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Co-production and innovation - creating better solutions for future public service implementation

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EXECUTIVE SUMMARY

Co-production is considered an essential element in the successful design and delivery of contemporary public services globally because it is thought to offer opportunities for users to gain empowerment. In a context of increased calls for innovation, it seems likely that there would be a relationship between the capacity of an organisation to co-produce and the levels of innovation it creates. Within the co-production literature, service design, service implementation and service delivery are sometimes all bundled together under the practice of co-production. Although co-production - defined as the engagement of users in improving the delivery of public services - can be used in different phases, in this purpose we focus on its application in developing innovative ways to implement policy and provide services.

Our review of the academic and practitioner literature reveals that, at its core, co-production is a process that is entered into collaboratively, but how this is constituted depends on a number of factors. It depends on the level the co-production is involved in to enable service delivery, and whether implementation is grounded in management, service or systems theory. The reality is that too often many of those who use this concept fail to distinguish such factors, or to articulate the assumptions and mental models their research or practice is based on.

In the paper we outline three alternative theoretical perspectives of co-production. First, a public administration approach where the focus is upon the creation of the ideal service design and delivery by experts. Second is an approach which considers the delivery of public services as "services" to be delivered **with** the user within a service management system, rather than "manufactured goods" delivered **to** them; the contextual impact from the system is recognised, meaning that there is no one best way of delivering services. The third approach is the systems approach where the focus shifts from participation in a single service to value gained from interactions across the system as a whole. Each individual organisational "system" exists within a complex public service system where interactions between citizens or service users are dynamic; each participant has a personal pathway through the system influenced by their individual lived experiences, which enables them to make sense of their world and disturbs the interactions of others. It is these interactions between multiple stakeholders that can give rise to the emergent properties, or unexpected outcomes, within the system that facilitate evolution and innovation. Thus, for innovation to be really supported there needs to be a service integration approach to co-production where the user is central to the service design and delivery.

From this we suggest that the way that this changes the roles of the different actors in the co-production system has three implications:

1. Who benefits from co-production changes: the paper demonstrates that the move from product focused, where the most likely beneficiary was the service provider, to service integrated would be where most users would benefit. However, this could be a major change as it requires the capacity to work in an effective joined-up way. Part of the reason for the aspiration for joined-up working is a recognition that such methods enable innovation and so we suggest that focusing on how such work enables service integrated co-production might help develop both future research and conversations between systems stakeholders, as there seems to be no doubt that if done well all parties in the system would benefit.

2. Different skills are required within government such that the public servants are able to support this model. The public service is responsible for setting outcomes and priorities across the whole of the public service, rather than giving directions within a specific program or silo of a department. The ability of public servants to lead expert groups, steward service-wide programs of work and span boundaries within, and external to, the public service is significant; those with these abilities will be able to work more effectively in this innovative environment.

3. The focus of how to create and sustain innovation moves away from stand-alone innovation processes, towards using service integrated co-production as the mechanism that will enable innovation to emerge. We submit that when there is the call for collaboration to enable innovation, what is needed, in fact, is the development of service integrated co-production. If this way of working is embedded into government systems and structures, ongoing calls for transparency, accountability, agility and innovation would, inevitably, have to be addressed.

As a result of our analysis we suggest that the way forward for both academics and practitioners is to consider some new questions. Is the service integrated systems model with its claims of innovation and long-term cost saving legitimate? What is the social impact of user centred co-production when the system includes the third sector? What is the evidence of the success of co-production as an innovation tool, and how can it be evaluated within the Australian context? Does understanding that there are different forms of co-production help clarify the wide range of potential uses that range from a relationship for enduring and voluntary outcomes (such as school participation) to the mundane and at times involuntary or compulsory activities with immediate outcomes (completing a tax return)? What is the role of information technology and social media in co-production?

To answer these new questions we call for more diversity in research approaches. The research to date has concentrated on using case studies to explore and explain co-production. A lack of contextual clarity makes it almost impossible to compare or contrast existing studies. To begin to identify sound principles and practices for co-production that can be used to support innovation and transferred to other situations, we advocate researchers choose a wider range of methodologies and methods to help evaluate whether co-production is delivering anticipated innovation results.

WHY REVIEW CO-PRODUCTION NOW?

It is well established that governments around the world are facing a series of pressures that mean that business as usual is no longer acceptable. Governments need to rethink both what they do and how. Against this background, innovation has never been considered more essential (Accenture, 2015; DIIS, 2016; McKinsey and Company, 2012; OECD, 2018; Victoria State Government, 2018). However, success in this space has proved to be difficult to both achieve and sustain (Bryson, Crosby and Stone, 2015; Torfing, 2016). At least part of the reason for this may stem from the fact that services are all too often designed and developed, and subsequently delivered, without sufficient engagement from those they are meant to serve. As a consequence of this, we have heard increasing calls for the use of co-production techniques to overcome these limitations.

As a passionate advocate of what he calls the 'participation society', with its 'twin pillars of trust and engagement', and whose realisation is 'the holy grail of public and social innovation' (Shergold, 2009, p 141), Peter Shergold has championed a co-production approach in the Australian Public Service. This call has influenced Australian public services in as diverse as:

- healthcare where the need to focus on consumers' needs is increasingly important at both a policy and a practical level (Randall, 2016) because it is imperative that those whose health is to be cared for have the most input (Watson, 2016);
- family services where there is a recognised and growing need for greater community engagement (Moore, McDonald, McHugh-Dillon and West, n.d.);
- rural fire services where co-production is recommended to help develop cost effective measures to build community resilience and minimise the impact of extreme events (Roach, 2016);
- elder care in Western Australia where co-production has been adopted as policy and practice (Community West, 2016); and
- mental health in Western Australia (CoMHWA, n.d.).

Regardless of the underlying foundations, the expectations of co-production are high and are becoming ever more critical as governments require more innovative, leaner and smaller public services. In this paper we interrogate the concept of co-production from an Australian perspective and explore what it can bring to the creation of innovation for service users, service organisations and the public service; we also consider what this means for the future public servant. We review the use of co-production to create new value through innovation. First, we consider the lack of clarity relating to the term itself and then summarise three approaches that are outlined in the literature. We show how they create different value for different stakeholders, arguing that innovation is more likely when there is a move to the service integrated systems approaches. We then explore the implications of moving to such an approach, suggesting that for the users to gain the potential benefits, there will need to be changes in how government designs and delivers services. We argue that this will, in turn impact upon the skills required by public servants. We conclude by suggesting some new research questions that could help create a greater understanding of the potential for a service integrated systems approach to co-production to provide a sustainable approach to innovation, thereby creating new public value.

WHAT IS CO-PRODUCTION AND WHY DOES IT MATTER?

Co-production has long been considered as a way of improving the efficiency and effectiveness of public services (Brandsen and Pestoff, 2006; Durose, Needham, Mangan and Rees, 2017; Osborne and Strokosch, 2013; Pestoff, 2006; Verschuere, Brandsen and Pestoff, 2012). It is a broad term that has a host of different promises attached to it including: being a way to enable the public to influence public policy and facilitate public service reform; personalise services to meet the needs of service users; and provide a shared value to the community (Brandsen and Pestoff, 2006; Bovaird, 2007; Durose et al., 2017; Osborne and Strokosch, 2013; Pestoff, 2006; Verschuere et al., 2012). As co-production relies upon user involvement, it acts as a conduit to build social inclusiveness and citizenship (Alford, 1998; Durose et al., 2017; Osborne and Strokosch, 2013).

