Transforming the public sector into an arena for co-creation

Barriers, drivers, benefits and ways forward

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Barriers, Drivers, Benefits and Ways Forward

Abstract

This paper explores whether co-creation offers a viable path for the public sector. After an initial account of the transformation of the public sector from a legal authority and a service provider to an arena of co-creation, it defines co-creation and provides some empirical examples. This is followed by a discussion of the risks and benefits of co-creation as well as the drivers and barriers that may stimulate or hamper its expansion. The paper also reflects on how institutional design, public leadership and systemic change can advance co-creation. The conclusion summarizes the findings by setting out some researchable propositions.

1. Introduction

This paper claims that the public sector is currently being transformed from a legal authority and a service provider to an arena of co-creation, but argues that co-creation can only fill the void after the demise of New Public Management, if it is sustained by new institutional designs, new forms of public leadership and a series of systemic changes.

There is growing evidence that New Public Management has failed to deliver on its promise to create a public sector that works better and costs less (Hood and Dixon, 2015). The systematic application of lean-technologies has great difficulties producing additional gains in efficiency and effectiveness after the low-hanging fruit of correcting obvious design errors in public service production have been picked (Radnor and Osborne, 2013). Performance management has resulted in an increasing standardization and bureaucratization of public administration (Moynihan, 2013) and when perceived as control by frontline staffers, it tends to crowd-out their public sector motivation as well as their intrinsic professional motivation and thus reduces their productivity (Jacobsen, Hvidtved and Andersen, 2014; Røiseland, Pierre, and Gustavsen 2015). Last but not least, the economic gains from contracting-out public services are steadily declining to a level where they tend to be outweighed by increasing transaction costs from preparing and monitoring contracts (Petersen, Hjelmar and Vrangbæk, 2015).

Although New Public Management has positively transformed the culture of public administration towards an increasing emphasis on cost-efficiency, managerial entrepreneurialism, emphasis on results

and effects, and the empowerment of users and citizens, the prize for these positive effects has been too high. Hence, New Public Management has offered a far too one-sided cure for the problems and perils associated with Classical Public Bureaucracy as it has been too narrowly concerned with how public managers can enhance efficiency in public regulation and service provision by importing and deploying managerial tools and principles from the private sector (Morgan and Cook, 2014). Hence, the multiple purposes of the public sector have been reduced to an overriding focus on efficiency the plurality of actors capable of improving the public sector have been overlooked in the more single-minded attention to managers, and the public sector has been equated with a private firm, thus stripping it of its particular public, political and democratic character.

Many public administration scholars have already declared New Public Management dead and gone (Lynn, 1998; Levy, 2010; Drechsler, 2005) and there is no point in flogging a dead horse. Our interest lies in what comes after, and here there seem to be less agreement among public administration scholars. Some talk about a revival of public bureaucracy (Du Gay, 2000; Pollitt and Bouckaert, 2004; Drechsler, 2005), whereas others merely talk about 'post-NPM' without precisely specifying what the 'post' entails (Olsen, 2006; Christensen and Lægreid, 2007). By comparison, the notion of New Public Governance advanced by Stephen Osborne (2006, 2010) provides a promising and relatively well-described alternative to either a continued reliance on New Public Management or a return to Classical Public Bureaucracy (Torfing and Triantafillou, 2013). However, despite its resonance with empirical trends in the public sector in advanced liberal democracies, the concept of New Public Governance does not seem to have much purchasing power among public sector professionals – perhaps due to an understandable 'paradigm fatigue'. However, the notion of 'co-creation', which with its emphasis on collaborative interaction in networks and partnerships seems to capture core aspects of New Public Governance, has started to flourish in many OECD countries (OECD, 2011), especially at the local level where there is a urgent need to mobilize additional resources to offset the cross-pressure between growing problems and expectation and the scarcity of public funds. The embrace of co-creation in public service production and policy making has also been picked up by the EU Commission, which

increasingly perceives today's societal demands as being too complex to be met by the public sector alone.

The paper aims to explore the extent to which co-creation offers a viable path for the public sector in the coming years. After an initial account of the transformation of the public sector from a legal authority and a service provider to an arena of co-creation, the paper aims to define the concept of 'co-creation' in a way that distinguishes it from similar ideas like 'co-production', 'collaborative governance' and 'social innovation'. It then provides some empirical examples of co-creation in order to demonstrate its widespread empirical application. The empirical illustration is followed by a discussion of the potential risks and benefits of co-creation as well as the drivers and barriers that may stimulate or hamper its expansion. The last part of the paper reflects on how co-creation in the public sector can be advanced through institutional design, public leadership and systemic change. Finally, the conclusion summarizes the main findings by setting out some researchable propositions and identifying some avenues for further research.

2. Co-creation: A new public administration paradigm

Co-creation practices that mobilize the experiences, resources and ideas of a plurality of public and private actors in the creation of public solutions are on the rise (Horne and Shirley, 2009; OECD, 2011). Local governments increasingly aim to involve citizens actively in proving public welfare services and in solving social and political problems and challenges. Regional authorities seek to co-create planning and transport solutions with private stakeholders. National governments forge networks of public and private actors that produce and monitor regulatory policies and standards and the European Union supports regional partnerships aiming to stimulate growth and employment in rural areas. In some countries there are long traditions of citizens, civil society organizations and public authorities joining forces and co-creating solutions to common problems (Kemmis, 1992; Andersen, Torpe and Andersen, 2000). Although such endeavors have only recently been referred to as 'co-creation', the empirical phenomenon is by no means new. What is new and interesting, however, is that in some countries co-creation is increasingly perceived as a new public administration paradigm as it involves a whole new thinking about public service delivery and policy development

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OECD, 2011; US-Government, 2009). Co-creation is considered as a new way of thinking about public governance that breaks with the classical view that the public sectors is the sole provider of public goods as well as with the more recent idea that competition between public and private actors is the key to providing better and cheaper public services. As such, co-creation replaces public service monopolies and public-private competition with multi-actor collaboration and in so doing it transforms the entire perception of the public sector.

