(De)composing Public Value
New Evidence for basic structures

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DR. TIMO MEYNHARDT
University of St.Gallen
Institute of Management
Center for Leadership and Values in Society
Tigerbergstrasse 2, CH-9000 St.Gallen
Tel: +49 171 171 7736
E-mail: timo.meynhardt@unisg.ch

DR. JÖRG METELMANN
University of St.Gallen
Institute of Management
Center for Leadership and Values in Society
Tigerbergstrasse 2, CH-9000 St.Gallen
Tel: +41 71 224 7542
E-mail: joerg.metelmann@unisg.ch

STEFFEN BARTHOLOMES
Friedrich-Schiller-University Jena
Institute of Psychology
Department of Work and Organizational Psychology
Humboldtstraße 27, D-07743 Jena
Tel: +49 3641 945135
E-mail: steffen.bartholomes@uni-jena.de

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Abstract

In re-emphasizing the societal and normative function of a public administration, the discourse on Public Value (PV) provides one way of looking at performance in the public sector. Although PV research is flourishing, we still miss empirical studies. In this paper we provide evidence for basic structures of public value creation from the Federal Labor Agency in Germany. The results suggest a three-part factor structure and a second order factor, indicating a broad notion of performance reflected in different stakeholders.

KEY WORDS: Public Value, Institutional Performance, Moral Assignment, Political Stability

Introduction

Public administration and public services are essential in creating a relationship between the individual and the wider political and social community. The state does not only allocate resources, but also creates legitimacy for public action and takes on a normative function in society. Taking this assumption to ongoing debates on the role und impact of the public administration in society, it also requires empirical evidence about values, which are actually created. How can we talk about social integration or solidarity without to empirically studying what people really value with regard to specific organizations? In this paper, we deploy the perspective of the public value discourse to address respective challenges.

Research on “Public Value” (PV) is up and running in various ways (Alford, O'Flynn 2009). Originated as an response to state-critical approaches and serving an obvious need for more entrepreneurial behavior in the public sector, Mark Moore (1995) initiated the discourse with an attractive definition: “The definition that remains equates managerial success in the public sector with initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run” (p. 10).

Thus, PV-research may be seen as a “next lens” and improvement of New Public Management ideas (NPM). While advocating a stronger economic and managerial focus in public administrations, NPM has not fully taken into account the multitude of normative functions and heterogeneous expectations for public management (Stoker, 2006; O’Flynn 2007). The notion of public value promises to include collective preferences in a much broader sense. As Moore (1995) did not provide an explicit concept of value, others conceptualized value hierarchies and causalities by means of literature reviews (Beck Jørgensen 2007; Beck Jørgensen, Bozeman 2007). Yet another attempt has been made to develop the construct of PV by investigating philosophical assumptions and clarifying psychological equivalents of value and, in effect, public value creation (Meynhardt 2009a).

Whereas the discourse on conceptual levels seems to be quite advanced, the empirical research is underdeveloped and still lacks methodological rigor and data. The only empirical studies within the framework of PV we are aware of are diverse cases of the Work Foundation (Horner, Fauth & Mahdon 2006; Collins 2006, 2007, Mahdon, Horner 2006; Fauth 2006) and our interview-based inquiry into the assessments of important stakeholders of the German Federal Labour Agency (FLA), the biggest bureaucracy in Europe (Meynhardt & Metelmann 2009). Without relevant data neither theory building can be advanced nor can implications be drawn for practice of steering and managing public institutions toward public value. Instead, the whole concept of PV remains vulnerable to fundamental criticism. For example, the entire notion was criticized as being "fundamentally non-democratic" (Rhodes & Wanna, 2007, p. 408).

Theoretical background

Much of the doubt whether the notion of PV is a theory at all is due to "more general problems in studying *values*" (Beck Jørgensen & Bozeman, 2007, p. 354) and subsequently value *creation*. Clearly, PV is not delivered, it is perceived. Thus, we need a more concise notion of value, and how it is represented in individuals and collectives. Otherwise, PV will only be used as formal construct. In the following we briefly refer to conceptual underpinnings, which are described in more detail elsewhere (Meynhardt, 2009a).