To date there is no clear consensus on what the concept of co-production means (Brandsen and Honingh, 2015, p 427). The central tenet of co-production is that public service users should be able to influence what is delivered to them, how it is delivered and by whom. Outside of this there is significant flexibility in terms of how this might occur. The espoused objective is that it offers advantages to users, governments and, where appropriate, third party providers, as it empowers users and enables them to influence public policy and service delivery in areas that immediately concern them. Such empowerment gives greater control over lives, influences who is involved and facilitates service provision innovations and improvements (Alford, 2016; Alford and Hughes, 2008; Bovaird, 2007; Brandsen and Pestoff, 2006; Linders, 2012; Productivity Commission 2017). Despite the predominantly positive hue of the co-production literature, some have disputed these claims and expressed concerns that co-production may not deliver on all of these outcomes and may, in fact, increase costs, reduce user choice and impede innovation (Gilchrist, 2017; Hughes, 2017; Productivity Commission, 2007).

Co-production is, therefore, described as a "woolly word" (Needham, 2009; Osborne, Radnor and Strokosch, 2016), where it is confusing as to what is included or excluded (Loffler, 2010). It is used to cover a wide range of activities that some consider should not be included because of the type of service, the types of contributor/s to the service, and the passive or coercive behaviour used within the service (Barker, 2010). Co-production is a concept that it is difficult to argue against and is very much a current trend in public policy and public administration contexts. A whole range of different initiatives have been labelled co-production and yet these may often not share very much in the way of common features (see Box 1 for examples).

Box 1– Examples of co-production as described in the academic literature

Traditional professional service provision with user consultation on design and planning: planning for exercises in which communities are involved in interactive simulation to change services and suggest priorities (Taylor, 1995); user feedback on a service (Birchall and Simmons, 2004); parent governors of schools with power over strategy (Birchall and Simmons, 2004); neighbourhood improvement schemes (Bovaird, 2007).

User co-delivery of professionally designed services: direct payments to users in care services who can then purchase the professional care they require (Bovaird, 2007); self-reporting and self-assessment tax systems, such as the Australian system, where participants complete and submit their tax form and retain relevant records (Alford, 1998).

User / professional co-production of delivery of services: community-based housing associations or tenant-run co-operatives; neighbourhood watch schemes (Bovaird, 2007).

User co-delivery with professional without formal contribution to planning: community resource centres providing a range of activities for local residents and call in professional staff or expertise (Bovaird, 2007).

User and community delivery of professionally planned services: smart houses in which technological aids allow residents to carry out many functions for which they would otherwise need skilled support or home care; youth sports leagues run by volunteers according to nationally formulated codes (Bovaird, 2007).

User delivery of co-planned or co-designed services: contract services undertaken by local community groups that are under contract to public agencies, for example, the maintenance of housing estates or cleaning of community centres (Bovaird, 2007).

Users and researchers co-designing research: research, which included consulting with people with disabilities, thereby capturing participants' experiences of the NDIS in order to understand how the roll out was affecting users lives (Warr, Dickinson, Olney et al., 2017).

The academic literature provides a series of formal definitions, and the practitioner literature provides more pragmatic and applicable explanations. For a process that is seen as essential by public servants when discussing the design and delivery of services, particularly in times of tightening fiscal approach, this confusion can be problematic, particularly given that it requires the public service to develop skills and capabilities that are foreign to the established way of working (see Box 2 for examples).

Box 2: Examples of co-production definitions in practitioner literature

"Co-production is not just a word, it's not just a concept, it is a meeting of minds coming together to find a shared solution. In practice, it involves people who use services being consulted, included and working together from the start to the end of any project that affects them" (Think Local Act Personal, 2011).

"It is, at heart, a mindset and a style of working. Co-production says that you start from the people themselves and find out what they think works well and what needs to be addressed" (SCIE, 2009: 4, in Needham, 2010, p 2).

"A way of working whereby citizens and decision makers, or people who use services, family carers and service providers work together to create a decision or service which works for them all. The approach is value driven and built on the principle that those who use a service are best placed to help design it" (National Occupational Standards, n.d.).

"A relationship where professionals and citizens share power to plan and deliver support together, recognising that both have vital contributions to make in order to improve quality of life for people and communities" (National Co-production Critical Friends Group, n.d.).

At its core, co-production is seemingly a process that is entered into collaboratively, but as the examples set out in Box 2 illustrate, what this constitutes precisely very much depends on a number of different factors. It depends upon whether the co-production is involved at a strategic planning or a delivery level in service delivery; or whether the implementation is grounded in management, service or systems theory. The reality all too often is that many of those who use this concept fail to distinguish these factors or to articulate the assumptions and mental models they are using.

Buried within the broad concept of co-production are a number of questions that are often ignored, skirted around, or it is assumed that the reader has a clear understanding of what the theorist is thinking:

• Are service users and innovation being considered at the strategic design stage, at the implementation stage, or only in the service delivery stage?

- Are community and services users only invited to participate in co-production when it suits the public service, or are they integral to the design, implementation, delivery and innovation of the service?
- What value and/or innovation is created for community and service users through co-production?

The answers to these questions help us understand whether we are discussing these concepts from a strategic or a delivery perspective; and whether what we are discussing is grounded in management, service or systems theory. The above questions are addressed throughout this section.

Strategic Planning or Service Delivery?

Within the public administration and management framework, there is a clear separation between policy development and policy implementation (Moon, Dickinson and Blackman, 2017). This often leads to a sharp delineation between the strategic planning or the thinking and policy designing level, from the service delivery or implementation level (Stoker, 2006, p 50). This separation emerged as it was believed to deliver efficiency when complex tasks were broken down to a most basic level enabling staff to: follow procedures, be accountable for their performance, and offer equitable services. The underlying concept that consumers are only interested in demanding, consuming and evaluating the services (Radnor, Osborne, Kinder and Mutton, 2014) resulted in the public service focusing on how to add service user participation into the macro delivery level to improve individual service delivery. More recently, however, there has been a move to recognise the 'messiness' of implementation (Moon et al., 2017, p5), adopting a more systems perspective. In this framework, users are seen as key actors who shape and influence what happens to them (Hawe, Bond and Butler, 2009; Moon et al., 2017). We will show that the co-production literature is following this trend, and then explain why this matters.

Within the co-production literature the three clear stages of service design, service implementation and service delivery are sometimes all bundled together under the practice of co-production; and at other times they are separated and given clear definitions with different practices or tools to engage service users. We argue that if co-production is the engagement of users in improving the delivery of public services then it can be used in different phases; but we are particularly interested in its use for developing innovative ways to implement policy and provide services and will focus on this for the purposes of this paper.

Management Theory, Service Theory, Systems Theory and Co-production

While the research into co-production is grounded within several disciplines, including economics, political science, public administration and third sector (voluntary) research, and each of these disciplines has developed separate approaches, the most significant advances and comments are made within the public administration management, service management and systems literature.