The Classical Public Bureaucracy paradigm portrays the public sector as a *legal authority* that uses its democratic sovereignty to exercise power over the citizens by regulating their behavior, collecting taxes, administrating legal entitlements to benefits and services, and prescribing mandatory action such as schooling, vaccination, military service etc. (Weber, 1922). Citizens are placed on the receiving end of public services and perceived as passive and disempowered subjects whose welfare was highly dependent on public regulation and service provision. Public authorities were considered as sovereign and the citizens were expected to humbly abide by public rules and decisions and to gratefully receive the benevolent allocation of benefits and services. Public professionals possessed a scientific and practical knowledge about what was best for the citizens, who should therefore willingly accept the authoritative recommendations and the prudent advice received from public authorities.

During the 1970s the critique of the authoritarian public sector and its paternalistic disempowerment and 'clientelization' of the citizens grew (Niskanen, 1971). Supported by the anti-authoritarian societal revolt that began in the late 1960s, the asymmetric power relation between citizens and public authorities was called into question. People found it unacceptable that citizens who financed the huge expansion of the welfare state through their tax payments should stand, hat in hand, thankful for receiving the public support they were entitled to and accepting of being ordered around by omnipotent and second guessing desk popes. Instead, this hierarchy should be turned upside down so that the wants and needs of the citizens became the center of attention. User-satisfaction became the buzz word of the New Public Management reform program that redefined the role of the public sector from a legal authority to a *service provider* (Hood, 1991; Osborne and Gaebler, 1993). Service-minded public employees, user satisfaction surveys and performance-related funding should ensure that public

service organizations take the wants and needs of the users as their point of departure. Contracting out of public services to private firms and free choice of service providers by end-users could further contribute to keep the public agencies on their toes. In many service areas such end-users were capable of voting with their feet and shifting to another public service provider, and perhaps even a private provider, if they were dissatisfied with the service they received (Pierre and Røiseland, 2016). Consumer choice was the new mantra for neoliberal governments around the world.

In hindsight we can see that the transformation of the public sector into a diligent service provider has raised some new and serious problems. It placed capable, knowledgeable and engaged citizens in the role of customers who, following the new consumer logic raise their demands, insist that public services should be tailor-made to meet their individual needs, and complain about the quality of the service they receive as soon as they get the chance. From a cost-efficiency perspective, it is problematic that the citizens did not see themselves as contributors to the production of public welfare services, which were generally perceived as something that should be provided by service-minded public professionals or their private competitors. For example, parents should focus on the quality of public education and if the quality is deemed inadequate and complaints and demands for improvement are not met, they should quickly move their kid to another public or private school with a better track record. While free consumer choice in the new public quasi-markets is only exploited by a small minority of citizens (Røiseland, 2016), it seems to have cultivated the view that citizens can legitimately expect that their rising expectations and demands are met by the public sector without having to contribute to the solutions themselves.

The public sector increasingly finds itself in a cross-fire between growing demands and expectations of citizens and private stakeholders and dire fiscal constraints and this squeeze has fostered an increasing interest in how citizens and other private actors can actively contribute to solving public tasks and providing new and more effective solutions to joint problems and challenges. This interest has stimulated the development of an alternative public administration paradigm called New Public Governance (Osborne, 2006, 2010; Morgan and Cook, 2014). This new paradigm aims to transform the image of the public sector from an authority and a service provider to an *arena for co-creation*

(Alford, 2009; Bovaird and Loeffler, 2012). The public sector should neither appear as an almighty authority vis-à-vis disempowered and obedient citizens nor seek to imitate a private service company that zealously satisfies a customer's every wish. Instead it should facilitate and participate in a constructive collaboration with relevant and affected actors who can help to define and solve the shared problems and common tasks. The transformation of the public sector into an arena for co-creation requires that public organizations and professionals work together across institutional boundaries and urges them to cross the borders separating the public and private sector in order to tap into the experiences, resources, energies and ideas of users, citizens, civil society organizations and private firms.

The different images of the public sector will co-exist as archaeological sediments as the new public administration paradigms are layered on top of old ones (Torfing and Triantafillou, 2013). However, the old paradigms may become marginalized and hegemonized by the logic of the new and dominating paradigm, depending on its relative political and administrative strength across areas, levels and countries. Hence, although public actors may draw on different governance paradigms in their attempt to solve different public tasks, thus adding to the complexity of public management, there will be a limited space for an undisputed and unrestrained exercise of public authority and few examples of pure and unfettered market competition in public service contracting. Two examples serve to illustrate the point.

The first example concerns the issuing of construction permits that citizens must obtain to build a house or a new carport. Dispensing construction permits is a classic case of the exercise of regulatory public authority that recently has been influenced by the new co-creation paradigm. Hence, in many Danish municipalities, citizens submit their application online, complete with figures and drawings, often after they have discussed contents with the municipal construction office. After a while the applicants are contacted by the construction office to tell them what kind of decision it intends to make and the reasons for making it. The construction office prompts the applicant to comment on the intended decision, challenge the stated reasons and perhaps change or modify the original construction plans in order to enhance the chance that they are approved and a construction permit can be issued.

As such, even a classic case of regulatory authority like the issuing of construction permits is transformed through a process of co-creation.

The second example is from Florida, which is known for its aggressive pursuit of the New Public Management contracting-out agenda. New research shows that although most of the social and family-related services are contracted out, 80% of the public contracts are non-competitive. This surprising finding is partly explained by the lack of public capacity for competitive tendering and partly by poor market conditions with few competing contractors. However, there is also another explanation, namely that price is considered as secondary to quality and equity and there is a strong political wish to involve community-based non-profit organizations in public service provision in order to enhance and mobilize their skills and expertise and strengthen their commitment to the improvement of social cohesion (Lamothe and Lamothe, 2009). What could have been a clear case of competitive contracting is transformed by the idea about involving civil society actors into the co-creation of public solutions.

3. Defining co-creation

Originally the notion of co-creation was developed in the private sector where the key question was how customers in private service markets can contribute to the creation of the service they are purchasing (Lusch and Vargo, 2006). The answer is that customers can contribute to the value production by signaling their wants and needs, taking an active part in the service production and subsequently in evaluating the service they have received. The classical example is a hotel visit where the guest will first book a room with a particular size, location and quality in order to match personal needs and preferences. During the stay the guest will then make use of some of the many services offered by the hotel and after the stay the guest will perhaps even participate in an online customer satisfaction survey. As such, the guest is continuously involved in producing the value of the service that he or she receives.

