

## Public Entrepreneurship and Its Role in Public Value Creation

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The research objective of the paper is to present the role of public entrepreneurship in creation of public value. The author maps its relationships and discusses a framework matching main actors (public managers, citizens) and links existing between them (actions undertaken by public managers). At the end of the paper, the author formulates objections raised after a critical analysis of the framework's parts and articulates methodological guidelines for investigating the role of public entrepreneurship in creation of public value in different organisational types settings.

**Keywords:** public entrepreneurship, public value, framework.

## Rola przedsiębiorczości publicznej w tworzeniu wartości publicznej

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Celem badawczym artykułu jest zaprezentowanie roli przedsiębiorczości publicznej w tworzeniu wartości publicznej. Autor dokonuje mapowania relacji między tymi pojęciami i wynikającymi z nich znaczeniami, a także omawia model, w którym łączy głównych aktorów (menedżerów publicznych, obywateli) oraz identyfikuje relacje między nimi (działania podejmowane przez menedżerów publicznych). W zakończeniu opracowania autor formułuje wnioski wynikające z krytycznej analizy części modelu i formułuje metodologiczne wskazówki badania roli przedsiębiorczości publicznej w tworzeniu wartości publicznej w różnych formach organizacyjnych.

**Słowa kluczowe:** przedsiębiorczość publiczna, wartość publiczna, model, metodyka.

**JEL:** D73, H83, L30

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## 1. Introduction<sup>1</sup>

The research objective of the paper is to present the role of public entrepreneurship in creation of public value. The intense growth of the concept of public entrepreneurship raises a question about its meaning and significance for developing different areas and aspects of public administration organisation and management. One of the most interesting strand in contemporary public management paradigms is the public value concept proposed by M. Moore (Moore, 1995). Based upon these two ideas, the essential part of the paper is devoted to identification of the relations between them. An attempt to map public value relationships seems to be especially important for public managers who are expected to provide better services for citizens.

The paper consist of three parts. Firstly, the public value concept is described with reference to managerial aspects and within them – a public manager as a subject, representation of entrepreneurship. The next section deals with public entrepreneurship as one of the entrepreneurship variants which demands a more detailed explanation. The third part of the paper covers identification of the major and minor liaisons between public entrepreneurship and public value.

## 2. Materials and Methods

The main research question, namely identification of links between public entrepreneurship and public value, requires an inductive approach, which is adequate for such a kind of conceptual and review-based research. Therefore, the dominant research method is critical analysis and the method of structured comparison based on the literature review with the interpretative approach. The literature review was conducted based on queries on journal databases such as EBSCO and SCOPUS as the sources capturing large lists of titles. A supplemented data source covers papers available on the Internet that are not indexed in the mentioned databases dealing with public entrepreneurship and public value creation as the main key words used in queries. Secondary sources were selected based on their relationship with key terms such as public entrepreneurship and public value, taking also into account whether they discussed research results in empirical studies dealing with those topics.

The author focused his analysis on the list of activities between public value and public entrepreneurship, i.e. on the dynamics not on the statics represented by meanings, cause and effects links, and instruments (means-goals).

### 3. Literature Review

#### 3.1. Public value

To put it as simply as possible, one can define public value as what the public values (Blaug, Horner, Lekhi and Kenyon, 2006a). Nevertheless, this concept as a concept of ‘public values’ is not free of ambiguity (Chanut, Chomienne and Desmarais, 2015, p. 222). This concept refers to the value provided to the society, but “Public values are not to be taken as a simple conjunction of the values of individuals: Reductionism of public values should be rejected as oversimplifying matters” (Jorgensen and Rutgers, 2015, p. 5). What is valuable is evaluated by society after it has been delivered to society. Additionally to this ambiguous explanation, the results of literature reviews about public value can shed more light on the essence of what is it (Jorgensen and Bozeman, 2007). The study identifies the main bundles to which issues referring to transformation of interests, the relationship with a broadly defined public sector environment (e.g. politicians, society, citizens), behaviour of public-sector employees, and intraorganisational aspects of public administration belong.

Based on these definitions, we can conclude that public value has no precise meaning. Leaving its interpretation to the members of society underlines its subjective nature. Also, it denotes a changing character due to prospective changes in interests, needs expressed by different stakeholders. This understanding of public value sets out a large area where a public manager can act and exert influence. The concept of public value is understood within the context of management improvement, not as a normative approach for public policy application as given by Bozeman and Johnson (2015).

