

# **Public value management and public entrepreneurship**

*Theoretical and empirical reflections on the concept of public value management*

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*“There is no small amount of arrogance in claiming to know the public good. Lurking behind such claims may be nothing more than greed, ambition, or odd and untested ideas of public value or the public interest.” (Moore, 1995: 148)*

*...(it is) fundamentally wrong and dangerous for managers to become so arrogant that they no longer trouble to check their ideas about what is publicly valuable with citizens and those who represent the public.” (Moore, 1995: 148)*

## **1. Introduction and outline**

In our fragmented (Castells, 1996), liquid (Bauman, 2000) and network society (Kickert, Klijn & Koppenjan, 1997) a focus on *government* as the primary actor in the production of public goods has been replaced by the multi-stakeholder approach of *governance* (Rhodes, 1997; Pierre & Peters, 2000). Public organizations no longer are the main or even the most important actor in this approach. Many a time groups of individuals as well as organizations from the Third Sector act on at least an equal footing with government in tackling wicked policy issues. The border between public and private, which has shifted several times already since the Second World War (first to accommodate the growth of the public sector due to nationalization and second its shrinkage due to the privatization of organizations and activities to the market) is redrawn again, as societal actors take initiative in creating a resilient society, either together with government or on their own account.

Together with the transformation from government to governance, a second paradigm shift has taken place from New Public Management (NPM) to a new focus on the creation of public value. The new public value paradigm, first articulated by Moore (1995), signals a shift away from NPM's primary focus on efficiency and results towards one in which the achievement of the broader governmental goal of public value creation is paramount. In this paper we elaborate on how Public Value Management (PVM) can be employed to study how Third Sector organizations produce public goods and safeguard public values. By doing so we discuss this notion both theoretically as well as empirically.

In the first part of our paper we focus on the concept's theoretical implications. PVM has attracted considerable interest, both in practitioner and academic circles. There are several advocates of the concept (cf. Alford, 2009 and O'Flynn, 2007) but also several critics that emphasize what they perceive to be critical deficiencies of the new paradigm (most notably Rhodes and Wanna, 2007, 2009). These include the critique that it blurs the border between (public) management and politics and that allowing public managers to define and pursue public value in this manner could lead to accountability problems. We will elaborate on the characteristics of PVM and the claims of its critics in the next paragraph.

In the second part of this article we confront the practice of public value management with the theoretical claims of its critics. We do so by describing (after a brief sketch of the context in which they operate) the way in which a group of *public entrepreneurs* in the field of social housing in the Netherlands tries to create tangible public value. We use the main defining elements of Moore's

analytical framework to analyze how they produce public value and what this entails. This means that we will focus on (1) how they try to achieve legitimacy and support for their actions, (2) whether they have the right operational capabilities to do so and (3) how these public managers define the public value they strive to create.

This analysis is based on preliminary results of an (ongoing) research project we conduct at five social housing associations in the South of the Netherlands. We found that the public entrepreneurs we studied combine in their various practices the different logics of traditional public administration, new public value management and public value management. They also use different concepts of public value and are still reshaping their modes of legitimizing and support. The relationship of these local social housing entrepreneurs with local governments is complicated but does not lead to the theoretically predicted legitimation conflicts because the interests of *local* governments and social housing corporations often coincide. On the other hand there are permanent conflicts about the roles and tasks (and hence the definition of public value) of social housing corporations in their dealings with *national* government, as this relationship still is dominated by NPM-style values of performance and control. Concerning the operational capabilities needed for public value management, the inquired organizations are still in a period of transition.

Based on these case studies we discuss the following issues in this article: which public values are produced by hybrid housing corporations? How do they relate to the public values created by local and national governments? Is this interdependency between public entrepreneurs and governments an example of the transition from *government* to *governance* or are housing corporations reclaiming the prominent position they had at the beginning of the last century? Or is the increasing role of local and national governments the beginning of a transition from *governance* to *government*?

This article has the following outline. Section 2 contains a short description of PVM, as well as a discussion of the criticisms and controversies it has attracted. In section 3 we briefly describe the dynamic context Dutch social housing corporations operate in. Section 4 contains the description of our findings at five Dutch social housing associations. After a short description of these organizations, we discuss how they strived to achieve public value, which support and legitimacy structures they could fall back on and whether their organizations were actually capable to operate in this manner. In section 5 we discuss the added value of PVM, both theoretically as well as empirically.

