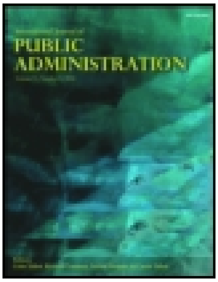

International Journal of Public Administration
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/lpad20

Public Value Inside: What is Public Value Creation?

Timo Meynhardt [a]

[a] Department of Management, Center for Leadership and Values in Society, University of St. Gallen, Switzerland

Version of record first published: 12 Mar 2009.

To cite this article: Timo Meynhardt (2009): Public Value Inside: What is Public Value Creation?, International Journal of Public Administration, 32:3-4, 192-219

To link to this article: http://dx.doi.org/10.1080/01900690902732632

Intl Journal of Public Administration, 32: 192–219, 2009

ISSN 0190-0692 print / 1532-4265 online
DOI: 10.1080/01900690902732632

Public Value Inside: What is Public Value Creation?

Timo Meynhardt
Department of Management, Center for Leadership and Values in Society,
University of St. Gallen, Switzerland

Abstract: The author develops building blocks for a non-normative public value theory. After a short overview of the rise of public value and challenges in defining public value, the constructs “value,” “public,” “public value,” and “public value creation” are systematically introduced by drawing on a range of philosophical, psychological, and economic concepts. Psychological accounts are identified as the key to understand public value creation. Derived from needs theory, four basic public value dimensions are proposed and related to a public value landscape. Consequences of this re-conceptualization of public value are discussed with special emphasis of the public sector.

Keywords: public value, value creation, basic needs

INTRODUCTION

Following Albert O. Hirschman’s famous observation that societies oscillate “between periods of intense preoccupation with public issues and of almost total concentration on individual improvement and private welfare goals” (Hirschman, 1982/2002, p. 3) one may interpret the ongoing public value discourse as another swing of the pendulum. Substantially triggered by critical evaluation of the practice of “New Public Management” (NPM), the concept of Public Value (PV) would reflect an almost predictable renaissance of motives and themes of the “collective” and a view of the public sector that cannot be reduced to individual cost-benefit analysis, customer orientation- or rational choice-models. Obviously, the term “public value” attracts projections concerning a need to engage in dialogue about values, value conflict, and the role

Address correspondence to Timo Meynhardt, Department of Management, Center for Leadership and Values in Society, University of St. Gallen, Tigerbergstrasse 2, CH-9000 St. Gallen, Switzerland; E-mail: timo.meynhardt@unisg.ch

of the public sector in changing societal contexts. However, as Hirschman assumes, a regular swing of the pendulum is followed by a (natural) disappointment of either involvement due to failure in achieving goals or satisfying hopes.

This article contributes to public value theory. It aims at advancing theoretical underpinnings to make it less susceptible to either swing. As PV theory is not a domain of any single discipline its generative capacity lies in integrating different views with rigour and relevance. Here, I emphasize primarily

(a) a non-normative perspective of interrelatedness of private and public spheres, and
(b) psychological accounts of co-creation and co-production of fulfilment of and influence on basic human needs to understand PV *creation*.

In this evolutionary perspective strict distinctions between private and public are blurred. It will be argued that each side of Hirschman's pendulum must be studied as a reflection of PV. Public value theory does reject an a priori normative statement on each swing (e.g., by setting a political agenda for (de)regulation); nevertheless it would not be silent in specific contexts on what "value" to *create*.

In my view a more general theory of PV should not be restricted to public administration. Any organization is bound to a legislative frame, e.g., a constitution, or the tradition of the common law as the normative. However, the public sector is a rather special case, in which public action by formal definition has to consider the public. Since any organizational action is always subjected to heterogeneous "external" evaluations and changing expectations in pluralist societies, there is always a feedback from and to society. With or without formal obligations *one cannot but influence public values*. This basic assumption becomes even more obvious when systemic effects "fight back" or mutual dependencies between the private, social and public sectors increase. Beck Jørgensen and Bozeman consequently conclude that "public value is not governmental" (2007, p. 372). In fact, if one puts into the centre the values *actually held* in society, the public sector plays a specific role, but the private or social sector also contributes in one way or the other. In this evolutionary view, we do not need to start with an emphasis on legal obligations, but require a non-normative approach to understanding public values delivered by an institution independently of its legal status.

The remainder of this article is about elaborating from multiple perspectives on a simple, yet most complex idea: Public value creation is about impact on how people think and feel about society. This article proceeds by a short overview on selected problems in the available literature on PV. The conceptualization of public value creation requires beforehand a stepwise discussion of the single constructs "value," "the public" and "public value." Only against this background of philosophical and psychological notions value creation in economic/financial terms can be contrasted with *public* value creation.

THE RISE OF PUBLIC VALUE IN THE PUBLIC SECTOR

The rise of public value according to Moore's seminal text (Moore, 1995) may be attributed to a need for correcting and advancing NPM concepts that commonly display a stricter focus on economic models and management techniques borrowed from the private sector. Despite appearing to be much more elusive than existing ideas of reforms in the public sector such as performance contracting, budgeting, a move from input to output/outcome orientation or performance-related payment, PV promises a more realistic perspective for current public sector challenges than NPM approaches. In fact, PV theory recognizes "the full roundedness of [. . .] human qualities and experiences" (Stoker, 2006, p. 47) and takes "our evolved and contradictory human nature" (Talbot, 2006; forthcoming, p. 3) more fully into account.

O'Flynn interprets the PV discourse as "a way of thinking which is post-bureaucratic *and* post-competitive allowing us to move beyond the narrow market versus government failure approaches" (O'Flynn, 2007, p. 353). For Beck Jørgensen & Bozeman there is "no more important topic in public administration and policy than public values" (2007, p. 355).

But management based on ideas of public value demands "a commitment to goals that are more stretching for public managers than those envisaged under previous management regimes (. . .). The questions they have to ask of themselves in searching for public value are more challenging and demanding. They are asking more than whether procedures have been followed. They are asking more than whether their targets have been met. They are asking if their actions are bringing a net benefit to society" (Stoker, 2006, p. 49).

Moore initially wished to "develop a normative (rather than positive) theory of managerial (rather than organizational) behavior" (Moore, 1995, p. 2) for the context of American government. In search of describing the subtle and complex relationship between means *and* ends in the public sector (implementation and execution of law in public administration on the one hand and public policy making on the other) he developed the role of a "public manager." This includes a "strategic" element far beyond mere execution of law, in which entrepreneurial spirit is bound by and directed to PV. In the first place, Moore offered an attractive proposal on what public sector is about: "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" (Moore, 1995, p. 10).

Such a normative conception of positive regard for a value-creating public manager obviously resonated in other cultural contexts as well. Moore's concepts were seen as a potential advancement through de-marginalization of less measurable qualities that reconcile narrower and broader notions of value creation. This more integrative view on the purpose and legitimacy of public institutions as other or more than a compensation for market-failure inspired for example in the U.K. not only the BBC's Charter renewal submission but also the Cabinet Office' strategy unit and a number of other organizations (Talbot, 2006). According to O'Flynn Australia is also a good example, where after "some of the most radical experiences with NPM" (O'Flynn, 2007, p. 363) the concept of PV resonated a lot. Therefore, it could be the next "lens" for public sector challenges (O'Flynn, 2005) or an "emerging paradigm" for networked governance (Stoker, 2006). For a German context, Hill claims: "[A]fter a lean and activating state now the value-creating state is called for, creating value for the community" (Hill, 2006, p. 82).