#### 3.2. Environment defines value

Because of this, the environment – or “task environment” as termed by M. Moore (1995) – is important for public employees. They are supposed to properly recognise societal needs rooted in the environment. This supports the first definition given above as the public value appears as a result of the dialogue between consumers and suppliers of the public services after which the preference refinement takes place.

The environment appears also as an authorising element in the public value model. It is especially important for public managers who should take care about relations with stakeholders as they provide resources spent in delivering public services.

All of these three interrelated parts of public value creation represent a model called the strategic triangle (Moore and Khagram, 2004, p. 2) visualised in Figure 1.

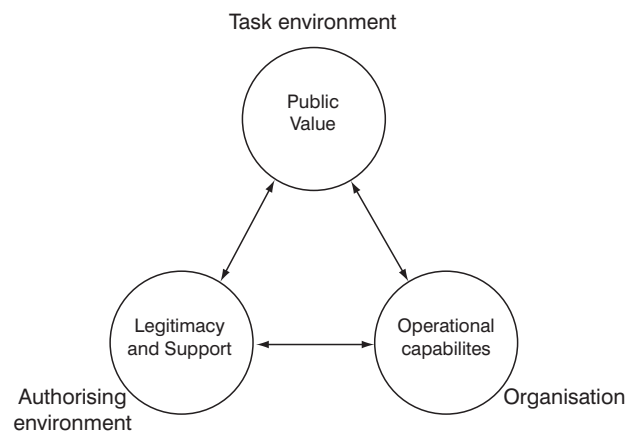


Fig. 1. Strategic triangle. Source: adapted from M.H. Moore and S. Khagram (2004). *On creating public value: What business might learn from government about strategic management*. Cambridge: John F. Kennedy School of Government, Harvard University, p. 3.

### 3.3. Public value creation

It is especially important for the research objective of the paper to present the issue of public value creation. This topic was discussed by T. Meynhardt (2009) among others. That author claims that public value consists of “micro-foundation of values at the individual level” (Meynhardt, 2009, p. 209). T. Meynhardt perceives public value from a psychological perspective and sets it upon the possibility of measuring its creation. As the author writes: “Public value is value for the public. Value for the public is a result of evaluations about how basic needs of individuals, groups and the society as a whole are influenced in relationships involving the public. Public value then is also value from the public, i.e. ‘drawn’ from the experience of the public. The public is an indispensable operational fiction of society. Any impact on shared experience about the quality of the relationship between the individual and society can be described as public value creation. Public value creation is situated in relationships between the individual and society, founded in individuals, constituted by subjective evaluations against basic needs, activated by and realized in emotional-motivational states, and produced and reproduced in experience-intense practices.” (Meynhardt, 2009, p. 212).

Referring to public value creation, T. Meynhardt states that it is “a process leading to perceived changes in qualities of relationships” (Meynhardt, 2009, p. 213).

The explanation presented above allows for indicating the main points where the act of public value creation takes place. The first one comprises

actions, activities, services, etc. undertaken and provided by public organisations. It is the element that public managers can control. The second one resides among individuals and is outside public managers' direct influence.

This implies that identification of the role of public manager can be bifocal: the first one aimed at analysing public actions and their consequences; and the second one at searching for short-term results and a long-term impact.

### 3.4. Public entrepreneurship

The innovation and public sector have been documented in previous literature. Therefore, the scope of this paper is narrowed to the key words expressed in the title. In the paper, the following definition of public entrepreneurship is taken as a starting point for terminological consideration: "process that exists within the public sector organisation that results in innovative activities such as the development of new and existing services, technologies, administrative techniques, and new improved strategies, risk taking and proactivity" (Kearney, Hisrich and Roche, 2009, p. 29). In the above definition, only entrepreneurship symptoms are provided and still the meaning of the term is not revealed. Another capture of public entrepreneurship sets it within three dimensions: opportunity identification, judgmental decision-making, and innovation (Klein, Mahoney, McGahan and Pitelis, 2010, p. 3). Its detailed explanation is presented in Table 1.

