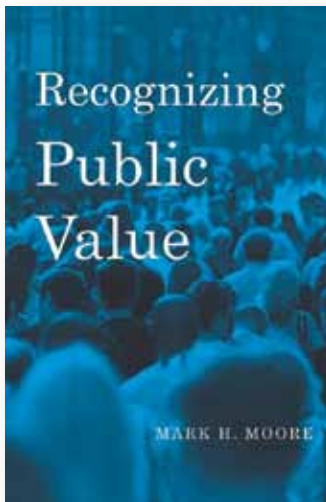


## Defining and Creating Value for the Public

By Shayne Kavanagh



Recognizing Public Value

Mark H. Moore

Harvard University Press,  
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\$59.95, 496 pages

Mark Moore, a professor at the Harvard Kennedy School of Government, is one of the leaders of an academic movement that studies and advocates for the concept of “public value.” Public value asks public officials to consider the benefits and costs of public services not only in terms of dollars and cents, but also in terms of how government actions affect important civic and democratic principles such as equity, liberty, responsiveness, transparency, participation, and citizenship. Public value seeks to provide public officials with the ability to talk about the net benefit of government actions, while overcoming the limitations inherent in attempting to create a “bottom line” that is analogous to that of the private sector. Moore first started writing about public value in 1997 with *Creating Public Value: Strategic Management in Government*. In his most recent book, *Recognizing Public Value*, Moore describes how public managers can translate the ideas of public value into a tangible system of managing performance and resources.

### THE STRATEGIC TRIANGLE

A good place to start understanding public value in greater detail is what Moore refers to as the “strategic triangle” (see Exhibit 1). The strategic triangle shows that public value is created when a given strategy or action has democratic legitimacy (e.g., the community supports it) and the sup-

port of the authorizing environment (e.g., a governing board), and when the government has the operational capacity to implement the strategy or action effectively. Exhibit 1 also shows that there is a feedback system in place — when public value is created, so is greater legitimacy and support (e.g., citizens and elected officials have greater trust in the government), and operational capacity is increased (e.g., financial and other resources could be easier to obtain). In short, success begets success.

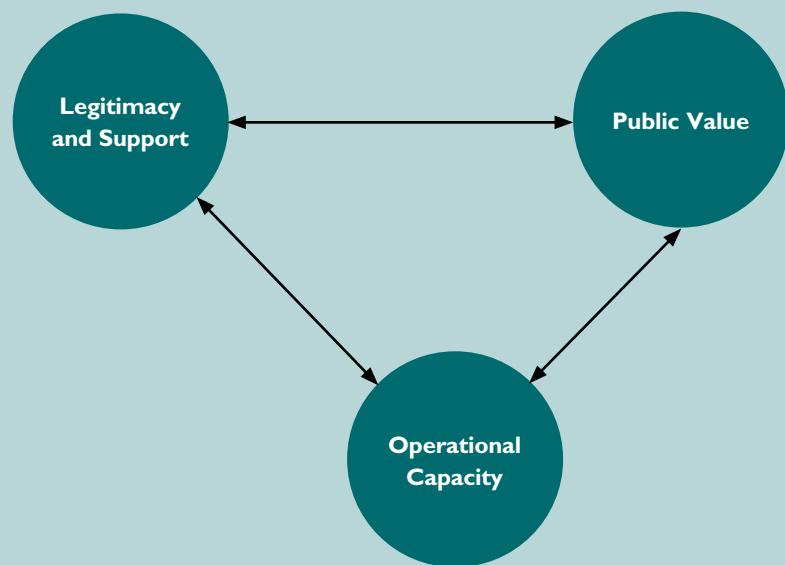
In *Recognizing Public Value*, Moore describes how governments can develop a performance measurement and management system that will:

- Force a definition of what exactly what constitutes “public value” for a given agency, program, etc.
- Help mobilize and build legitimacy and support.
- Help animate and guide operational capacity.

However, before describing the mechanisms that Moore proposes to accomplish these three goals, we should review four key points about strategic management that undergird Moore’s approach:

- Attempts to directly import private-sector strategic management techniques to the public sector are fundamentally flawed because of fundamental differences in the

**Exhibit I: The Strategic Triangle**



purposes and nature of public and private organizations. Therefore, a distinctive approach to value creation is required for public-sector organizations.

- According to Moore, “strategic management” in the public sector has generally entailed: “1) focusing on the long run over the short run; 2) attending to large issues with a big impact on performance, rather than small issues with impacts on productivity; and 3) concentrating on ultimate ends, rather than needs.” Moore posits that much greater emphasis needs to be placed on finding a fit between the organization and the external environment in which that organization operates. Hence, diagnosing the external environment and then positioning the organization accordingly is an essential part of strategic management that is often under-emphasized in public-sector organizations.
- Public managers often view performance management as a technical challenge rather than a political or philosophical one. Moore contends that the political and philosophical aspects of public performance management are at least as important as the technical aspect.
- To produce value, public officials must consider the entire “value chain.” The value chain starts with inputs and moves to the production processes (e.g., policies, programs, activities) used to transform the inputs into outputs, which then affect a client (e.g., citizen, beneficiary, etc.), which leads to the social outcome that was the intended aim of the activity. Public management is often focused on just one part of the value chain. For example, traditional line item budgeting is focused almost exclusively on the “inputs” aspect of the value chain. More recently, attention has been placed on “outcome performance measures,” often with an implication that other measures (e.g., outputs, productivity) are inferior.

