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# Strategic Management as an Enabler of Co-creation in Public Services

## Introduction

This paper conceptually elaborates, and then empirically illustrates, the potential for models of strategic public management (Ferlie and Ongaro, 2015) to enable the co-creation of public service solutions that enhance public value (Bryson et al. 2017; Cabral et al. 2019; Sancino, Rees and Schindele, 2018).

We consider here co-creation as a mode of collaborative governance (e.g. Torfing et al. 2016) and we focus mainly on the processual dimension of public value, which resonates with the definition in Benington (2015), who sees public value as a (contested) democratic practice. Specifically, given the normative attitude in much of the literature on co-creation (for exceptions see for example Echeverri and Skålén 2011), we move from the premise that we cannot expect co-creation processes to generate public value spontaneously – they may or may not do so (Hartley et al. 2019a). Our main research question is: how and under what conditions can the adoption of models of strategic management of Public Service Organizations (henceforth PSO) support (enable) the co-creation of public service solutions? We aim to fill a gap in the literature by considering the importance of ‘an underlying strategic orientation towards value creation that would provide a value base upon which to embed these approaches within PSOs’ (Osborne et al. 2020, p. 1). We offer propositions for theory building and further empirical testing on the main drivers, enablers and key issues for strategically managing processes of co-creation of public services solutions.

Adopting models of strategic management and nurturing forms of co-creation are often associated with increased forward thinking and, through the interactions of manifold actors, the stimulation of mutual learning. In turn, this may improve the capacity for further collective action and engender the development of solutions to cope with complex public

problems (e.g. Ansell and Gash 2017). A strategic approach is even more important in a context of mounting citizens' expectations of public services coupled with continual austerity (Kickert and Ongaro, 2019; Pollitt and Bouckaert, 2017) as well as shifting expectations about the role of the public sector in its multi-level governance arrangements (Ongaro and Kickert, 2020).

The paper proceeds as follows: the next section links strategic management and co-creation as a mode of collaborative governance for PSOs; the third section outlines several models (schools of thought: as Mintzberg and Ferlie and Ongaro referred to them) of strategic management of PSOs. Section four details the case study methodology. The fifth section highlights how models of strategic management may inform strategic approaches to co-creating public services solutions through the analysis of Welsh Water's 'Water Resilient Community' project. The subsequent section offers some propositions about how strategic management can enable the co-creation of public services solutions. The last section provides some concluding remarks on limitations and suggestions for future research.

## Linking Strategic Management and Co-Creation as a Mode of Collaborative Governance for PSOs

According to Joyce (1999), strategic management is: an instrument to lead PSOs; the necessary means for achieving performance improvement of PSOs; and a driver to motivate employees and cooperate with other organizations. This definition is important in terms of the contents and purposes of the strategic management of public services and, coherently with the time and cultural context when it was proposed, it frames strategic management mainly as quite a technocratic exercise in the hands of the "strategists" (politicians, managers, consultants, etc.). However, as suggested by Klijn and Koopenjan (2020), the key question is how does strategic planning - and we add more broadly 'strategic management' - respond to

the implications of the governance revolution in the public sector and society? It is indeed clear that public administration is increasingly involved in interactive (Torfing et al. 2012) and open governance (Meijer, Lips and Chen 2019) with other actors not formally part of the public sector (e.g. Peters 2016). We believe it is exactly by more clearly linking strategic management with collaborative (or ‘new’) public governance (Bingham, Nabatchi and O’Leary 2005; Osborne 2006) that a fuller understanding of co-creation from a management and organizational point of view can be fulfilled (on which see also later works by Joyce - see Joyce, 2015). Attempts to bridge strategic management and forms of collaborative governance have already been pursued, for example by Bryson et al. (2006) in focusing on cross-sectoral partnerships, but, to our knowledge, not specifically on practices of co-creation.