Although the concept of co-creation emerged in the private sector in which there is a special interest in maximizing service satisfaction and thus market shares and corporate profits, the concept is also relevant to the public sector. Hence, as noted by Osborne, Radnor and Nasi (2013), the public sector is dominated by the production of services that due to their discretionary and intangible character, the

simultaneous process of production and consumption and the service recipient's central role in the process provide excellent conditions for co-creation. As in the private sector, providers and consumers of public services bring together different resources and capabilities in the joint creation of the value of the service in question and both parties have an interest in maximizing public value creation.

In the scholarly literature on co-creation there are rarely any attempts to distinguish between 'co-creation' and 'co-production' (Payne, Storbacka and Frow, 2008; Voorberg, Bekkers, and Tummers 2015). The two concepts tend to be used synonymously, and usually 'co-creation' is simply another word for 'co-production'. Some scholars have stretched the notion of co-production to cover a broad variety of phenomena such as co-planning, co-management, co-design and co-delivery (Bovaird and Loeffler, 2012), but we shall here follow a different conceptual strategy. In order to avoid concept stretching we need to distinguish between co-production and co-creation. In the strict sense of the term *'co-production'* in the public sector refers to the interactive process through which the providers and users of public services apply their different resources and capabilities in its production and delivery (Lusch and Vargo, 2006). While this narrow definition concisely captures the co-production of public services, the conceptual limits are that: 1) the participants are restricted to two types of actors, namely the providers and users of public services, thus excluding a broader range of public and private actors that also play a crucial role in the solution of public problems and tasks; 2) the focus is on the joint production of particular services rather than the creation of public value in a broader sense of the term, including the transformation of the public service system; and 3) the purpose of the interaction between users and providers is to produce and deliver a pre-defined public service that, although it may be adjusted and improved to meet the needs and demands of the users, is not subject to innovation defined as the development and realization of new disruptive ideas. To put it differently, co-production may capture a well-known everyday phenomenon in the public sector where end-users contribute to the production and delivery of a particular service, e.g. by doing the homework in school, doing some prescribed physical exercises after a knee operation, or creating an online job search profile at the local job center. However, it does not capture the new and broader trend in the public sector's interaction

with society where a plethora of public and private actors collaborate in order to find and provide new and better solutions to shared problems and challenges.

To comprehend this new and emerging phenomenon we shall here define *'co-creation'* in the public sector as a process through which two or more public and private actors attempt to solve a shared problem, challenge or task through a constructive exchange of different kinds of knowledge, resources, competences and ideas that enhance the production of public value in terms of visions, plans, policies, strategies, regulatory frameworks, or services, either through a continuous improvement of outputs or outcomes or through innovative step-changes that transform the understanding of the problem or task at hand and find new ways of solving it.[1] The public actors can either be politicians, public managers or frontline staff and the private actors can be service users and their relatives, voluntary groups of citizens, civil society organizations, social enterprises, private corporations, etc. In principle, everybody who can contribute to the production of public value in the broad sense of services, organizational designs, governance decisions, planning and political visions can participate (Stickdorn and Schneider, 2011: 197). However, we should not blind ourselves to the many different motivational, cognitive and institutional mechanisms of external and internal exclusion that may limit access to arenas of co-creation or to the ways that formal inclusion may result in marginalization or sideline participants from having real impact (Young, 2000; see also Quick and Feldman, 2011 for a further discussion of problems pertaining to participation and inclusion in co-creation).

In the way that we have defined it here, the concept of co-creation has a certain affinity with the notion of 'social innovation' and the concept of 'collaborative governance'. Nevertheless, it is perfectly possible to distinguish our concept of co-creation from both of these concepts. If we first compare our concept of co-creation with the notion of social innovation, the latter very well captures the innovative dimension of the attempts of social entrepreneurs to involve local citizens in creative problem-solving.

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[1] While the emphasis on the broad participation of different public and private actors brings our definition of co-creation close to Osborne and Strockosch's (2013) concept of 'enhanced co-production', which is a combination of 'consumer co-production' and 'participative co-production', the emphasis on innovation brings it close to Bovaird's (2014) notion of 'transformative co-production'.

However, 'social innovation' is commonly defined as innovative solutions that satisfy unmet social needs and demands and are created by social actors in civil society (Mulgan et al., 2007; EU Commission, 2010). As such, social innovation is seen as the attempt of civil society to correct and supplement the public sector that usually does not play an active role in social innovation, except for its occasional role as sponsor for social enterprises or local initiatives. By contrast, the strength of the concept of co-creation is that it both captures the plurality of public and private actors aiming to solve public problems, challenges and tasks and the innovative potential that emerges when different actors aim to solve shared problems by stepping out of their comfort zone and engaging in processes of mutual and transformative learning (Mezirow, 2000).

Turning next to the comparison between the concept of co-creation and the concept of 'collaborative governance', it seems clear that, while the latter clearly recognizes the importance of multi-actor collaboration, it fails to bring out the potential link between collaboration and innovation (Bommert, 2010; Sørensen and Torfing, 2011). Collaborative governance is commonly defined as 'a governing arrangements where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is informal, consensus-oriented and deliberative and that aims to make or implement public policy or manage public programs or assets' (Ansell and Gash, 2008: 544). Clearly, collaboration is seen as a tool for governing rather than as a lever of public innovation. By contrast, the concept of co-creation highlights the potential impact of collaborative interaction between public and private actors on the ability to foster new and innovative solutions to intractable problems. Hence, the current proliferation of arenas of co-creation is likely to stimulate processes of collaborative innovation that offer a welcomed alternative to both intra-organizational entrepreneurialism and market-driven innovation (Hartley, Sørensen and Torfing, 2013).