## **2. The Public Value Framework**

### **2.1 Mark Moore: Creating Public Value**

Mark Moore presented the concept of PVM in his seminal book *Creating Public Value* (1995), based on his research as professor at Harvard's Kennedy School of Government and his discussions with public managers participating in the Kennedy School's executive programs. Moore states that there are important differences between private and public management. Whereas private managers create value by conceiving and making products that earn profits, "[i]n the public sector, the overall aim of

*managerial work seems less clear; what managers need to do to produce value far more ambiguous; and how to measure whether value has been created far more difficult.*" (Moore, 1995: 28) Based on this he develops the idea that while private managers strive to create *private value*, those in the public domain try to produce *public value*. Moore remains vague on what this public value constitutes exactly, but successive authors describe it as a concept which focuses on:

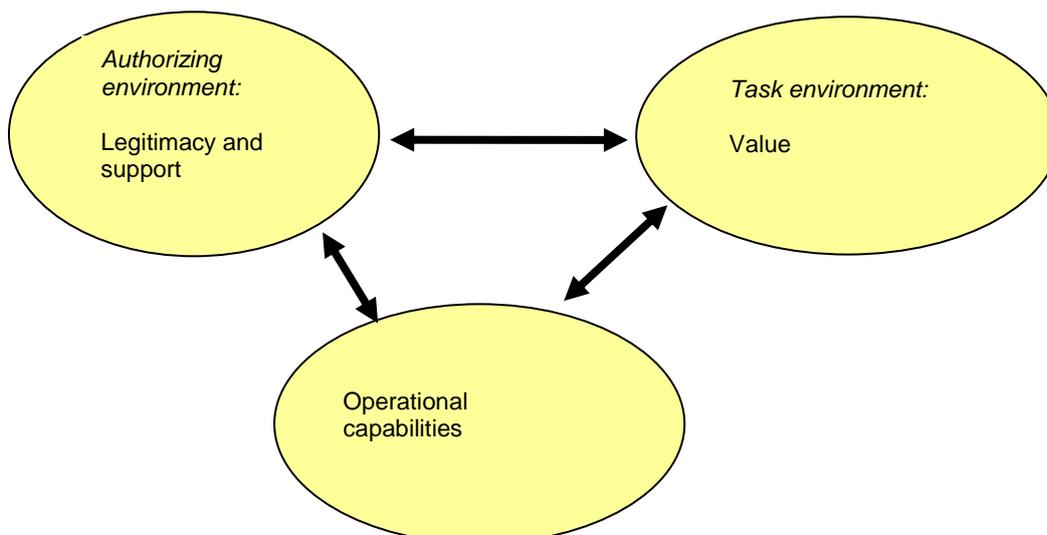
1. "a wider range of value than public goods;
2. more than outputs; and
3. what has meaning for people, rather than what a public-sector decision-maker might presume is best for them." (Alford & O'Flynn, 2009: 176)

In order to produce public value, organizations have to pursue a strategy that has to meet three broad tests, which Moore conceptualizes in the so-called *strategic triangle* (see figure 1). They have to:

1. declare their overall mission or purpose (cast in terms of important public values),
2. offer an account of the sources of support and legitimacy that will be tapped to sustain society's commitment to the enterprise and
3. explain how the enterprise will have to be organized and operated to achieve the declared objectives (Moore, 1995: 71).

These three key issues (the public value an organization strives to create, the societal legitimacy and support it can tap into and its organizational capabilities to make public value creation a success) are intrinsically linked, as Moore indicates by connecting them in the triangle with arrows.

Figure 1: Strategic triangle (Moore, 1995)



## 2.2 Towards a new paradigm?

Moore's conceptualisation of public value and the pursuing discussion and further development of this concept, has led some authors, most notably Stoker (eg., 2006) to claim that PVM constitutes a new

paradigm in public service provision that “*is both post bureaucratic and post-competitive*” (O’Flynn, 2007: 353) and therefore goes beyond traditional public administration and NPM (see table 1).

The key propositions on which the idea of PVM as an emerging paradigm are based, are as follows (cf. Stoker, 2006: 47-9):

1. Public interventions are defined by the search for public value,
2. There is a need to give more recognition to the legitimacy of a wide range of stakeholders,
3. An open-minded, relationship approach to the procurement of services is framed by a commitment to a public service ethos, and,
4. An adaptable and learning-based approach to the challenge of public service delivery is required.

Table 1: Paradigms of management (as presented in Stoker, 2006: 44)

	<b>Traditional Public Administration</b>	<b>New Public Management</b>	<b>Public Value Management</b>
<i>Key objectives</i>	Politically provided inputs: services monitored through bureaucratic oversight	Managing inputs and out-puts in a way that ensures economy and responsiveness to consumers	The overarching goal is achieving public value that in turn involves greater effectiveness in tackling the problems that the public most cares about; stretches from service delivery to system maintenance
<i>Role of managers</i>	To ensure that rules and appropriate procedures are followed	To help define and meet agreed performance targets	To play an active role in steering networks of deliberation and delivery and maintain the overall capacity of the system
<i>Definition of public interest</i>	By politicians or experts; little in the way of public input	Aggregation of individual preferences, in practice captured by senior politicians or managers supported by evidence about customer choice	Individual and public preferences produced through complex process of interaction that involves deliberate reflection over inputs and opportunity costs
<i>Preferred system of service delivery</i>	Hierarchical department or self-regulating profession	Private sector or tightly defined arms-length public agency	Menu of alternatives selected pragmatically and a reflexive approach to intervention mechanisms to achieve outputs

### 2.3 Some critical reflections on PVM

But, as we already alluded to in the introduction, not everyone is convinced that PVM is or even should be a new paradigm. There are several controversies concerning the concept (cf. for an overview Alford & O’Flynn, 2009). Several critical reflections can be drawn concerning PVM, which we summarize in the following paragraphs:

### 2.3.1 Challenge and change

A first critical reflection concerns the (according to some) preoccupation of the PVM with challenge and change. Stoker, who sees PVM as a new paradigm, cites this as one of the major weaknesses of this approach. He writes: *“Public value management emphasizes the role of reflection, lesson drawing, and continuous adaptation. Permanence and stability—traditional administrative attributes—are less dominant in the thinking of public value management. Instead, the emphasis is on challenge and change.”*<sup>3</sup> (Stoker, 2006: 49)

When we see PVM as a way to manage challenge and change, the question can be asked whether it indeed is possible to measure its effectiveness, efficiency and equity. Or is PVM supposed to be management by trial and error?

### 2.3.2 Public accountability

A second critical reflection concerns the the relationship between public accountability and PVM. Gains and Stoker for example write: *“Given that the roles of politicians and public managers are blurred and sometimes interchangeable there is a need for greater transparency of relationships and how these are accountable through political, financial, informational and legal frameworks. Without robust and defensible accountability arrangements which are understood by those involved and the public, policy problems can escalate and confidence in public value ebb away.”*(Gains and Stoker, 2009: 453)

That is why Gains and Stoker emphasize the need for new ways of managing public accountability based on interaction and the direct involvement of stakeholders (also see Stoker, 2006: 53)

### 2.3.3 Skills and competences of public managers

Rhodes and Wanna (2009) are PVM's fiercest critics as they think that it grants too much authority to public managers. In an article from 2009, they for example state the following: *“We argue it (=public value approach of Mark Moore, cvm and pk) mistakenly diagnoses the roles of management in the modern public sector. It invents roles for public servants for which they are not appointed, are ill-suited, inadequately prepared and, more importantly, not protected if things go wrong. It asks public managers to supplant politicians, to become engaged in the political process, and become the new platonic guardians and arbiters of the public interest.”* (Rhodes and Wanna, 2009: 162)

PVM's advocates (especially Alford and O'Flynn, 2009) criticise Rhodes and Wanna for misrepresenting Moore's views in this matter. But Rhodes and Wanna, whether they interpret Moore in a right way or not, touch on two rather crucial topics: Who is the better guardian of the public interest, the elected politician or the entrepreneurial manager? And: What kind of 'operational capabilities' are needed for a social responsible public entrepreneur? This is, as we will show in the empirical part of

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<sup>3</sup> Accentuations in this and other quotes are by the authors.

this paper a very current and relevant topic for many social entrepreneurs, such as the housing associations we studied.

#### 2.3.4 Guardians of the public interest?

Rhodes and Wanna (2009) are not only very critical about the capabilities asked of public servants by PVM but also about the relationship between public managers and politics: *“Who gave these platonic guardians the right to choose between these conceptions of the public good? How do we hold them to account when it goes wrong?”* (Rhodes en Wanna, 2009: 171). Already in an article from 2007, they state that in their eyes in Moore’s model *“Politics is portrayed as a ‘problem’ in public value accounts, almost as an illegitimate interference standing in the way of good management. It prevents managers from ‘exercising much imagination about the proper purposes of government’ or developing interests in new ideas or improving the delivery chain.”* (Rhodes and Wanna, 2007).

In our opinion, Rhodes and Wanna go to far with their argument that PVM is inherently undemocratic. Moore is in fact very clear about the crucial role politics has to play in PVM: *“Politics remains the final arbiter of public value just as private consumption decisions remain the final arbiter of private value. Public managers can proceed only by finding a way to improve politics and to make it a firmer guide as to what is publicly valuable”.* (1995: 38). In Moore’s vision, the role of politics is to define the arena in which strategic management and public value creation can take place.

The relationship between public value management and politics is one of the central elements of Moore’s book. He discusses it in a very nuanced way and is very clear about the necessity of a continuous interaction between public managers and the political system: *“Managers should interact with the political system not simply through the medium of their mandated purposes but instead through more continuous and interactive dialogue. They should engage political overseers in deliberation to improve their judgement about what the political system would regard as valuable.”* (1995: 75)

Politics is in Moore’s view one part of the external authorizing environment of a public manager (others are the media, interest groups or courts). All actors in this environment follow their own goals, principles and rules. To realize his goals, a public manager has to deal in a smart way with all the actors in his external authorizing environment and they have to do so too. Politicians for example have to deal with the electorate as their authorizing environment.

In chapter 5 of his book, Moore describes several strategies to walk the fine line between *“on the one hand, exercising too little influence over the judgements of overseers and the actions of coproducers to be effective in achieving attractive public purposes and, on the other, exercising so much authority that they risk the quality of democratic governance and the freedom of citizens. Techniques exist to help managers walk this fine line.”* (p. 189) These four techniques are (1) advocacy, (2) policy management, (3) negotiation, public deliberation, social learning and (4) public sector marketing (Moore 1995: chapter 5).

Moore is right to describe the relationship between politicians and entrepreneurial public managers as a very complicated one that certainly can give rise to conflict. We will demonstrate this in the empirical part of our article.