We consider co-creation as a distributed practice and process within the mode of collaborative governance, in which the focus shifts from the involvement of individual users in the co-production of their own service to the broader involvement of citizens and stakeholders in the co-invention of new services, entire service systems and public planning solutions (Osborne and Stokosch 2013). Specifically, in this paper we adopt the following definition of co-creation:

‘a process through which two or more public and private actors attempt to solve a shared problem, challenge, or task through a constructive exchange of different kinds of knowledge, resources, competences, and ideas that enhance the production of public value in terms of visions, plans, policies, strategies, regulatory frameworks, or services, either through a continuous improvement of outputs or outcomes or through innovative step-changes that transform the understanding of the problem or task at hand and lead to new ways of solving it’ (Torfing et al. 2016, p. 8)

This definition is very broad, both in terms of actors potentially involved and in terms of stages of the public governance cycle where co-creation may occur. We think this definition has potential because it better connects the academic debate with policy and practice parlance that tend to use co-creation as an umbrella term with a strategic connotation. The purpose of co-creation is indeed related to a strategic type of exercise as it is about generating new solutions to shared problems and it is not limited to the joint production of already existing services.

In this paper, we focus on co-creation as a mode of collaborative governance characterized by the engagement of citizens and other organizational stakeholders for solving problems, finding solutions, and/or defining the purpose of a public service (also echoing a broad approach to conceiving of public service and governance and its legitimacy foundations, see Ongaro, 2020a, chapter 1 and 5), rather than as a mode of service delivery (see Petrescu 2019 for a discussion of value co-creation within a complex service system). From this perspective, co-creation can be seen as an extrinsic process of participation which may be enabled by strategic management. In this respect, we focus our attention here on at least two fundamental reasons why a strategic management approach can be an enabler of processes of co-creation.

First, discussions about “who are the who” in co-creation are not just abstract exercises: engaging a citizen with her/his different roles (Thomas 2013) – as user and customer, as a democratic actor living in a place, or as a representative of an organization - could have different implications for co-creation processes. Moreover, there are clearly different degrees of risks and opportunities depending on the type of organization taking part in co-creation (a business organization would have different expectations and interests than a small voluntary and community organization). Therefore, taking a neutral stance on which

public and private actors engage in co-creation would neglect the role and importance of stakeholder analysis and management (a key element in strategic management, e.g. Bryson 2004), which is problematic given the aim of public value co-creation (e.g. Best, Moffett, and McAdam 2019).

Second, the issue of better understanding the outcomes of co-creation connects with broader discussions around the notion of value, which is a complex and widely debated topic in the social sciences literature (e.g. Mazzucato 2018; Osborne, 2020). This concept ‘is vitally important, considering that value is at the centre of economic exchange’ (Petrescu 2019, p. 1734). Given our focus in this paper is on co-creation for solving problems, finding solutions, and/or defining the purpose of a public service (what we refer to synthetically as co-creation of innovative public service solutions), a processual focus on public value guiding socially purposeful social action is particularly appropriate. It should be noted that we do not claim that strategic management-enabled courses of action triggering forms of co-creation necessarily lead to creating public value. Public value co-creation emphasizes indeed a relational and collective nature of value. The relational and multi-actor environment of PSOs is effectively illustrated by Strokosch and Osborne (2020, p. 5) using the notion of ecosystem: ‘The ecosystem perspective suggests that value is not delivered in a linear fashion by PSOs working in isolation, or even through the horizontal relationships that characterize networks and service encounters. Rather, the process of value creation is supported or constrained within complex and dynamic ecosystems where multiple actors (for example, policymakers, organisations from across sectors, activists, communities and service users) plan, design, deliver and consume public service, and accrue value, through various nested layers of interactions’.

Thus, from an ecosystem point of view, public services require consideration of a collective, relational and representative dimension. However, a collective and multi-actor

perspective, as Huxham and Vangen (2013) have shown, does not imply that value can be added or multiplied as collaboration could result in collaborative inertia or value detracting (e.g. Alford and Yates 2014). Specifically, as regards (public and collaborative) value in public services, Osborne points out that ‘value is created at the nexus of interaction’ and that ‘the value creation relationship is not a simple dyadic one but is rather dependent upon relationships between the user, a network of public service organisations, and possibly also their family and friends’ (Osborne 2018, p. 225 and 227).

These issues bring to the fore the importance of better understanding why and how public organizations enable forms of co-creation of public services and under what conditions, and we argue strategic management is part and parcel of the explanation. In the next section we highlight how applying models of strategic management to PSOs might be beneficial for this endeavor.