The concept of co-creation is interesting because it transforms the traditional way of thinking about citizen participation. The 'ladder of participation', famously described by Arnstein (1969), started with the citizens being informed about new plans and decisions, then moved upwards via different forms of consultation and informed dialogue, and finally reached the highest rung on the ladder that was the self-government of the people. Inspired by the anti-authoritarian revolt from the late 1960s onwards

the telos of the ladder of participation was to maximize the democratic influence of ordinary citizens and create the conditions for them to govern themselves, preferably without involvement of the state. In today's complex, fragmented and multi-layered society in which no single actor has all the knowledge, expertise and resources required to govern alone, and the capacity of social and political actors to govern therefore depends on a mutual exchange of resources (Kooiman, 1993), the idea of the 'self-government of the people' appears to be antiquated. The ultimate goal when it comes to solving the urgent problems of our time is not to govern singlehandedly, but to co-create solutions together with other relevant and affected actors who have the knowledge, resources and ideas to foster new and potentially disruptive ideas and realize them in practice. In short, the old ladder of participation should be supplemented with a new 'ladder of co-creation' that has the systematic engagement of relevant public and private actors in the co-initiation, co-design and co-implementation of new solutions that work as its telos. In contrast to the old ladder of participation, the new ladder of co-creation is both concerned with the enhancement of democratic influence and with fostering effective solutions to shared problems.

The first and lowest rung on the ladder of co-creation is when public agencies aim to empower citizens in order to enhance their capacity to master their own lives and encourage them to co-create the services they are offered by the public sector. The second rung is when citizens are not only co-producing their own welfare services, but also creating value for other citizens through voluntary work carried out in close cooperation with public employees and thereby improving existing services through continuous adjustments and the creation of synergies. The third rung is when individual or organized groups of citizens provide input into the design of new tasks and solutions through crowdsourcing, focus-group interviews, written consultations and public hearings that only allow a limited dialogue. The fourth rung is when public and private actors engage in a mutual dialogue at ad hoc meetings aimed at designing new and better solutions and coordinating their implementation. The final rung is when relevant and affected actors from the public and private sector participate in institutional arenas that facilitate collaborative innovation based on joint agenda-setting and problem definition, joint design and testing of new and untried solutions, and coordinated implementation

drawing on public and private solutions. Research suggests that in practice it might be difficult to realize the full potential of co-creation at the highest level of the ladder since there seems to be a trade-off between involving citizens and civil society actors in the decision making process and the implementation process, respectively (Pestoff, Osborne and Brandsen, 2006). Nevertheless, there is much to gain from the involvement of citizens and private stakeholders in all aspects of the process (Sørensen and Torfing, 2016) and we, therefore, insist that this is the ultimate goal of co-creation.

An empirical expectation that requires empirical testing is that while most local governments in the Scandinavian countries have already climbed the first two rungs and a good deal of them aim to put their feet on the third rung, most of them are also still struggling to climb the two highest rungs of the ladder that broadly involve citizens and private stakeholders in collaborative processes aiming to spur innovation in public policy, regulation and service production.

4. Co-creation at different levels and in different contexts

A key question in the study of co-creation concerns the empirical prevalence of co-creation. It might be argued that co-creation presupposes proximity of public actors with users, citizens and private stakeholders and is therefore primarily found in public service production. Another plausible conjecture is that co-creation is conditioned on the particular type of state-society relations that characterizes the Nordic countries with their long-lasting tradition of corporatism and civic engagement. However, as we shall see, empirical studies seem to suggest that co-creation has a much broader empirical relevance as it is both found in different functional areas of the public sector and in countries with different political cultures.

The public sector has several core functions such as the provision of services to needy citizens, public problem solving through the development of policies, strategies and interventions, and the regulation of social and economic life in accordance with public goals. These functions provide different contexts for co-creation. In *service provision* the context is relatively fixed and stable and the public and private stakeholders are clearly defined in terms of a specific service provider and a particular group of end-users. The private users and public providers will in most cases be closely connected through the production and delivery of services and that will be conducive for co-creation. By contrast, *public*

problem solving often takes place in less routinized or institutionalized contexts in which a broad range of public and private actors can claim to be relevant and affected, although in varying degrees. The diffuse range of potential stakeholders makes it difficult to facilitate co-creation. A further complication is that although the stakeholders may share a problem that they want to solve, they may neither be connected with each other nor have any experience with interaction. Like service provision, *public regulation* often takes place in a relatively stable context and involves a clear set of stakeholders in terms of regulators and regulated. However, public regulation is often national or supranational and that tends to create quite a distance between the public and private stakeholders that may discourage co-creation. Interest organizations may help to bridge the gap between the regulators and the regulated, but the latter are seldom involved in crafting the regulatory framework. In sum, there are good reasons to expect that co-creation is more frequently found in service production than in public problem solving and public regulation. However, a quick scan of the many empirical studies of co-creation demonstrates that contrary to the common sense expectation, co-creation is found in all functional areas in the public sector. Let us briefly look at a few examples of this.

Beginning with public service provision, a comparative study of child care in eight European countries shows that parents are directly involved in the provision of day-care services for their children by paying fees, making donations and spending time on voluntary work (Pestoff, 2006). This type of involvement refers to a relatively simple form of co-production, but in countries such as France, Germany and Sweden parents are also involved in more advanced forms of co-creation as they can become members of user boards that oversee the running of the day-care facility. The parents may even create new self-owned day-care facilities that are run by a board of public and private actors and financed by the local municipality.

Another example of co-creation in public service provision is found in Jetté and Vaillancourt's (2011) study of elderly care in the Canadian province of Quebec. Their study shows how simple forms of co-creation in service delivery can develop into more advanced forms of co-created policymaking. What happened in Quebec was that a large number of social economic enterprises were invited to complement the supply of elderly care delivered by public institutions. The more that third sector

organizations got involved in the delivery, the more they also expected to be involved in developing elder care policies. As such, the social economic enterprises started to position themselves as partners in co-created policymaking processes that gradually came to supplement the co-create service delivery.

In the field of public problem solving there is an abundance of problems calling for co-created solutions. A problem that is recurrently studied in the literature on public governance is the shortage of funding for infrastructure renewal. In Kansas this problem was solved by a team of forty-two volunteers working with state government to build a twelve-mile pipe-line to help farmers in a remote area to get water. The volunteers completed the pipe-line in a fraction of the time it was scheduled to take and the actual costs were only a fraction of the projected costs (McGuigan, 2013). In Minneapolis and its county, Hennepin, a small group of politicians, public managers and social entrepreneurs convened a multi-stakeholder task force to consider what it would take to end homelessness instead of continuing to operate overburdened shelters and rely on police and emergency room personnel to handle crises. The task force quickly developed 'Heading Home Hennepin', a 10-year plan for ending homelessness. Formally adopted by the City Council and the County Board of Commissioners, the plan projected a host of coordinated efforts that would combine public resources, diverse organizations and networks, and new and innovative ideas to end homelessness (Crosby, 2016).