In dissecting basic assumptions of NPM ideas, O'Flynn includes public choice theory, principal-agent theory, transaction-cost economics and competition theory. In acknowledging the enormous influence of those theories in emphasizing a stronger economic efficiency in public sector reform, one cannot but confess that the underlying "assumptions about human behavior centred on individualism, instrumentality, and individual rationality" (O'Flynn, 2007, p. 357) provided a powerful generative capacity in attempting to overcome weaknesses of traditional public administration. "New public management then seeks to dismantle the bureaucratic pillar of the Weberian model of traditional public administration. Out with large, multipurpose hierarchical bureaucracies, new public management proclaims, and in with lean, flat, autonomous organizations drawn from the public and private sectors and steered by a tight central leadership corps" (Stoker, 2006, p. 44f).

Both in the NPM doctrine as well as in the traditional public management approaches politics has its place and "is to be hedged in and confined. A good Weberian bureaucracy would not brook political interference over its appointments and rules . . . [and] a good new public management system gives managers the freedom to manage. Politicians exist to set goals but then get out if the way" (Stoker, 2006, p. 46). Following Moore in his redefined relationship between means and ends of public action, public value management "does not seek to confine politics but rather sees it as central to the management challenge" (Stoker, 2006). O'Flynn even states that "that dominant focus of managers shifts from results to relationships in the public value paradigm" (O'Flynn, 2007, p. 360).

This broad notion of public value following Moore's original contribution is, of course, subjected to critique: In what was to become a defining characteristic of PV literature, Moore appears sometimes to be talking about public goods; services which are non-rivalrous and non-excludable such as defence or street lighting; and at other times to be talking about the public interest or the even the public domain. All of these terms have their problems (Oakley, Naylor, & Lee, 2006, p. 3). Rhodes and Wanna put it this way:

> (. . .) Moore is unclear whether he offers a theoretical framework, a concept, a heuristic device, or an operational tool of management. (. . .) Various proponents argue that public value should be seen as a

> paradigm (Stoker, 2006; Bennington, 2006); as a concept (Kelly, Mulgan & Muers, 2002; Horner, 2005); a model (O'Flynn, 2005); a heuristic device or even a story (Smith, 2004). (. . .) Perhaps the ambiguous nature of public value and its various applications fuels its popularity—it is all things to all people (Rhodes & Wanna, 2007, p. 408).

For the same authors the premises of public value are based "on a fundamentally non-democratic notion." And: "The inherent danger with 'public value management' is that public managers are asked to serve as the Platonic guardians and arbiters of the public interest. They are charged with imagining value and defending their notions of the 'public good' against other conceptions" (ibid., p. 412). With reference to contrarian experiences in administrative practices and structural differences in political systems, this criticism of Moore has been harshly labeled as "misleading, misplaced or just plain wrong" (Alford, 2008, p. 358), which in turn was answered with a similarly harsh critique (Rhodes & Wanna, 2008). What it actually *means* to create public value—despite culture-specific contingencies—was not considered in this dispute.

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*. Its prima facie-attractiveness also stems from the rhetoric mimicking of the private sector idea of shareholder value. But obviously, in order to be able to challenge other approaches we need a more integrated notion of value than that used for measuring shareholders wealth. In his "first axiom" Moore states very generally without further ado: "[V]alue is rooted in the desires and perceptions of individuals" (Moore, 1995, p. 52).

WHAT *IS* VALUE?

As a starting point I will refer to fundamental stands in value philosophy and then "translate" value into psychological constructs by applying ideas of formal axiology.

Endless Definitions, but not Unlimited

"Values" is one of those ambiguous container terms with enormous promise of insight but no widespread consensus. One most acknowledged value philosopher, Nicholas Rescher, summed up his thorough research:

> Philosophers and social scientists concerned with value questions have long recognized the need for a more precise value terminology to facilitate

> the exact formulations needed in scholarly and scientific contexts. But this desideratum seems to be the only point of agreement. All workers in the field echo this complaint. Nevertheless, all their positive efforts have failed (Rescher, 1969/1982, p. 2).

"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). In Baran's definition we find two aspects which we will later take up again: First, he includes "forcefulness" in his definition. In doing so he refers to internalization of values in and by individuals or groups if they are to be relevant for action. It is about psychological forces. Baran, secondly, refers to different "subjects" (individuals, groups, institutions) of evaluation.

In an almost exhaustive overview, Rescher puts together a list of a number of other definitions; only a few shall be used to illustrate the spectrum (Rescher, 1969/1982, p. 2):

- "A value has or is a value if and when people behave toward it so as to retain or increase their possession of it." (George Lundberg)
- "Anything capable of being appreciated (wished for) is a value." (Robert Park and E.W. Burgess)
- "Values are the obverse of motives . . . the object, quality, or condition that satisfies the motivation." (Richard T. LaPiere)
- "Values are any object of any need." (Howard Becker)
- "[A value] is a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available means and ends of action." (Clyde Kluckhohn)

The evaluative aspect of "desirability" obviously limits the semantic space wherein almost endless different definitions stress different aspects.

Overcoming the Objectivist vs. Subjectivist Divide

Can values be true or is the "desirable" just a subjective preference without some ultimate reference? Assuming that the answer to this problem has strong consequences for the underlying methodology of further empirical research on public value and theory building I will focus here on the question what "is" value?

The emergence of value philosophy as a sub-discipline can be traced to Hermann Lotze's contribution. He and others would argue for a *reconciliation* of a social reality driven by tremendous scientific progress in industrialization and its metaphysical or ideational basis. "If there is a justification for facts, there must also be a justification for convictions and imperatives, namely values" (Gethmann-Siefert, 1996, p. 668, own translation). This duality of reality realms goes a long way back to Plato's "empire of ideas." Lotze viewed values as given in absolute terms, which could only be felt psychologically. If an individual does not "feel" them, the lack of feeling does not—according to Lotze—imply that the values under consideration do not exist. Rather, they are "objective," a priori (i.e., the inability to "feel" values is due to mere "incompetence" of the individual). One of the most central and enduring problems in value philosophy was hereby framed: What is the justification of "values"? Are they independent of human beings, even "ideal objects" or—at the other extreme completely subjective and idiosyncratic?

A number of solutions to the ontological status of values has been presented since then. The often complex and subtle arguments can—for the purpose of this article—be summarized as follows: Value objectivists (e.g., Windelband, Husserl, Scheler) basically argue that value "is," i.e., value is a characteristic of an object, being almost physically attached to it. The question of this so-called *value idealism* is then how value can be identified and experienced. In stark contrast, *value subjectivists* (e.g., Meinong, Ehrenfels, Menger) basically argue that something "has" a value, i.e., that values are not determined as external entities or truths but agreed upon by valuing (or synonymously "evaluating") subjects. This view emphasizes a more active subject, identifying, realizing and creating values while processing information and experiences.

A convincing synthesis for our inquiry of value-objectivist and value-subjectivist positions has been presented by Johannes Erich Heyde (1926). After having reviewed and decomposed different schools of thought he argues against any dogmatic objectivism as well as against a pessimistic or solipsistic subjectivism. Whereas the former may suffer from being accused of opaque *metaphysics* and *hypostasis*, which cannot be justified, the latter encounters the critique of *psychologism*, an overemphasis on human consciousness.

In his analysis Heyde develops the notion of value as a *result of a relationship* between a subject that is valuing an object and the valued object. Values do not "exist" independently of that relationship. They are subjective (or relational) in that it takes a valuing subject for a value to "exist"—"Value is the relationship" (Heyde, 1926, p. 77, own translation). A subject relates to an object, and the essence or quality of this relationship is defined as value. An object relates to a subject by valuation. By the very act of valuation (or evaluation) a value comes into being as an abstract entity of desirability or preference. Every value can then be traced back to some *use* value, with a process of valuation as its precondition. Value is "value for a subject" (ibid., p. 46f., own translation). Therefore, value *is not* a characteristic of an object.