### Models of strategic management: a ‘Schools of thought’ approach

How can we, then, employ the scholarly field of the strategic management literature to improve our understanding of how decisions are made within and between PSOs that enable forms of co-creation? And preliminarily, how can we organize and make sense of the field of strategic management to this purpose? Mintzberg and colleagues famously argued that strategic management can be seen as a prism, a composite picture in which different facets enable us to see different aspects of the overall phenomenon: what strategy is for an organization (Mintzberg et al., 2009). The authors then conceived ten possible theoretical lenses, which they call ‘schools of thought in strategic management’, to highlight how each of these lenses sheds light on some particular aspects of strategic management in organizations. As a corollary, the authors also show that strategic management is not synonymous with strategic planning, which for them is just one profile of managing

strategically an organization – not the only one, and not a necessary one (so an organization can be managed strategically even in the absence of a formal strategic plan being adopted by the competent organs). This is derived from the conception outlined at the outset that strategic management can be seen as a prism: each facet sheds light on a different aspect of how an organization can be managed in a strategic way. These facets should generally be understood as complementary, although on some occasions they may provide alternatives to each other.

Inspired by this approach and working along parallel lines, Ferlie and Ongaro (2015) have argued that a similar perspective can usefully and fruitfully be applied to the public sector. They identify and illustrate the main traits of a dozen ‘schools of thought in strategic management for PSOs’ (in this paper we use interchangeably ‘model of strategic management’ and ‘school of strategic management’ to indicate a lens through which to see strategic management for a PSO in the sense wrought out by Mintzberg). While most of these are based on models drawn from the generic management literature (and indeed mostly from the framework worked out by Mintzberg and colleagues), albeit deeply revised, some approaches to strategic management originated in and are distinctive of and for the public sector. These schools of thought of strategic management for PSOs are: the design school; the planning school; the positioning school; emergent approaches and the learning school; the public and social entrepreneurial school; the cultural school; the resource-based view; the process school; the corporate governance school; strategy as practice; the public value school; and Anglo-governmentality (the latter two are distinctive of and for the public sector). We argue in this paper that certain strategic management models can be used to explain why and how PSOs can develop forms of collaboration and ultimately engage into processes of co-creation.

To this end, we review three schools in detail, selected for their prospective applicability to shed light on the dynamics of processes of co-creation of innovative public service solutions. These are the ‘Public Value’ school; the ‘Design and Planning’ school; and the ‘Cultural’ school – all of which can be detected in the case of the WW ‘Water Resilient Community’ project reported in the subsequent section.

*Public Value.* The public value school (Moore, 1995; Benington and Moore, 2011) is an explicitly public management orientated model. Its main thrust lies in the pursuit of better value for society through fostering more entrepreneurial public managers’ capacity to engage in innovation, armed with their restless value seeking imagination. Where legislative mandates are weak, ambiguous or flexible, public managers have scope for taking strategic action to expand the wider public value of their organisations. Moore (1995) starts with a simple example/homily of a town librarian wondering whether to expand the traditional scope of the library’s services to meet the wider needs of local children who need more intensive support. In essence: deciding whether to act as a social innovator or to remain within a narrower prescribed role. Public managers are here seen as stewards of public value more than as loyal or unimaginative (depending on one’s view) agents of politicians; it foists in a sense upon public servants the tireless pursuit of public value, in a ‘logic of appropriateness’ fashion. Central to this school is the notion of ‘creation of public value’, defined as the impact on public needs (collectively identified and selected through democratic means) determined as both ‘what the public values’ and ‘what adds value to the public sphere’, also by resorting to the notion of use value, as opposed to market value (Benington and Moore, 2011, pp. 42-49 in particular). We consider this school of thought in strategic management of PSOs to have, in a sense, a higher order significance in accounting for the relevance of strategic management for public value co-creation than any of the other schools. This

conceptual tool of public value performs as a lynchpin in the framework we are proposing in the sense that it furnishes the criterion for assessing the outcome of exercises of co-creation, i.e. their contribution to creating public value, as well as indicating why and how public servants or other social actors may become agents for exploiting available opportunities for undertaking courses of action which may ultimately lead to the co-creation of public value.

*Design and Planning School.* Here we combine the design and planning schools into one approach (given their many affinities). The design school argues that strategy essentially consists of achieving a strategic fit between a particular organisation and its environment. Strategy making is normally seen as being led by senior managers and their advisers. In its purest form, strategy is in one mind only – that of the CEO. The CEO elaborates the ‘strategic vision’ (Mintzberg et al, 2009, p. 28) ‘bespoke’ to each organization (leading to forms of contingency theory) which should be kept simple and formulated to ensure it is easy to communicate to others.