The public administration management concept of co-production, often described as the "product dominant" approach, aims to foster user empowerment in policy implementation, through keeping the role of the "professional public servant" separated from the user who is "added on" when considered appropriate. The service management approach to co-production, or the strategic mode of co-production, aims to involve users in all levels of design, implementation and delivery of a specific public service, thus integrating the user into the process. The service integrated systems approach aims to understand the lived experience of users as they touch the full range of public services available to them, and how such services and actors interact to improve or innovate service delivery. Each of these modes involves participants in different ways, offers different value to both users and the community, and make different promises to both users and the community. Figure 1 illustrates a summary of the continuum of the models of co-production and the increasing commitment to the service user and innovation under each of the modes.

Figure 1: A Continuum of Models of Co-production (Adapted from Osborne and Strokosch, 2013, p 7)

	User Empowerment	User Participation	User Innovation
Theoretic Framework	Public Administration Management (Product dominant approach)	Service Management (Service approach)	Service Integration (Systems approach)
	Increasing Commitment to Service User		
Participant Goal	Consumer co-production results from the inseparability of production and consumption during the service encounter and focuses on the engagement of the user at the operational stage of the service production process in order to balance their expectations and experience of the service	Participative co-production results from the intention to improve the quality of existing public services through participative mechanisms at the strategic planning and design stage of the service production process. These mechanisms include user consultation and participative planning instruments.	Combining the previous operational and strategic modes of co-production in order to challenge the existing paradigm of service delivery results in user driven innovation.
Promise to Public	The aim is user empowerment. User contribution is to use and evaluate the service. Their participation may be involuntary or unavoidable.	The aim is user participation as they are involved in the design and planning stage. There is no commitment to include consultation results; therefore, it is questioned whether the users have sufficient power to make changes.	The aim is user-led innovation of new forms of public service as the user is involved at both the strategic and operational levels. The user lived experience challenges the paradigm of designing, planning and transforming delivery.
Value Proposition	Value is embedded in goods or services that are exchanged to increase wealth for the organisation	Value is proposed by the organisation and is gained by the user when the service is co-created by the user.	Value is embedded in the service delivery and is only gained by the user when the service is co-created by the user.

## Product Dominant approach to Co-production

The earliest co-production work that emerges in the public administration literature was grounded in the manufacturing and product dominant logic of the time, which considered the manufacturing and the consumption of goods and services as separate processes (Radnor et al., 2014). This resonated with the Public Administration and Management theory of the time, which advocated hierarchy, rules and control to manage markets. Governmental responsibility was seen to facilitate unification of markets and to prevent cross jurisdictional duplication within the market. Thus the key assumptions of co-production in this framework are that it is an "add-on" to public services, and services are "products" that are designed and then delivered to passive recipients whose only function was to demand, consume and evaluate these services (Radnor et al., 2014, p 407; see also: Alford, 1998, 2002, 2014, 2016; Alford and Hughes, 2008; Bovaird, 2007; Brandsen and Pestoff, 2006; Brandsen and van Hout, 2006; Osborne et al., 2016; Pestoff, Osborne and Brandsen, 2006). Empowerment emerges as the user can, theoretically, choose the goods or services they are receiving and they are invited to have a perspective upon these.

As the New Public Management philosophy started to take hold, one of the espoused aims was to create lean, flat, autonomous organisations where the focus shifted from production to the delivery of services; nevertheless, the production and delivery of services were still distinct steps in the process. Third parties were introduced to deliver "customer focused" services that were measurable and provided value to customers. The argument was that the third parties would be competitive, responsive to financial incentives and penalties, focused on market forces and competition and open to information sharing and network co-operation (Simonet, 2011). The focus of this new concept was on the customer and the achievement of improved individual outcomes through a "customer focus" in service delivery.

The product-dominant approach constantly and consistently adds the user into the process, rather than seeing them as an intrinsic and essential part of the process (Radnor et al., 2014, p 407); they only demand, consume or critique services. The role of the public servant is, therefore, the expert who provides advice to politicians to facilitate political policy; they are expected to ensure the necessary service/s are delivered according to prescribed rules, without fear or favour. In this perspective, co-production becomes about asking users what they would like, what they think of the process, and their views on what they have been given; this is done at the behest of, and under the control of, the public service.

Figure 2 illustrates the product dominant perspective of co-production. The service is co-produced by an external third party and delivered to a client user at the end of the process line. Production and consumption are separate processes and the motivations of the parties to take part are different. Co-production participants are classified according to their role in the process. The Consumer sits at the end of the process and receives services FROM the Public Service Organisation and are SECONDARY to the process. Suppliers provide inputs TO the Public Service Organisation and Partners share the work OF the Public Service Organisation and are PRIMARY to the process

Figure 2: Co-producers in different stages of the product dominant perspective of co-production (adapted from Alford, 2014, p 303)
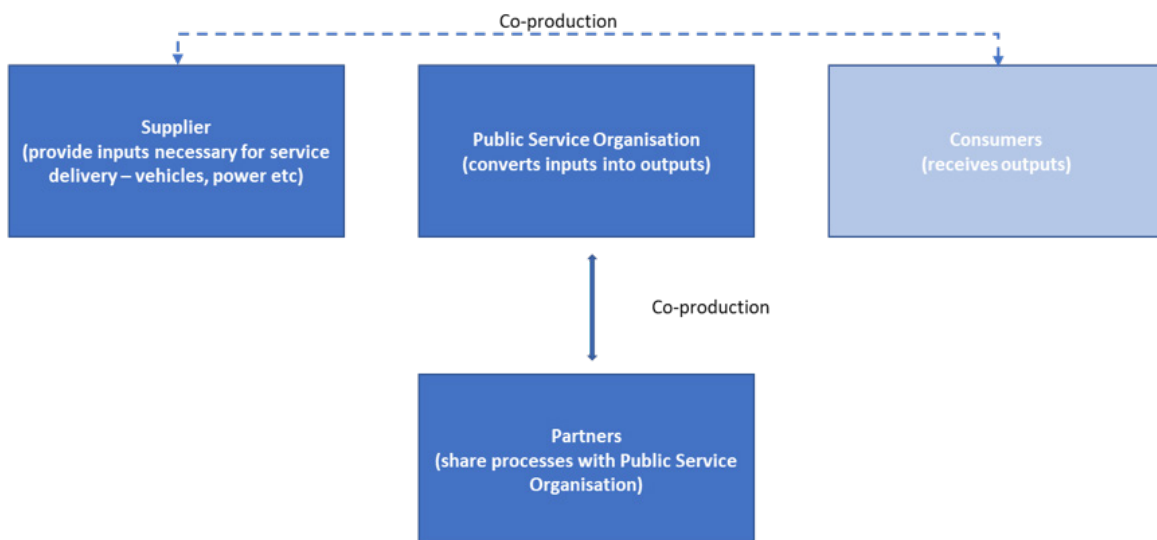
Service providers and their partners are motivated to engage in co-production in order to raise interest and experience in the work, potentially improve the product or service, thereby increase remuneration for services provided, and gain reputation within the community for service provision expertise and excellence. Service consumers are secondary participants, primarily motivated by the provision of improved goods and fairness. Within this perspective of co-production, full-time public servants are considered to be the experts in their field, and with a clear career structure and long-term advancements based on this expertise, their knowledge and capabilities are not challenged. They are, therefore, the experts to design and facilitate the delivery of public services.

