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

Introduction

This paper conceptually elaborates, and then empirically illustrates, the potential for models of strategic public management (Authors 1&6, 2015; Authors 2, 2018) to support the co-creation of innovative solutions that enhance public value (Bryson et al. 2017; Cabral et al. 2019).

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). Specifically, we aim to fill a gap in the literature 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). The contribution of this paper stems from an early focus on the relationship between the adoption of forms of strategic management and the co-creation of innovative public service solutions (e.g. Petrescu 2019; Strokosch and Osborne 2020). Our main research question is: how and under what conditions can the adoption of approaches to the strategic management of PSOs enable the development of innovative solutions in public services through co-creation as a mode of governance? We take the perspective of PSOs willing to co-create value with citizens and other organizational stakeholders. Specifically, we offer propositions for theory building and further empirical testing on the main drivers, enablers and key issues for strategically managing (in a value creation-oriented way) processes of co-creating innovative public service solutions.

Adopting strategic management approaches 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 innovative solutions to cope with complex public problems (e.g. Ansell and Gash 2017) in a context of mounting citizens' expectations of public services coupled with continual austerity (Authors 1&6, 2019 and 2020; Pollitt and Bouckaert, 2017).

From a methodological standpoint, we use a three-step deductive-inductive approach (Borgonovi 2016). First, we deductively relied on our knowledge of the literature on strategic management and co-creation to construct the theoretical framework of analysis. Second, we scanned for and analyzed empirical experiences of co-creation in public services which seemed to be linked to strategic management. We consulted a range of sources including the OECD Observatory on Public Sector Innovation, the European Public Sector Award, and the EU Horizon 2020 project COGOV (cogov.eu) as well as academic literature, grey literature, practitioner reports and specialist media articles. After scanning for empirical examples and consulting with experts in the field (i.e. peer debriefing), we purposefully selected (i.e. theoretical sampling, Yin 1994) the case study of Welsh Water's (WW) Water Resilient Community' project from the project COGOV (for details see http://cogov.eu/). Third, using an abductive process of analysis (Alvesson and Skoldberg, 2000), we identified drivers, enablers and strategic managerial issues involved with developing forms of co-creation as a mode of governance for enabling innovative public service solutions at WW.

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 schools of thought for the strategic management of public services organizations that are especially pertinent for the development of forms of co-creation of innovative public service solutions.

Section four details the case study methodology. The fifth section highlights how models of strategic management may inform strategic approaches to co-creating innovative solutions in public services through the analysis of WW's 'Water Resilient Community' project. The last section offers some concluding remarks 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 Strokosch 2013). The use of co-creation has expanded from the production of individual public services (co-creation was here used as coterminous with co-production) via re-design of entire service systems, to public planning, problem-solving and policy-making. Through this development, co-creation is a tool for innovation in public services with the purpose of creating public value (Alford 2011; Hartley 2015; Stoker 2006). Combining two of the most widely cited definitions of collaborative governance (Ansell and Gash 2008; Emerson, Nabatchi and Balogh 2012), we define collaborative governance as a governing arrangement that engages citizens and non-governmental actors in public value co-creation assemblies across public policy making and implementation processes. 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. Creative problem-solving and innovation are thus an integral part of co-creation. However, it is important to mention that when applied to public services (e.g. Alford and O'Flynn 2012; Kekez, Howlett and Ramesh 2018), co-creation is generally considered as a mode of managing public services characterized by the active involvement of citizens as co-initiators or co-designers (Voorberg, Bekkers and Tummers 2015), strategic co-planners (Brandsen and Honingh 2018), and/or again as "user led innovators" in an enhanced form of coproduction that challenges existing paradigms of public services delivery (Osborne and Strokosch 2013; see also Gronroos 2019; Haryman et al. 2019).

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, see author 1, 2020), 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 a theoretical exercise. 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. For example, 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. Mazzuccato 2018; Osborne, forthcoming). 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 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 leads to creating public value. Rather, this is the general criterion normatively justifying why engaging in forms of strategic management leads to innovative solutions in public services: because they have the potential to create public value. Public value co-creation emphasizes a relational and collective nature of value which makes public management distinctive from management in business settings. 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 detraction (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' (Osborne 2018, p. 225) 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. 227).

These issues bring to the fore the importance of better understanding why and how public organizations enable forms of co-creation of innovative public services solutions and under what conditions. In the next section we highlight how applying approaches of strategic management to PSOs (which we also call 'schools of thought in the strategic management of PSOs') might be beneficial for this endeavor.

Framing strategic management through 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, Authors 1&6 (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', 'school of strategic management' or 'approach to 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: in other words, that the apposite usage of these schools may explain how the transition to forms of collaboration and co-creation can occur.