Formulating values as nouns (e.g., beauty) falsely suggests a separate entity. In this sense, it is misleading to use nouns to describe values. (I will nevertheless use "value" as a noun here, but only for ease of reading.) The value "beauty" *as such* is not meaningful, the preference or desirability always needs an object (e.g., beauty of a vase), which then equates to use value. Value, thus, is subject-bound, but not restricted to a specific subject. This view implies—given some object—the possibility of absolute or objective values in terms of a value being independent of a concrete subject. Heyde's view identifies the dichotomies of objective and subjective positions as an "unfortunate mode of speaking" (ibid., p. 98, own translation).

For public value theory this perspective points to (social)psychological inquiry into antecedents and states of subjects (individual, group, nations) to understand how public value is formed and evolves over time in the "eye of the beholder" but without reductionism to psychological accounts.

> [V]alue subscription can manifest itself in two easily distinguishable overt modes: First on the side of talk (or thought) . . . But second, on the other hand, we also expect the value to manifest itself on the side of overt action . . . A value is thus bound up with a Janus-headed disposition cluster, and we expect it to orient in two directions, that of discourse and that of overt action (Rescher, 1969/1982, p. 3).

The verbal aspect can be observed by analyzing the talk about values, the action aspect by analyzing actual behaviour. In this sense, values are the result of evaluations, influencing present and future behavior. The basic argument so far is an evolutionary one: "Value" is bound to evolving relationships and ongoing processes of subjective evaluations and revaluations. If different individuals share similar evaluations (i.e., arrive at similar narratives or meaning making), a value becomes "objective." This objectivity is however still bound to subjects and therefore "vulnerable" to change and continuous revision in discursive practices and communication.

As such value research is always left with incomplete answers. This view emphasizes changing relations, and in this sense is "relative." Assuming a specific value-positivism, analyzing "value" means asking people for their emotional-motivational evaluation (positive/negative reaction) concerning a certain object (real or ideational).

Being fully aware of the controversies behind the objective and subjective stances in value theory in the line of thinking presented, I arrive at the following propositions:

> *Proposition 1:* "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.

Logics of Value and Basic Needs as Psychological Reference Points

The very act of valuing can be analyzed according to formal axiology. Following the logics of values (Iwin, 1975), I distinguish four elements: subject, object, basis of evaluation, and character of evaluation. The subject can be a person, a group, a nation, or any other possible entity that is evaluating an object. Objects are not defined in a strictly material sense but can also be of immaterial or abstract nature. Objects of evaluation can be actions, policies, "thing," measures, psychological states, etc. Those "objects" form *propositions*. Subjects take up a *position* towards them via a value statement. This position is the central and indispensable subjective element of value.

What is the *basis of evaluation*? It is about "forces" (e.g., needs, emotions, opinions, norms, ideals, etc.) *initiating* the evaluation. This evaluation process is understood as comparison of a perceived "actual state" with a real or hypothetical, speculative or even illusionary "optimum." The complex psychological mechanisms associated with evaluations are studied in detail in psychology. For example, in social psychology a number of those processes have been investigated, such as social comparison, attribution or attitude change (Tesser, 1995).

Following the *logics of value* presented above, we can draw on the *basis of evaluation* as the "force" initiating the evaluation. Academic psychology provides a number of relevant constructs that can initiate evaluations. Despite a highly fragmented and specialized research, constructs like needs, emotions, affect, attitude, motive, fears, opinions, norms, ideals, etc., all share an *emotional-motivational* aspect. All those constructs contain an evaluative aspect and hence are about "values" (Graumann, 1983). Regardless of settings, time scales or research interest, they all face the problems of studying values; every emotional-motivational construct in psychology puts subjective evaluation in the foreground.

This is where a philosophical notion of value is substantiated and "translated" into psychological realities. If value "exists," it must show up in phenomena of emotional-motivational states described via psychological constructs. For the *character of evaluation* one may then differentiate between absolute or comparative evaluations, i.e., the type of scale for the measurement of values and valuation processes.

The whole point in considering formal axiology here is that it provides "a hook" onto which values and assumptions about some minimal criteria for a concept of human nature can be clipped. It is represented best in the *basis of evaluation*, where assumptions about human nature come into play.

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). Moore himself avoids a more explicit position on "things that are individually desired", except for references to fairness and justice (Moore, 1995, p. 52). To fill these "lacunae" Talbot rightly calls for "a grounding of Public Value in our evolved and contradictory human nature" (Talbot, 2006, p. 3f). Public value would be an empty, formal construct, if one did not reflect on what people need and wish for. This is not to prescribe what would be desirable. But managerial action requires a basic idea of what to strive for: one cannot purposefully create public value without explicit reference to human nature.

What are the psychological reference points in order to explain different states of mind such as preference, desire, or anger? One may identify and construct myriads of needs and motivations. Is there a minimal basis to refer to across different situations? If we cannot assume the derivation of values from some objective basis (e.g., natural right) and furthermore do not restrict values to a normative constitution or the like (such as a religious text), what could serve as a robust assumption about "human nature"? Or in other words, what are the *psychological* dimensions for which public services are ultimately delivering?

One promising candidate is basic needs theory in psychology. Needs concern deficits, i.e., felt discrepancies between an actual and desired psychological state that result in a motivation to act. Needs serve as actual or hypothetical reference points for evaluation; they function as the *whats of the shoulds.* Satisfied needs may lead to pleasant feelings, positive emotion, and well-being, unsatisfied may be followed by anger, discomfort, frustration, or anxiety. Psychological theories account for those processes in great detail and with a lot of sophisticated and subtle arguments (Lewis, Haviland-Jones, & Feldmann Barrett, 2008).

One of the most coherent approaches to structuring the field has been provided by Seymour Epstein in his cognitive-experiential self-theory (Epstein, 2003). In his brilliant analysis of existing theories on human driving *forces* he compares the ideas of famous thinkers like Freud, James, Adler, Rogers, Kohut, Horney, Erikson, Bowlby, Kelly, or Allport. Most of the theories present a dominant motive (e.g., sexual desire, attachment, growth, or power). He makes a convincing case that once developed all basic needs or motives "are equally important" (Epstein, 1993, p. 321).

In his cognitive-experiential self-theory on how "all individuals automatically construct an implicit theory of reality" (Epstein, 1993). Epstein synthesizes the different stands dividing them into four basic functions or "needs" (interchangeable use with motive and value) without a normative statement of supervenience. "Which function, if any, is dominant varies among individuals and within individuals over time" (Epstein, 1989, p. 8). Potential conflicts cannot be reconciled by reference to a natural hierarchy.

According to Epstein "the construction of a personal theory of reality is not an exercise undertaken for its own sake. Rather, the theory is a conceptual tool for fulfilling life's most basic psychological functions, namely, assimilating the data of reality within a relatively stable, coherent conceptual system; maintaining a favorable pleasure-pain balance over the anticipated future; maintaining relationships with significant others, and maintaining a favourable self-esteem" (ibid.).

I do regard these basic dimensions by Epstein as an indispensable building block for assumptions on human nature in public value discourse. They are deeply grounded in the state-of-the-art knowledge available in psychology. Although the complexity of bio-psycho-social nature of human beings cannot be reduced to Epstein's model, it is nevertheless assumed that the most complex, culturally mediated, and functionally autonomous values "grow out" of basic dimensions (Hansch, 1997).

Epstein himself related those functions or needs to values by arguing that people at least "implicitly value" when fulfilling their needs. A "value" then would be an experience based on evaluation of any object against basic needs (Epstein, 1989, p. 16). They provide a minimal and robust starting point for the development of basic value dimensions. The abstract philosophical notion of the "desirability" is traced to a concept of human needs. In this view, those are *basic* as they are essential (not for "its own sake"): they are about fundamental structures of personality, functionally most relevant. "Invalidating" them would destabilize the "entire conceptual system" (Epstein, 1993, p. 322).