In the field of public regulation, water management is frequently subject to co-creation. Water management has for many years been dominated by experts and professionals from government and public research organizations. Today, however, a broad range of public and private actors are involved in the co-creation of water management projects. Co-creation is essential because water management affects the interests of regional and local governments, natural projection agencies, local residents, industries, fisheries and land owners. A recent study by Edelenbos, Buuren and Schie (2011) provides a detailed description of two Dutch water management projects and also reveals important barriers to co-creation in terms of the knowledge-related conflicts between public and private stakeholders. The same barrier is observed by Molen et al. (2015) in a study of co-created regulation of mussel fisheries in the Netherlands. Here the problem was that experiential knowledge about mussel fisheries

developed by local fishermen and the mussel industries and by environmental groups was never integrated in regulatory policymaking.

These empirical cases suggest that co-creation is not only found in public service production where there is a close proximity between public and private actors, but also in the area of public problem solving and public regulation where the urgency of problems and the need for conflict mediation brings together relevant and affected actors from state, market and civil society. A similar conclusion is reached by Voorberg, Bekkers and Tummers (2015) in their systematic review of the literature on co-production and co-creation.

While co-creation may thrive in different functional areas of the public sector, it might be restricted to countries that have a strong and well-organized civil society and a long tradition for public-private collaboration. Again, the empirical examples seem to suggest otherwise. As such, there are examples of co-creation from countries such as Italy (Cassia and Magno, 2011), North America (Marschall, 2004), United Kingdom (Bovaird, 2014), the Netherlands (Molen et al., 2015) and Sweden (Pestoff, 2009). While these countries are all advanced liberal democracies, they differ considerably in terms of the relative strength of civil society and the tradition for collaboration between public and private actors. However, the fact that co-creation is found in countries with different political cultures does not mean that the societal context is unimportant. A study by Fotaki (2010) compares co-creation in Sweden and UK and finds that although co-creation may thrive in both countries, the differences between the civil societies in the two countries may impinge on the relative success of co-created problem solving.

Another line of research has questioned the idea that a strong civil society based on a broad range of voluntary organizations is a prerequisite for the development of co-creation. Instead, it is argued that virtual communities created through the internet and social media may constitute functional equivalents to traditional forms of civil society (Meijer, 2011, 2012). Following this reasoning, a strong civil society can both surface through virtual communities and through the classic type of voluntary organizations.

Having thus demonstrated the widespread relevance of co-creation we shall now turn to consider the potential risks and benefits of co-creation.

5. Potential risks and benefits of co-creation

The growing popularity of the term should not blind us to the risks associated with co-creation of public value. Like other forms of participatory governance, co-creation may result in biased participation favoring the most extreme and/or advantaged segments of the population with time and energy to participate and knowledge and resources that can help them to gain influence on joint decisions (Young, 2000; Booher and Innes, 2004; Røiseland and Vabo, 2016). Another classical problem concerns the difficulties with ensuring democratic accountability due to the participation of non-elected actors and the lack of formal and transparent decision making and monitoring (Papadopoulos, 2007). Co-creation may also be costly in terms of the resources spent on orchestrating collaborative interaction between actors with different expectations, commitments and world views that are hard to bridge (Huxham and Vangen, 2005). Sometimes, co-creation may lead to deep and destructive conflicts that either create a stalemate or result in a compromise based on the least common denominator that seldom spurs innovation (Gray, 1989). Worst case scenario is when co-creation is reduced to the friendly face of public spending cuts that dump public tasks on fragile local communities, or when it becomes a tokenistic practice making a perfunctory gesture towards the inclusion of citizens and private organizations while making sure that the impact of the co-created solutions is negligible.

Bearing in mind the considerable risks associated with co-creation, we should not overlook the multiple potential benefits of co-creation. Obviously, co-creation may enhance democratic participation and deliberation in times where many citizens are eager to play a more active role in public decision making (Warren, 2002; Norris, 2011). Getting a chance to influence public solutions may also enhance the democratic legitimacy of the public sector and the trust in government. However, co-creation not only has a democratizing effect. It also helps to foster more efficient and effective solutions either through improvement of existing solutions that are becoming more holistic, synergistic and adapted to local wants and needs, or through collaborative innovation of new solutions

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that outperforms the previous ones (Sørensen and Torfing, 2011). Last but not least, co-creation may strengthen social cohesion and build more resilient communities by empowering local actors, enhancing mutual trust, and building additional social capital that enable public and private actors to use their relations to other people to accomplish new things.

Whether it is the potential risks or benefits that dominate in concrete cases of co-creation is an empirical question that requires further studies. Hence, leading scholars in the field of co-creation agree that so far the research on co-creation has been more concerned with identifying the conditions for the emergence of co-creation than with measuring and assessing its impact (Verschuere, Brandsen and Pestoff, 2012; Voorberg, Bekkers and Tummers, 2015). Short of empirical data on effects, we must content ourselves with a discussion of the drivers and barriers of co-creation as well as the role of institutional design and exercise of leadership for facilitating co-creation and ensuring positive outcomes. Such a discussion is provided in the next two sections.

6. Barriers and drivers to co-creation

The empirical cases of co-creation demonstrate the relevance of the concept, and their positive impact on effective and democratic governance and the future capacity of local communities calls for further analysis of the barriers and drivers of co-creation.

The conventional barriers to co-creation of public solutions through the involvement of a broad range of citizens and private stakeholders are questions of national security that presuppose secrecy, crises situations that call for swift and determinate action, and political and ideological conflicts that prevent collaboration and mutual learning. However, these issues should not automatically preclude the possibility of co-creation and we should be careful not to restrict co-creation to low risk areas because it is convenient for political decision makers to do so. In fact, there are many examples of co-created responses to war, natural disasters and epidemics (Noran, 2014). Political emergencies such as the current refugee crisis in Europe are often subject to co-creation. Political-ideological conflicts and logjams are also sometimes overcome by inviting a broader range of actors with fresh perspectives and new ideas into the process.