The strategic planning school develops the design school further, representing a greater formalization of it and ushering in the ‘planners’ (specialists in environmental and strategic analysis) as a key actor. In the more traditional perspectives of the design and planning school, resorting to co-creation approaches may tend to be limited, if not outright marginalized. Co-creation is not so much in the forefront as a ‘behavioural pattern’; instead it becomes the residual approach resorted to when other approaches, centered on the organization's own resources and capabilities, turn out to be unable to support the pursuit of the strategic objectives. In this perspective, co-creation is gauged more in an ex ante, calculative, ‘logic of consequences’ fashion, or as another option in a wider range which the architect of strategy (the chief executive, according to the design school) or the planners, put in place to finalize the organizational strategy. However, Bryson (2018) has worked out a

broader conception of strategic planning as a form of practical reasoning that goes well beyond more conventional approaches to the strategic plan, and represents a linchpin to connect strategic planning to the exploration and exploitation of forms of co-creation. Finally, it should be noted that the forming of strategy according to the pattern outlined by this school may be easier to detect than in most of the other schools, as the strategic plan is a more easy-to-detect object of empirical investigation (see e.g. Ongaro and Ferlie, 2019).

*Cultural school.* This school starts from the organizational core values as a higher order influence over how decisions are made in organizations. It may lead to scouting the environment to explore forms of co-creation, as was the case in the WW study, in which involvement of citizen-users is a core organizational value. It is thus possible that organizational culture may be the driving force for an organization to systematically explore and pursue forms of co-creation, or at least expose itself to the possibility of being engaged in forms of co-creation. However, it may be considered that organizational culture may also work in the opposite way, to prevent exploring forms of co-creation. This may occur at two levels: at one level, quite tautological, it happens where the organizational culture is opposed to engaging with external organizations and individuals in new practices. At another level, even when values would potentially drive the organization towards engaging in forms of co-creation, it should be considered that culture operates inherently as a mechanism of and for stability through reproduction of beliefs and behaviours, hence, it may hinder an inherently novel, potentially disruptive activity, such as co-creation.

## Methodology

This paper draws on the case study of WW's 'Water Resilient Community' project conducted in 2019 by Pluchinotta and colleagues as part of the EU Horizon 2020 COGOV project

<http://cogov.eu/wp-content/uploads/2019/10/COGOV-Deliverable->

[2.1 Aug19 submitted.pdf](#)). The case was identified as a case of good practice in strategic management and co-creation by Williams and Kitchener. The organisation was approached and subsequently 10 in-depth semi-structured interviews were carried out by Pluchinotta and Williams in March 2019 following an interview pro forma established by Pluchinotta and Ferlie. The interview pro forma used focused on topics surrounding leadership style and governance structure, long-term strategic planning, organisational culture, the content of the innovation, drivers and barriers, diffusion strategies and the impact of the innovation. As well as interviewing 7 participants with key managerial and strategic roles in WW, interviews were also conducted with 3 participants from external organisations that were partners of the ‘Water Resilient Community’ project (Table 2). On average, each interview lasted around 1 hour.

**Table 1. Participant Information**

<b>Participant</b>	<b>Organization</b>	<b>Reason for interviewing</b>
Participant 1	Welsh Water	Education Manager
Participant 2	Welsh Water	Head of Regional Communications
Participant 3	Welsh Water	Customer Engagement Manager
Participant 4	Welsh Water	Project Manager
Participant 5	Welsh Water	Water Efficiency Manager
Participant 6	Partner Organization 1	Marketing Manager
Participant 7	Partner Organization 2	Senior Regeneration Manager
Participant 8	Partner Organization 1	Director
Participant 9	Welsh Water	Early Arrears Manager
Participant 10	Welsh Water	Director of Customer Strategy and Communication

Source: own elaboration.