Entrepreneurship as:	Explanation
Alertness to profit opportunities	Sensing shifts in public preferences, anticipating common problems, identifying out-of-date practices, agencies, and other institutions, avoiding undesirable outcomes in the public interest
Judgmental decision-making under uncertainty	Investment of public resources to meet political objectives, evaluating the suitability of various policies for achieving particular outcomes, identifying gamesmanship nominally in pursuit of public interests but truly of private interests
Innovation (introduction of new goods, markets, production methods, organisational practices)	Introduction of new policy proposals, political positions, or paradigms, introduction of new procedures (e.g., the local ballot initiative), changing administrative or electoral procedures, lobbying and other forms of rent-seeking

*Tab. 1. Three interpretations of entrepreneurship. Source: own elaboration based on P.G. Klein, J.T. Mahoney, A.M. McGahan, and C.N. Pitelis (2010). Toward a Theory of Public Entrepreneurship. European Management Review, 7(1), 1–15, <http://doi.org/10.1057/emr.2010.1>, p. 3.*

Conditions for the appearance of public entrepreneurship were explained by N. Boyett (1996, p. 49), who stated: "Entrepreneurship occurs in the public sector where there is an uncertain environment, a devolution of

power, and at the same time re-allocation of resource ownership to unit management level”. One of them is not dependable on operational capabilities: uncertain, changing environment. The other two (devolution of power and re-allocation of resource ownership) are strictly tied with public managers. Therefore, public managers can be perceived as the main individuals within a public organisation to which the term ‘public entrepreneurship’ refers. This statement is acknowledged by public entrepreneurs’ character traits. N. Boyett explains that public entrepreneurs are “susceptible to the «manipulation» of their stakeholders and with a desire for a high level of social «self-satisfaction», who have the ability to spot market opportunities and who are able through follower «manipulation» to act on them” (Boyett, 1996, p. 49).

R.J. Sadler’s analysis provides links between public entrepreneurship and corporate entrepreneurship (Sadler, 2000). After conducting a literature review on the meaning of entrepreneurship, he states that “application of entrepreneurial behaviour needs to be adjusted to fit the public sector environment” (Sadler, 2000, p. 28). This refinement is expressed by the nature of the public work which deals with innovation understood differently from the meaning assigned to it by the commercial private sector. Also M. Morris et al. (2011, p. 147) explain that the nature of entrepreneurship is universal, but in public sector, as in any other sector, there is a different organisational reality. C. Kearney et al. (2007, p. 278) indicate its specificities.

### **3.5. Corporate entrepreneurship = public entrepreneurship**

The term corporate entrepreneurship referred to the public sector is treated as a synonym: “entrepreneurship within an existing public sector organization” and it is a process “that exists within a public sector organization that results in innovative activities such as: the development of new and existing services, technologies, administrative techniques, and new improved strategies” (Kearney, Hisrich and Roche, 2008, p. 296).

An important notion was provided by S. Borins, who proved that middle-level managers and frontline workers initiate innovation, not politicians or agency heads (Borins, 2002, p. 469).

## **4. Linking Public Entrepreneurship and Public Value**

The above description of public entrepreneurship and public value makes it possible to construct a framework (model) which can be used to understand relations between them.

In the public sector, innovation is treated similarly to the opportunity for value-enhancing. Here, we have the first strict and direct connection between public entrepreneurship and public value.

Another connection refers to the entrepreneurship character – in the public sector it takes the form of identifying new sources of funding, improving effectiveness, delivering solutions to stakeholders (Morris et al., 2011, p. 147).

These connections constitute active links within the framework.

Two main entities: public organisation and society, play an active role in the framework. Each of them reflects different aspects of public value creation, well known from traditional market studies as producers and consumers. Their specificity determines the difference between them and stipulates diverse mechanisms within the framework.

Society's perspective within a public value context is referred to as public expectations (Blaug, Horner, Lekhi and Kenyon, 2006b) and responsiveness in public services management (Kozuch and Kozuch, 2014). It covers a range of stakeholders representing private, public and third sectors (managers, elected and appointed politicians, citizens, service users, organisations of partners, media, communities, advocacy groups, businesses) (Hartley, Alford, Knies and Douglas, 2016). Society represents a part of external environment which influences entrepreneurship within the public sector (Kearney et al., 2007). It is also proved that a multitude of expectations impact on entrepreneurial orientation in a public organisation (Diefenbach, 2011).