Against this background we can now relate basic needs with basic values. For example, an evaluation on how some public service impacts on individuals' self-worth and positive self-regard can be regarded as moral-ethical valuation. This reasoning however is not necessarily applicable the other way around, i.e., not every complex moral-ethical issue can be traced back to self-worth effects alone. However, the notion of self-worthiness is an essential dimension of *every* moral-ethical evaluation. In the same way, the three other evaluations of needs' fulfilment can be translated into motivations (as an example for psychological constructs of "forces") and viewed as basic value dimensions (Table 1).

In this view we gain a structure for value *content* that is closely linked to psychological theory building. In doing so, I propose a characterization of "basic needs" in economics as it had for example been referred to by Pigou (Pigou, 1920). Interestingly, the dimensions also resemble the classic categories in German public administration on how to evaluate whether or not a discretionary decision or measure contributes to the public welfare (Meynhardt & Metelmann, 2008).

The discussion can be summarized as follows:

> *Proposition 2:* Based on formal axiology and needs theory, "values" as a result of evaluation can be conceptualized as a composite of interrelated, yet not substitutable basic dimensions, namely moral-ethical, political-social, utilitarian-instrumental, and hedonistic-aesthetical values.

Table 1. Relation Between Basic Needs and Basis 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
. . . maximizing pleasure and avoiding pain	• . . . positive emotions and avoidance of negative feelings • . . . flow-experience • . . . experience of self-efficacy due to action	hedonistic-aesthetical
. . . gaining control and coherence over one's conceptional 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

WHAT *IS* PUBLIC?

As it has been argued, evaluations can be related to almost any "object." Therefore, in the next step it shall be discussed how the "public" as the object of evaluation could be conceptualized.

One main proposition is that value is created in relationships. So *public* value is created in relationships in which "the public" is involved. But what or who "is" the *public*? The answers to this highly discussed notion vary depending on political, sociological or legal considerations. For example, Frederickson distinguishes between five perspectives:

1. the public as interest groups: the pluralist perspective;
2. the public as consumer: the public choice perspective;
3. the public as represented: the legislative perspective;
4. the public as client: the service-providing perspective;
5. the public as citizen (Frederickson, 1991).

Any of those perspectives may be interpreted as “theories in use” by individuals acting in the public sector. Of course, every society has developed over time several forms for legitimizing and structuring public action, in other words: the perspectives in the public sector are not simply subjected to arbitrary individual choice. They rather reflect the multitude of coordination mechanisms with very different uses of the term “public” (e.g., public schools in the U.K. are in fact private schools).

In a managerial perspective, one common feature of those conceptions (obviously related to participative elements within Western democracy) is the idea of different constituencies or “stakeholders” with different needs to be acknowledged. However, a possible bias towards absorbing and acknowledging multiple stakeholders has simple cognitive limits. In a classic treatment Herbert Simon coined the term “bounded rationality” for the general limitations (Simon, 1945/1997). Recent development in stakeholder theory indicates also in the private sector that the external orientation collapses if one tries to identify, prioritize, and manage different stakeholder expectations in a bottom-up process as originally stated by Freeman (1984). The sheer number and dynamics of stakeholders requires an ex-ante view, even on “potential stakeholders” (Post, Preston, & Sachs, 2002).

In this view, perceived complexity is the key to understanding why there is a renaissance of considerations on what is valuable for society or “the public.” From a psychological perspective we can resume: The less one can know about the public as a matter of fact, the more “the public” serves as a necessary fiction: *The public is inside*.

The “public”—psychologically speaking—is an individually formed abstraction generated on the basis of experiences made in daily practices, analytical insight, and all sorts of projections as to complex phenomena. And any other sociological definition is only relevant for action if it is reflected on the psychological level. This is the kernel of the argument: Subjective evaluations are indispensable elements for orienting oneself in a—by definition—unknowable environment. The more complex the environment, the more important is subjective valuing, since it bridges the unknown and closes the gaps of missing knowledge. By definition, due to incomplete information, indeterminacy, or incommensurability, values close this gap in order to make sense, achieve coherence, and organize meaningful experience.

The term “public value” is about valuing “the public,” and more precisely: valuing relationships between a subject (individual, group) and an unknowable social entity. In this perspective it seems reasonable that there is a renaissance of public interest ideas (Selznick, 1992; Bozeman, 2007; Münkler, Bluhm, & Fischer, 2001/02). It is attractive not despite but *because of* its vagueness or ambiguity (Bozeman, 2002). In this view, public value is a *regulative idea* sensu Kant—necessary for acting, but hard to pin down.

Individuals and groups in this view need to act “as if” (Vaihinger, 1911/2008). This constantly (re)negotiated, tested, or invented “operational fiction” forms the "Gestalt," "generalized other" (Mead 1934/1962) or "quasi-object" (Latour, 1993), as the reference point for action. The "state," the "market," or the "society" are emerging functional generalizations, often necessary to arrange and interpret data or events in a meaningful way. Following Luhmann, meaningfulness then is "a self-referential attitude towards complexity" (Luhmann, 1984, p. 107, own translation). Thus, "the public" is what individuals *perceive* as the public. Public value points to the very evaluations concerning the relationship between individual and the perceived public. It is not simply the sum of the parts, but something different in peoples' minds.

This view is not new, but reflected in classic treatments. Jean Jacques Rousseau points in the same direction, when he talks about the very act of community building by creating a "mental holistic person" (Rousseau, 1762/o.J., p. 47). In this perspective there is a clear difference to the famous notion of Jeremy Bentham who also talks about the community as a "fictitious body, composed of the individual persons who are considered, as it were, its members" (Bentham, 1948, p. 3). The fundamental point of "public" in public value to me is how they relate to this "fictitious body." Whereas Rosseau stresses some collective quality ("common I," ibid., 49), emerging from the "pressure of the affairs" (ibid. 47), Bentham argues primarily instrumental: "The interest in the community, then is what?—the sum of interests of the individual members who compose it" (1948:3). In one way or the other, we arrive at another proposition.

> *Proposition 3:* "The public" is an indispensable "operational fiction"—necessary for action and orientation in a complex environment. In this functional perspective it is not a tautology to argue: Public is what an individual or group regards as public—it is not to be reduced to the sum of analytical insights.

WHAT IS PUBLIC VALUE?

After having developed a perspective of "value" and "public," we can now go on and merge the ideas to touch the very notion of public value *itself*. This includes both a definition of the relationship of evaluation considered, and a systematic structure of the content of PV according to the basic dimension introduced.

Public Value is Anything People put Value to with Regard to the Public

As a first sum of the argument developed so far, the popular definition "Public value is what the public values" (Talbot, 2006, p. 7), should be rephrased as "Public value is what impacts on values about the 'public'." Impact not only implies positive appreciation, but in the first place something—positive or negative—that matters to peoples' values about their perceived relationship to "the public." In this view public value is not restricted to a certain value system (any religious system, or a constitution, human rights, democracy, etc.).

To rephrase the definition in the above paragraph may seem a play on words. However, it includes the idea that public value is not necessarily only about the positive regard or favorable evaluation by a great many towards "the common good" fueled by ideas of humanism or any specific set of values. I follow Talbot who states "Public Value then is the combined view of the public about what they regard as valuable" (ibid.). Clearly, this can be very different from some notions detailed in a constitution, or written down in human rights charters or any other form of declaration. Whereas the public value idea counterbalances overly simplistic views on human nature using rational or public choice ideas of economic maximization of utility and service (O'Flynn, 2007), public value should not restrict itself to implicit values of democratic procedures or aspects of fairness or trust either.

In the non-normative approach presented here, PV is created in every societal context. 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." Following the philosophical assumptions made, 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."