All participants signed informed consent forms in line with COGOV ethical procedures. The interviews were audio recorded and transcribed verbatim. They were then thematically analysed by Pluchinotta, Williams, Kitchener and Ferlie in accordance with a

COGOV analysis methodology designed by Pluchinotta and Ferlie. Additionally, content analysis was conducted on two strategic planning documents, namely Welsh Water 2050 and Welsh Water Business Plan 2015-2020 (respectively, <https://corporate.dwrcymru.com/en/about-us/our-plans/water-2050> and <https://corporate.dwrcymru.com/en/about-us/our-plans/water-2020> ). Subsequently, a case study report was drafted. The organisation was asked to validate the report and was given the opportunity to provide comments. The final version of the report was then made available for viewing on the COGOV website ([http://cogov.eu/wp-content/uploads/2019/10/COGOV-Deliverable-2.1\\_Aug19\\_submitted.pdf](http://cogov.eu/wp-content/uploads/2019/10/COGOV-Deliverable-2.1_Aug19_submitted.pdf)COGOV.edu).

The interviews analysis consisted of two main parts. The first part of the analysis provided: (i) information about WW, including organization's objectives, formal constitutional status, formal governance structure, and overall culture; (ii) a detailed description of the Water Resilient Community' project and its background, but also key actors involved, recorded or expected impacts, internal and external communication strategy, implementation process and its barriers and drivers. The second part explored the links between the case study and the various models (schools) of strategic management, focussing on their key features within WW. Specifically, respondents often did not refer in interview to models (schools) of strategic management as fully-fledged concepts. Thus, relevant concepts from the interviews were coded and then classified against the models (schools) of strategic management. Afterwards, the coder and researchers involved in the case study discussed the overall findings to seek to agree a shared interpretation of the case.

For this paper, a secondary analysis of the WW case was conducted by Ongaro and Sancino to examine how schools of strategic management informed the co-creation of public services solutions. Specifically, using an abductive process of analysis (Alvesson and Skoldberg, 2000), we went back and forth from schools of strategic management in PSOs and

the WRC project. Following extensive discussion between two of the authors we identified several exploratory propositions to be tested in future explanatory research on the strategic management of public services co-creation. The propositions have been then shared and refined after peer consultation and validation with the other co-authors. Finally, moving from the propositions we derived some drivers, enablers and strategic managerial issues (see table 1) involved with developing forms of co-creation which can work in other public services areas where citizens can act as co-creators, so making a distinction here with coercive public services where citizens act as obligates (see Alford 2002 on this).

#### Welsh Water's water resilient community initiative: Case study backdrop

Welsh Water (WW) is a PSO that provides water and sanitation services to 3 million people and is Wales' fourth largest employer (3,000 people). In 2016, it became the only UK water company to operate on a not for profit basis, prioritizing community benefit,

“since sort of we've been not-for-profit in 2001, it's been much more focussed on the communities ... we do make a profit, but the profit is reinvested to sort of ensure that the quality of what we deliver is safeguarded.” (Participant 1)

Over the next two years, WW developed a strategic plan that combines a distinctive combination of three features (Welsh Water, 2018). First, WW's strategic plan displays a strong design and planning strand style of strategic planning that prioritizes the exploration and use of forms of co-creation (Bryson, 2018). This strategic commitment was displayed during the formulation of the strategy when, in 2016, a Customer Challenge Group (CCG) was established to scrutinise WW's decisions and a public consultation was conducted about how to spend the previous years' £30M operating surplus. In line with Welsh social democratic traditions, the process revealed a community preference to eschew reduced

service charges in favor of enhancing communities and helping disadvantaged customers. The second key feature of WW's strategic plan is that it is expressed over a very long term, towards 2050 (Welsh Water 2018). The long-term strategic plan was "not something that we've developed in isolation, we have engaged then with key stakeholders and relevant interest groups" (Participant 2). Customers were also consulted on the strategic plan,

"initially we came up with 15 strategic responses ... We asked customers, "Which ones are the biggest priorities?" and at the end of that exercise, we actually ended up with 18 strategic responses rather than 15." (Participant 10)

The third distinctive element of WW's strategic plan arises from its adoption of the principles of the Well-being of Future Generations (Wales) Act (Welsh Government, 2015),

"one of the key aspects of that document is that we aligned it to the Future Generations Act in Wales ... we actually felt that the Seven Wellbeing Goals that were set out in the legislation fitted very neatly with the ethos of the company and anything that we do now will have – could have implications for at least the next 100 years ... taking that long term view is absolutely crucial." (Participant 10)

This innovative piece of Welsh legislation requires all PSOs to report their adherence to principles such as long-term thinking, involvement, and collaboration. In an important aspect of the local ecosystem, these principles are clearly aligned with WW's concern for co-creation as articulated in the strategic commitment "to co create solutions, share knowledge, and support initiatives which reduce water use, prevent sewer abuse and provide wider benefits for communities and the environment" (Welsh Water, 2018: 78).

