, the primary concern in dealing with service-users is to encourage ‘willingness to *co-produce*’, that is to provide time and effort to participating in production of

public services. This can be understood as a social exchange, which involves a broader set of *behaviours* rather than tangible objects (Ekeh 1974; Levi-Strauss 1949/1969; Blau 1964). People may give each other things of intrinsic value or social significance, such as respect or status, or the organization might represent purposive value, such as a goal of reducing poverty. Thus, a visa applicant may be more compliant if she feels the system is procedurally fair. Social exchange typically entails more diffuse and deferred reciprocity based on trust among the parties (Titmuss 1970; Ekeh 1974, 59).

The centrality of encouraging willingness to co-produce recasts the basic question in client focus. In addition to asking ‘What do our clients want from us?’, the organization needs to ask another key question, which has hitherto been completely unaddressed: ‘What do we want from our clients?’ The manager has to first discern clients’ roles within the whole ‘service system’ as a co-producer, second what work is required from them, and third what the organization can do to encourage it. The first two of these issues have received little attention, although some emerging frameworks suggest ways to look at them. Most promising are efforts to map processes, such as service blueprinting (Radnor et al. 2014), causal mapping (Bryson 2014) public value process mapping (Alford and Yates 2014). These entail tracing a chain or web of causal factors leading to desired outcomes, identifying candidates for a co-production role, delineating their possible tasks seeking to understand what particular factors might elicit that contribution.

As to the second question (‘What work do we want them to do?’), a potentially fruitful approach involves categorizing the contributions (see Table 2) into tangible objects, information and behaviours. As goods, *tangible objects* receive only modest consideration here, but such objects can have the side effect of also producing goods, as is the case with Meals on Wheels.

However, provision of *information* is a common form of co-production in both the public sector (e.g. visas) and the private sector (e.g. bank loan applications). Clients can provide information about their private selves, again as with visas, or about others within the organization or the broader society as a pre-condition for the agency to do its work. It can be exchanged for other information, or can be dovetailed with it in a complementary fashion.

Behaviours account for much co-productive activity. One type is self-enhancement, such as a drug addict undertaking various treatment regimes towards rehabilitation. Their behaviour is a pre-condition for programme success. Related is the enhancement of other ‘selves’, as when parents donate their time to helping as a school aide. Still broader is the variety of possible activities contributing to the organization generating more value for the public, as illustrated in the drug treatment example explained above. There is also a role for co-production in the compliance behaviours encouraged in prisoners and other obligatees. In particular, individual clients are often being influenced or even compelled to do things precisely because they benefit the collective citizenry.

So far the analysis has been about what the service-user ‘gives’ to the organization. But it is also vital to understand what prompts these co-producer contributions, which

Table 2: Types of co-productive contributions by citizens and service-users

<i>Category of co-production</i>	<i>Co-productive activity or behaviours</i>	<i>Types of values and recipients</i>
Physical objects	By-products (e.g. Meals on Wheels)	Private value to elderly (regular food) Public value for government (less \$ spent)
Information	Info re private self (e.g. student visas)	Private value to applicant Public value for citizens: less demand on remedial services (e.g. visas to destination country → ↓ overstays, possible crime, etc.)
	Info enabling government organization's task-achievement Info re broader society characteristics and attitudes (e.g. census)	Public value to extent government's task achievement benefits citizenry
Behaviours	Self-enhancement (e.g. drug addict)	Private value to client Public value to citizenry: ↓ externalities
	Enhancement of other selves (e.g. parents as school teaching aides)	Some private value to client Private value to other children/parents
	Contributing to improved quality, responsiveness, efficiency, etc. of organization's work	Private value to client Private value to others
	Contributing to improvement in aspect of society or nature	Public value to citizenry
	Compliance with obligations (e.g. prisoner)	Precondition for task-completion

raises the third question: 'What do our clients want from us?' Because these offerings are not monetary as in standard customer transactions, but rather information and behaviours, based on broader, long-term relationships, they call forth a wider set of offerings to the client than simply the service in question: not only economic value but also a range of non-material rewards such as intrinsic, social and normative types of values, which have been well canvassed in the literature and need no elaboration here (Alford 2009; Bovaird et al. 2015; Thomas 2012).

Thus, a social exchange in a service encounter entails a broader range of values than economic ones. But service-system managers are not only responsible for discerning and delivering private value informed by client focus. As discussed above, they are also responsible for creating public value, which as we have seen has complex relationships

with private value. Even though they are inescapably linked through that process, there is no guarantee that the different types of values will be in harmony with each other. For the manager of the service system, the question is: How much weight should be given to the citizenry at large compared to the direct service-users?

The most difficult situation here is when one value embodied in a co-productive process is in *conflict* with another in the same activity, calling for complex judgements by the manager or by citizens involved in determining the respective shares of the value (tangible or intangible). For instance, a country's foreign ministry might involve local business people in a foreign country in expanding economic networks connected to the country (whence they derive some private value as co-producers), but at the same time, that process attracts criticism from citizens concerned about that country's human rights record.