A public organisation's perspective is represented by its managers and by its organisational aspects. Both enhance public entrepreneurship. According to F. Diefenbach (2011), two issues belonging to the organisation dimension matter: management support and staff motivation. Factors attributed to managers such as localism (“willingness and desire of middle management to fulfill the local community's needs”) and position/department tenure also have a strong positive impact on entrepreneurial orientation (Diefenbach, 2011, pp. 153–154). New roles for public managers are described in the literature as an evolution of public management concepts followed. In New Public Management (NPM), it was clearly indicated that civil servants should be autonomous managers; in New Public Governance (NPG), they were expected to be network managers, negotiators, searchers for leverage and synergies; and in Neo-Weberian State (NWS), they should be technical experts providing high quality service to clients (Pollitt and Bouckaert, 2011, p. 169). Such expectations have some flaws. In the first case – NPM – reduced responsiveness due to increased distance from ministers, in NWS – ambiguous serving both politicians and citizens, in NPG – difficulty in maintaining clarity of accountability (Pollitt and Bouckaert, 2011, p. 170).

Creating public value requires not only actors but also conditions and activities stimulating it. The latter are more important for describing links between public entrepreneurship and public value. These activities constitute groups of functions which can be described as:

- environment monitoring (scanning) – it covers such issues as:
  - investigation of citizens' needs in order to refine public preferences,
  - sustaining feedback channels (means) – such as consultation and public participation (“broadly defined as all activities by which members of the public (whether defined as citizens, users or consumers) contribute to shaping the decisions taken by public organizations” (Albert and Passmore, 2008)),
- improving organisational (operational) capability:
  - internal auditing for identifying out-of-date practices and looking for constraints and discrepancies restraining the organisation from better performance,
  - staff motivation,
  - engaging staff in delivering public value (Coats and Passmore, 2007),
- improving public services as an expression of responsiveness and an answer to the society's expectations:
  - introducing innovations such as: new policy proposals, political positions, new procedures, etc.,
- coproduction of public services:
  - engaging citizens in creating public values (Boyte, 2015),
  - enhancing cross-sector collaboration, public-private partnerships, and contracting
- analysing the best options – assessing the tradeoffs, evaluating the suitability of various policies in terms of resource availability,
- measuring public value (Bracci, Deidda Gagliardo, and Bigoni, 2014; Cowling, 2006; Ćwiklicki, 2016; Hills and Sullivan, 2006; Meynhardt, 2015).

The list of activities presented above shows connections between the two identified actors and allows establishing causal links. Each of these links contributes to public value creation, but it does not reveal which of them is the most important. Therefore, this does not reveal methodological and empirical usefulness of the current state of knowledge in the fields of public entrepreneurship and public value.

## 5. Discussion and Conclusions

The analysis presented above shows multifaceted connections between entrepreneurship and public value creation. The bundles of activities are complex and not clearly specific for public value creation. They can be perceived as multipurpose – not only aimed at value creation but treated as common activities for every public organisation. The main point here is to concentrate on doing things with distinction, towards achieving particular results. Therefore, there are not only passive links as a way in which some phenomena appear – just existing with no intensity, where public value is created accidentally and surprisingly for public managers and citizens. In



the paper, the active role and intentionally undertaken activities represent a conscious approach in public value creation or, in other words, public value management.

An additional research question lies in establishing the extent of the impact among the identified links between entrepreneurship and public value creation. It means not only proving the statistically significant correlation of a particular activity with public value creation, but also indicating a hierarchy of activities. It would help to prioritise public managers' actions and concentrate their efforts on better resource management.

Recent research results show direct and indirect impact of public entrepreneurship on public value creation (Diefenbach, 2011). This general conclusion requires additional explanation. The structural equation model computed by Diefenbach is based only on research data gathered from one public organisation: Germany's Federal Labour Agency. Therefore, it does not provide the whole picture but only some part of it. Other dimensions discussed in the paper still require further research and exploration. First, there is a need to elaborate a theoretical model which would be grounded not only in a literature review (such as the one in this paper), but derived from an exploratory study. The next one should involve its verification by using different research methods.

The proposed prospective research agenda is based on the assumption that the theoretical framework (model) that is put forward is decent and covers all elements which can constitute a complete system for public value creation. In the quest for a public value creation system applying public entrepreneurship as the main basis, the following questions appear. The analysis of the research results discussed in the literature demonstrates coherence between topics covered by public entrepreneurship and public value creation with a broad approach towards public management. Secluding coherence for the purpose of statistical verification would be difficult due to their intricateness or – in terms of system theory – wicked nature.

The second research challenge stems from a proper variety of research objects. Depending on their choice, the research scope can vary due to different specifics of organisations classified into the public sector. In the literature, these organisations are described generally as the public sector and studies on their workers' entrepreneurship – public entrepreneurship. Distinguishing between different public organisation types (state-owned companies, self-government units, ministries, etc.) would be useful for extracting characteristics of each of the public organisation type.

### Endnotes

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