Not all participants are willing co-producers in a product-focused framework and, in these instances, it may be appropriate to elicit co-production (Alford, 2016). Fear of sanctions (e.g. fines), material self-interest, intrinsic rewards (the avoiding of disapproval for failure to co-produce), sociality (the nature of fitting into a community – everyone else is doing it, and in order to fit in, you need to do it as well – all the mothers volunteer for classroom reading therefore to be one of that group, you also need to volunteer for classroom reading)

and normative reasons may elicit co-production. The unwilling and involuntary participation of service users, perhaps because their benefits may be reduced or cut if they do not participate (for example, the Job Network requires those in receipt of unemployment benefits to participate in a variety of programs or forfeit their benefits), can result in their withdrawal from co-production, resentment, perception that co-production is something unpleasant that should be avoided, and the perception that they are selfish and can't be trusted to act. Service users may also be motivated by the offer and receipt of material rewards, or non-material rewards where the service has been tailored to meet their needs, or because they identify with the procedural fairness of the service as it aligns with their moral and social positions (Alford, 2002).

Thus, any possibility of empowerment and, more importantly for this paper, innovation, is dependent upon (a) the willingness of public servant experts to consult, adapt and create from the co-production processes and (b) users to take a positive part. Within this approach it is possible that the public service might consider co-production a time consuming and resource intensive approach for which users need an appetite to participate (Osborne and Strokosch, 2013). Users in turn might see the process as unrewarding, failing to deliver the changes they desired. The focus on the product, rather than the user means that both real co-production empowerment and innovation are usually limited.

## Service Approach to Co-production

Over time it became clear that the product dominant approach was not creating better value for the user, or any innovation in service delivery. In fact, it was resulting in: both fragmentation and duplication of services; an increasingly complex range of relationships between third parties who are in competition; and the production of ever-larger procedures manuals that were evident in the public administration and management hierarchies (Alford and Hughes, 2008). Moreover, there was no evidence to show the use of product focused co-production had improved policy outcomes, increased competition, or reduced costs (Stoker, 2006).

In line with management theory of the time, a shift in thinking developed considering the delivery of public services as "services" to be delivered **with** the user within a service management system, rather than "goods" delivered **to** them. Moreover, the contextual impact from the system was now being recognised, suggesting there was no one best way of delivering services (as per the product dominant co-production theory), rather there was a "way" that was suitable for the task, situation and stakeholders that involved putting the user at the centre of the process. Building public value occurred:

> "through deliberation involving elected and appointed government officials and key stakeholders. The achievement of public value, … depends on actions chosen in a reflexive manner from a range of intervention options that rely extensively on building and maintaining networks of provision" (Stoker, 2006, p 42).

For this, it is essential to have the user as the focus of the service and, as a consequence, co-production is an essential element of designing and delivering the service. Service management, although usually focussing on one host organisation, is dynamic and constantly changing; as the production and consumption of services occurs at the same time, services rely on the moment of truth when an individual engages with the service (Radnor et al., 2014; Spohrer and Maglio, 2008). Figure 3 (below) illustrates the service management way of thinking for the co-production of an aged care service. The service management in this case comprises of one organisation delivering services to an elder Australian where the focus of the organisation is the client (or service user), and co-production is the way all participants engage with the individual service. This is both helping create the service and then being part of the delivery process as and when they need to use it. One of the key attributes of the service management approach is understanding that the user "touches" the system in many ways, and that every user touches the system in different ways. Consequently, service delivery design and implementation improves through understanding and using these touchpoints to appreciate where, when and how the user touches the system.

Figure 3: Service management perspective of co-production
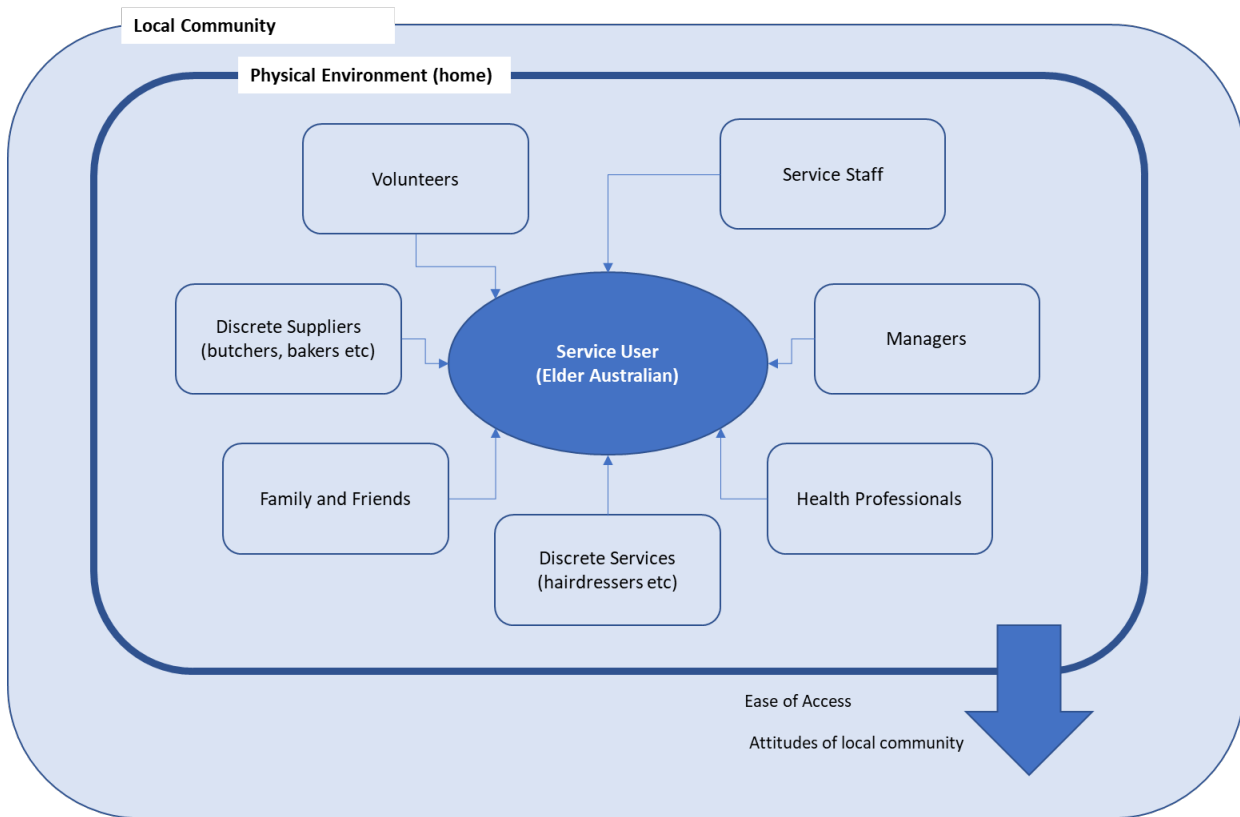
However, although the focus of co-production had shifted to include concepts of "customer" and "trust", the accountability requirements of public servants may have hampered relationships between the public service, service provision agencies and users. Public servants must follow relevant legislative and policy rules that cannot be bent or moved to take account of what is happening in the co-production processes (Alford and Hughes, 2008). The delegation and decision-making processes of public sector agencies can also mean that decisions are slow and, at times, appear to be duplicative or confusing to third parties. It is also the case that significant changes in government (for example, machinery of government changes) can result in turbulence in the public service that destroys the relationships between public servants and third-party providers as the key staff take, or are moved to, new roles. Thus, although there is apparent space for innovation in this approach, the reality is that co-created ideas rarely emerge, or if they do, they rarely get implemented. Thus, the creation of innovative public value through service-based co-production is limited.