Moore himself kept rather silent as to the nature of value. He only stated "[V]alue is rooted in the desires and perceptions of individuals" (1995, p. 52). "In general, 'value' refers to something which—for whatever reason—is emphasized in reality and desirable and forceful for the one who evaluates, be it an individual, a societal group or an institution representing individuals or groups" (Baran, 1991, p. 806, own translation).

Fully aware the term "value" will always be ambiguous, we follow the philosophical perspective of Heyde (1926) who consequently argued, that value neither is simply a property of an object to be evaluated nor is it simply a property of the subject valuing it. Even the noun "value" is misleading, since —"Value is the relationship" (Heyde, 1926, p. 77, own translation). Value "exists" only in relationships and not outside. Public value creation, thus, is shaping experiences in relationships between an individual (subject) and some social entity (object). In more general terms: "'Value' expresses subjectivity and is bound to relationships. The psychological appraisal of real or ideational objects is created and not found or acknowledged. "Objectivity" refers to shared values, still bound to subjects. (Meynhardt, 2009, p. 199)

From an axiological viewpoint we then may ask for stable reference points in the very act of valuing. This is the inroad for psychological theories about the basis of evaluation. As Talbot rightly criticizes the public value discourse "like most modern social science" as it "shies away from examining the assumptions it implies about human nature" (Talbot, 2006, p. 3), we do propose such reference points. Without such dimensions we cannot conceptualize the psychological experience against public value creation is supposed to deliver. This becomes of paramount importance, if this discourse is claiming that new steering models should better take into account social outcomes.

The perspective unfolded here can be briefly summarized as the following: In line with a non-normative approach, PV is created in every societal context. One an experiential and thus managerial level it is about the values held about the relationship between an individual and a social entity (constructs like group, community, state, nation) that characterize the quality of this relationship. In other words, public value is by definition not restricted to values expressing high regard of the "collective" or the "Gemeinschaft". Clearly, values like experienced solidarity or trust may substantiate the construct public value. Likewise, in other contexts values like extreme individualism or even mistrust should be viewed as public values if they are describing how individuals perceive "the public". In this non-normative perspective, any value defining the qualities of relationships between the individual and the public (diversity, social integration, pluralism, but also greed or egoism etc.) and ultimately impacting on how individuals or groups fulfill their basic needs shall be regarded as "public value" (Meynhardt, 2009a).

For the purpose of this article we use the following definition: "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'. 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.” (ibid, p. 212)

A solid foundation of this value theory is conceptualized in four basic functions or “needs” (or s motivations) which are interrelated but not substitutable: need for positive self-evaluation, need for maximising pleasure, need for gaining control and coherence over one's conceptual system, need for positive relationships (Epstein 1989, 8; 1993, p. 321). These four basic needs can be translated into an individual's motivation for e.g. positive self-concept/self-worth and for a feeling of high self-esteem in social comparison. Value then can be “created” in the process of evaluation to the extent that a certain action/ person/ thing/ entity etc. will contribute to satisfying or dissatisfying basic needs (see table 1).

Table 1: Relation between basic needs and basic value dimensions

Basic need for …	**Translation into a motivation for … (Examples)**	**Basic value dimension**
... positive self-evaluation	• …Positive self-concept and self-worth • …Consistent relationship between self and environment • …Feeling of high self-esteem (in social comparison)	Moral-ethical
... maximising pleasure and avoiding pain	• …Positive emotions and avoidance of negative feelings • …Flow-Experience • …Experience of self-efficacy due to action	Hedonistical-aesthetical
... gaining control and coherence over one’s conceptual system	• …Understanding and controlling environment • …Predictability of cause and effect relationships • …Ability to control expectations to cause desired outcomes	Utilitarian-instrumental
... positive relationships	• Relatedness and belongingness • attachment, group identity • optimal balance between intimacy and distance	Political-social

Given this attempt to fill the gap of a value definition in the PV discourse, it is only conceptual framework without empirical evidence. Without doubt, since its arrival the idea of public value has enabled a value creation-perspective for the public sector, which resonated a lot within academia and the practical world. But the field has been premature in terms of empirical studies. This paper aims to contribute to this void by searching for distinct dimensions, which may serve for steering purposes. Based on a previous study on the tensions between performance indicators and orientation towards the public good (Meynhardt, Metelmann 2008, 2009), we explored the following research questions:

R1: What are empirically valid dimensions of public value creation as perceived by an organization's environment? Here we addresses the issue of what a public organization is actually valued for. Is it mere technical performance of service delivery and customer satisfaction or a broader and social notion of value delivered?