Another and perhaps more obtrusive barrier is the failure of the relevant public and private actors to develop a role perception that is conducive for their engagement in processes of co-creation. As shown in table 1, the changing perceptions of the public sector as a legal authority, a service provider and an arena of co-creation seem to correspond with changing role perceptions of elected politicians, public managers, frontline personnel, citizens and private non- or for-profit organizations.

Table 1: Role perceptions in three different public administration paradigms

The public sector is …	A legal authority	A service provider	An arena of co-creation
Elected politicians should be concerned with …	Making decisions, rules and laws	Defining overall goals, standards and budget frames	Exercising political leadership of the political community
Public managers are good at …	Making sure that rules and laws are observed	Effective and efficient management	Leading interorganizational and cross-sector collaboration
Frontline personnel are preoccupied with …	Doing what is correct and just	Serving the wants and needs of the citizens	Mobilizing available resources in the pursuit of joint solutions
Citizens perceive themselves as …	Subjects of the law and clients in public welfare systems	Customers with exit and voice options	Active citizens with rights and obligations vis-à-vis the social and political community
Private non- or for-profit organizations see themselves as ...	Lobbyists aiming to influence public decisions	Service providers competing for public contracts	Partners in public-private collaboration

While institutions and organizations are relatively easy to change, at least at the formal level, the sedimented roles and identities of public and private actors are often rather difficult to transform. It is painful to redefine one's identity and adopt a new role and, therefore, social actors often cling to their old role perception, thus making it difficult for them to function in a new environment based on a different governance paradigm (Jæger and Sørensen, 2003). Hence, politicians who see themselves as sovereign decision-makers who have all the power and all the responsibility, will often find it difficult to share power in and through processes of co-created policy making. Public managers who see themselves as efficient managers in charge of a stable, high-performing organization will be terrified by the thought of collaborating with individuals from other organizations and sectors that they cannot control. Public employees who strongly identify with their role as professional 'relievers' and expert 'care providers' may have great difficulties with identifying and mobilizing the resources of users, volunteers and civil society actors that is an integral part of their new role as 'enablers' (Bovaird, 2007). Citizens who believe that since they have dutifully paid their taxes they have the right to lean back and enjoy the service they are entitled to, will oppose the idea of an active involvement in public service production. Last but not least, private organizations that see each other as competitors fighting over public contracts will not want to engage in collaborative problem solving based on knowledge sharing and joint decision making. Hence, some significant mental shifts are required in order to get the various public and private actors to embrace the new arenas of co-creation.

The fact that co-creation does occur despite these barriers may have to do with the fact that there are also some strong drivers. Hence, each of the public and private actors may find good reasons to engage in processes of co-creation. Politicians are eager to strengthen their political leadership and recognize that this requires a close dialogue with public administrators, citizens and private stakeholder who can provide the input that they need to better understand societal problems, to design new solutions, and to create support for their realization (Ansell, Sørensen and Torfing, 2016; Lees-Marchment, 2016). Public managers and employees increasingly realize that they do not have the ideas, means and resources to solve wicked and unruly problem all by themselves, but need to mobilize the knowledge, resources and ideas of external actors (Warren, 2009). Citizens increasingly

seek community and purpose (Bauman, 2001) and they want to have a more active and direct influence on the decisions that affect their quality of life than the traditional forms of liberal democracy can offer (Bang and Sørensen, 1998). Finally, private organizations, whether non-profit or for-profit, increasingly need to control their environment and reinvent themselves and their outputs by means of engaging in strategic alliances and partnerships that can give them access to knowledge, influence and new opportunities (Teece, 1992; Austin, 2000).

7. The impact of institutional design and leadership

Neither the original bureaucratic model of organization based on hierarchy, compartmentalization and centralized control nor the contract-based agentification, purchaser-provider split and elaborate systems of performance management that were introduced by New Public Management provide institutional designs supporting co-creation. Indeed, both Classical Public Bureaucracy and New Public Management have fostered institutional designs that reinforce the separation of politics from administration, the construction of administrative silos, and the creation of strict lines of demarcation separating the public sector from its environment. Hence, the institutional separation of politics and administration introduced by Weberian bureaucracy has been reinforced by New Public Management, which aims to reduce the role of elected politicians to a board of directors setting overall goals and budget allocations while letting managers manage the daily operations. In addition, the bureaucratic division of labour between specialized agencies has advanced a step further with the creation of a large number of quasi non-governmental agencies that are held responsible for delivering on their specific key performance indicators by leveraging their own organizational resources. Finally, although New Public Management has been keen to involve firms from the private sector in public service provision the effort to maintain an arm's length distance between the public purchaser and the private providers in order to ensure free market competition among public and private providers and subsequently monitor the fulfillment of their contractual obligations has reinforced the public-private divide that was installed by Weberian bureaucracy.

The development of new institutional designs is therefore needed to support the advancement of co-creation. Politicians must be connected with relevant public and private stakeholders, intra- and

organizational collaboration should be institutionally facilitated, and a cooperative relation between public and private actors must be forged and replace the current mixture of competition and control. In short, public and private actors should become involved in networks and partnerships that bring politicians into contact with public and private stakeholders, drill holes in the administrative silos and facilitate cross-sector collaboration between public and private actors.

There is a burgeoning academic literature on networks and partnerships (Kickert, Klijn and Koppenjan, 1997; Agranoff and McGuire, 2003; Sørensen and Torfing, 2007; Røiseland, 2011) that argues that interdependent actors form networks to solve complex problems and provide interconnected services. While the concept of networks help us to understand the complex relations and non-relations between actors with different degrees of centrality, the concept of co-creation adds to our understanding of the practices unfolding in complex networks. Hence, network actors may share knowledge in order to facilitate learning (Hartley and Bennington, 2006) or coordinate their actions in order to reduce conflict, prevent overlaps and create synergy (Scharpf, 1994), but they may also co-create solutions to shared problems through collaborative processes that lead to continuous improvement or perhaps even disruptive innovation.