Policy choices not to invest anymore in certain neighbourhoods were not accepted by the public managers of the social housing associations we studied. They took matters into their own hands and took over responsibilities of other social sector organizations and local governments. By doing so they made sure that certain urgent social problems were tackled but it also led to a situation in which it was not really clear anymore who really was the guardian of the public interest, managers or politicians.

### 2.3.5 Governance and management

A final critical reflection concerns the relationship between governance and PVM. The public value management model is, as we alluded to in the introduction, a nice illustration of a broader trend from government towards governance. But it is interesting to see that there so far is hardly any discussion about the implications and consequences of this development.

When we for convenience's sake describe management, control, accountability and regulation as the four key elements of any governance arrangement, we can see that PVM leads to considerable changes on all of these components. As a socially ambitious organization adopts several new activities and tasks, managing it becomes more complicated due to complexity. Internal supervision gains in importance relative to external oversight and public accountability will need to be expanded to gain multi-stakeholder satisfaction.

Or, to put it in the terms of Moore's public value approach: The public value proposition serves in fact as the starting point for an organization's internal steering mechanisms. The operational capabilities cover for a big part what in the governance approach is seen as control. With regards to legitimation and support, regulation and accountability play an important role. With all of this taken into account, Moore's approach is actually a close relative of the public governance approach.

## **2.4 *Application of the framework***

We will analyse the public value creating practices of five Dutch social housing corporations in this article, using Moore's strategic triangle as a guideline. We will describe which activities they employ on each of the three corners of the triangle and how they relate to one another. We will also address how these practices relate to the critiques and controversies described above.

We collected the data for this analysis by studying written documentation (the organizations' annual reports and business plans) and by conducting semi-structured interviews with three representatives from each organization. They were its managing director, the chairperson of its supervisory board and the manager of the project which, according to the respective housing association itself, represented its social ambitions and activities best.

Before we go into more detail on how our case organizations strived to achieve public value, we will first describe in more general terms the hybrid character of Dutch social housing associations and the context they operate in, which at the moment changes rapidly.

### **3. Context: Dutch social housing associations as hybrid organizations**

There are about 450 social housing associations in the Netherlands who own about a third of the total Dutch housing stock. Most of them were established at the beginning of the 20<sup>th</sup> century by the private initiative of socially concerned groups of citizens. Government intervention grew steadily and after the Second World War the associations had become public organizations. They were privatised again in 1995 but still fulfil a vital public function. They are regulated by the Dutch Ministry for Housing, Communities and Integration (WVI).

Today Dutch social housing associations operate in a very dynamic societal, market and political environment. Changes in demographics call for a rethink of the kind of housing they provide and the financial crisis had a negative impact on the value of their equity. There also are several important policy developments. The European Union criticizes government's financial involvement in the (essentially private) associations as an illegal form of state aid and Dutch national government itself is critical about the various market activities the associations conduct. Finally, housing associations operate in a world in which traditional boundaries have eroded.

As private organizations that strive to achieve essentially public goals and produce social benefits, housing associations have to behave as public (or social) entrepreneurs. As an effect, they have a pluriform character which manifests itself in:

1. their status as hybrid organizations, that have to combine a business-like outlook with one aimed at providing a public service,
2. a broadening of their tasks, as housing associations not only provide living room anymore but also venture into other markets, like the one for care, and also see it as their role to promote general welfare in neighbourhoods and boroughs,
3. a variety of external relations, as housing associations participate in alliances and networks with other social service providers, as well as agencies and enterprises.

The developments in the context they operate in, as well as their intrinsically pluriform character, translate into several concrete challenges for housing associations on at least three dimensions:

1. Strategy: which role(s) do social housing associations want to play and which public values do they want to create?
2. Effectivity: how to measure whether the work of a housing association really produces social benefits?

3. Legitimacy: housing associations fulfil a vital important function but how legitimate are their actions as essentially private organizations?

#### **4. PVM by five social housing associations**

##### **4.1 The five case organizations in detail**

The five social housing corporations we examined in our research have organized themselves in Futura, a strategic alliance aimed at producing innovation and creating synergy. Futura also is a group purchasing organization for its members, which are: (1) *AlleeWonen* (active in Roosendaal en Breda), (2) *Casade Woondiensten* (active in Waalwijk and Loon op Zand), (3) *Thuisvester* (active in Oosterhout, Rucphen and Zundert), (4) *WonenBreeburg* (active in Breda and Tilburg) and (5) *Zayaz* (active in Den Bosch).

*WonenBreeburg* is the biggest of these housing associations with 30000 rental units and 397 fte, followed by *AlleeWonen* (16000 rental units, 240 fte), *Zayaz* (13000 rental units), *Thuisvester* (12000 rental units, 100 fte) and *Casade* (8000 rental units, 96 fte). All but *WonenBreeburg* are relatively new organizations, which were formed during the last five years or so by mergers of housing associations that have existed (in some form or other) already since the early 1900s.

Below we present our observations on each of the three dimensions of Moore's model. We first describe what we observed and then draw conclusions.