R2: Can a general public value be identified? Here we address the issue whether a unifying public dimension of a public administration can be identified or whether there is only a perception of fragmented services without a higher order purpose of common good.

Methodology

Sample and data collection

We selected the German Federal Labour Agency (FLA) as a single case. With its inception in 1927, the FLA was established as the last missing pillar in the German social security system. With the constant rise of unemployment in Germany during the 1970s, 1980s and 1990s, the FLA has experienced a reasonably steady growth of employees, up to 105,000 as of today – making it the largest employment service provider in Europe. Directed from its central headquarters in Nuremberg, the FLA operates through 10 regional coordination offices and 178 local agencies throughout Germany. Triggered by the so-called "placement scandal" in 2002, in which job placement figures were found to have been systematically faked, a commission of inquiry, the Hartz-Commission, recommended an internal reform which aimed for an ambitious "turn-around" towards a more customer-service oriented and efficient organization based on new public management principles (cf. Vaut 2006; Eichhorst, Kaiser 2006). As one interview partner of the qualitative research phase mentioned above this reform has been "by far the most significant effort to bring about change the FLA has ever engaged in." (Meynhardt, Metelmann 2009, p. 279) Given this fundamental change process and the sheer size of the FLA qualified this organization as an attractive case to study public value creation.

Following the warning that "public value is not what the public values" (Talbot 2006, p.3), we did not explore the opinions of the 'man on the street', but selected about 1500 opinion leaders and policy-makers, i.e. about 250 at six different local agencies. The underlying assumption was that those subjects strongly influence the decision making in the public about the "license to operate" of this organization. Subjects were selected at the different local agencies according to criteria, such as geographic representation, labor market dynamics (based FLA-intern cluster criteria). At each location we stratified the six sub-samples to cover leaders from the private, public and social sector.
This study thus asked stakeholders of the institution: business partners, local politicians, public and private associations. Our focus was on stakeholders' perception as to contributions of the local FLA to the public good. This approach is different to stakeholder theory, where one would rather inquire into specific stakeholder benefits (Meynhardt, 2009b).

Measures

We operationalized the new lens of public value creation via the concept of the "generalized other" (Mead 1934, 150ff.), assuming that such an psychological representation covers best the assessment of a public value as a collective phenomenon. The survey consisted of 38 items that could be assessed within a Likert-scale from 1 to 6 (e.g. "my local agency contributes fundamentally to social peace", 1=don't agree; 6=fully agree). The item pool needed to be developed, since no established scales were available.

In an inductive approach we conducted 60 semi-directed, narrative interviews with experts from all sectors in society to develop themes. We derived a pool of 125 items. Using expert ratings, we next grouped and reduced those according to deductive approach, taking four basic PV dimensions from literature: instrumental-utilitarian, political-social, hedonistic-aesthetical, moral-ethical (Meynhardt, 2009a). Because we had no other theoretical argument, we used an almost even number of items (38) to represent each value dimension properly. Next we administered a pre-test with 17 subjects for item-revision, to make sure comprehensiveness to avoid redundancies and to ensure item quality. Data collection took place between May and September 2009. We approached subjects in a four-step procedure: Email-contact, phone call, reminder Email and - if necessary - another phone call. This approach resulted in a total of 522 fully completed surveys (response rate: 34, 8%). The following table 2 illustrates the distribution of respondents by sectors

Table 2: Respondents by sector

Sector	**No. of respondents (Percentage)**
private companies	228 (44)
public institutions (e.g. schools, local administrations, universities)	152 (29)
private organization with non-commercial goals (e.g. churches, unions, charity)	116 (22)
members of parliament (community, county or federal level)	26 (5)

Analysis and Findings

In order to establish evidence for basic structures of PV we aimed for the method for factor analysis. As an initial step we divided the sample: For the confirmatory part we combined all criteria in place (sector, geography, leadership position) so as to achieve a random but even distribution reflecting a balanced sub-sample. As a result, we arrived at N=195; the rest (N=327) was used to administer the exploratory part.