The emphasis on how co-creation is facilitated in and through the formation of networks between interdependent actors that engage in a relatively self-regulated process of creative problem solving brings us straight to the next discussion of the role of leadership and management. As networks are seldom spontaneously formed when they are needed and since networked interaction sometimes leads to conflict rather than collaboration or produces outputs and outcomes that are opposed to the overall political goals, there has been a growing interest in how networks are managed (Koppenjan and Klijn, 2004) or metagoverned (Jessop, 2002; Sørensen and Torfing, 2009). Metagovernance is concerned with affecting the process and outcomes of network governance without reverting too much to traditional forms of command and control that are likely to scare off the network actors or create fierce opposition (Torfing et al., 2012). As such, metagovernance aims to design, frame, support, and intervene in governance networks while respecting their capacity for self-regulation.

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The concept of metagovernance can help us to understand how the governing capacity of whole networks can be enhanced (Jessop, 2002; Meuleman, 2008; Peters, 2010). However, the research on metagovernance has not paid sufficiently attention to the exercise of leadership, defined as the attempt to achieve a particular set of goals by influencing the behavior of and interaction between different actors. Fortunately, we have recently seen the development of some new and interesting leadership theories that can supplement the insights provided by theories of metagovernance and help us to gasp the role of leadership in supporting and benefiting from practices of co-creation.

The first theory that we want to highlight is 'deliberative political leadership' that focuses on how politicians can solicit inputs from a broad range of actors inside and outside government, evaluate the quality of this input and integrate it into their deliberation about how to solve the problems at hand (Lees-Marchment, 2016). The model of deliberative political leadership provides a new understanding of how politicians may benefit from close interaction with public and private stakeholders and it may be supplemented by new theories of 'interactive political leadership' (Sørensen, 2017) that emphasize the role of politicians in framing and participating in deliberative policy interaction with other public leaders and a broad range of lay actors.

Turning to administrative leadership theory, there is a new and interesting theory of 'relational coordination' (Gittel, 2005) that pinpoints the challenge that public managers are facing when leading complex and crosscutting processes of co-creation that involves staff members and experts from departments and organizations outside their jurisdiction. Leadership is here less concerned with the use of sticks, carrots and sermons and more concerned with framing the process, coaching the participants and facilitating communication that allows them to understand how their own tasks and efforts are part of a larger, collective task.

Since formal leaders often lack time and energy to lead the growing number of crisscrossing co-creation processes, they need to delegate leadership responsibility to experienced and trusted participants. This is well-captured by the theory of 'distributed leadership' (Pearce and Conger, 2003) that focusses on how public employees are motivated to exercise leadership in crosscutting projects, interactive governance arenas and collaborative processes. In some cases leadership responsibility is

not only distributed to lower-ranking leaders and employees, but may also be distributed to resourceful citizens and private stakeholders engaged in the co-creation of new public service systems.

For public employees who are recruited as project leaders the challenge is to lead a group of 'peers' defined as professionally trained employees who are at the same hierarchical level as the project leader while also leading active citizens and private stakeholders equipped with a particular expertise. This calls for what some scholars call 'horizontal leadership' (Denis, Langley and Sergi, 2012), which is a way of leading that aims to create a common purpose and solve emerging conflicts in a group while respecting the members' specific forms of knowledge as well as their individual views and competences.

Leading co-creation processes that both involve public and private actors is big challenge for public leaders, not least because it involves the formation and maintenance of relatively self-regulating networks of public and private actors. Leadership of networked forms of co-creation cannot rely on traditional forms of legal authority and contract steering, but calls for institutional designs of collaborative platforms, convening and motivating relevant and affected actors, creating mutual trust and common frames of reference, mitigating power imbalances, managing risks associated with innovation, and building accountability system that track inputs, outputs and outcomes of collaborative endeavors. In the new research on public leadership this type of leadership is called 'integrative leadership' (Crosby and Bryson, 2010; Page, 2010).

A special challenge concerns the efforts to lead volunteers who are co-creating welfare solutions together with public professionals. It is a stubborn myth that volunteers who contribute to public welfare services neither can nor should be led. However, while it is true that many volunteers are capable of leading themselves and they often prefer to do so, there is a strong need for volunteer leadership when volunteers co-create welfare services in schools, hospitals, shelters and provide homes (Brudney, 1990), and in most cases public managers and employees are very uncertain about how to exercise such a leadership. Telling them what to do might turn them away and giving them pecuniary rewards means that they are no longer volunteers. Hence, volunteers need coaching in much the same way as public employees. The only difference is that while coaching of public employees can

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always be backed by different kinds of positive and negative sanctions, coaching of volunteers can only be backed by the extreme sanction of exclusion. As such, volunteer leadership has to rely on motivation, supervision, recognition and mutual agreements (Sørensen and Torfing, 2013a, 2013b).

Although recent research efforts are helpful in pointing out new institutional designs and forms of leadership that are conducive for expanding and supporting co-creation, further research in this area is needed. In particular, we need more knowledge about the tools that public leaders and managers can use to facilitate different kinds of co-creation and the impact that these tools may have.

8. Advancing co-creation through systemic changes

Reaping the benefits of co-creation requires more than the display of good will and the development of supportive institutional designs and new forms of leadership. Core dimensions of the prevailing political-administrative system seem to work against the expansion of practices of co-creation. As such, we propose that at least five systemic changes are needed in order for co-creation to flourish:

The *first* systemic change should bring us from the current system of performance management based on top-down control of the inputs and outputs of each and every public agency to a more trust-based steering system based on learning-enhancing self-evaluations of the outcomes produced by public organizations and the interorganizational networks of which they are a part. If measurement is directed towards the performance of individual agencies and the focus is on control rather than learning, co-creation through the sharing of resources with other public and private organizations will be limited. Therefore, we need to shift the balance from legal and administrative accountability to professional and horizontal accountability as well as from vertical to horizontal accountability (Bovens, 2007).