## THE PUBLIC VALUE ACCOUNT

At the center of Moore’s approach is what he calls the “public value account,” which Exhibit 2 illustrates in its generic form. Use of collectively owned assets and financial costs are shown on the left. Financial costs obviously fall on this side of the ledger, but in addition to costs, Moore believes it is important to account for two other categories. The first is unintended negative consequences — for example, an aggressive policing strategy might reduce the level of trust between the government and its citizens. The second is the social costs of using authority — in short, citizens do not like to be compelled to do certain activities or otherwise have government interfere in their lives. Hence, any government activity that imposes obligations on citizens or otherwise impinges on personal freedom should be considered a cost.

On the right side of the ledger, we have items that go toward achieving valuable outcomes, including things that go toward achieving the organization’s stated mission. Unintended positive consequences that fall outside of achieving the mission also go in this column. For example, greater achievement of the organization’s mission would tend to foster greater job satisfaction for public employees. The right-hand side of the ledger also includes client satisfaction, distinct from mission achievement; this is because a public entity’s mission is often defined in terms of creating benefit for the greater public, which is often not the same thing as satisfying individual members of the public. Here, Moore differentiates between “service recipients” (who are like traditional “customers”) and obligatees, or individuals the gov-

## Exhibit 2: Public Value Account, General Form

Use of Collectively Owned Assets and Financial Costs	Achievement of Collectively Valued Social Outcomes
Financial Costs	Mission Achievement
Unintended Negative Consequences	Unintended Positive Consequences
	Client Satisfaction
	Service Recipients
	Obligatees
Social Costs of Using Authority	Justice and Fairness
	At individual level in operations
	At aggregate level in results

ernment compels to perform certain actions. Finally, there is justice and fairness, which Moore applies to individuals, as they experience government processes, and the whole society, as it experiences the segments of society that benefit from government action.

Moore invites public managers to complete the public value account in order to more clearly define what “public value” means for their programs. *Defining Public Value* provides a number of examples of completed public value accounts for different types of programs, as well as detailed case studies that describe how the accounts were

arrived at. The completed accounts rarely exceed a page in length, and the entries consist of short sentences. So, while the technical form is not overly difficult, agreeing on content that has democratic legitimacy and the support of the authorizing environment could be more challenging. However, going through that exercise helps mobilize and build legitimacy and support.

### THE PUBLIC VALUE SCORECARD

Though the public value account will help mobilize and build legitimacy and support, and animate and guide

operational capacity, its primary purpose is to force a definition of public value. Public value is only one corner of the strategic triangle, so *Recognizing Public Value* combines the public value account with two other documents (one for each remaining corner of the triangle) to create a complete “public value scorecard.” Exhibit 3 summarizes the key elements Moore presents. The darkened sections have direct linkages to the public value account or another corner of the strategic triangle.

The legitimacy and support perspective asks managers to consider the extent to which the organization’s mission is aligned with the community’s values, including those of segments of the community that might not normally be engaged with the government. It also asks managers to think about the organization’s standing with formal authorizers (e.g., the governing board), the media, and general citizenry, as well as influential individuals outside of the formal organization and the standing of the organization in

## Exhibit 3: Legitimacy and Support and Operational Capacity Perspectives

### Legitimacy and Support Perspective

Mission alignment with values articulated by citizens

Inclusion of neglected values with latent constituencies

Standing with formal authorizers

Media coverage

Standing with individuals in polity

Position of organization in democratic political discourse

Status of key legislative and public policy proposals to support the organization.

Engagement of citizens as co-producers

### Operational Capacity Perspective

Flow of resources to the organization Financial and other

Human resources

Public employees and volunteers

Operational policies, programs, and procedures

Quality of operational performance

Organizational learning

Internal resource allocation

Performance measurement and management systems

Organizational outputs

Quantity of outputs

Quality of outputs



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larger policy discussions (e.g., political campaigns, the campaign promises of current elected leaders). The last two rows consider legislative actions that could affect the organization and how citizens are engaged in helping to produce public services (e.g., volunteers).

The operational capacity perspective will probably be familiar to most public managers. Moore does advocate for a few concepts, however, that are not part of the approach to performance management for most public sector organizations. These include continuous improvement methodologies (e.g., Lean / Six Sigma), structured management of innovation, and active development of volunteer efforts from the community and other forms of co-production (rather than necessarily relying on direct production by public employees).

### CONCLUSIONS

When managers firm up the legitimacy and support perspective, they make it easier to get inputs (e.g., money, volunteers, etc.) into the government organization. When they firm up the operational capacity perspective, those inputs are more efficiently and effectively turned into outputs that create public value, which then leads to greater legitimacy and support. Moore's latest book provides detailed guidance and rich case studies that illustrate how to develop a performance management system that supports this virtuous cycle. ■

**SHAYNE KAVANAGH** is senior manager of research for the GFOA's Research and Consulting Center in Chicago, Illinois.