PV then would be the extent to which a perceived relationship between an individual (or group) and some social entity influences the fulfillment or change of basic needs. PV is also value "drawn" from the public, i.e., from the experience of the public. Other values then refer to the extent to which other types of relationship (e.g., private) provide opportunity to fulfill basic needs. By focussing on the relationship between individual and society, public value is not—as critics claim—"all things to all people."

> *Proposition 4:* Public value is about values characterizing the relationship between an individual and "society," defining the quality of this relationship.

Yardsticks in a Public Value Universe

After focusing the relationship where PV is situated and formed, I will now turn to possible *contents* of it.

Beck Jørgensen and Bozeman argue that "if there is any single item for a public value research agenda, it is developing approaches to sorting out values and making sense of their relationships" (2007, p. 377). At the same time the authors are aware that there will be no objectivity and see public values as "an ambiguous but potentially viable set of criteria" (ibid.). In their own impressive study¸ Beck Jørgensen and Bozeman analyzed 230 studies dealing with public values and derived and classified 72 values according to "which aspects of public administration or public organization the value affects" (ibid., p. 377).

They differentiate between seven value-categories rooted in related subject-object relationships (they call them "constellations") in the public sector (ibid.). For example, one is the public sector's contribution to society, another associated with intra-organizational aspects of public administrations.

The advantage of the approach chosen by Beck Jørgensen and Bozeman is a focus on the relationships ("subject-object relations") where the different values emerge. This context-sensitivity is necessary to get closer to empirical phenomena. They do structure their universe according to the criterion of "proximity," i.e., the authors differentiate between "nodal values," "neighbor values," and "covalues." But what is the logic behind the nodal values? Is there basic pattern one could apply? Following the basic PV dimensions introduced I suggest:

1. to complement that approach by relating values more systematically to each other and
2. apply the idea of structuring values following a logic for the *basis of evaluation*.

As a supplement and explicitly building on their work, I propose a complementary PV landscape as classification scheme. Based on the four basic values dimensions developed, we can add to both a non-empirical, deductive and an empirical, inductive method when discussing how to construct out *talk* about public values.

Deductive construction then is understood as a combination of basic dimensions. If one combines the four dimensions with each other, 16 cells emerge. In Figure 1, I used for illustration the eight nodal values identified by Beck Jørgensen and Bozeman in their public value inventory (2007, p. 361f.). Their PVs are in italics, I completed the matrix by filling in the other cells.

There is clearly no undisputed interpretation of any value subscription (which, of course, is due to the very subjective nature of value). In line with basic needs theory there is no hierarchical order in the first place. For practical purposes, the "size" of the landscape may of course be enlarged accordingly. However, the basic dimensions serve as "yardsticks" in a public value landscape. They navigate the search as to where to look for PVs in concrete relationships and help to identify "blind spots" in empirical work. Interestingly, the entire realm of hedonistic-aesthetical public values has not been part in Beck Jørgensen and Bozeman's universe. It is to say, that even though

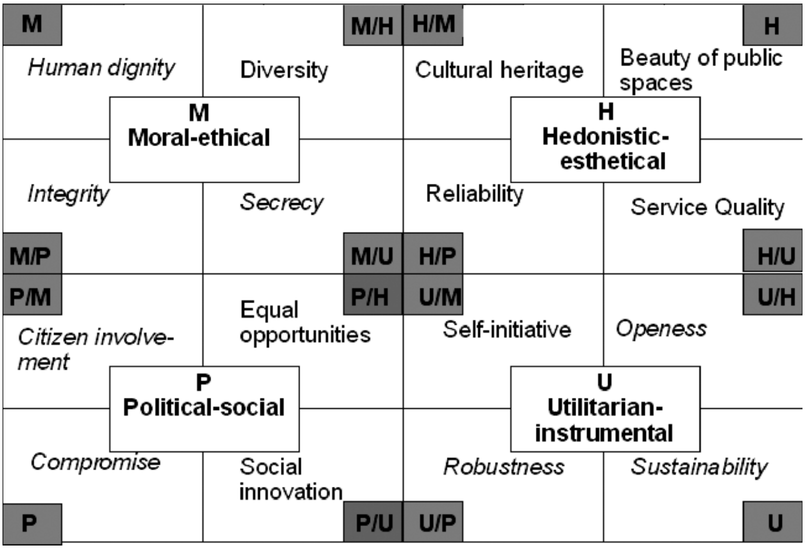

Figure 1. Public value landscape.

those categories do not emerge from empirical investigation, we would need to consider them to capture the "full roundedness" of human nature.

Depending on the subject-object relationship investigated the cells are to be filled differently. Here, I followed Beck Jørgensen and Bozeman who did an analysis of PVs in the public sector in a democratic society. Likewise, one could ask for public values in a non-democratic public sector or in other sectors. The limit of deduction is also obvious: every value can be valued from another perspective: So, "integrity" may also be viewed from an instrumental, political, or even hedonistic point of view. In accordance with Lotze's definition of values as individual-psychological categories it is to be stated clearly in the context of public value that *things can be evaluated differently—and this will be done*.

Therefore, a deductive construction must be accompanied by inductive methods. In this case it means to start with the "object" under consideration and then apply the different ("interrelated, yet not substitutable") perspectives. Since, every action, policy, even value can be evaluated from different perspectives, one would ask four basic value questions, as illustrated in Figure 2.

To borrow a metaphor from the private sector: For the legitimizing action there is not just a single one-fits-all-solution or "business case." Rather, there is a *public value case* composed of a utilitarian-instrumental case, a moral-ethical case, a political-social case, and a hedonistic-aesthetical case. This discussion leads to the next proposition:

> *Proposition 5:* Both deductively as well as inductively the four basic dimensions of value can be also applied to analyse the content of public value.

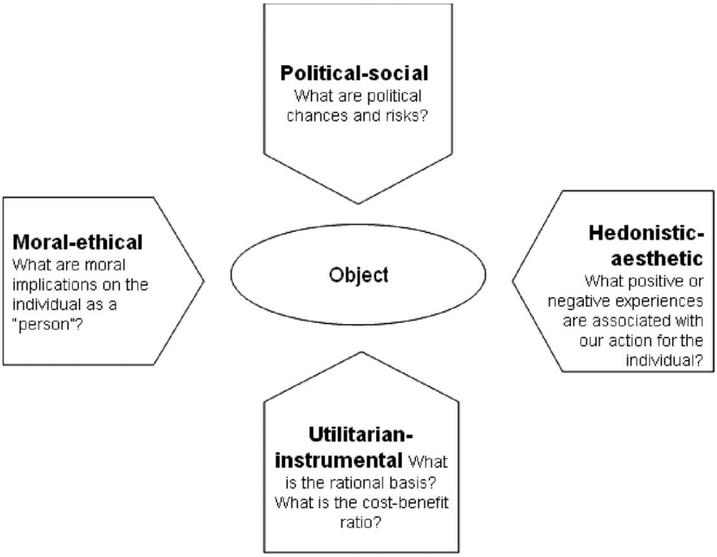

Figure 2. Four inductive evaluation perspectives.

WHAT IS PUBLIC VALUE CREATION?

This article started off by maintaining that we need a more integrated notion of value creation than that used to measure shareholder wealth. If "creation" is subjected to individual evaluation, value cannot simply be delivered. In strong sense also the value created for shareholders can not be fully expressed by "objective" numbers or figures. Consequently, delivering "facts" is not an undisputable value per se.

Against the background of philosophical and psychological perspectives introduced to define "public value" so far, I will now argue that economic or financial value is *part of* evaluations whether or not something contributes to public value. Assessing a contribution to public value creation thus means assessing whether that contribution substantially impacted on one or more basic needs on the individual level. The dependent variable in public value creation is a micro-foundation of values at the individual level. The promise of PV is not to overcome economic perspectives but to complement objective *and* subjective factors in a coherent framework. To transcend the metaphorical use of "public value creation" it is necessary to first consider the usage of value creation in economics.