While the service user may be a willing, unwilling, conscious or unconscious participant in the delivery of co-produced public services, the quality and performance of the service is shaped primarily by the user and their subsequent experience/s (Osborne et al., 2016) and has no value until it is co-produced by the service users. While the user is central to the concept of service co-production, the theory is considered to be: lacking in a clear understanding of policy and its political context; failing to distinguish a context for unwilling or coerced service users (Osborne et al., 2016); and limiting the "system" to one specific organisation rather than considering the service within the context of all relevant parts of the public service system (Osborne, 2018; Trischler and Scott, 2016). The argument was that this inhibits innovation of the public service system as a whole and, as a result, researchers moved to distinguish a systems logic (Osborne, 2018; Osborne et al., 2016; Trischler and Scott, 2016) whereby the focus shifts from the role of the citizen or user in the process to considering the interactive and dynamic relationship between all parties in creating value.

A Systems approach to co-production

Although co-production is intrinsic to public service delivery, and has been at the heart of sustainable public services in the 21st century, the service management logic is criticised for presenting co-production as having a linear logic that is based on the product dominant concepts of production (Osborne, 2018) and only recognises the relationships within one organisation rather than the system as a whole (Trischler and Scott, 2016). A growing recognition of the importance of understanding both policy design and implementation from a systems perspective (Head and Alford, 2013; Reynolds, Blackmore, Ison, Shah and Wedlock, 2018) has triggered interest in considering co-production as an inherent system process. As co-production is inalienable and has an involuntary aspect to it, and many systems interact within the public service framework, the systems approach shifts the focus from participation in a single service to value gained from the interactions within the system as a whole (Osborne, 2018; Osborne et al., 2016; Trischler and Scott, 2016).

Understanding that each individual organisational "system" exists within a complex public service system recognises that interactions between citizens or service users are dynamic (Osborne, 2018); each participant has a personal pathway, or series of touchpoints, through the system which is influenced by their individual lived experiences and enables the participant to make sense their world. Each individual also create disturbances in the system to be experienced by others. It is these interactions between multiple stakeholders that give rise to the emergent properties, or unexpected outcomes, within the system (Field, Victorino, Buell, Dixon et al., 2018) that facilitate evolution and innovation. This approach considers user empowerment and service innovation as core aims, which will both create, and be created by, the system interactions. In this model innovation of delivery will be emergent based upon the system elements which means that understanding who are the system actors and what are the system elements becomes very important.

The interactive relationships bring together a variety of individual lived experiences through an extensive arrangement of touchpoints into a variety of organisations delivering services within the public service system, thereby enabling transformational change in the delivery of public services (Field et al., 2018; Hodgkinson, Hannibal, Keating, Buxton, Bateman, 2017; Vargo, Maglio and Archpru Akaka, 2008). Value to users is created through their interactions within the system, nothing emerges until users actually "use" or "touch" the service, and bring with them their lived experiences and subsequent responses to the service. Therefore, value is created by the service provider, any partners they have involved and by the service user themselves. As a service cannot be "stored" in the way manufactured goods can be stored, value can only be proposed or promised by the service provider. The purpose of value is to increase the adaptability, survivability and wellbeing of the service (rather than providing wealth for the service provider). The role of the user becomes a co-production actor, creating value and innovation with the service provider.
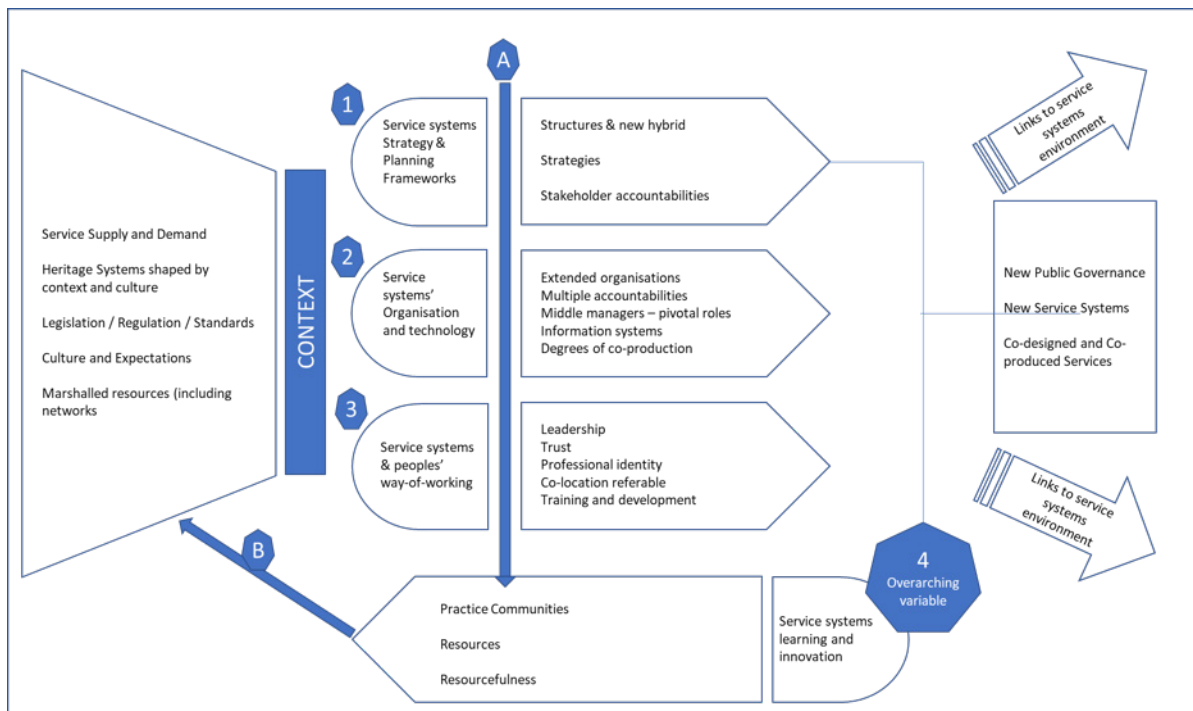
Service Integration: Innovation and Co-production

Laitinen, Kinder and Stenvall (2015) propose an integrated service system view of co-production where value is embedded in the service and is "pulled" from the service by the service users for what they want rather than being "pushed" by the organisation. Public value is, therefore, what the public wants, rather than what the organisations believes it to be. This enhanced systems view builds on the work of Maglio and Spoher (2008) to include learning and innovation to their key variables of people, technology and organisation. Co-production is the key driver in their approach. As illustrated in Figure 4 below, there are four variables of the systems connected through arrow A:

1) strategy and planning which provides the boundaries for service planning and strategising;

2) organisations and technology embody the way of doing as users "pull" services, and expand the spans of control exercised by middle managers thus making them crucial to the success of co-production;

3) people who are asking "how do I feel about my involvement in the service co-production (Pestoff, Brandsen and Verchuere, 2012; Osborne and Strokosch, 2013); and

4) learning and innovation which drives efficiency and innovation by drawing the learnings from other variables (arrow A) and loops back innovative ideas into the context and strategy (arrow B).

