*Broad definition*

The concept of public value refers to whatever is actually undertaken and produced by agencies utilising public resources (that is, their inputs, outputs and outcomes), in aiming to achieve collectively desired social outcomes. Recognising and reporting public value is a form of accountability in government.

*How is public value determined?*

Public value is contested. There is disagreement about what is or should be of value to the public. Nevertheless, public value is determined by reference to collectively desired social outcomes that are expressed through the democratic process. Ultimately, the final arbiter of value (and accountability), according to Moore, is an imagined public more or less appropriately constructed, that can become articulate about what citizens want to see happen. (Moore, 2008, p23)

*The value chain*

Value occurs and can be measured across a ‘value chain’ of an organisation. A value chain consists of:

* inputs – staffing levels, funding amounts, buildings, cars, etc;
* outputs -- policies, procedures, computerised systems, community services, etc
* outcomes – burglary rates, seized illegal imports, hospital admissions, participation in school education, etc.

*Why measure public value?*

It is a truism that ‘you get what you report’. Reported information plays a fundamental role in determining which activities receive attention of decision-makers, and, consequently, which activities do or do not receive resourcing. Therefore, the nature, availability and quality of data used in reporting play a decisive role in achieving desired outcomes.

“public agencies should be called to account for producing value by developing a clear, explicit and measureable public value account that names the important dimensions of public value to be pursued by and reflected in the operations of a government agency, and enumerates the social and financial costs incurred along the way.” (Moore, 2013, p11)

*Public value approach as strategic performance management*

The public value approach was developed by Professor Mark Moore at the Harvard Kennedy School in the US. That approach is set out in his two books:

*Creating Public Value: Strategic Management in Government* (1995) Harvard University Press

*Recognising Public Value* (2013) Harvard University Press

The public value approach has come to refer to a model of strategic performance management in government and not-for-profit agencies. It is essentially a form of accountability that aims at and reports effort and effectiveness toward achieving optimum value in the utilisation of public resources. Importantly, this approach recognises that public value has numerous dimensions, such as:

* financial value, eg cost-efficiencies and value for money;
* moral value eg. the use of state authority, fairness in the distribution of public benefits and obligations; justice in the operations of publicly funded agencies; and legitimacy in an agency’s activities;
* social value, eg. that activities reflect collectively desired ends;
* political value, eg. implementation of policies for which government are elected, and satisfaction of legislative requirements;
* cultural value, eg. activities that concern broad cultural norms, or affect the nature and quality of public life;
* aesthetic value, eg. activities that affect the public’s enjoyment or appreciation of the environment or life generally.

Mark Moore characterises public sector activity by three, key, inter-related aspects: public value, operational capacity and legitimacy. Each influences and is influenced by the others. Public value is a product of the legitimate operations of public sector organisations. However, the kind of public value created, in turn, influences the operations of the organisation and the kind of legitimacy it can attract. At the same, the legitimacy that an organisation attracts will drive its operations and the kind of public value it produces.

**The Strategic Triangle for Imagining and Testing Public Value Propositions:**

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*Diagram is from Mark Moore (2012). “Recognising Public Value. Developing a Public Value Account and a Public Value Scorecard”.*

*What is legitimacy?*

Because public resources are collective goods, their utilisation must be legitimated, that is, shown to have on-going support of the collective. Legitimacy requires transparency concerning, for example, the agency’s

* relationships with funders, employees, volunteers, legislators, clients etc;
* involvement of citizenry in service planning, delivery, and evaluation;
* relationships with government regulators
* reputation in the media
* credibility with civil society

*How is public value created?*

Public value is created through the exercise of value-creating imagination in the management of public resources. Strategic management by a public manager entails finding a ‘fit’ between the manager’s organisation and the external environment in which it is operating (Moore, 2013, p7). Public managers need to understand and diagnose the external environment in order to align the internal environment to fit those demands - not to satisfy the demands, but to respond to them in a value-creating way (Moore, 2013, p7). This is why innovation and flexibility are necessities of the public sector.

To do this a manager needs to understand both the ‘task environment’ and the ‘authorising environment’.

*The task environment*

The task environment in public sector management can be characterised by a high level of three factors:

1. speed
2. variability
3. complexity

The relations between these factors vary depending on the role of the agency. Furthermore, the task environment will vary also depending upon whether the agency is:

* providing a service or imposing obligations;
* a production line or a ‘job shop’, ie. required to customise its outputs;
* operational or professional.

Tasks need to be articulated using ‘value-creating imagination’ because strategic management is all about finding a fit between one’s organisation and the external environment in which that organisation is operating (2013, p7). The public sector environment is so complex and dynamic that we have to be constantly ‘failing’. We need to understand and diagnose the external environment and then align our internal environment to fit those demands - not to *satisfy* the demands but to *respond* to them in a value-creating way until we fail (and the cycle starts again).

*The authorising environment*

The authorising environment concerns those institutions, groups and individuals by whom the agency can be properly held accountable. These parties (constituencies) are the source of legitimacy of an agency’s activities. An agency’s activities should reflect all of its constituencies, but often it has neglected constituencies. An agency should have performance measures and reporting processes that reflect its authorisers, desired ends.