In economics, value creation in the broadest, "objectivist" sense refers to a transformation of the (relative) value of a certain good into a (relatively) higher value. The revaluation process can take different forms. It can be described as an "enrichment" process, i.e., a process in which there is an initial value and due to manipulation of the respective good the value is transformed into some greater value (value + value added). The value after the transformation is expressed in financial terms as capital value, which is then primarily calculated as Discounted Cash Flow (DCF) (Copeland, Koller, & Murrin, 1994). In reality, of course, this basic idea of this dynamic investment accounting translates into sophisticated and highly accurate methods. Common to all financial evaluation procedures is the translation of a value into some financial equivalent. The language in which to talk about values is the language of money. To increase value means to increase the DCF. An activity (a project, an initiative, new products, etc.) is valuable in as far as it helps to maintain and increase DCF.

A second process of revaluation is determined in forms of relative values as defined by neoclassical economics. According to this approach for economic value, the market value of good A is determined in terms of good B (how much of good B has to be given up in order to consume an extra unit of good A). Therefore, changes in relative value can also occur when the relative scarcity of A/B is subject to change. This logic becomes visible in the writings of Léon Walras who can be regarded as one of the first and most influential propagators of the concept of relative value (Arena & Gloria-Palermo, 2008, p. 322). In order to make his observations on relative value more operable, Walras introduced a basic standard to measure the value of different goods and chose money as "numéraire." According to this approach, changes in the relative scarcity of a good will influence the relative value of the respective good and hence have an impact on its monetary price.

In the case of relative economic value as well as in the case of capital value one tries to eliminate subjective evaluations as far as possible (within limits, see the assumptions as to the final value in DCF) in order to establish an objectifiable value concept. This exchange value reduces the number of possible evaluations to a monetarian perspective. The "facts" may not necessarily lead to the same appreciation by different people. Exactly this subjective evaluation is the key in studying customer value. Here, the subjective use value is decisive. The perceived individual benefit of a product or service is seen as creating customer value. Valuable is what generates subjective evaluations of benefit (Kotler & Armstrong, 2008). Yet, the price customers are willing to pay depends on the relative scarcity of the value-bearing product. To be precise, appreciation—according to our value perspective—does not mean acknowledging what "is already there," but the value is created by appreciation, appreciation is creation.

From a public value perspective, the DCF or any equivalent in the public sector like taxes or budget savings *per se* are not yet public value *creation*. Only a psychological reality where cash flows in one or the other fashion are *appreciated* can be regarded as value creation, i.e., DCF translates into economic value only when preferences are touched upon. Financial indicators may be appreciated for their utilitarian, political or even moral value. Although they do not form a value *per se*, they are an essential part of our social reality, which, however—and this is crucial to public value concepts—cannot be reduced to cash flow concepts. To be clear: in certain situations the capital value may be exactly what is needed and appreciated by the "public."

It would be normative reasoning to insinuate only non-financial needs. In times of changing expectations, financial outcomes and cash flows may even be the most stable "currency" to communicate performance. Furthermore, it may be possible to create a "numéraire" and to inquire into the willingness to pay for or willingness to accept a certain state of affairs.

In sum, shareholder value or profitability are not opponents to public value. Instead, financial and economic value are instrumental-utilitarian to public value creation. It is not a simply shareholder vs. public value perspective. Potential value conflicts can emerge between all possible dimensions. Every process that is shaping individual experiences concerning relationships to the "public" is regarded as public value creation. As a consequence, public value theory needs to tackle issues of the interaction between "facts" and the evaluation of those facts.

PV is different from public interest in that the former suggests a managerial perspective of value *creation* and the latter refers to a legal term covering formal aspects of "public welfare," "general welfare," "common good." Both relate to a notion of the collective (Bozeman, 2007). The actual public value as value held by the public may substantially differ from legalist concepts. For example, if by law a certain citizen-behavior is in the public interest, citizens may have internalized other values as to this behaviour. Public interest may be transformed into public value, but not necessarily.

An everyday example where there is a rift between public interest and public values can be found in traffic regulations that simultaneously serve and are part of a public interest (traffic security) but do not necessarily represent the internalized values of people—as can be seen when looking at violations such as speeding. Another example is the voting behavior in elections that display low participation rates: while it is in the public interest of a democracy that elections are held, many people have not internalized the right to vote as a public value. Also, actual public value can be in conflict with public interest that is derived from a legal framework. An example for this phenomenon is given by situations in which politicians have to resign because of moral misconduct although they are not responsible by law.

> *Proposition 6:* Public value creation is process which is measured against psychological evaluation on individual and group level. In this broad notion producing "facts" is not necessarily correlated to value creation. If a value is not in peoples' minds, it is not "real."

IMPLICATIONS

Taking stock of the different perspectives introduced, the approach presented here converges to 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. 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.*

As consequence of this view, public value thinking is not simply about compensating for market failure, i.e., for its "externalities." Bozeman argues that public value destruction (in his words "public-value failure") "occurs when neither the market nor the public sector provides goods and services required to achieve core public values . . . and market failure tells us little about whether government should intervene . . . the key policy question becomes, if the market is efficient, is there nonetheless a failure to provide an essential public value?" (Bozeman, 2002, p. 150).

Already developed in the field of welfare economics by Alfred Marshall, the term "externalities" has witnessed an ever changing use (Papandreou, 1994) since its rigorous introduction into the academic sphere. It is generally defined as

(a) description for the absence of property rights leading to a distortion in markets, it is often more specifically used
(b) to describe general and potential interactions with an environment and
(c) to assess impacts on the environment which cannot be totally controlled.

The construct is most attractive for the study of inefficiencies, i.e., it refers to situations that partially or totally lack a market and the corresponding price system, e.g., public interventions, information or other bargaining asymmetries, public goods, unresolved property rights (Papandreou, 1994).

Against the potentially growing number and complexity of externalities in a globalized economy and pluralist society there is however growing concern about what is actually meant by "externality."

> [T]he standard theoretical apparatus of dividing the world into those activities that are, internal' to the market, and those that are, external' (like environmental degradation or under-provision for education), and seeking means of, correcting' or extending the market so that activities under question are, internalized', or properly priced, confronts some serious limitations (ibid., p. 2).

The PV perspective presented bridges the gap between external and internal views in a discourse in which externalities are understood as a forbidden entry into the spheres of otherwise independent third parties. It does so by basing situate evaluations on individual judgements while not differentiating between individuals who own property rights in a given market and those who do not. To put it in a nutshell: being subjected to individual perceptions rather than to institutional agreements the concept of “public” is broader and more in flux than the concept of markets, and subsequently “state” vs. “market.”

The approach I presented here explicitly endeavors to broaden the notion of public value. In Moore’s original conception—as he aimed for a *normative* theory—public value is value-laden as it comprises not only diverse social outcomes but always also legitimacy and trust as building blocks of public value. However, against the background of the propositions for PV theory presented here, public value in the public sector is a special case of a more general inquiry in values characterizing relations between individual and society.

When Beck Jørgensen and Bozeman concluded that “public value is not governmental” they framed a number of core questions for a PV research agenda (2007, p. 355ff.). This article provides preliminary answers: The “origin of public values” as the authors put it, “is” neither in the subject valuing something, nor in the object which is being valued. It is in relationships where individuals experience “the public” as stimulus for fulfilling basic needs. Value is not per se “attached to political action” or “to political authority,” but is a result of very subjective evaluation against basic needs. Values are also not only attached “to more deeply seated prerogatives of the governed.” They “exist” in the relationship, not independently from the very act of evaluating. As a consequence, there is no primacy who “is the purveyor of public value” and more precisely, value (e.g., trust) cannot simply be *purveyed*.