Beginning in 2018, WW's Water Resilient Community (WRC) initiative was the first project designed to address this strategic priority.

WW co-produced the WRC project in partnership with communities in the Rhondda Fach; a rural valley in South Wales that is now deprived, but was once famous for its thriving coal mining industry. The main aim was to employ co-creation to enhance community resilience and provide lasting benefit after a 2-year project to upgrade 23km of Victorian water pipes; a major public construction project that was going to cause considerable disruption to the community,

“we feel very strongly that it’s only right that we should give back to these communities ... giving back to communities, working with existing organisations in those areas as well and just really adding value to our presence while we are there.”

(Participant 2)

In contrast to WW employees’ characterization of the company’s traditional approach to such projects as being concerned with economic efficiency, the new co-creation mode of governance involved extensive engagement with a range of stakeholders including: the health board and the Public Service Board, academics, representatives from the Future Generations commissioner office, local authorities and Welsh government. WW also partnered with two external organizations – the first, a leading organization for sustainable development in Wales and the second, a local housing association. A representative for the latter praised WW’s response to stakeholder co-creation,

The most interesting aspect of this project was the fact that Welsh Water didn’t just come to us and tell us what they were going to do. They wanted to involve us and they could see that we were a historical organisation in the area ... They didn’t just go out to our customers and communicate. They came to us to see how we communicate with them. (Participant 7)

The process began with a ‘deep place study’ to identify local barriers and enablers to creating sustainable change. This confirmed many outcomes of social deprivation, including water bill affordability, and it surfaced low levels of trust in WW. During the project, co-creation was then pursued through ‘Public value assemblies’ that took various forms including community meetings, stakeholder workshops, Facebook live Q&A sessions, town hall meetings, school educational programmes and a “community van”. From these interactions, the WRC developed a range of additional services for citizens including: complimentary efficiency testing of appliances, a priority services register (to ensure supply to vulnerable during emergencies), social tariffs for disadvantaged customers, and support for school education programmes.

### [Strategic governance through co-creation: Illustrations from Welsh Water](#)

What analytical and theoretical lessons can be drawn from the WW ‘Water Resilient Community’ project? We identified four, in mostly an exploratory fashion, which are illustrated here.

#### **1. Co-creation of public services solutions requires understanding what is valued by users and publics**

Coherently with a public service logic (Osborne, 2020), WW decided to use the pipe work to improve their presence in the community, for example increasing the number of activities with the community, helping customers in need with tailored social tariffs and promoting their affordability targets. WW interpreted its role as entailing a broader responsibility for the place where it provides public services beyond the strict delivery of the service (water provision and sewage collection), for example also consulting with other publics (see on this

Sancino et al. 2020), like for example businesses (traders, independent shops) to reduce the disruption during the pipe restructuring work.

The strategic planning process implemented by WW also strongly considered broad notions of social purpose and innovation: WW focused on gradually increasing its presence in the communities it serves, rather than simply targeting profit maximization. Indeed, through the ‘Water Resilient Community’ project, WW sought to build trust within the communities, trying to accomplish its stated mission: “to earn the trust of our customers every day” (Participant 5). For instance, WW developed an unemployment programme for young people.

Our first proposition connects with the public value school of strategic management. WW action was oriented by a systematic scanning for opportunities to create public value for the most disparate range of stakeholders (for example, local businesses operating in unrelated sectors). As to the key stakeholders, the customers, WW developed an analytical understanding of what value is for the users of water services in the Rhondda Fach, which led WW to expand its public value proposition, expanding its scope to generating well-being in Rhondda Fach (i.e. programmes for tackling youth unemployment) and thus going beyond a narrow interpretation of its mandate. It developed a place-based analysis of the stakeholders (e.g. Sancino, 2016; Hambleton 2019), which resulted in the identification of different publics (Hardyman et al, 2019; Hartley et al. 2019b; Sancino et al. 2020), such as vulnerable and disadvantaged customers requiring social tariffs. While the umbrella concept of the ‘public value school’ is mostly an academic conceptualization of what we observed in the field, the thrust towards scanning the environment to detect opportunities to create public value is a fundamental attitude pervading WW, thence illustrating how a strategic management model may support co-creation of- public service solutions.