The *second* systemic change is related to the first. It aims to shift the current managerial and organizational focus on short-term efficiency, stable operations and risk elimination to a more long-term focus on effectiveness coupled with experimentation and risk negotiation. The short-term efficiency focus of public managers and public service organizations tends to create a zero-error culture in public organizations that construes external collaboration and the pursuit of public innovation as a threat rather than an opportunity. A shift in the orientation of public managers towards

a long-term focus on effective problem solving will bring the contribution of other actors and the need to pursue innovation into view (Eggers and Macmillan, 2013). Since the current attempts of public managers to eliminate risk tend to stifle collaborative innovation, they must be replaced with a new model of risk negotiation that not only reflects on how risks can be managed in order to mitigate their effect, but also aims to weigh the potential benefits from an innovation up against the potential risks (Renn, 2008; Brown and Osborne, 2013). Sometimes we should be prepared to run even a considerable risk, if the potential benefits are significant.

The *third* systemic change concerns the public sector's use of Information and Communication Technology (ICT). Since the 1970s the use of ICT in the public sector has exploded, but so far the focus has mainly been on enhancing administrative efficiency and communication in the 'back office'. In order to support the development of co-creation, we need to take the development of ICT in a new direction by exploring how it can be used to enhance collaboration and innovation in the 'front office' where the interface with citizens is happening. Digital self-service is a first step in involving citizens in the co-production of public services, and the next steps that would take us a step of the ladder of co-creation would be to further develop digital systems for crowdsourcing inputs from citizens and facilitating online debates between groups of interested citizens and public leaders and managers (Leighninger, 2011; Meijer, 2011, 2012; Silva, 2013).

The *fourth* systemic change aims to transform the institutionally imbedded professional culture of public employees from one that portrays professional knowledge as the holy truth and public sector professionals as the true guardians of professionally defined quality standards to a new culture that puts a premium on dialogue, curiosity and openness and sees professionals as mediators between administrators and citizens. If professionally trained teachers, doctors, and social workers insist that they know best what is good for citizens, there will be no dialogue and no co-creation. As such, we need to transform professional culture and create a new image of a public sector professional as someone who seeks dialogue with colleagues from other professions and is curious about how they see the problem and open to their ideas about how to solve it (Molen et al., 2015; Maiello et al., 2013; Edelenbos, Buuren, and Schie, 2011).

The *fifth* systemic change aims to invoke a shift from the predominant emphasis on throughput legitimacy to a stronger emphasis on input and output legitimacy. Public bureaucracy has traditionally legitimized itself by demonstrating that its transformation of political inputs in the form of social and political demands into outputs in the form of regulations and services is guided by a set of administrative procedures that ensures legality, impartiality, equity, efficiency, transparency, accountability, etc. Hence, legitimacy emanates from observing procedural norms in the production of administrative throughput. New Public Management has aimed to draw attention to another source of public legitimacy by emphasizing the importance of the users' satisfaction with public sector outputs. This focus on output legitimacy has been brought about by expanding consumer choice that allows users to exit from low performing service providers and by creating users boards that permit users to voice their critical opinions and demand better outputs (Gustavsen, Røiseland and Pierre, 2014). While the increasing emphasis on output legitimacy is likely to spur co-creation that aims to improve the quality of public regulation and services, co-creation will also benefit from a larger focus on input legitimacy that highlights the legitimacy derived from enhance participation of active citizens in the creation of public solutions.

The list of systemic changes that may spur the transformation of the public sector into an arena for co-creation may not be exhaustive, but it serves to demonstrate that co-creation is a part of a larger and more systematic transformation of the public sector that breaks with core principles of Classical Public Bureaucracy and New Public Management.

9. Conclusion and future research avenues

The mounting critique of New Public Management has stimulated the search for credible alternatives and one of these is the increasingly fashionable idea that the public sector should be transformed into an arena of co-creation that involves active citizens and private stakeholders in the development of new and innovative solutions that outperform the existing ones or provide a way forward where no prior solutions have been found.

The argument presented in this paper can be condensed into eight researchable propositions:

The *first proposition* is that co-creation both supplements and transforms the traditional ways of thinking about and practicing public governance and administration. Different public administration paradigms may co-exist, but new ideas may re-articulate established practices.

The *second proposition* is that the paradigmatic aspects of co-creation are best captured by insisting that the concept of co-creation offers a broader account of the interaction of public and private actors in the shaping, and potential renewal, of public policies, regulations and services than the notion of co-production. Co-production emerges as a limit case of co-creation when only users and service providers are involved, the focus is service delivery and the innovative potential is not realized.

The *third proposition* is that co-creation challenges our traditional way of thinking about civic participation and, therefore, that the old ladder of participation should be supplemented by a new ladder of co-creation that captures the interdependency and collaboration between public and private actors.

The *fourth proposition* is that good examples of co-creation are not only found in different functional areas and at different levels of governing, but also in countries with different administrative regimes. Still the statistical prevalence and variation across sectors and countries requires further quantitative analysis.

The *fifth proposition* is that co-creation aims to improve the quality of existing solutions or stimulate innovation of new ones and thus may advance the production of public value by strengthening democratic participation, the production of more efficient and effective public solutions and the enhancement of social cohesion and local resilience.

The *sixth proposition* is that one of the strongest barriers to the future expansion of co-creation is the need for a painful shift in the role perceptions of the potential participants. At the same time, public and private actors may also benefit in different ways from their participation in co-creation. Drivers and barriers for engaging in processes of co-creation may be analyzed through studies of narrative identity constructions.

The *seventh proposition* is that the development of new institutional designs and new forms of public leadership and management is required in order to reap the fruits of co-creation. We need studies of how and why institutional designs work in practice and studies of how public leaders can lead processes in which a broad range of public and private actors with different experiences and ideas are participating on a voluntary basis.

The *final proposition* is that new institutional designs and new forms of public leadership are not enough to make co-creation a new dominant path for public sector development since that will require a number of systemic changes that are likely to stir up political resistance. The exact nature of these changes and their impact on the furthering of co-creation practices require an in-depth study.

Further research is needed to refine, explore and test these propositions empirically through a combination of quantitative and qualitative studies. For co-creation to grow as a public administration paradigm, theoretical studies and empirical studies documenting drivers, barriers and impacts must go hand in hand. To gain momentum researchers from different disciplines must join forces to clarify the concepts and arguments and study conditions, processes and impacts in comparative studies. Continuous interaction with public sector practitioners is also required in order to develop tools and methods, expand new forms of public leadership training and offer relevant policy advice.

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