

# Understanding Public Value

Leaders roundtable with Professor Mark Moore

5 May 2017



# Background and intent

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Andrew Kibblewhite, Chief Executive of the Department of the Prime Minister and Cabinet and Head of the Policy Profession, hosted a roundtable for senior policy leaders with Professor Mark Moore from the Kennedy School of Government, Harvard University. Professor Moore coined the term ‘public value’ in his 1995 book *Creating Public Value*. He developed practical analytical frameworks to help public managers determine how they could create more public value in their day-to-day work. The sequel in 2013 *Recognising Public Value*, explored how public value could be recognised in an accounting sense – using the ‘strategic triangle’ to help public managers understand and measure the public value they create and what kind of capability is required to create it.

The session was designed to learn about public value and its application to New Zealand’s public management model, including how we might use the strategic triangle as an analytical framework in our policy analysis and advice. This report summarises Mark’s presentation interspersed with the wealth of questions it raised for policy leaders.

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## Participants

### **Professor Mark Moore**

John. F. Kennedy School of government  
Harvard University

### **Andrew Kibblewhite**

Chief Executive, Department of the Prime Minister and Cabinet, and Head of the Policy Profession

### **Gabriel Makhlouf**

Chief Executive and Secretary to the Treasury – The Treasury

### **Paul James**

Chief Executive – Ministry for Culture and Heritage

### **Liz MacPherson**

Chief Executive and Government Statistician  
Statistics New Zealand

### **David Smol**

Chief Executive, Ministry of Business, Innovation and Employment

### **Pauline Winter**

Chief Executive – Ministry for Pacific Peoples

### **Anneliese Parkin**

Department of the Prime Minister and Cabinet

### **Fiona Ross**

Deputy Secretary/COO  
The Treasury

### **Deborah Roche**

Deputy Director-General, Policy and Trade

### **Andrew Jackson**

Deputy Chief Executive, Specialist Advise and Strategy Group – Ministry of Transport

### **Andrea Schollman**

Deputy Secretary, Education System  
Ministry of Education

### **Andrew Burns**

Manager, Policy and Analytics  
State Services Commission

### **Charlotte Denny**

Ministry for the Environment

### **Peter Debus**

ANZSoG

### **Policy Project team**

#### **Sally Washington**

Programme Director

#### **Jo Hartigan**

Principal Advisor

#### **Simon Olsen**

Senior Advisor

# The New Zealand public management context

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## Andrew Kibblewhite: Why we are interested in public value?

Through the Policy Project we are exposing the policy community to analytical frameworks – such as Professor Moore’s public value and strategic triangle – that might help build our overall policy quality and capability. Public value is highly relevant to New Zealand’s public service, as we work to embed the investment approach and build risk-resilience and citizen-centricity into our policy and service delivery.



## Mark Moore: Reflections on New Zealand’s public management model

Internationally, New Zealand is seen as an innovator in public management – a public service that continues to learn. As you have found, the ‘managerial approach’ (“for which you are rightly renowned”) is weak on important dimensions of public value that go beyond customer satisfaction, like justice, fairness and equity. The new ‘investment approach’ usefully brings valuable social outcomes to be achieved in future into the equation. It is “extremely promising but it comes with challenges”:

- It requires a “plausible, value creating story” that connects what government does now for particular individuals, and accumulates over time and across individuals to produce valuable social change later.
- It requires that citizens embrace a sense of ‘corporate citizenry’ for the future – mutual responsibility for the society they want for themselves and their children.
- It strains the capacity of government to account for current performance, because the value of current activity cannot be observed now (rather, better outcomes will occur in some abstract unpredictable future). Our accountability mechanisms are designed to hold the system to account for what it does *now*.

# What is 'Public Value'?

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## As a concept, public value is:

- a normative and practical guide for those who are in positions of executive authority in government
- a technical idea that can be used to measure and guide government performance – it asks what 'value' is added by any given policy, programme, agency etc. beyond simple monetary costs and benefits
- a philosophical idea about the proper ends of government.