##### **4.2 Public value creation**

###### 4.2.1 Summary of findings

The five Futura housing associations strive to be much more than just builders and managers of social housing. They all have great social ambitions and want to contribute in a meaningful way to the development of the boroughs and neighbourhoods in which they own property. One of the directors interviewed told us: *"It is not enough to just pump money into buildings, you also have to try to improve the status of their residents."*

In the same vein, another association wrote the following about its aims in its business plan for the 2010-2014 period: *"Taking our financial possibilities into account, we believe that the real social capital is to be found in neighbourhoods. We do not merely exist to build houses and rent them out. Almost all the choices we make deal with people and the contributions we can make to their lives. And we want to achieve a lot for the people in these neighbourhoods."* This includes the following strategic goals: (1) dealing with liveability questions, (2) promoting active citizenship, (3) increasing social participation, (4) entering into vital coalitions with other societal organizations and (4) to develop social property. All of this is aimed at strengthening the social infrastructure of the boroughs in which the housing associations are active. Other Futura associations develop similar comprehensive initiatives, in which the borough and not so much the individual tenant are the focal points of attention.

This results in rather broad mission statements and a broad range of activities. One of the housing associations describes its mission to be as follows: *"We **reinforce** the position of our boroughs and neighbourhoods and the perspective of our occupants. We act and inspire them to participate. We **link** occupants and social partners to achieve a result-oriented approach in Roosendaal and Breda and the small villages in their direct surroundings. This is necessary to **accelerate** the development of boroughs, services and other social results."*

This broad approach does not necessarily mean that the Futura housing associations are keen to do everything by themselves. They aim, as this quote shows, especially at being the drivers of change, which ensure that positive societal developments in the communities manage to come off the ground. They take initiative, but would prefer not to bear all the responsibility themselves. One of the directors we interviewed told us: *"We can not solve everything ourselves but can at least ensure that something happens."* Money is not necessarily the sole or main instrument to achieve this. The housing associations we studied state explicitly that they do not want to be a *"sugar daddy"* or *"an ATM"*, even though some in the outside world prefer to see them as such. The representatives of the associations we have spoken to rather see themselves as *"dreamers"* (though they often find it difficult to bring these dreams into practice) and their organizations as *"labs"* in which societal problems are dissected and where experiments take place with creative solutions.

The broad mission statements and range of activities of the Futura housing associations could be seen as a strategic reorientation or as a transition from a tenant-oriented to a more community based way of working. Our interviewees, however, disagreed with this interpretation. In their opinion, social activities have always been closely linked to the traditional aim housing associations had since they were established by private initiative in the early 1900s, namely to contribute to the emancipation of their tenants. One manager we interviewed put it as follows: *"As a housing association your aim should be to make people happy and help them emancipate themselves. Providing housing is no goal in itself but only a mean to achieve this goal. Housing associations have always been active socially, that is nothing new but part of who and what they are."* Social activities by housing corporations are hence intrinsically linked with their other activities.

The community based approach of the Futura housing associations means in practice that they step into the breach when other civil society organizations (such as welfare organizations) or local governments fail in providing public services. They hope to in this way contribute to societal advancement and to offer prospects for individuals to get ahead. Whether all these activities produce the desired effect, is another question however. We found that it becomes harder to measure a social housing association's success the further it deviates from its original core activity of providing housing for socially disadvantaged groups and the more it acts as a social entrepreneur in neighbourhoods and boroughs. There now often is no clear link anymore between the activities taken and the outcome generated.

That means that it is not only not clear whether the housing associations are successful in their strive to increase the liveability of boroughs and communities. Also success itself has become a rather

ambiguous term in this respect. One of the project managers we interviewed told us for example: *"A housing association is a linchpin that connects people and initiatives. We want to provide a boost to initiatives which others can then adopt and take over. But it is difficult to say what we actually achieve by playing this role. It remains a quest, in which results are not strictly defined."*

The Futura housing associations strive by employing various means to make the outcome of their social activities more transparent. Instinctively, all interviewed directors and regulators are certain that their social activities had in any case an added value for their organizations. One member of a supervisory board told us: *"Our social activities create synergy and a win-win situation. After all, if you invest in the liveability in a neighbourhood, the value of your property there will increase."* However, it is difficult to support this feeling or opinion with hard, quantitative facts, even though the Futura housing associations employ management consultants that aim to do so. Whether the activities of a housing corporation in neighbourhoods and boroughs really make a difference, remains a matter of interpretation.