**2. Co-creation of public services as a mode of collaborative governance is more effective when there is a history, culture and an ecosystem oriented to active participation and engagement**

The initiative ‘Water Resilient Community’ is an example of how to successfully institutionalize co-creation as a mode of governance for public services. Our analysis of this experience signals that some antecedents can clearly be identified. For example, the analysis of the WW’s project has showed a pre-existing positive collective culture and a strong senior leadership coupled with a commitment diffused amongst the staff to broad goals of a social mission and long-term sustainability.

In terms of context, the case illustrates how the devolved Welsh administrative and political setting represents an important aspect of the WW’s ecosystem. This highlights the importance of macro-factors in terms of ‘understanding the societal processes through which a shared conception of public value is constructed’ (e.g. Strokosch and Osborne 2020, p. 2) and of a public service ethos inclined to participation and engagement (Bovaird 2017). WW can indeed be considered as a component of a distinct ‘Welsh trajectory of public management reform’, less market-driven and more partnership based than the English trajectory. The Well-being of Future Generations (Wales) Act 2015 (Welsh Government, 2015) is a key feature of this ecosystem and a distinctive piece of legislation that supports co-creation and engagement in the governance of PSOs; this ecosystem represents a facilitating environment to develop forms of co-creation.

Thus, our second proposition sees a key explanatory role for the cultural school of thought in strategic management as an enabler of processes of co-creation of public service solutions.

**3. Co-creation of public service solutions is more effective when it is embedded into a wider organizational strategy and structure for community participation and engagement**

Our third proposition points to the importance of embedding co-creation into a broader strategic planning and deliberation function (Bryson et al. 2018) and into ad hoc organizational structures (e.g. Sicilia et al. 2019). For example, the ‘Water Resilient Community’ initiative was part of a formal strategic planning process setting an overall vision and framework, incorporated into the 2050 long-term vision strategic document. This plan covered a very long-term horizon of more than thirty years rather than the usual five-year operational planning cycle. This reflected both an orientation to goals of long-term sustainability and also the distinctive conditions of managing their very long-lived asset base.

Most importantly from a co-creation point of view, the plan followed an extensive consultation with some 20,000 customers’ (utilizing both digital and face to face forms) as well as meetings with stakeholder groups. As per the promotion of co-creation within the initiative ‘Water Resilient Community’, WW and its customers worked together on improving the company’s leaflet, as participant 4 explained,

“our Customer Engagement Manager went to a number of groups and said, “What do you think of that?” The lingo, the language didn’t suit that area ... I think you’ve got to understand the community, I think the reading age was quite low, there was a lot of – well, there is a lot of poverty, so a lot of Welsh Water headed letters would go straight in the bin because people were in debt and afraid to open letters ... we stripped it back and we went to the community groups and said, “Well, what would you see? What would – not catch your attention – but what would make you read on?” and we publicised our leaflets then, our publicity in that fashion.”

The WW's Education Team also provided outreach sessions to another distinctive "public": young citizens attending local schools. Specifically, the team sustained an ongoing relationship with each school organizing several meetings during the academic year.

#### **4. Co-creation of public service solutions is enabled by participatory leadership matched with deliberate social designs of delegated decision power and authority to citizens**

The WW case study shows the importance, when engaging citizens into co-creation processes, of both a strong participative leadership and of a delegation of power and authority to citizens. While this could seem contradictory, individualistic and distributed leadership might be required and co-evolving in its mix depending on the time and circumstances. The CEO represented a key role in developing the 'Water Resilient Community' and fostering a place-based approach,

“he was really keen that we didn't just go in, do a bit of work with them and leave ... he challenged us to come up with a new way of working with our customers”

(Participant 3)

He expressly commissioned an extensive study to gain an understanding about the issues the area faces, to support and enable sustainable change. A representative from one of the partner organizations felt that “having the chief exec's buy-in top down” gave employees the push to work differently (participant 8). However, as highlighted by other studies (e.g. Bovaird and Loeffler 2012), processes of engagement are not 'value for money without money': in other words, they require important commitments of different resources (financial, organizational, reputational) to make them work and secure desired outcomes, especially when at their initial stages.