Following the idea of psychological micro-foundation, executing law correctly is an attempt to create public value by the public sector. To what extent however public value is actually created in this way is less clear. In other words the “eigenwert” of law due to its codification of norms “is” only in the perception of people evaluating their experience with public action. In broad terms, public value *creation* is a process leading to *perceived* changes in qualities of relationships.

Beck Jørgensen and Bozeman also called for investigating “possibilities for assessing public values” (ibid.). Assessing a contribution to public value creation thus means assessing whether that contribution substantially impacted on one or more basic needs on the individual level. The PV landscape introduced in this article can be viewed as a heuristic for searching public values. Although public value is not to be reduced to a legislative frame, the public sector is special in that its “search” is bound by the legal obligation, *intentionally* not benefiting only specific individuals or groups but the *public*. In fact, as Schuppert argues, the contribution to public welfare is “reason and boundary” of any public sector activity (Schuppert, 2002, p. 67).

Another area where the authors encouraged research is the question how different PVs relate to each other. The propositions presented here, do not assume a hierarchical order. Instead, they only posit that values are not simply substitutable. We neither can draw respective conclusions from value philosophy, nor does psychological theory allow for assuming a dominant set of values. The four basic dimensions point to four areas of relevance for a person's personality. Further research is necessary to study the determinants of individual *functional* relevance of certain public values. One could argue that, a public value becomes more relevant for an individual if it is relevant for self-concept and identity, because a threat causes "psychological discomfort" and thus also opens an opportunity for change (Meynhardt, 2004).

The psychological background for constructing four basic dimensions also calls for studying which processes foster which type of value creation. In filling what Talbot called "the lacunae" we now need not only inquiry into processes strictly related to the content of value.

The future for PV theory is then to study to what extent a public administration can actually provide relevant experiences for individuals and groups. It is not so much a question whether it should (as the mentioned debate between Rhodes and Wanna, and Alford), but rather if it *can*. For example, Kelly, Mulgan, and Muers, argue that "even if formal service and outcome targets are met, a failure of trust will effectively destroy public value" (2002, p. 17). Bouckaert and Halligan even categorize "trust as the ultimate goal of the public sector" (2008, p. 26).

If Talbot views the procedures of how self-interest and public interests are "synthesized" (Talbot, 2006, p. 7) as a potential locus for public value creation then we need more empirical work on how this can be realized in concrete managerial settings. Thus we must go beyond contrasting of delivery modes of "accountability" vs. "objectives" vs. "dialogue" as is the case with Kelly et al. (2002). Every delivery mode may potentially impact on public value in one or the other direction. I also follow Talbot who argues that public value thinking is also not restricted to "networked governance" and concludes that public value "potentially embraces a far wider spectrum of public domain institutional arrangements than either public interest or public choice approaches" (Talbot, 2006, p. 7).

Following PV theory, it is contingent which dominant focus is most suitable to create public value. To focus on the quantifiable short-term outcome may be a "strategy" to hedge risks in an environment of multiple and unstable evaluations. Legitimization by numbers however may appear a less complex challenge than facing the challenge of a pro-active dialogue about "why our work is valuable to society." Therefore, we need to identify when and how a narrower performance management is more successful than a broader, more dialogue based and trust-oriented approach. We also need basic research which procedures support that values are internalized at individual micro-level and changed on a collective macro-level (Meynhardt, 2004).

Whereas we know a lot about individual prerequisites to perform for public value creation (Moore, 1995; Broussine, 2003; Pollitt, 2003), we know less how to promote those competencies in public sector. Besides this *People* dimension, we know a lot about *Principles* in public sector, i.e., legal obligations to manage in public interest and for public value creation. However, there are significant research gaps to deepen our understanding of the actual *Processes* of value creation in a narrow sense of experience-intense practices at individual and group level and in a broader sense, of a synergetic interplay between institutions and sectors. Research on integrative leadership rather focused on processes in general (Crosby & Bryson, 2005; Bryson & Crosby, 2006), but not on processes related to specific value dimensions.

Even more challenging is the question for the actual *Product* (public value) as experienced psychologically. The consequence of the approach presented is not about "reinventing government" but developing innovative methods for identifying, assessing, prioritizing, communicating, and controlling the public value, facing the difficulties of subjective accounts. Any progress of PV theory is to be measured against contributions to one of the 4 Ps, and most significantly to the "product" description.

CONCLUSION

The potential of a PV discourse would be misconceived if one would interpret it as just another swing of the Hirschman-pendulum. It rather catalyzes essential questions of how to reconcile different, contradicting values given today's contingencies in the public sector. It is also not only about the performance of the public sector and legitimization of public institutions, but also a more general quest for values framing our understanding of society.

The view put forward in this article is the basic idea that *public value starts and ends within the individual.* The slogan "public value inside" encourages research into social relations evaluated against subjective evaluations, i.e., its antecedents for impact on basic needs. PV research then is a perspective of linking individual and society. It is sharpening our understanding of the evolving nature of political, social, and juridical obligations on one hand and co-production of values in societies searching for coordination, legitimization, and meaning at the other.

What is the potential of public value theory? It is not be seen in an updated distinction between private and public, but rather in relating public value to a set of values expressing the perceived relationship quality between an individual and a social entity (group, community, nation). It is also in its insights of enriching our management paradigms of how subjectivity is mediated by social processes in the broadest sense. PV theory is about the limits of management, where the individual manager can only help to set boundary conditions. To rephrase it: "Act as if everything depends upon this very moment, but be aware of the insignificance of your contribution." Even in the public sector with a "license to operate" provided by a legislative frame it is about constant negotiations of value propositions for deliveries, not excluded from an evolutionary process. Thus, it is not to suspect that "insulating public services from the permanent revolution of structural change is perhaps the real promise of public value" (Coats & Passmore, 2008, p. 6).

If there is a lack of a broader and accepted notion of societal goals and aspirations it seems almost plausible that NPM with its rather formal instrumental values gained massive influence. No single dominance of moral-ethical, political-social, instrumental-utilitarian, or hedonistic-aesthetical value can however ex-ante suspend the "rest." Thus, it confronts managers with fundamental questions of meaning and responsibility. Theory cannot prescribe action to disentangle performance paradoxes and provide universal recommendations like Kant's "categorical imperative" or other imperatives like the Hippocratic oath of "not knowingly to do harm." But at its best it describes antecedents and effects of certain action and dissects basic assumptions. In this sense, public value theory is most promising in its non-normative fashion.

REFERENCES

Alford, J. 2008. The Limits to Traditional Public Administration, or Rescuing Public Value from Misinterpretation. *The Australian Journal of Public Administration*, 67 (3), 357–366.

Arena, R., & Gloria-Palermo, S. (2008): Menger and Walras on Money: A Comparative View. *History of Political Economy*, 40 (2), 317–345.

Baran, P. (1991). Werte. In: H. -J. Sandkühler (Ed.), *Europäische Enzyklopädie zu Philosophie und Wissenschaften, Vol. 4*, pp. 805–815. Hamburg: Felix Meiner Verlag, 806, own translation.

Beck Jørgensen, T., & Bozeman, B. (2007). Public Values. An Inventory. *Administration and Society*, 39 (3), 354–381.

Bentham, J. (1948). *The Principles of Morals and Legislation*. New York: Hafner, 3.

Bouckaert, G., & Halligan, J. (2008). *Managing Performance. International Comparisons*. Oxon, UK: Routledge.

Bozeman, B. (2002). Public-Value Failure. When Efficient Markets May not Do. *Public Administration Review*, 62 (2), 145–161.