Not only the results of their activities are not clear, the Futura housing associations also remain vague on where the limits lie of the societal activities they employ. One regulator commented on this as follows: *"We still find it difficult to precisely define our boundaries. What should you as an organization do and what not? Do you really have to do everything that is asked of you? We have to keep our broad profile and portfolio, but also have to limit our ambitions. Setting limits is primarily the responsibility of the organization's management. It has to ensure that the activities the association employs stay within the framework we agreed upon. Smaller projects are mostly only accounted for in retrospect. For others, the decision what to do and what not to do is made instinctively."*

One of the directors we interviewed told us that he does not check *ex ante* whether a certain activity fits into the organization's portfolio but rather *ex post*: *"As soon as we identify a problem, we try to fix it. Only at a later date do we ask ourselves whether this was the right thing to do. We dwell on whether what we have done is convenient later. We are straightforward in this respect. We act first and only establish at a later date whether it works or not."*

Whether there should be any limits to the social activities of a housing association and where those actually lie, is a regular topic in discussions between the associations' directors and their supervisory boards. Our interviews revealed that the supervisory boards often adopt a different perspective than the management. One of the regulators told us: *"The supervisory board primarily adopts a financial perspective. It is important that all financial risks are covered adequately. The managers are more enthusiastic when it comes to social activities. This does not lead to much tension, however. Sometimes the first perspective prevails and at other times the latter."* All five housing associations we studied are led by socially concerned managers. That sometimes leads to situations in which they want to achieve more than their organizations can actually accomplish.

The financial and economic crisis has until now not yet made the Futura housing associations adjust their social ambitions. They plan to maintain their broad mission statements and activities because, as

one of the directors put it, "*the neighbourhoods need us.*" Naturally, also the Futura associations are forced to cut costs but they prefer to do that by spending less on maintenance as this was one of the fields on which they invested heavily in the past. "*It is of course difficult to explain this decision to purists,*" one of the directors told us, "*but our residents understand why we do what we do.*" So far the cutting back on maintenance has not resulted in negative satisfaction scores of tenants.

#### 4.2.1 Conclusions

Based on these findings, we draw the following conclusions with regard to the public value the Futura housing associations describe they want to achieve and the public value they actually do generate:

The associations describe that the added public value they generate lies in the combination of housing and quality of life-issues by (1) strengthening the (social) infrastructure in the districts in which they operate, (2) promoting social advancement, (3) investing in buildings and enhancing the social status of residents, (4) improving their quality of life, (5) promoting active citizenship, (6) striving for social participation and (7) realizing social property.

According to the documents studied and our interviews, we conclude that the Futura housing associations really do create public value by (1) providing housing for their target groups, (2) stimulating activities, taking initiative, and entering into strategic alliances with other (societal and governmental) actors, (3) increasing the value of their property by investing into security and social integration in neighbourhoods and (4) by ensuring their organizations' financial stability.

They admit that it is hard to measure the success and the outcome of their societal activities but are also, at least instinctively, convinced that they lead to the creation of synergy and of win-win situations. Whether an activity works and has the desired effect, is mostly checked *ex post* and not *ex ante* though.

### **4.3 Operational capabilities**

#### 4.3.1 Summary of findings

The new or enhanced focus of the Futura associations on a community based approach and on forming coalitions with vital social and commercial parties, requires a new way of working of the existing organization. For these activities employees are needed that are able to quickly make connections and to build and maintain networks. But these networkers are still in short supply. It is therefore not surprising that all Futura associations see the further professionalization of their employees as a major task for the future, together with an improvement of their internal processes and the enhancement of their internal quality.

The project managers we have spoken to can be seen as the forerunners of this new professionalism, which other (large) parts of their organizations still seem to be lacking. One of the project managers told us: "*Our back office is not yet well adapted to facilitate an innovative manner of working across*

*organizational boundaries. We have to deal with compartmentalization and bureaucratic structures too often stand in the way of a new approach of tackling quality of live issues in neighbourhoods."* Another told us: *"Internally we are often described as the 'cut and paste department', because we, in the eyes of our colleagues, only deal with fun and creative activities. The activities of the other departments do not have such a positive image."* And a regulator told us: *"For us, a major concern and in fact a challenge concerns the way in which the social activities of our housing association are embedded in the organization. Dealing with social problems and managing residential buildings are two very different activities and also ask for another form of management."*

Besides the development of a new kind of professionalism, our interviewees also stated that new forms of internal and external organization were needed. Some of the Futura corporations were merged in recent years. A regulator told us what the aim had been of this step: *"The merger was aimed mainly at achieving economies of scale. This was not only necessary for our social activities, but also to achieve a further professionalization of the organization."*

Some interviewees also felt that the current organizational structure unnecessarily limited the ambitions of their association. One director told us: *"Social housing associations are marginalized as a result of European Union policies and the austerity regime of government. Furthermore, the current regulatory regime limits entrepreneurship. It is no solution to this problem to get back to basics. Connections have to be made and welfare organizations also have to deal with cut backs. If we would redraw too, who would then deal with the urgent problems of neighbourhoods? New organizational forms are needed."*

Finally, especially the relationship with politics is described as creating tensions. Politicians are perceived to be unreliable, ignorant and as a threat. One director told us: *"We suffer from the fact that there are too many rules which makes endless discussions necessary. But added value is created by breaking rules. It is frustrating to see that government tries to steer by formulating new rules. I understand of course that it is necessary to have rules but always try to find new and creative solutions within the framework of existing rules by a bit of wheeling and dealing."* Also one of the regulators interviewed described *"stifling laws and regulations"* as the biggest problem housing associations have to deal with today and another complained: *"Our greatest threat comes from government. All the politicians want is get our money and restrict our freedom. But I do not think that central government controlling the social housing sector is a viable way of doing things."*