In WW, if decisions are to be made in relation to customer bills or reinvestment of funds, customer surveys are conducted to ensure customer acceptability. For example, the 2016 customer consultation was used to decide how to allocate the £30million budget surplus made the previous year. Customers were given several options: reduce their own bills, reduce the bills of struggling customers, spend to save e.g. invest in renewable energy, help the worst served customers i.e. those with repeat debt problems, or invest in community education and recreation. 12,000 customers took part in the consultation and wider goals of community development and helping less advantaged customers were strongly favoured.

In terms of the approach outlined here, the emphasis is on participatory leadership as a key factor that – coupled with a strategic management approach – seems to enable forms of co-creation of public services solutions. Table 2 summarizes some of the key levers, expected outcomes and key issues – in order to provide (with a normative thrust) some tentative indications for practitioners and would-be co-creators of innovative public services solutions.

**Table 2. A Strategic Approach to Co-Creation as Mode of Governance: Drivers/Enablers and Key Issues for Managing**

<i>Drivers/Enablers – Strategic Management</i>	<i>Expected Outcomes and Key Issues for</i>
<i>School</i>	<i>Managing in a value creation-oriented way</i>
Conduct place-based analysis of stakeholders and of context – Public Value School	To understand what value is for users and publics
Provide opportunities for public value assemblies to come together, get acquainted and work together – Public Value School	To promote community participation and engagement with the PSO

<p>Enable an alignment of the internal organizational culture (or key drivers of it) with the key features of the ecosystem (the latter can be facilitating or hindering) – Cultural School of Strategic Management</p>	<p>To exploit opportunities in the environment for sustaining community participation and engagement with the PSO</p>
<p>Embed users and publics into strategic planning processes and into ad hoc organizational structures – Strategic Planning School</p>	<p>To institutionalize co-creation and to constantly learn from users and publics voice and from experiences of co-creation</p>
<p>Design governance arrangement for co-creation, also by delegating decisions to citizens and stakeholders – Participatory leadership</p>	<p>To identify which decisions should be delegated, to provide correct and understandable information to different stakeholders, to ensure democratic representation and to consider implications of those decisions for the PSO</p>

Source: own elaboration.

## Conclusions

In this contribution we discuss how adopting models of strategic management of PSOs can enable the development of processes of co-creation of public service solutions. Models of strategic management of PSOs can be employed in an explanatory way to generate social-scientific knowledge on how decisions that can lead to exploiting opportunities for co-creation are made. They can also be used more normatively (Ongaro, 2020b) – in a practice-orientated way – to generate forward thinking and planning by public organizations towards the co-creation of public value. Our argument echoes the call by leading authors that

governments at all levels must clarify their value propositions and must play a strategic intermediation role, designing meeting places and orchestrating interactions where relevant and affected actors can come together, become acquainted with each other, and initiate and pursue trust-based and outcome-focused collaboration (Ansell and Gash 2017; Janssen and Estevez, 2013).

By connecting the practice of co-creation as a mode of governance with the field of the strategic management of PSOs, this paper contributes to a rapprochement between two literatures that have so far developed mostly in isolation. Specifically, drawing on strategic management schools, we are able to delve further into the conditions under which co-creation may actually create public value, rather than just assuming that co-creation by itself is a good and leads to public value generation (hence addressing the issues raised, *inter alia*, by Huxham and Vangen, 2013, that have shown how collaboration can at times be painful and not necessarily lead to creating collaborative advantage). By focusing on an illustrative case study, we contribute to research on the identification of enablers/drivers – and key issues to be managed – in co-creation as a mode of governance (our propositions and Table 2 serve this purpose).

Our paper has important limitations, as it is based on a single illustrative case study from a very peculiar context (Wales) and in a specific public service (water management). Moreover, co-creation is analysed from the perspective of collaborative governance and of public value at a processual level, so other perspectives such as public services delivery and/or issues such as the outcomes of processes of public value co-creation are not treated. All this considered, as advocated by Klijn and Koppenjan (2020), we believe our paper has the merit of opening up a potential new focus of inquiry and practice, by bridging strategic management and collaborative governance: a focus which seems nowadays of increasing significance to better understand dynamics of public value co-creation at a time where the

experience of public value from users and publics has become more blurred across sectors and dispersed in diverse organizational, geographical, physical and digital spaces.

In sum, we show that strategic management can contribute to research on the practice of co-creation to create public value and improve public governance and management. Thus, future research could and should continue investigating how strategic management can be linked with value generation in public services which are becoming increasingly complex, both in terms of citizens expectations and the operations through which they are delivered.

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