This would not be a problem if the interests were *shared* so that both sides could benefit. But the real world does not often offer shared value: we live in a world of different interests. Interestingly, however, these differences offer 'win/win' opportunities (Lax and Sebenius 1986). For example, a public manager might find a way of benefitting one value without harming another – or even more profoundly, of dovetailing their interests so that each gains more than they lose. In managing co-production, the presence of different types of values and/or different actors can make for complicated discussions. But by increasing the number of variables in play, it can also expand the range of possible solutions.

Another answer relates to the process of deliberation mentioned above. At the very least, the multiplicity of actors, issues and arenas calls for multiple forms of participation, at different levels. Unfortunately, there is a tendency in the theory and practice of public participation not to appreciate this variability, and in particular to assume a standard deliberative format including representation of all the relevant stakeholders, an agreed convenor, mutual disclosure of information agreement by consensus. This mode is clearly valuable relative to no participation at all, but its elements will vary in their relevance and usefulness.

Thus, instead of searching for one right way to facilitate and benefit from public participation, a contingent approach may be appropriate, in which the framing of the issues, the range of participants, the decision process and other aspects vary according to the situation (Thomas 2012). Drawing the distinction between the collective citizenry, the group and the individual service-user illuminates what kind of participation there should be. One contribution to such an approach comes from Osborne and Strokosch (2013), who propose a continuum of modes of co-production. It distinguishes three modes of which the third – enhanced co-production – entails both the planning/design and the actual work being shared between the organization and the user. This formulation anticipates innovations in services borne of the experience and involvement of users at both the operational and the strategic levels. Thus, although the call for enhanced participation is difficult, it is not impossible.

COERCION

Some PSOs are in the business of imposing legal obligations on their service-users. This has generated a growing literature and a plethora of terms, usages and issues (Jung 2010), including ‘unwilling’ or ‘captive’ clients, ‘citizen-consumers’ (Clarke et al. 2007), the question of ‘consumer choice’ (Le Grand 2003) and the (non)-transferability of the customer concept to government (Fountain 2001). However defined, these legal obligations are not the same thing as the unavoidability of co-production discussed above. That involves what we might call ‘technical compulsion’, where people are structurally ‘locked in’ *ex ante* to co-productive tasks, which are impossible to avoid. In legal compulsion, by contrast, people can ‘choose’ to avoid obligations, but know that sanctions are likely *ex post* if they do.

Government coercion disadvantages the ‘obligatees’ for the sake of the wider community; they are unwilling to receive the service and/or are coerced into doing so. Compelling them to obey the law seems more likely to embitter than ‘delight’ customers. For instance, if child support agencies treat non-custodial parents (usually fathers) as though they seek to avoid paying child support, even though most of them care about their children and are happy to comply, their understandable reaction is to feel unfairly treated, and become alienated from the programme (see Meyer et al. 1996).

But compliance is an outcome, not a process. It entails people acting in a manner consistent with the agency’s purposes. The critical point is that people do so for a variety of reasons, *only one of which is compulsion*. They may feel they should obey the law, or they may support its purposes (Tyler 1990), or they may not want the shame of being found out (Grabosky and Braithwaite 1986) or it may be easy to comply. In short, their compliance may be more or less voluntary.

Moreover, the more voluntary the compliance, the more useful it is. It is likely to be cheaper, since enforcement will require fewer resources, and of higher ‘quality’, especially if the obligations are complex. The more complicated the rules, and the harder they are to specify, the more the agency relies on obligatees to exercise discretion and take steps. These situations require observing the spirit as well as the letter of the law. This calls for regulatory tools that help and persuade obligatees rather than coerce them to comply – for instance, providing information, simplifying the co-productive task or appealing to normative values.

Research shows that the application of coercion has limitations, such as difficulty in framing rules to cover all the possible situations, which are, therefore, often experienced as ‘red tape’ (Bardach and Kagan 1982). Also, people’s ‘compliance postures’ vary (Braithwaite 1995): some will obey the law always, simply because they see it as the right thing to do. Others will take any opportunity to avoid their obligations. In between are ‘incompetent non-compliers’, who want to comply but find it technically

difficult to do so and ‘contingent compliers’, who will comply provided the agency demonstrates it is seriously enforcing the rules against recalcitrants.

What makes this complicated for regulators is that no single strategy will encompass all these postures. A (‘soft’) strategy based on help and persuasion will allow the recalcitrant to exploit the laxer regime, and also disillusion the contingent compliers. On the other hand, a coercive strategy will alienate the voluntary compliers, and totally fail to reach the ‘incompetents’.