## How can it help public managers do their job?

Public managers deploy publicly owned assets to create public value. This makes their job seem similar to those performed by private sector managers. The jobs are similar in their focus on getting more value for money and innovating for continuous improvement. But Moore argues that private sector strategic management tools and techniques are not always suited to the public sector because five crucial aspects of the job differ.

- First, the assets deployed to create value include not only money but the authority of the state normative and practical guide for those who are in positions of executive authority in government
- Second, the valuable results produced by the public sector are seen in changes in desired social conditions rather than improved financial performance.
- Third, changes in social conditions (social outcomes) are evaluated in terms of the fairness with which government acts, and its success in ensuring the right relationships in society as well as in terms of its efficiency and effectiveness, and not just in terms of satisfying 'customers'.
- Fourth, the performance of government agencies is evaluated primarily by citizens, voters and taxpayers and their elected representatives not by the particular individuals to whom the government delivers services, or imposes obligations.
- Fifth, improving social conditions at a scale that matters, and in a way that can be sustained nearly always requires government to take advantage of the productive capacities that exist across all three sectors of liberal societies: not just government agencies, but also voluntary and non-profit organisations, and the private sector.

# Who decides what is publicly valuable?

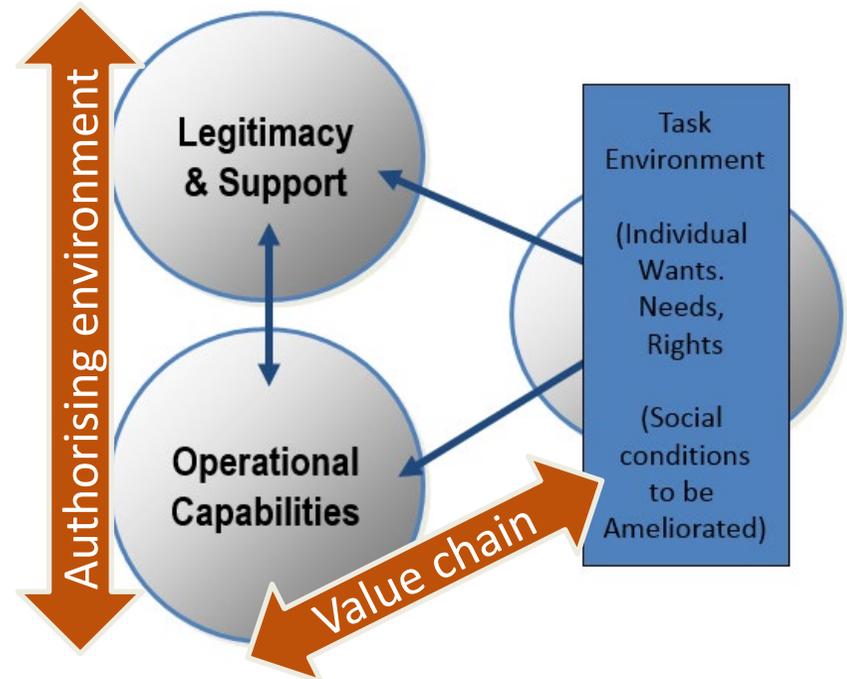
When government acts (using the money and authority of the state), it produces effects through transactions with individuals “on the other side of the bureaucratic counter”. It is tempting to think of those frontline encounters as equivalent to encounters between commercial enterprises and customers, and therefore to imagine that an important purpose of government is to satisfy these individuals.

There are two critical problems with this view.

- First, many encounters between government agencies and individual citizens involve the imposition of civic duties rather than the delivery of a service.
- Second, regardless of whether a government agency is providing services or imposing duties, the ultimate goal of the agency is to achieve collectively desired aggregate social outcomes rather than satisfy individual ‘customers’.

## Who decides what is ‘public value’?

In a democratic society, the correct arbiter of value is ‘we’ the people – citizens, taxpayers, and their elected representatives (through democratic governance). The structures, processes and activities that transform the interests and views of citizens into a ‘public’ that can articulate what is worth taxing and regulating is described as the authorising environment. In that environment, public leaders and managers work to build the legitimacy and support required to sustain a public enterprise over time.