#### 4.3.2 Conclusions

To summarize, we found that the five Futura associations saw mergers and the formation of vital informal or formal coalitions as the main organizational tools to strengthen their social entrepreneurship. They also mentioned several operational challenges:

1. Many employees still lack the professional capabilities the housing associations' directors think they need as social entrepreneurs and also the organizational structures are, due to bureaucracy, not yet aimed at providing public value.
2. The housing associations have to combine different and sometimes conflicting activities (social neighbourhood development versus property management)
3. But also external constraints were identified: stifling regulatory regimes and the role of the European Union in particular are seen as restrictive. Control structures are seen as hindering entrepreneurship and politicians as ignorant and untrustworthy.

#### **4.4 Legitimation & support**

##### 4.4.1 Summary of findings

Many of our interviewees feel that the more traditional forms of stakeholder dialogues and conferences today no longer suffice as sources of an organization's legitimacy. There is pressure to find new forms of stakeholder influence, which go beyond the traditional practice to ask tenants at set moments what they think about the housing association's service provision. Some associations experiment with ways of giving tenants and other stakeholders already a say in the development of new initiatives. One director commented on this: *"We want to get individuals more involved in what we do. In the past we focussed on the supply of social housing. Now we invite the user to tell us what he wants. And we want the public at large to participate through social activation, active citizenship and comakership, and by creating new forms of cooperation between professionals and citizens."*

The Futura associations also derive legitimacy from their hybrid position at the intersection of government, market and society. They enter into alliances, coalitions and other vital partnerships with other social organizations (such as welfare organizations, health care institutions and schools), but also increasingly with private parties. One of the director we interviewed told us: *"Private money has to be brought into the neighbourhoods and the activities there have to be managed in a professional and businesslike manner. Otherwise poverty may arise. A franchise, what I call the McDonald's model, is a manner to prevent this, as well as joint ventures with other parties."*

But cooperation with other public, hybrid or even private parties can also lead to dilemmas and tensions. For example, governments are in practice often difficult partners to cooperate with. One of the project managers we interviewed told us the following: *"Sometimes tensions arise with local authorities when they have other priorities than we or when they feel that we are trying to take over their duties. We try to eliminate these tensions by being modest. That means that we always try to share our successes."* Another project manager told us about the tensions that had arisen between her housing association and the local welfare organization, as the former took over those tasks it thought the latter was not paying enough attention to.

Even within the associations themselves, the increased focus on collaboration sometimes results in tensions, especially between line and staff. One director commented on this: *"Cooperation with external partners always creates dilemmas at the level of middle management. The people there now have to combine various incentives. They not only have to bring all parties within the neighbourhood on one line but also receive steering stimuli from their own organization. These external and internal goals the middle managers have to combine do not necessarily have to match."*

Collaboration necessitates co-ordination, but especially at the beginning individual goals and ambitions can differ. One project manager told us about this: *"Now the various parties have to determine together the public value they want to create for society. Is a long-term cooperation and the realization of physical projects already a success or do we have to achieve more? At this moment, we spend a lot of time on creating a product catalogue and on coordination. But so far there is too little practical action. Thus, the impact of our activities for the customer is still uncertain. The question arises whether cooperation is actually more effective than the regular procurement of services."*

One of the housing associations we studied decided to deal with these issues by making every partner in the collaboration equally responsible for its success. That prevents parties to turn against each other or to simply walk away. This also prevents them from trying to take over each others' responsibilities. Also the financial and economic crisis forces parties to focus and to refrain from taking on too many new duties.

#### 4.3.2 Conclusions

To summarize, the social housing associations we studied see a number of difficulties in creating support for their activities. Our interviewees mentioned as the main challenges (1) tensions with local authorities, (2) tensions with the local welfare organizations, (3) the conflicting stimuli to which the middle management is exposed and (4) the effects of various initiatives for groups of clients that are uncertain or difficult to pinpoint. As for gaining legitimacy and support through convincing and arguing, we see that especially prudential arguments ('it is responsible') and the argument that 'if we do not intervene nobody will' are used by the Futura associations to make the case for their social entrepreneurship.

The Futura associations also try to create legitimacy for their actions by asking a broad range of stakeholders to participate, such as residents, individual citizens, consumers, professionals, community organizations (such as welfare, health care institutions and schools) private parties and governments. This multiplicity of actors reflects an essential element of social entrepreneurship. Social enterprises are by definition pluriform and will therefore always have a wide range of stakeholders. It is to be seen whether a further blurring of boundaries will lead to the number of stakeholders increasing or whether the financial and economic crisis will force the Futura housing associations to focus on a select group of stakeholders.

## **5. Discussion: PVM in theory and practice**

In this article we used Mark Moore's notion of public value management as an analytical framework to examine the social activities of five Dutch social housing associations. We described their quest to gain legitimation and support from a wide array of stakeholders and how they tried to remodel their internal structures so that they could support a more entrepreneurial course. Based on our empirical findings we draw several conclusions concerning the use of Moore's public value management both in theory as well as in organizational practice.