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, 2010) 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 (Benington and Moore, 2011), 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. 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 (in other words we assess forms of collaborative governance enabled by strategic management approaches on the basis of their capacity to create 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 represent 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. Author 1, 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 (reported below, in which involvement of citizen-users is a core organizational value). It is thus possible that organizational culture may be the main driver of an organization systematically exploring and pursuing forms of co-creation, or at least exposing 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 when the organizational culture is opposed to engaging with external organizations and individuals in innovative practices. On the other hand, however, 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 innovative, 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 Author 3 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.pdfCOGOV.edu). The case was identified by Author 4 and Author 5 and following access negotiations, Author 3 and Author 4 conducted 10 in-depth semi-structured interviews in March 2019 following an interview pro forma established by Author 3 and Author 6. The pro forma 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. On average, each interview lasted around 1 hour.

All participants signed informed consent forms in line with COGOV ethical procedures. The interviews were audio recorded and transcribed verbatim. Authors 3, 4 and 6 then thematically analysed the interviews in accordance with an analysis methodology

designed by Authors 3 and 6. Additionally, content analysis was conducted on two strategic planning documents. A case study report was drafted by Authors 3, 4, 5, 6. 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.pdfCOGOV.edu). For this paper, Author 1 and 2 conducted a fresh analysis of the WW case to examine how schools of strategic management informed the co-creation of innovative solutions.

Welsh Water: case study backdrop

Welsh Water (WW) is a PSO whose key function is to provide safe drinking water and sanitation for 3 million customers predominantly in Wales, but also in parts of England. It is the 4th largest company in Wales, employing 3,000 people. WW is a company limited by guarantee, but it is distinctive in the UK water sector due to its not-for-profit status. In 1989, WW – together with the rest of the water sector in Wales and England – was privatized. It was bought by Western Power Distribution in 2000 when the then owner (Hyder) got into financial difficulties. Western Power Distribution sold off the water side of the business to Glas Cymru, a business that was established with the purpose of owning, financing and managing WW. Glas Cymru transformed WW into what it is today; a not-for-profit organization with no shareholders that reinvests any financial surplus back into the organization. This significant change in ownership model signaled a shift in WW's priorities, starting with a move away from profit maximization and a renewed focus on the communities it serves. Indeed, the mission of WW is to earn the trust of customers every day. Notably, a Customer Challenge Group (CCG) that scrutinizes WW's decision making was established.

One key example of co-planning that influenced short to medium term planning was the public consultation that WW conducted in 2016. Customers were asked how they would like the £30million of surplus made the year before to be spent. Options included: reduce their own bills, reduce struggling customers' bills, 'spend to save' e.g. invest in renewable energy, invest in education and recreation, or help the worst served customers e.g. those with recurring debt problems. Investing in community development and helping disadvantaged customers was preferred over bill reductions. These findings influenced the next 5-year plan.

WW has produced a (very) long term strategic plan towards 2050 (Welsh Water, 2018) and works in 5-year business planning cycles to determine its short- and medium-term plans. So the design and planning school is clearly relevant here. The organization developed its 2050 long-term strategic plan in accordance with the Well-being of Future Generations (Wales) Act (Welsh Government, 2015); an innovative piece of Welsh legislation that requires public bodies to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change. As an influential element of WW's ecosystem, this legislation requires all PSOs to adopt, and report, their adherence to "five ways of working" that include long-term thinking, involvement, and collaboration.

WW's strategy can be seen as a sophisticated exercise in formal long term planning. With the support of its Board, WW launched an intensive consultation process in the early stages of plan preparation. It undertook an extensive review of international best practice in resilience planning, supported by external consultants. It also developed a bespoke overall model to guide actions – the so called 'Resilience Wheel'. The plan identified eight long term external trends and 18 strategic responses the organization needs to consider (some of which emerged as a result of consultation). In line with the Well-Being and Future Generations Act, the plan set out the various challenges that WW is expecting such as: climate change, ageing

assets, population growth and water efficiency. In a clear example of the way that the WW's strategy adheres to the Future Generations legislation, "Strategic Response 7" is framed as "working with customers and communities" and states: "we will work with customers and communities 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). Community engagement, participation and moving on to co creation were also key themes.

WW led the project in partnership with communities in the Rhondda Fach – a rural valley in South Wales once known for its coal mining industry. The aim of the project was to maximize the benefits of WW's presence in the Rhondda Fach while 23km of water pipes were upgraded. It also acted as a pilot for the new way of working; incorporating co-creation as a mode of governance with and for the communities in which WW provides its public services. Prior to starting the project, the concept of a 'deep dive' or 'deep place' approach was influential to WW. Put simply, a deep place study explores a community fully to understand the issues it faces and the barriers and enablers to creating sustainable change. Research confirmed that the Rhondda Fach is one of the most deprived communities in Wales, characterized by high unemployment, poverty, deprivation and issues surrounding bill affordability. Furthermore, the Rhondda Fach community was found to have low trust in WW and felt that, as an anchor institution, WW needed to do more to build trust and familiarity. This would enable them to reach the hard-to-reach and vulnerable customers and hear their views.