Principal Axis Factoring

As a first we conducted a Principal Axis Factoring (PAF) as quasi-exploratory factor analysis (EFA) method including the whole set of 38 items developed in the qualitative procedures before. The PAF was applied to the whole sub-sample (N= 327) to pre-test theoretically deduced relationships between indicators and assigned constructs. A PAF procedure differentiates between explained and residual variance components of criteria. Hence, the procedure is labelled „quasi-exploratory“ – in contrast to exploratory and data mining principal component analysis.

Before conducting the EFA procedure one has to test the strength of relationship among variables in order to proceed with a factor analysis. Measurement of sampling adequacy by the criterion of Kaiser-Meyer-Olkin (tests whether the partial correlations among variables are small) resulted in .971 which indicated a sufficient adequacy of the sample (Kaiser & Rice, 1974, pp. 111). Also Bartlett's test of sphericity (tests whether the correlation matrix is an identity matrix per Chi-Square fit index) indicated strong relationships between variables because of the observed significance level after testing (< .0001). We used varimax-rotation in order to interpret item factor loadings in an explorative manner.

To explore numbers of extracted factors we used a combined method of criteria: a) „Eigenvalues“ (Kaiser-Guttman), b) Scree-test, c) Parallel Analysis, d) differences between empirical and reproduced correlations which is labelled as „residual correlation matrix“. And last but not least: e) theoretically based content considerations. The Kaiser-Guttman criterion and Scree-test are often criticized, because they deal arbitrarily with the decision about the number of stable factors. In contrast to the other criteria, Parallel Analyses by Horn (1965) are based on a descriptive statistical criterion as resulting factors are put in relation to a number of random factors. Another criterion to solve questions about number of latent factors is administered by the analysis of residual correlation matrix. In most cases Parallel Analyses suggests to extract less stable factors as there would be recommended by the “Eigenvalue” or the Scree-test. So we decided to contrast Parallel Analyses with minimizing residual correlations and considerations about content validity.

While criterion a) suggests extracting four factors with “Eigenvalue” > 1 and criterion b) remains ambiguous, Parallel Analysis (criterion c) cautions against extracting four factors.
After controlling for residual correlations and content validity of factor solutions we decided to eliminate the fourth factor. Considerations about content validity, interpretation of item factor loading structure and analysis of internal consistency (Cronbach´s Alpha) resulted in deletion of 22 items. Taking the different perspectives into account, we explored three stable factors with “Eigenvalue” > 1 and remaining 16 items with factor loadings >0.5 (Baggozzi & Yi, 1988), which are shown in detail in table 3.

Table 3: Factor loadings (translated items)

"My local agency…"	Item-factor-loadings		
Items	1	2	3
1. ... is an institution, which one can trust.	,707	,223	,267
2. ... acts flexibly and avoids unnecessary bureaucracy.	,739	,234	,158
3. ... does not pursue one-sided interests, but performs as neutral public institution.	,543	,226	,283
4. ... delivers high service quality.	,749	,322	,181
5. ... is an reliable cooperation partner in the region.	,652	,330	,332
6. ... contributes effectively to the social cohesion.	,398	,417	,547
7. ... successfully promotes of participation of people with disabilities in the labor market	,228	,663	,209
8. ... responds to external critical feedback constructively.	,637	,343	,308
9. ... is open for innovative approaches.	,605	,434	,264
10. ... plays an active role to advocate equal opportunities for women in the labor market.	,261	,716	,266
11. ... provides special support for people with handicaps in the labor market.	,376	,662	,335
12. ... supports effectively the skill development of immigrants.	,328	,659	,118
13. ... delivers an important contribution that nobody „falls through the cracks".	,418	,347	,551
14. ... strives credibly for high customer satisfaction.	,619	,385	,380
15. ... helps effectively to maintain the social peace.	,327	,258	,879
16. ... has a good image.	,665	,329	,345

We interpret the resulting factors as follows:

Factor 1: This factor contains items which are often associated with service and delivery, mainly the way how efficiently an institution performs its core tasks. It reflects whether this organization is seen as being competent in what it does. We label this factor as *institutional performance*, which is closely associated with NPM-claims of an innovative, customer-oriented public administration.