Clearly, the solution lies in applying different strategies to different groups – and that is what many regulatory agencies have done, under the rubric of ‘responsive regulation’ (Ayres and Braithwaite 1992). Its ‘regulatory pyramid’, with ‘softer’ interventions at the bottom and tougher ones higher up, offers a way of inducing voluntary compliance without leaving the system vulnerable to recalcitrants. Some form of responsive regulation has now been adopted in different countries by a wide array of institutions, ranging from audit, public health to agriculture and social housing (see Ivec and Braithwaite 2015)

In summary, unwilling clients may not be as big a problem for the PSDL framework as they seem. They can contribute value-adding co-productive effort just as other service-users can. More importantly, this contribution can be partly voluntary and partly coerced, consistent with PSDL.

CONCLUSION

The pivot of this analysis has been the variegated relationship between public and private values, with inextricably linked production processes, but radically different ways of discerning them, and consumption by actors in different roles.

These factors can be seen as a series of interactions, notably coercion and exchange, with the former fixing the outer limits of exchanges, both linear and looped, between the citizenry (acting through the PSO) and the service-users. Clients contribute co-productive time and effort, and in *that* role receive private value – both material and non-material – from the process. This value to service-users consists not only of the service itself, but also of whatever additional material or non-material incentives the organization might offer to further encourage clients’ efforts. In their capacity as volunteers, citizens, who are not the same as clients in that they do not pay money to the agency, also contribute to co-production and receive a mixture of non-material value-types such as affirmation of their normative values or reinforcement of their social affiliation.

Many theoretical breakthroughs are the result of scholars either making a connection between two unrelated phenomena or perceiving a distinction within a previously unified entity. The PSDL framework is an instance of both. On the one hand, it notes an affinity between services management and public services – namely their

particular logic of intangibility, inseparability and co-production – and sought to integrate them. On the other hand, it has disentangled services management from manufacturing management theory, which makes it easier to incorporate co-production into services management. This creates opportunities not only to develop better management theory, but also to enhance citizen and service user participation, based on a more contingent understanding of public sector deliberative processes than is available via product logic.

This article has sought to answer the call of Osborne and colleagues to elaborate on aspects of the framework requiring development or modification, particularly those where their repositioning into the public sector requires an understanding of the ‘subtle nuances’ of the public sector.

First, it has offered qualified support for the proposition that co-production is unavoidable in services management. It argues that the degree of dependency in the relationship between producer and consumer, which is variable, dictates whether co-production is avoidable or not. Second, it has more prominently acknowledged the differences of PSDL to its private sector counterpart, notably the PSO’s creation of public as well as private value, and the related differences of citizens and public sector clients from private sector customers. Third, it has reconceptualized the work of PSOs using co-production as seeking to foster ‘willingness-to-cooperate’ rather than the ‘willingness-to-pay’ of customers, with major implications for the traditional notion of ‘client focus’. Fourth, it has suggested a way of thinking about the role of coercive power in public management. Finally, it brings all these considerations together in a provisional framework for analysing co-production.

This study, of course, is conceptual rather than empirical, suggesting paths for future research rather than setting conclusions in concrete. Several areas merit deeper investigation. The notion of dependence could be better grounded in empirical evidence, perhaps using the categories shown in [Table 2](#) as starting points. This would enable better analysis and calibration of the factors affecting avoidability. Further, more exploration of the juxtapositions of public and private values in their production, discernment and consumption would enable greater analytical clarity about respective roles. Also, illuminating would be an effort to categorize and dovetail the different ways for managers to ‘listen’ to citizens and clients: at the individual level (harnessing ‘client focus’), the local or community level (with group participation) the societal level (enhancing democratic processes and articulating them with lower-level ones).

One insight is especially significant and deserving of further work: the recognition that clients’ behaviour rather than their money is the key concern for government organizations. This entails a radical inversion of the normal way all client service-related managers understand their roles, posing the previously unasked question of ‘What do we want from our clients?’ The development of two particular analytical techniques would offer powerful tools for answering this question. One is to draw on the emerging field of causal mapping of whole service systems, in order to delineate what role co-producers can play. The other is to

more systematically identify, classify and theorize the various types of co-productive contributions from clients and citizens. This would then shed light on the kinds of values they might be able to create, and the activities and motivations that might prompt them to do so.

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author.

NOTES

- 1 In the remainder of this article, ‘Osborne et al.’ without a date refers not to a specific reference but to the body of work by Osborne, Radnor and others on PSDL.
- 2 The term ‘unit’ itself, as Vargo and Lusch (2004) acknowledge, implies a goods-centric analysis. Here we will assume, as they do, that we are talking about ‘service’.
- 3 To apply the co-production label to the whole panoply of citizen involvement, from policy-making, planning and service design to delivery and evaluation, conceals the crucial feature of co-production which attracted so much attention: it is about who does the *work*, not who decides whether or how it is to be done. On the other hand, to limit it to the performance of a narrow step in traditional production is likely to miss the subtle interactions and tacit understandings which permeate the process. Resolving this confusion has not been helped by the strange lack of any definition of co-creation in the literature that refers to it.
- 4 In fact, it could and often does involve more than two parties, in a process of ‘generalized exchange’.
- 5 This is not to say that the private sector does not produce public value: it can and does, but its scale is more limited, and it is more a by-product of business than its central purpose, which is to make a profit.

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