The service system "strategy and planning" provide the boundaries for the system and the "organisation and technology" embody the way of doing as service users "pull" services, while the "people's way of working" illustrates that co-production is relational rather than transactional (Held, 2006, p 55 in Laitinen et al., 2018, p 850). The role of "learning and innovation" drives efficiency and innovation as it draws learning/s from the other variables and loops them back as innovative ideas into the context and strategy (illustrated by arrow B).

The role of middle managers and professionals becomes critical to the innovation of services within a public service system. Middle managers in the product dominant and service dominant frameworks of co-production have siloed functions and enforced boundaries. Within the service integration systems framework middle managers are crucial to the success of the service. Their roles experience expanded spans of control and combine a level of authority and trust not experienced in the product dominant or service management patterns co-production (Bardach, 1998 in Laitinen et al., 2018, p 850). The role of professionals as educators and "knowing how to be in practice" (Brown and Duglud, 2003, p 138 in Laitinen et al., 2018, p 851) results in both incremental and radical innovation through the use of communities of practice.

The processes of the systems themselves require a degree of flexibility with actors working across porous boundaries. The interaction within the service systems may result in increasing costs before savings are realised, especially where budgets are held separately and responsibilities are separately managed, for example, social and health services operate hand in hand, yet their budgets are managed by different departments. This short term increasing of costs and establishing trust-based networks may be unpalatable for siloed public services working within tightening fiscal environments.

Innovating in public value through co-production

Creating public value, usually through some form of innovation, is a core objective of co-production, regardless of the theoretical framework. The following table illustrates the clear differences in the logic applied to the concept of "value" between the public administration management theory, the service theory and systems theory of co-production.

Figure 5: Creating innovative public value through co-production

Product Dominant logic, Service, and Systems logic on Value Creation			
	Product Dominant	**Service Management**	**Service Integration (Systems)**
Value driver	Value-in-exchange	Value-in-use or value-in-context	Value-in context
Creator of value	Firm, often with input from firms in a supply chain	Firm, network partners, and users	Service users
Process of value creation	Firms embed value in "goods" or "services", value is 'added' by enhancing or increasing attributes	Firms propose value through market offerings, users continue value-creation process through use	Public value is what the public wants and is created by the user at time of service use
Purpose of value	Increase wealth for the firm	Increase adaptability, survivability, and system wellbeing through service (applied knowledge and skills) of others	Meeting public needs and fostering innovation
Measurement of value	The amount of nominal value, price received in exchange	The adaptability and survivability of the beneficiary system	Innovation and creativity of the system
Resources used	Primarily the things used to create the product such as skills and knowledge	Primarily the things used to create the service such as skills and knowledge, sometimes transferred by embedding them in knowledge or learning systems	Primarily the things used to co-create the service such as skills and knowledge sourced from all parts of the design and delivery systems and boundary spanners to enable effective sharing, integrating and so on.
Role of government	Produce and distribute value	Propose and co-create value, provide service	Provide the opportunity to co-produce services with users and then deliver them
Role of users/ customers	To 'use up' or 'destroy' value created by the organisation	Co-create value through the integration of government provided resources with other private and public resources	To co-create value through design and use of services

Public value shifts from an exchange of service in the product dominant approach, to a value in context created by service users in a service integrated system theory of co-production. It also shifts from something determined by the public service "experts" to something identified as desired and important by the service users at the specific time they touch the service. For example, the public value of aged care services is irrelevant to all of us until we need to touch the service for family members or for ourselves. Public value also shifts from a transactional arrangement designed to foster wealth for service providers, to the innovation and creative delivery of the service to ensure it meets all public needs.

WHO CO-PRODUCES AND WHY?

As co-production is the engagement of users in the delivery of public services, there are a number of participants in this process: the users of the service, the public servants, the service providers and those "volunteering" to the service. However, the role of these participants changes dramatically according to the theoretical framework underpinning the co-production. A summary of the participants and their role is outlined in Figure 6.

Figure 6: Who co-produces and why

		Theoretical Framework		
		Product Dominant	**Service Management**	**Service Integration (Systems)**
Participants	**Service Users**	Demand, use and evaluate public services. As co-production is an "add on" the role of service users is to "receive", and this receipt may be involuntary or passive, or forced	Service Users are central to the delivery of a specific public service; therefore, may be innovating and participating in every level of design, implementation and delivery	Service Users bring their individual lived experiences when they touch integrated public services; therefore, innovate at every level of design, implementation and delivery
	Public servants	Experts in relevant service provision and engage with service users only as and when they need to. May be referred to as "professionals" as they are recognised and remunerated at a higher level than other participants. This group manages the allocation of resources to be as equal and meritorious as possible.	Public Servants are no longer considered solely as the "professionals" or the "experts". Within this framework they are stewards of design, implementation and delivery of public services. They are still in the siloed delivery of public services with individual budgets and spans of control. "professionals".	Public servants are participating in the innovative design, implementation and delivery of services across the public service spectrum. They may be responsible for budgets for programs delivered outside their service. They are knowledge workers, boundary spanners, innovators, and build trust relationships with a variety of participants.
	Service Providers	Delivery of public services on a contractual basis. Aiming to maximise financial reward for organisation	Service providers are involved in the innovation and co-operation with other providers to ensure the most effective delivery of services.	Service providers are innovators with service users.
	Volunteers	Volunteers are simply paid less than "professionals" to participate in the delivery of services.	Volunteers are recognised as the holders of expertise in this framework and will be remunerated accordingly.	Volunteers are part of the co-creation process who may also be learning. They are often chosen because of skills and knowledge they can bring. They can give and receive value

*Wh*ereas public servants are the key participant in a product dominant co-production process, service users are the key participants in both the service management and the service integrated systems approach to co-production as they are the central focus of the process, rather than an add-on to the process. While they may pay for this service, or they may receive it for free, the aim of the service is to meet their individual needs and provide them with an individual voice. However, there is very little evaluation of the success of this aim.

The greatest shift in role in a service integrated approach to co-production is that of the public service. No longer are they the "experts". Their role is now that of steward ensuring an equitable distribution of resources (Verschuere et al., 2010), boundary spanner (Laitinen et al., 2018), and educator and innovator (Laitinen et al., 2018). Public servants may have significantly less expertise than the service providers and only differ from the providers and users of the service in their remuneration and the security of their

employment; in many instances, the non-public servants may, in fact, hold significantly greater expertise than the public servants. As the user of the service is the focus of the service delivery, the role of all other participants is to deliver and innovate what is needed and wanted by the service user; consequently, their roles are likely to converge.

A service integration approach to co-production requires more of middle management public servants than either of the other approaches. Their spans of control are significantly increasing from the siloed functions of the product-dominant approach, which requires levels of leadership and trust not previously required. They become educators and innovators, requiring a level of risk taking not previously appreciated. This significant shift in the role of the public service participants requires a different approach with diverse skills and abilities. Although the role of the public service shifts within a service integrated systems co-production process, public service organisations will remain involved in the co-production of services. Their key role is apply the new understandings of the user touchpoints ascertained through ongoing co-production into the design and implementation of services in ways that integrate the choices of users.