Factor 2: It consists of items which primarily address issues of justice and equal opportunities. We labelled this factor as *moral assignment*, because it reflects a specification of a normative function related moral obligations associated with a labor agency, which is supposed to serve a social purpose. Interestingly, this moral assignment is somehow distinct from the institutional performance. In other words, the value assigned to this institution cannot be reduced to it, but has to take into account a moral dimension as well.

Factor 3: Besides the first two factors, the statistical evidence suggests yet another, partly independent dimension. We labelled the third factor as *political stability*. It compromises themes (social peace, social cohesion) which obviously are not fully covered by the moral assignment factor. From a theoretical point of view this seems plausible, since there is not necessarily convergence between what is political desirable and morally acceptable. This difference is clearly reflected in the data.

With regard to our first research question concerning valid structures of public value we found evidence for three value dimensions: instrumental-utilitarian ("institutional performance"), moral-ethical ("moral assignment") and political-social ("political stability"). The fourth conceptual dimension, namely hedonistic-aesthetical, was not found as separate one. Related themes, e.g. about quality or satisfaction, may be too closely associated with the institutional performance. Also, quite naturally, this dimension is not a distinguished and isolated property, which is expected or linked with a public administration.

Confirmatory Factor Analysis (CFA)

With the objective of confirming the explored latent factor model we tested three measurement models with the LISREL-method. The third model represents the focal model, which was developed with the help of the exploratory analysis elucidated before. Data were taken from a second sample of N= 195.

Whereas a reduced set of variables and a specific item-factor structure may result after an exploratory analysis, such a specific structure is only the starting point of a confirmatory factor analysis. So, before applying a CFA one needs a theoretically elaborated and empirical based model of item factor structure – which is called a measurement model. Indicator reliability coefficients (squared multiple correlations) between 0.79 and 0.83 indicate reliable measurements also referring to this new sample.

Based on the qualitative analysis, the exploratory factor analysis and theoretical assumptions, we specified a three first order factor-model with one second order factor, which means that the first order factors “institutional performance”, “moral assignment” and “political stability” are systematically related to a higher order – more abstract – public value construct (see figure 1).