### **5.1 *Role of politics***

Although Moore is very clear about the role of politics as rule maker and guardian of the public interest and also is very clear about the interactive relation between a public manager and his external authorizing environment, reality is, as so often is the case, even more complicated. Naturally both European as well as national government draws up regulations based on certain policy objectives. But they are seen as a threat by the public managers who themselves try to generate public value at the local level (national politics often even seems to be the embodiment of the evil). Local government however is, due to sheer necessity, rather seen as a partner even though housing associations also sometimes bypass it to tackle questions local governments (at least in their interpretation) fail to act upon. In practice there are even more techniques to manage the relation between a public manager and his external authorizing environment than Moore describes (advocacy, policy management, negotiation, public deliberation, social learning and public sector marketing), for example the 'tit for tat' strategy, the 'for something in strategy', or the 'I can go without you strategy' and so on. Moore's model is much more nuanced about the relation than some of his critics suppose.

We believe that Rhodes and Wanna are not right in their critique on Moore's work when they characterize it a undemocratic. In our opinion they misunderstand Moore at this point, but their critique makes sense when we do not look at the theory but at practice. In practice public managers often portray themselves as local heroes who know (sometimes even better than elected officials) not only what the people want and need but also what is good for them. We also see this happening in the Dutch social housing sector. Public managers acting as vocal advocates for a community is no negative thing per se though, as these local heroes often manage to bring positive change to neighbourhoods and boroughs.

In theory, this tension between politics and the goals and ambitions of public entrepreneurs could lead to legitimacy conflicts. But in practice both parties are mutually dependent on each other, they have no choice but to cooperate. We see a complex mix of interaction, enforcement, deliberation and bargaining. Not one or either of them are guardians of the public interests but both politicians as well as public entrepreneurs fulfil this task. This necessitates of course a constant interaction between them both, in which again no one party can be dominant. On the one hand, if politics would dominate, the tackling of societal problems would depend far too much on the whims of politics. And, on the other hand, if public entrepreneurs would be dominant in the tackling of urgent societal problems

democracy would suffer. We therefore think that one important prerequisite for making PVM a success is to organize a close relationship between politics and social entrepreneurs.

## **5.2 *PVM in an insecure and unpredictable environment***

One issue that necessitates further research, is how PVM can work in an insecure and unpredictable environment, for example now as Dutch social housing associations really start to feel the effects of the financial and economic crisis and also have to deal with tougher European and national regulation (see also Moore, 1995: 166-168). This makes it rather difficult to define an organization's public value proposition, to organize enough legitimation and support and to structure the organization in an appropriate manner. Any static solution to these problems will only have a contrary effect, leading to a situation in which the management and organizational concepts that are embraced quickly become outdated and which gives rise to legitimation problems.

## **5.3 *The societal enterprise as a hybrid mix of several, conflicting managerial traditions***

A third conclusion is that the five social housing associations we studied are hybrid in the sense that they have to mix three different as well as essentially contradictory managerial traditions:

1. Traditional public management, based on politically provided inputs;
2. New public management, with the ultimate goal of consumer satisfaction;
3. Public value management: focussed on solving local social problems.

Organizations that mix such contradictory points of view need a heterogeneous workforce, consisting of three groups of employees. They need staff that knows how to find its way in the thicket of government rules and regulations, other staff that can operate in an entrepreneurial context and another group of employees again that can bring social groups closer together. Problems can arise when these different groups of employees do not understand each other because they speak another language as it were and because they have different objectives to follow. The combination of different and, more importantly, often contrary incentives within an organization can lead to highly unpredictable behaviour and could even rip the organization apart at its fault lines. Whether and how this challenge manifests itself in reality remains to be seen. Recent research on hybrid organizations shows that it can be mitigated (cf. Karré, 2010).

## **5.4 *Making the results of social entrepreneurship discernable***

Finally, making the results and outcomes of social activities by public entrepreneurs transparent, remains a recurrent problem. It is already difficult to formulate a sustainable public value proposition but it is even harder to prove conclusively that public value is indeed created. Many public entrepreneurs struggle with this challenge in their practice. If there is a lack of transparency and insight concerning the effects and the outcome of social entrepreneurialism, an organization's legitimacy and support base might suffer due to severe credibility problems. This is consistent with the model of Moore, but the question of how to prevent it and how to maintain an organization's long-term

credibility, remains a perpetual problem for which there so far is no silver bullet, as our cases have shown as well.

## **5.5 Summary**

Our five cases have shown that the transition from government towards governance has created room for PVM but several key issues still have to be addressed.

- What is or should be the relationship between the social enterprise and politics?
- How to choose between several possible stakeholders and activities (or public values)?
- How do several forms of accountability (financial, democratic, societal) relate to one another?
- How to make the social results (public values) an organization achieves discernable?

In practice, all these questions are until now only addressed in an unsatisfactory manner, by trial and error. We think that academia can play a role in settling them, especially by following social enterprises engaged in public value creation during a longer period.

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