Public value creating activities include actions taken by single government organisations, and increasingly include actions of co-producers and partners (private sector, non-governmental organisation). How do we understand value created in each part of the value chain?

# The strategic triangle – an analytical framework

Moore's strategic triangle is designed to help public sector leaders develop strong value propositions (what they can deliver, from their position, in a given situation). It focuses their attention on three issues that have to be resolved individually and aligned:

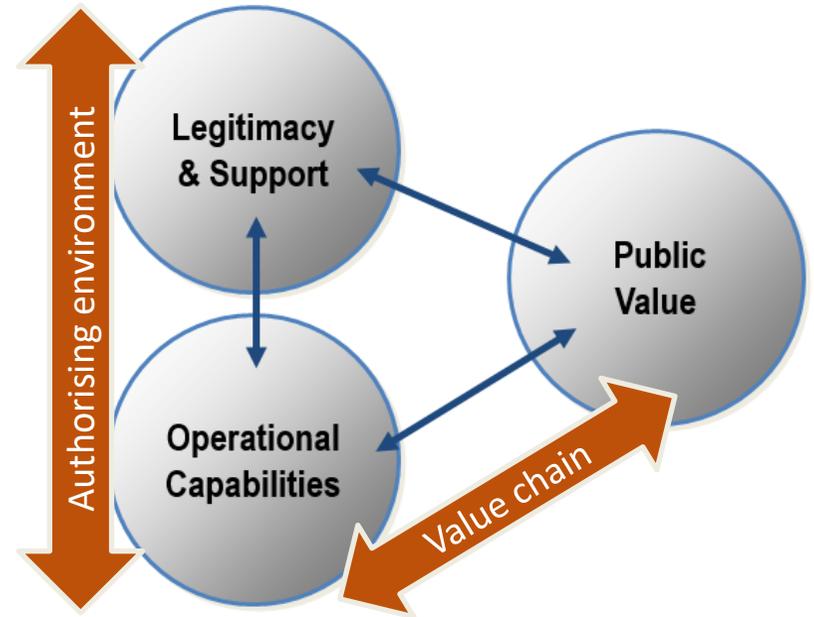
- what is the public value I think I can produce?
- what legitimacy and support can I leverage?
- what operational capacity can I deploy to produce the desired results?

How can we use the strategic triangle as an analytical framework?

The analytic and practical challenge is to ensure that the three circles in the triangle are aligned and mutually reinforcing: we create public value when the goals we seek can be supported by normative and empirical arguments, when the goals attract financial, legal and social support from those in a position to authorise and support the planned action, and when we know how to deploy the available resources to achieve the desired results. That is, we are clear about what we are trying to achieve, we have support for it (legitimacy/authorising environment) and we can make it happen (we have the capabilities and resources to do it).

The strategic triangle was developed to help those leading and managing public organisations in rapidly changing environments. It can also be used for different units of analysis. For example, it can be applied when developing a policy response that would cobble together bits of operational capacity from various organisations to address a problem that cuts across organisations, or even sectors.

## A Guide to Strategic Action: The Strategic Triangle



Problems arise when the circles are not in alignment. For example: what if we have legitimacy and support, but no operational capability? We have a 'big hat and no cattle' scenario (we can't make things happen). And what if we have legitimacy and support and operational capability but we haven't got the value chain right? We can end up with no value (e.g. 'dead donors' – we keep allocating resources to activities that no longer have value).

# What does the strategic triangle mean for policy?

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Participants reflected on Mark's presentation and what it means for government policy leaders.

Policy advisors need to ask and answer:

- What are we trying to achieve with this policy/proposal?
- Will it be adopted (supported)?
- Can it be operationalised (reliably implemented)?

The policy analysis job is to investigate societal conditions that need to change (problems and opportunities) and the actions that will likely change them. But they cannot neglect finding where the support for those actions will come from (not just ministerial support), or clarifying what is doable, which too often is left for operational or delivery colleagues to fathom once a policy decision has been taken.

“Who else do you involve in the development and operation of this triangle? Where or who do we turn to in terms of the 'citizen' (views and needs)?”

“Are we sufficiently clear about when and how to seek political authorisation?”