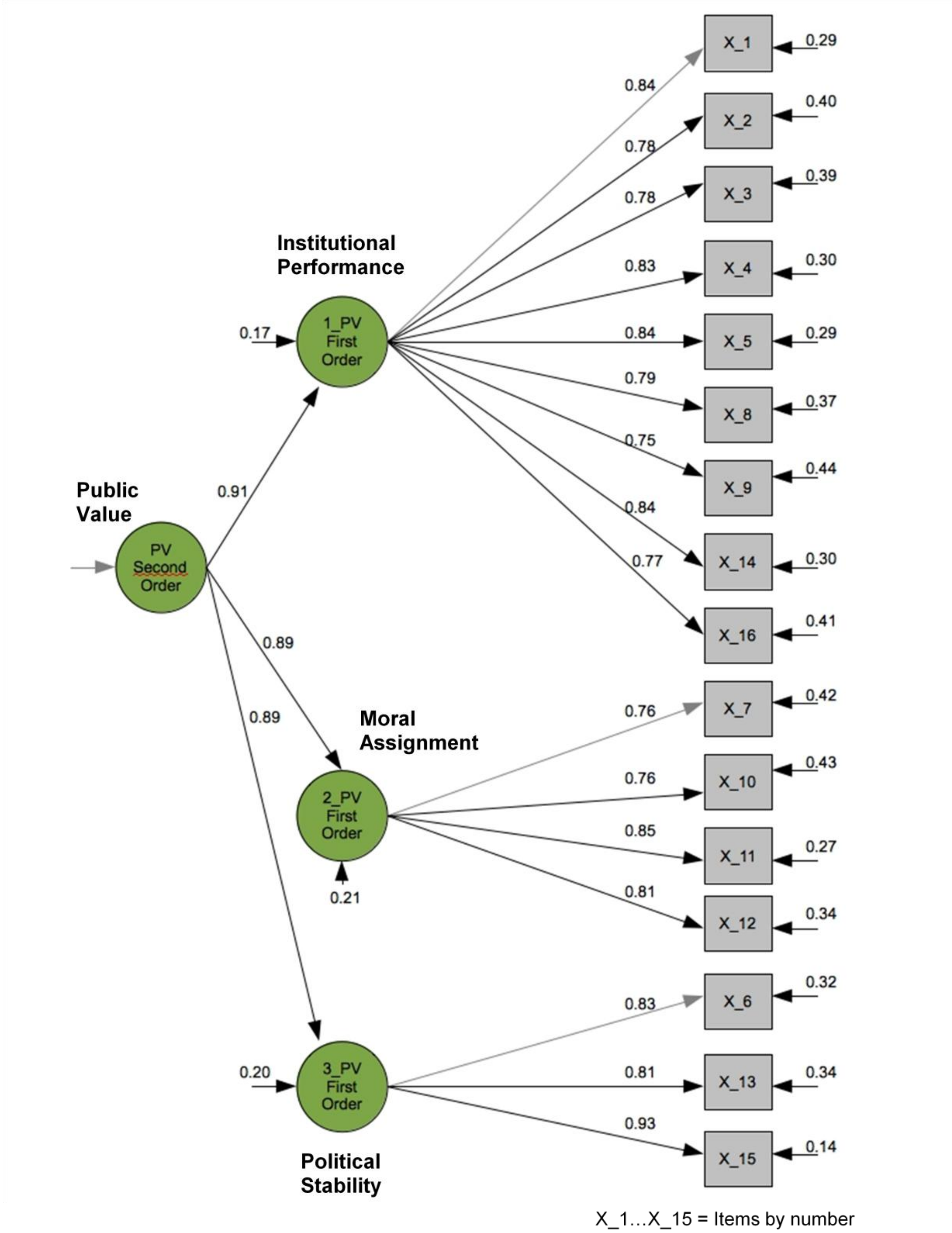

Figure 1: Measurement model

This concept and focused measurement model had to be confirmed and tested in relation to other possible models. The alternatives were: 1) an also evident one factor model, which supposed that all indicator variables are related to only one first order public-value factor and 2) a two first order factor model with non-restricted correlations between factors. A three-factor model with non-restricted correlations between first order factors would converge in the same solution as our focused model.

By using the Maximum Likelihood Algorithm (ML) a covariance matrix is reproduced from the data set due to the theoretically supposed measurement model and factor structure (other algorithms are available e.g. due to distribution qualities). The estimated covariance matrix has to be tested in fitting the empirical covariance structure. For this purpose the LISREL program package (as AMOS or M plus and others too) provides a set of fit-indices and criterions. No single criterion has remained free of criticism in literature and an overall assessment is necessary (e.g. Weiber & Mühlhaus, 2010).
One of these practical conventions refers to interpretation of a descriptive use of Chi-square value, which is related to degrees of freedom in the model. A good fitting model is described by χ^2 / df < 2.0 (Byrne, 1989, p. 55) As seen in table 4 only the focal model fits these convention.

Table 4: Comparison of different measurement models

Model	df	χ^2 / df	SRMR	RMSEA	AGFI / GFI	CFI	AIC Independence: 2811.99 Saturated: 272.00	CAIC Independence: 2880.36 Saturated: 853.13
One factor	104	3.02	0.065	0.10	0.62 / 0.71	0.80	378.29	515.03
Two factors Φ = FU,FR	103	2.35	0.054	0.083	0.68 / 0.76	0.85	308.28	449.29
Three factors + second order	**101**	**1.98**	**0.051**	**0.071**	**0.72 / 0.80**	**0.87**	**270.24**	**419.80**

Another descriptive and absolute fit-criterion is labelled Standardized Root Mean Square Residual (SRMR), which relates differences between theoretically calculated covariance matrices and empirical ones to model complexity (e.g. numbers of indicator variables). A good fit is indicated with SRMR < 0.05 (Homburg, Klarmann, Pflesser, 2008, p. 288). Our focal model and the two-factor model fit the cut-off-value.

An inferential statistical criterion is the Root-Mean-Square-Error of Approximation (RMSEA), which indicates the goodness of approximation of empirical data and also accounts for model complexity. As Browne and Cudeck (1993, pp. 136) notify, a reasonable model fit is indicated by RMSEA < 0.08. As also seen in table 4, only our focused model is in line with this threshold (but still misses the cut-off-value of .05 for a “close fit”).