The pipes in the area were part of an ageing Victorian water distribution system that provided limited supply during bad weather. The process of upgrading the pipes was estimated to take two years and cause major disruption to residents and local businesses due to the pipe running through the middle of the road and between two towns – Maerdy and

Pontypridd. According to WW employees, the approach to work of this nature prior to the 'Water Resilient Community' project was to finish the work as quickly as possible and leave straight away. The project enabled WW to use the upgrading work as an opportunity to reconfigure its presence in the area and to work in partnership with the community and organizational stakeholders. The approach relied on public value co-creation as its main driver. Co-creation as a mode of governance was developed with a range of stakeholders such as members of the health board and the Public Service Board, academics, representatives from the Future Generations commissioner office, local authorities and Welsh government. 'Public value assemblies' occurred in the form of community meetings, stakeholder workshops, Facebook live Q&A sessions, town hall meetings, school educational programmes and a "community van".

As part of the 'Water Resilient Community' project, WW offered several complimentary services to local residents. Firstly, 30-minute water audits were provided by engineers who assessed appliances in the home and fit water saving devices to reduce customers' bills. In order to market this service, WW co-produced a leaflet with customers who found the original leaflet to be confusing. Secondly, WW worked on signing up vulnerable customers to a Priority Services Register. In the event of a water shortage, customers on the register would receive an emergency water supply. Thirdly, customers that were struggling to pay their water bills were signed up to social tariffs. If they stuck to a fixed payment plan for a period of time, WW would erase their debt. Finally, WW's Education Team created an outreach programme for local schools whereby instead of visiting a school once (which was common practice), the team would visit three times to establish and maintain an ongoing relationship. The core idea behind these initiatives was to collaborate with members of the community to enhance community resilience, hence providing lasting benefit long after the upgrading work was complete.

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 innovative public services solutions requires to understand what is valued by users and publics, which is enabled also by the adoption of the public value school of strategic management

Coherently with a public service logic (Osborne, forthcoming), WW decided to use the building site 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 categories of the 'public' like businesses (traders, independent shops) to reduce the disruption during the pipes restructuring works .

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 customers every day. 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 (see for example Hambleton 2019 on the importance of place for public management), which resulted in the identification of different publics (e.g. Hartley et al. 2019b), such as for example vulnerable and disadvantaged customers requiring a social tariff. While the umbrella concept of the 'public value school' is mostly an academic conceptualization of what we observed on 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 approach may lead to co-creating 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, which is enabled also by the cultural school of strategic management**

The initiative 'Water Resilient Community' is an example of how to successfully institutionalize co-creation as a mode of governance for innovative public service solutions. 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 aspects 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 context orientated to active participation and engagement represents a facilitating environment, which requires aligned organizational activity to release its potential.

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 innovative public service solutions.

3. **Co-creation of innovative public service solutions is more effective when it is embedded into a wider organizational strategy and structure for community participation and engagement, which is enabled also by the development of strategic planning**

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. 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 meeting during the academic year.

4. Co-creation of innovative public services solution 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 expressly commissioned an extensive study to gain an understanding about the issues the area faces, to support and enable sustainable change. 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 – can enable forms of co-creation of innovative public services solutions. Table 1 summarizes s 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. 1: A Strategic Approach to Co-Creation as Mode of Governance: Drivers/Enablers and Key Issues for Managing

Drivers/Enablers – Strategic Management School	*Expected Outcomes and Key Issues for Managing in a value creation-oriented way*
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 a culture of community participation and engagement with the PSO
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	To exploit opportunities in the environment for sustaining community participation and engagement with the PSO
Embed users and publics into strategic planning processes and into ad hoc organizational structures – Strategic Planning School	To institutionalize co-creation and to constantly learn from users and publics voice and from experiences of co-creation
Design governance arrangement for co-creation, also by delegating decisions to citizens and stakeholders – Participative leadership	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

Conclusions

In this paper, we have discussed how adopting models of strategic management of public services organizations can enable the development of processes of co-creation of innovative public service solutions. Models for managing public service organizations strategically 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. Models of strategic management of public service organizations can also be used more normatively – 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 public service organizations, this paper contributes to a rapprochement between two literatures that have so far grown mostly in isolation. Specifically, our contribution may help to open up the 'black-box' with regards to how decisions are made by PSOs to engage in forms of co-creation. 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 1 serve this purpose).

In sum, strategic management can contribute to research on the practice of co-creation as a way to create public value and improve public governance and management. Future research 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. Given that strategy

and value are intrinsically related, future studies should also contribute to better aligning

strategic management with an increasingly interactive and digital society and economy where

"moments of truth" (Norman 1991) to experience value from public services become more

blurred and diverse in organizational, geographical and physical terms.

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