Bozeman, B. (2007). *Public Value and Public Interest. Counterbalancing Economic Individualism*. Washington, DC: Georgetown University Press.

Broussine, M. (2003). Public Leadership. In: *Public Management and Governance*. L. Löffler & T. Bovaird (Eds.) London: Routledge; 175–188.

Bryson, J. M., & Crosby, B. C. (2006) Leadership for the Common Good. In: S. Schuman (Ed.) *Creating a Culture of Collaboration. The International Association of Facilitators Handbook.* San Francisco, CA: Jossey Bass, 367–396.

Coats, D., & Passmore, E. (2008). *Public Value: The Next Steps in Public Service Reform*. London: The Work Foundation.

Copeland, Th., Koller, T. & Murrin, J.(1994). *Valuation. Measuring and Managing the Value of Companies*. New York: John Wiley & Sons, Inc.

Crosby, B. C., & Bryson J. M. (2005). A Leadership Framework for Cross-Sector Collaboration. *Public Management Review* 7 (2), 178–201.

Epstein, S. (1989). Values from the perspective of cognitive-experiential self-theory, In: N. Eisenberg: *Social and Moral Values*. Erlbaum: Hillsdale, 3–22, 8.

Epstein, S. (1993) Emotion and self-theory, In: Lewis, M., Haviland-Jones, J. M. *Handbook of Emotions*. New York: Guilford Press Sons, Inc., 313–326, 321.

Epstein, S. (2003) Cognitive-experiential self theory of personality, In: Th. Millon, M. L. Lerner, I. B. Weiner (eds.), *Handbook of Psychology: Handbook of Psychology, Vol. 5, Personality and Social Psychology*, New York: John Wiley & Sons, Inc., 159–184.

Frederickson, H. G. (1991). Toward a Theory of the Public for Public Administration. *Administration & Society*, 22 (4), 395–417.

Freeman, R. E. 1984. *Strategic Management. A Stakeholder Approach*. Boston: Pitman.

Gethmann-Siefert, A. (1996). Wertphilosophie. In J. Mittelstraß (Ed.), *Enzyklopädie Philosophie und Wissenschaftstheorie, Vol. 4*, pp. 668–669. Stuttgart: Verlag J.B. Metzler.

Graumann, C. F., Willig, R. (1983). Wert, Wertung, Werthaltung. In: H. Thomae (Ed.), *Theorien und Formen der Motivation, Vol. 1*, 312–396. Göttingen, Germany: Hogrefe.

Hansch, D. (1997). *Psychosynergetik: Die fraktale Evolution des Psychischen. Grundlagen einer Allgemeinen Psychotherapie*. Opladen, Germany: Westdeutscher Verlag.

Heyde, J. E. (1926). *Wert. Eine philosophische Grundlegung*. Erfurt, Germany: Verlag Kurt Stenger.

Hill, H. (2006). Von Good Governance zu Public Leadership. *Verwaltung und Management, 12 Jg., Heft* 2, 81–84.

Hirschman, A. O. (1982/2002). *Shifting Involvements: Private Interest and Public Action*. Princeton: Princeton University Press, p. 3.

Iwin, A. A. (1975). *Grundlagen der Logik von Wertungen*. Berlin: Akademie-Verlag.

Kelly, G., Mulgan, G., & Muers, S. (2002). *Creating Public Value. An Analytical Framework for Public Service Reform*. London: Cabinet Office Strategy Unit.

Kotler, Ph., Armstrong, G. (2008). *Principles of Marketing* (12th ed.). Upper Saddle River, NJ : Prentice-Hall.

Latour, B. (1993). *We Have Never Been Modern*. Cambridge, MA: Harvard University Press.

Lewis, M., Haviland-Jones, J. M., & Feldmann Barrett, L. (2008). *Handbook of Emotions*, 3rd ed., New York: Guilford Press.

Luhmann, N. (1984). *Soziale Systeme. Grundriß einer allgemeinen Theorie*. Frankfurt am Main: Suhrkamp, 107, own translation.

Mead, G. H. (1934/1962). *Mind, Self and Society: From the Standpoint of a Social Behaviorist*. Chicago: University of Chicago Press.

Meynhardt, T. (2004). *Wertwissen. Was Organisationen wirklich bewegt*. Münster, Germany: Waxmann.

Meynhardt, T., & Metelmann, J. (2008). Public Value—ein Kompass für die Führung in der öffentlichen Verwaltung. *Verwaltung und Management*, 14 (5), 246–251.

Moore, M. H. (1995). *Creating Public Value. Strategic Management in Government*. Cambridge, MA: Harvard University Press.

Münkler, H., Bluhm, H., & Fischer, K. (Eds.). (2001/02). *Gemeinwohl und Gemeinsinn. Forschungsberichte der interdisziplinären Arbeitsgruppe "Gemeinwohl und Gemeinsinn" der Berlin-Brandenburgischen Akademie der Wissenschaften in vier Bänden*. Berlin: Akademie-Verlag.

Oakley, K., Naylor, R., Lee, D. (2006). Giving Them What They Want: The Construction of the Public in 'Public Value'. *Paper presented at "Media and Social Change," conference organized by the ESRC Centre for Research on Socio-Cultural Change*.

O'Flynn, J. (2005). *A Public Value Framework for Contractual Governance. PUBLIC Issue 07*, ESADEs Institute of Public Management, Barcelona.

O'Flynn, J. (2007). From New Public Management to Public Value: Paradigmatic Change and Managerial Implications. *The Australian Journal of Public Administration*, 66 (3), 353–366.

Papandreou, A. A. (1994). *Externality and Institutions*. Oxford: Clarendon Press.

Pigou, A. C. (1920). *The Economics of Welfare*. London: Macmillan.

Pollitt, C. 2003. *The Essential Public Manager*. Maidenhead: Open University Press.

Post, J. E., Preston, L. E., & Sachs, S. 2002. *Redefining the Corporation: Stakeholder Management and Organizational Wealth*. Palo Alto, CA: Stanford University Press.

Rescher, N. (1969/1982). *Introduction to Value Theory*. Washington, DC: University Press of America.

Rhodes, R. W. A, & Wanna, J. (2007). The Limits to Public Value, or Rescuing Responsible Government from the Platonic Guardians. *The Australian Journal of Public Administration*, 66 (4), 406–421.

Rhodes, R. W. A, & Wanna, J. 2008. Stairways to Heaven: A Reply to Alford. *The Australian Journal of Public Administration*, 67 (3), 367–370.

Rousseau, J. -J. (1762/o.J.). *Der Gesellschaftsvertrag oder Grundlagen des Staatsrechts*. Rudolstadt, Germany: Greifenverlag.

Schuppert, G. F. (2002). Gemeinwohldefinition im kooperativen Staat. In H. Münkler & K. Fischer (Eds.), *Gemeinwohl und Gemeinsinn im Recht*, Berlin: Akademie Verlag, 67–98.

Selznick, Ph. (1992). *The moral commonwealth. Social theory of the promise of community*. Berkeley and Los Angeles, CA: University of California Press.

Simon, H. A. (1945/1997). *Administrative Behavior. A Study of Decision-Making Processes in Administrative Organizations* (4th ed.). New York: The Free Press.
Stoker, G. (2006). Public Value Management: A Narrative for Networked Governance? *American Review of Public Administration*, 36 (1), 41–57.
Talbot, C. (2006). *Paradoxes and prospects of "Public Value"*. Paper presented at Tenth International Research Symposium on Public Management, April 10–12, 2006 in Glasgow.
Talbot, C. (2009) Paradoxes and prospects of "public Value". *Public Money and Management*, forthcoming.
Tesser, C. (1995). *Advanced Social Psychology*. New York: McGraw-Hill. Inc.
Vaihinger, H. (1911/2008). The Philosophy of "As If." Oxon, UK: Routledge.