We suggest that as a result of both the way that value is being created and those who are creating it changing, there are three implications: who benefits may change; the skills required by public servants to support this new way of working will be very different; and the effective co-production that supports innovation will have to be the integrated service (systems) model. We will briefly look at each of these in turn.

WHO BENEFITS?

The potential for greater innovation is likely to lie in the potential for increased value created through the provision of co-produced services (Alford, 2014; Bovaird, 2007). However, increasing value in service production is about understanding and delivering outcomes, rather than measuring and incentivising or punishing organisations for input, throughput or output. If the stated aims of co-production, as outlined below, are realised, then everyone should benefit from co-production whatever way that it is done:

- Greater ability to get to the root of issues and develop tailored solutions
- Increased motivation and efficiency of services when they are built around the user's needs (Osborne, 2010; Verschuere et al., 2012)
- Greater user satisfaction due to higher service quality (Osborne, 2010)
- Creation of more cohesive communities with greater sense of local ownership
- Building confidence and capacity of individuals and communities (Bovaird, 2007)
- Better use of public resources (Brandsen and Honigh, 2015, p 427; Osborne, 2010; Verschuere et al., 2012).

However, identifying the benefits of co-production is difficult, not only because the exemplars of co-production are confused (see Boxes 1 and 2), or because the models differ significantly (see figures 5 and 6), but also because the academic literature does not provide a systematic review of co-production (see Box 3, Appendix 1 for an overview of representations of co-production benefits in the literature). The expectations of co-production are high and are becoming more critical as governments require leaner and smaller public services. It is, therefore, important that all participating organisations (public, private, profit and not-for-profit) clearly understand the availability and distribution of resources (Verschuere et al., 2010), have a clear understanding of user needs and what will add value to clients, the broader community and the general citizenry, and whether there are any conflicts between these groups (Alford, 2014; Verschuere et al., 2012). All parties must fully understand and agree to the outcomes and the processes, inputs and outputs that will be required to achieve these outcomes (Verschuere et al., 2012), and the relevant decision-making and dispute resolution authority for the outcomes.

While participants to co-produced services are unlikely to care, or even understand, the different models of co-production, the complaints of a product dominant approach may be that it is overly bureaucratic, with lots of paperwork and administrative burden for all participants. It is probable that public servants are removed from the delivery of the service, therefore, they do not understand user needs. Thus, although public servants may benefit from gaining multiple perspectives on the product being developed, the real added value to users is entirely dependent on others.

The service management framework involves users in a more hands on way and this helps address administrative issues and the potential for benefit increases. However, true innovative changes do not always happen with this approach because public services usually operate in silos and are unwilling, or unable, to make significant changes across these. Thus, although co-production could offer benefits throughout the system, to date results have been patchy with ongoing stories of concern (see Box 4, Appendix 1).

The full benefit of co-production could be found at the service integrated systems level; however, this could be a major change and leap of faith for public services and public servants accustomed to working within their silos and who are held accountable for budgets, resources and outputs within these silos. There have been multiple attempts to enable Joined-up (Catney, 2009; Sullivan and Skelcher, 2002) or Whole of Government (Christensen and Laegreid, 2007; Rhodes, 1997) working but there are ongoing challenges with this (Glasby and Dickinson, 2014; Dickinson and Glasby, 2010; O' Flynn, Blackman and Halligan, 2014). Part of the reason for the aspiration for joined-up working is a recognition that such methods enable innovation and so we suggest that focusing on how such work enables service integrated co-production might help move on the research and conversations as there seems to be no doubt that if done well all parties in the system would benefit.

WHAT DOES THIS MEAN FOR PUBLIC SERVANTS?

This shift in focus from trying to develop innovation per se, to using service integrated co-production as the conduit that would trigger and sustain innovation, requires a different approach from public servants. They are no longer the managers, or the leaders of experts in the design and delivery of services. They are now the stewards and boundary spanners responsible for the achievement of outcomes that add value to service users (Dickinson, Needham, Mangan and Sullivan, 2019).

Public servants will need to determine the best way to use a set of design rules to determine whether to use in-house production, provision of services by another public service agency, partnering with an outside agency to co-produce, or contracting with an outside agency to co-produce. Cost, competition, ability to monitor and revise the service and the level of trust between the public servant and the co-production participants will all influence these decisions.

Co-production is applicable at project, program, organisational and multi-organisational levels and has a focus on innovation rather than on output, throughput or individual cost. Each of these levels of applicability will influence how things are done and challenge managers as they may be responsible for some of the outcomes and part of a project without having control over all of the participants, project milestones or inputs. Designing and delivering public services using a service integrated systems approach to co-production will facilitate true innovation in service delivery. It will also mean public service agencies must step away from the administrative approaches currently used in the product dominant co-production evidenced in Australia and move towards a service integrated systems approach where the hierarchy no longer applies. Rather stewards and boundary spanners will facilitate innovation in the delivery of public services in Australia.

This means the future public servant will need the ability to:

- Manage across programs and achieve outcomes for which they do not control all, or any, of the inputs
- Make nuanced judgements about scope, timing, and resourcing on an array of projects and programs
- Not only manage resources directly and indirectly under their control, but also directly and indirectly influence others who are not under their control or their line of authority
- Set and manage clear objectives and allocate resources to achieve outcomes within a fluid and more interdependent environment that in currently experienced
- Develop and maintain both their own capabilities and, more specifically, those of their team
- Develop adaptive ways of working and have the capacity to adapt
- Develop a depth and breadth of learning
- Influence others as achieving outcomes is less about setting directions and more about developing and maintaining effective relationships.

The public service will be responsible for setting outcomes and priorities across the whole of the public service rather than giving directions within a specific program or silo of a department. They will be setting fiscal prudence and sector wide principles that have accountability, transparency, flexibility and equity without individual levels of management. They will focus on innovation in policy development, service design, implementation and delivery by taking learnings back through to service strategy, systems, and ways of working.

The requirement for public servants to lead expert groups, steward service-wide programs of work and span boundaries within and external to the public service will be significant, and those with these abilities will be prepared for work in this innovative environment.

POTENTIAL TO SUPPORT INNOVATION

At the outset of this paper we said that there is a major call for innovation across the public service. There have, however, been on-going challenges with achieving sustainable innovation and we set out to consider the potential role of co-production in the development of innovative service delivery.

In this paper we have suggested that co-production is a contested term that, nonetheless, is being widely espoused as an important way of working. We have presented three major approaches to co-production and suggest that there needs to be a greater awareness of the different types of co-production. This is because some forms favour the user more than others and will, therefore, be more likely to lead to successful innovation than others. In particular we have shown that service integrated co-production systems offer the most opportunity for new ways of thinking to emerge for both the design and the delivery of services.

There are, however, serious challenges to overcome. Service integrated co-production requires the most changes in terms of both the traditional way of public administration working, and the skills necessary to support that. In each case the change is a need for cross-boundary working and new ways of thinking about who is responsible for work and why. It is possible to think that this is about collaboration; however, we suggest that calls for collaboration with users predominantly lead to the development of product dominant or service management of user interactions. Often, the collaboration is actually only about the government, rather than the users. We submit that when there is the call for collaboration for innovation what is needed, in fact, is the development of service integrated co-production. If this way of working is embedded into government systems and structures, ongoing calls for transparency, accountability, agility and innovation would, inevitably, have to be addressed.