The most “classical” goodness-of-fit-indices are GFI and Adjusted Goodness of Fit Index (AGFI), which are measurements of the relative amount of variance and covariance accounted by the model and thus they can be interpreted like determination coefficient in regression analysis. AGFI also takes model complexity (e.g. degrees of freedom) into account. Recently the effectiveness of GFI and AGFI has been excoriated (e.g. Sharma et al., 2005), so authors advise against using them for practical purposes (e.g. Weiber & Mühlhaus, 2010; Sharma et al., 2005). Both indices are also seen as ineffective for smaller samples (Weiber & Mühlhaus, 2010). As represented in table 4, our focal model misses the GFI / AGFI > 0.90 threshold for a good fit (e.g. Jöreskog & Sörbom, 1983). On the other hand, the focused second order model fits the cut-off value of the established Comparative Fit Index (CFI), which is highly acknowledged in practical applications of structural equation modelling (Weiber & Mühlhaus, 2010).

The comparison of measurement models in table 4 further includes two so-called information theoretical measures (AIC and CAIC). Both criteria provide fit-indices to compare alternative models and to evaluate parsimony. Both indices relate the chi-square value to model parameters and in doing so, model complexity acts as “penalty” with reference to the calculation of the indices (additional CAIC accounts for sample size). To evaluate real alternative models one has to sequential select models with the lowest AIC or CAIC values. As seen in table 4 our focused model qualifies as parsimonious, even though it is more complex than the others. Table 4 also includes AIC and CAIC values for theoretically alternative models, so called independence model (all variables are supposed as statistically independent) and a so-called saturated model (all possible parameters are free and all possible relationships between variables are tolerated).

Against this background, the supposed and focused second order PV-factor model has not to be rejected. Rather, it accounts best for the occurring variances. On balance, this model is more likely than alternative ones and above all, it is a theoretically conclusive model of public value measurement. The second order factor shows, that there is obviously common ground between the different factors, which only together describe the public value creation.

Our measurement model in figure 1 also points to yet another interesting result: Item X_15 (" My local agency helps effectively to maintain the social peace.") has the highest standardized loading (0,879 in the exploratory factor analysis; 0,93 in the confirmatory factor analysis), i.e. it shares the highest common information with its factor. This stability is a remarkable result, pointing to a highly political public value as main source of FLA's public appreciation. Taken together, the three items of factor three load as good as to the second factor as the nine items of factor one (0,91 and 0,89 respectively). In other words, the factor "institutional performance" does not significantly account for a higher proportion of variance than does "political stability".

Based on the results of the factor analyses we then conducted analyses based individual scores for each factor (weighted by factor loadings). In comparing mean scores of different groups we could further show that, only concerning the factor "institutional performance" the six local agencies differ close to accepted levels of significance (p=0,063). For the other two factors, specific local conditions did not lead to significant differences.

From a sector's viewpoint, no differences emerged with regard to the institutional performance (p=0.360). Local decision makers share a common perspective on how efficient a local agency performs its tasks. Concerning the moral assignment, subjects from private institutions with a non-commercial purpose (e.g. churches, unions) had a significantly higher appreciation for the agencies with regard to the moral dimension than subjects from companies did (p=0.009). As to the third factor of political stability the differences tended to be significantly (p=0,072), similar to factor two.

Discussion and implications

At the outset of this paper we identified a need for empirical research in order to advance the PV discourse. This paper contributes to fill the lacunae by a quantitative study of the perceived PV of Europe's largest bureaucracy.

The research questions can be answered in the following way: We identified both a basic structure of public value (R1) and a general factor “behind” the first-order factors, indicating a common ground (R2). There are three latent first-order factors "institutional performance", "moral assignment" and "political stability" that are structurally related to a second order latent factor "public value". Stakeholders do perceive a performance beyond the technical task at hand, and at the same time recognize a general public value. What do these three factors and a general second order factor mean?

First of all, our study suggests that public value creation of a specific institution can be de-composed. This contribution can be measured. Three distinguishable factors indicate that stakeholders do perceive performance of a public administration in more than one dimension. Of course, it plays role who answers from which perspective. However, the study shows that there is some indication for more than a perception of technical services but also for an appreciation of a normative function of a public administration, which addresses collective values.