“How can the concept of public value help us build support for value to be created in future – linking to our stewardship obligations?”

“What is the role of the chief executive as the steward of the authorising environment?”

# What does the strategic triangle mean for policy?

Policy analysts are inclined to limit their thinking to the 'what to do' (public value circle of the triangle) and look for a perfect solution. But what would it look like if we started the process from different part of the triangle?

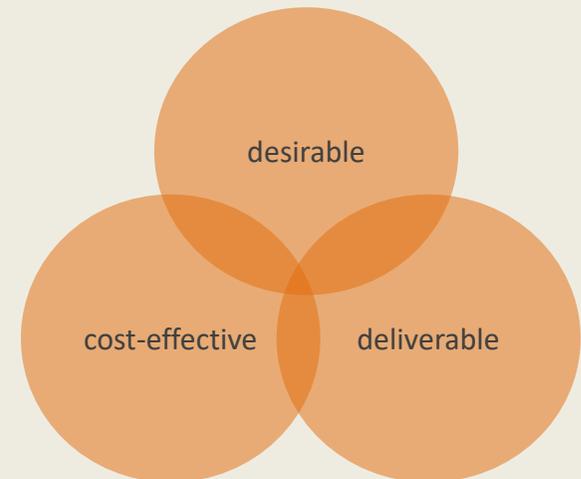
- We could start from legitimacy and support and 'go with a learner's mind', capturing a sense of what is garnering support and what can be leveraged (tapping into the views and needs of citizens and being proactive rather than waiting for a commission from ministers).
- We could start from operational capability looking for what we are doing now and how that capability could be used better, reused or put to new ends (continuous improvement or innovation based on evaluation of what does and doesn't work).

"If innovation is part of our role, what does 'risk capital' mean in the policy context?"

"How can we more strategically build legitimacy and support for the proposals to enhance public value?"

## The strategic triangle and policy

The Policy Project refers to the 'sweet spot' for policy as the intersection of what is desirable (the right thing to do), deliverable (we can do it) and cost-effective (we can afford it). How might we also consider the context of the authorising environment (do we have support for it?) and the value chain (do we have the right intervention logic?). Can the strategic triangle help us to think about policy proposals in this broader context?



# Other questions it raised for us

After Mark's presentation, participants shared their insights and questions it raised for them.

Some insights related to the organisation as the 'unit of analysis', while others raised questions about how the strategic triangle and public value could provide us with a framework to better understand and manage our overall public management system (including by using Mark's 'public value account' analogous to the 'bottom line' in the private sector).

"In my own agency how's the strategic triangle balance going? How do we best assess which part we need to work on? (Am I the ranch owner with a big hat and no cattle?)"

"How do we determine the public value of the system?"

"What would it take across the system to achieve a 'balance sheet' focus? What risks are we going to manage, embrace or avoid under that arrangement? And if we want to go there fully, which parts of the strategic triangle do we need to concentrate on?"

"How do we work together across agencies as a whole system to achieve the balance of authorisation, operational capability and public value? Imagine what public value we could achieve!"

## Theory and practice: Where to next with our public management model?

Public management model	Public administration	Public management (NPM)	Public governance (NPG)
	Pre-1980s	1980s/90s reforms	BPS environment
Focus	Rules based, process (means)	Results (ends)	Results + legitimacy + stewardship?
Political theory	deontological	utilitarian	Enhanced democracy?

# Acknowledgements and information

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Many thanks to Professor Mark Moore for sharing his expertise and insights with us. The session raised a wealth of questions for further inquiry.

Thanks to ANZSoG for facilitating Mark's visit.

See [Professor Moore's presentation slides](#)

The roundtable was part of the Policy Project series of engagements with visiting experts. We seek opportunities to facilitate conversations between the senior policy community and experts in public policy related fields.

For more information about the Policy Project  
See: [www.dpmc.govt.nz/policyproject](http://www.dpmc.govt.nz/policyproject)

Want to know more?

Mark H Moore, *Recognising Public Value*,  
Harvard University Press, USA, 2013

Mark H Moore, *Creating Public Value*,  
Harvard University Press, USA, 2010



Note: These symbols denote quotes from participants



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