WHERE TO FROM HERE?

While the conversation regarding co-production appears to have separated from the conversation regarding co-design of policy and process in recent years, the two concepts are perhaps now more interdependent than ever in the world of lean and small governments and in an environment of constantly changing government and policy. Moving from the siloed and administrative approach to co-production, towards the innovation possible in the service integrated systems approach to co-production has risks. In the short term it may result in cost increases for individual budgets and frustration as all parties adjust to the flexibility and boundary spanning required to deliver. However, the opportunities for innovation and cost saving in the long term make considering this shift worth considering. This shift from the product dominant model of co-production to a systems model of co-production raises a number of questions:

- Is the service integrated systems model with its claims of innovation and long-term cost saving legitimate, or should public services seek to return to the product dominant model (what was so important about the product dominant model, can the aspirations from this model translate to contemporary environments)?

- What is the social impact of user centred co-production when the system includes the third sector? i.e. they are only employed on part-time contracts as the service doesn't know how many users they may have and therefore what a budget may be?

- What is the evidence of the success of co-production as an innovation tool, and how can it be evaluated within the Australian context?

- The research to date has concentrated on using case studies to explore and explain co-production, and these cases are not necessarily selected because they are empirically significant or contextually, comparable; rather they are selected because the case illustrates a theoretical example (Bovaird, 2007). The lack of contextual clarity, in particular, makes it almost impossible to compare or contrast existing studies (Moon et al., 2018). To begin to identify sound principles and practices of co-production that can be used to support innovation and transferred to other situations, we advocate researchers choose a wider range of methodologies and methods to help evaluate whether co-production is delivering anticipated innovation results.

- We suggest that using the differences outlined in Figure 5 to establish what is needed as an output of the co-production will help organisations to determine what type and application is really required. Thus, we would ask: does understanding that there are different forms of co-production help clarify the wide range of potential uses that range from a relationship for enduring and voluntary outcomes (such as school participation) to the mundane and at times involuntary or compulsory activities with immediate outcomes (completing a tax return)?

- New and developing technologies provide different and additional avenues for individuals to co-produce. What is the role of information technology and social media etc in co-production?

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APPENDIX 1 – EXEMPLARS OF CO-PRODUCTION AND ITS BENEFITS

The academic literature reports studies that use different methodologies, methods and approaches to outlining co-production; for example, case studies are used to illustrate specific theoretical aspects of co-production and where it has been successful, and then extended to include, rather than evaluate, the benefits of co-production (Alford, 2002). The case studies are from different countries, with different philosophical policy settings, and different public services for example, child care and health care. More recently, academics have undertaken systematic literature reviews of co-production in a specific service area to explore consistencies or otherwise in co-production (see Palumbo, 2016). The practice literature, on the other hand, is more focused on examples of the failure of co-production to meet the needs of some or all of the participants. The following boxes illustrate both the academic and the practitioner literature.

Box 3: Academic Literature – illustration of the wide variety of approaches to co-production literature

Using four (4) examples of co-production to illustrate the need to appeal to appropriate motivations and to make it easy for clients to engage rather than using the examples to evaluate the effectiveness or benefits of the engagement or co-production (Alford, 2002).

This article considers a cross-cultural perspective on the evolution of domiciliary elderly care (Bode, 2006).

Using the cases of co-production of support services for the disabled and the elderly in the little-studied programs found in Croatia and Thailand as illustrative examples, this article examines how the concept of co-production can be viewed as an example of the use of a new policy tool, bringing together the insights of both policy and management theory in order to understand its origins and evolution. (Howlett, Kekez and Poocharoen, 2017, p 487).

This article conceptualises the co-production of health care through a systematic literature review (Palumbo, 2016).

The first part of this presentation introduces the concept of co-production, with a focus on greater citizen participation in the provision of public services. A review of the literature demonstrates several advantages of co-production, but also some major hurdles. The second part ties the concept of coproduction to a discussion of parents' participation in the provision of childcare services in Europe. Finally, the importance of co-production for promoting the development and renewal of democracy and the welfare state is discussed. (Pestoff, 2006, p 503).

This paper reviews Canada's market-based childcare 'system' and considers its capacity to deliver universal services. Canada mainly relies on parent-controlled centres for delivery, in the near absence of publicly-provided services…The paper concludes that co-production must shift if Canada is to implement a universal early learning and childcare program, but warns such change does not appear to be forthcoming. (Prentice, 2006, p 521).

Reviews and critiques three design methods to identify that designing services in a tertiary education setting identifies co-production as the core of the service system (Trischler and Scott, 2016).

This contribution explores the implications of the current emergence in Japan of local partnerships between non-profits1 and local governments and the role of intermediary organizations. (Tsukamoto and Nishimura, 2006).

In this article, a theoretical model is built that brings the human factor into the study of co-production. The model explains citizens' engagement in co-production referring to citizens' perceptions of the co-production task and of their competency to contribute to the public service delivery process, citizens' individual characteristics, and their self-interested and community-focused motivations. Empirical evidence from four co-production cases in the Netherlands and Belgium is used to demonstrate the model's usefulness (Van Eijk and Steen, 2016, p 28).

As the practitioner literature is less focused on evaluating the principles or models of co-production and more focused on the impact co-production is having on specific groups, and is often authored by those 'in the middle' of a co-produced situation, it is often more critical of the concept of co-production and the actual results of attempts to co-produce services.

Box 4: Illustration of the variety of comments in the practitioner literature regarding co-production

This article considers the initial roll out of the NDIS and notes that more generally, an ongoing weakness in the NDIS roll out process has been the lack of involvement of disability service providers. This means that organisations with highly skilled and experienced people who often have significant knowledge of their clients have been excluded from the planning process. In this report, we suggest that a hybrid planning process inclusive of service providers and supported by a risk-based regulatory program can help to ensure higher quality and timely plans can be activated within a framework that is actually cheaper for the NDIS to support (Gilchrist, 2017).

This article notes there has been an enduring concern that providers may impede the opportunity for participants in the NDIS to exercise choice and control and, notwithstanding a lack of evidence to support such a notion, a number of restrictions have been placed on the role of disability service providers in order to avoid undue influence. These restrictions are negatively impacting the effectiveness of the scheme and resulting in higher costs – in money, quality and timeliness – to participants, the NDIS and service providers (Gilchrist, 2017).

This article explores the theory of co-production with the reality of implementation. In theory, participants have a right to self-direct the allocations of this money (deciding on how it is spent, through their preferred providers), and a right to self-manage (making the purchases of support and transactions themselves, online or manually). In practice, the exercise of self-direction is severely constrained by the weight of historical patterns of service delivery and established market players (Hughes, 2017).

This paper explores the principles required to establish effective co-production, and concludes that a chasm exists between people and large organisations. The gap produces frustration and resentment with private services as much as public ones. Although people often feel close to the individual that delivers their service, they may feel distant from the organisation behind them. The gap between people and institutions is central to the future of the public sector. Public service users should have a voice directly in the service as it is delivered (Leadbeater, 2004).

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For More Information

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