In particular, the three factors point to basic structures of public value which do have conceptual basis in the psychological theory of human needs and motivation (Meynhardt, 2009a). Based on items which were developed both using inductive procedures (interviews) and deductive reasoning (selecting items based on a framework of four public value dimensions), we were able to establish evidence for actual contents of public value.

At the same time, it was shown that there is evidence for common ground (second order factor). Next to the de-composition of public value, the results point to a common property which may really be interpreted as the recognition of a public dimension of the FLA. It provides evidence of “the public” beyond compartmentalized benefits. There is obviously support for the idea of the public dimension as described by the sociologist George H. Mead as “generalized other” – here: the generalized public. As a consequence, further studies may take advantage of this high level construct in order to relate to other constructs at this level, such as trust in market economy or life satisfaction, to investigate relevant relationships.

As already mentioned, one of the most remarkable results in this study has been the pervasive “effect” of a single item (maintaining social peace). Together with two other items it forms a factor “political stability” which does account for the second order factor to a similar extent as the factor “institutional performance” does. In other words, concerning public value creation the FLA is as much a political institution as it is seen as one which is performing a service delivery.

The analyses open a door to conceptualize performance in the public sector beyond KPIs or customer satisfaction. They put the broader social function (moral and political) next to a more technical focus on institutional performance. Our results foster the criticism on New Public Management as too narrow a concept for the complex expectations towards the public sector: Though there is of course a service-oriented "institutional performance" that the opinion leaders do keep in mind, but there are also important claims towards a broader value contribution of a public administration – here especially a political and moral contribution.

We can thus empirically confirm the normative function of public institution as anchored in the “value consciousness” of important stakeholders assessing the public value creation. In other words, the societal environment appreciates a public institution on several dimensions beyond mere service delivery. The stakeholders perceive an efficiency dimension of the FLA, but they also see more – a contribution to a society, where a public administration has a moral obligation and a political function. Nevertheless, we find evidence that there are differences across sectors and local agencies with regards to the assessment of public value.

As our study shows that – in case of the FLA – stakeholders very much do perceive and appreciate social impacts of a public administration in a differentiated and subtle way. As a consequence, this leads to an even more challenging job-profile for public manager: the task is to balance efficiency (budget restriction, key performance indicators) and effectiveness for the larger societal contributions. As FLA managers are held accountable in terms of all three factors, they have to be responsive to all of them.

Here we arrive at the following proposition for an improved practice: A quantitative feedback on the perceived public value creation is necessary to align outcome-based steering models in the public sector with internal controlling measures. Only a regular “check” on PV created in “peoples’ minds” can ensure responsiveness to local expectations.

Practically, as far as steering instruments and indicators are concerned, our results strongly put in doubt any one-sided approach. Even efforts to promote social integration need to consider expectations from the environment – “what people really value”. This does not necessarily mean abandoning a shared basis of KPIs, but calls for an extended consideration of rather intangible performance measures.

A differentiated steering approach for the three public value dimensions established here may be an interesting option to correct one-sided approaches. For example, institutional performance consists of a number of technical tasks, which are easier to measure in terms of KPIs, such as service quality and cooperation activities. Moral assignment and political stability contain evaluations which are much more subtle. As the comparison between the six local agencies does only yield significant differences for institutional performance, but not for moral assignment and political stability the questions arises to what extent local performance plays a role in shaping the other value perceptions. This calls for multilevel analyses in the future. For practical purposes it is obvious that a “causal chain” is much harder to establish, if not impossible.

Thus, for respective public value management one may use only mid- or long-term measures at the local level. One needs to question whether an outcome-orientation with a managerial impetus (e.g. management by objectives) would be the proper way for those moral and political dimensions. Rather, one may speculate that fulfilling the political mandate with a clear inner compass of public value creation in a broad sense is often sufficient. At least one needs to consider different time scales for measuring and “delivering” such public values. Another aspects concerns the degrees of freedom for local entrepreneurship. As values cannot be directly delivered but emerge in relationships, their “creation” requires creative and innovative action. Oversteering of public values beyond the technical part of institutional performance may be counterproductive.

Our results might be limited to a specific cultural context. Further research should try to replicate both the different dimensions, but also strive for the general notion of “the public” in highly fragmented societies. The evidence provided for such an elusive concept like public value is a major challenge for steering models to bring back society in public administration.

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