Research Project (Draft Proposal)

“Quantitative model building and comparative research to evaluate the impact of different business and governance schemes on value creation by municipality enterprises in Japan and Germany”

2018~2020

Prof. Dr. Jörg Raupach-Sumiya
Key Research Question: “How to evaluate and compare in a quantifiable and integrated manner the impact of differing business and governance schemes for municipality-centered enterprises in respect to the generation of comprehensive value for citizens and communities?” → Basic Notion

- Mandate of public enterprise differs from private enterprise
  → aiming for citizen satisfaction and desired social outcomes

- Customers of public enterprises differ from private enterprises
  → individual citizen and collective society

- Nature of performance by public enterprise differs from private enterprise
  → contribution to individual citizen and collective society

→ Public Value: Theoretical Foundations & Practical Application?
Key Research Question: “How to evaluate and compare in a quantifiable and integrated manner the impact of differing business and governance schemes for municipality-centered enterprises in respect to the generation of comprehensive value for citizens and communities?”

How to Measure “Public Value of Municipality Enterprises”?

- Economic Value (e.g., financial performance, regional economic value-added)
- Social Value (e.g., resilience, local welfare, participation, responsiveness)
- Environmental Value (e.g., sustainability)
- Others (e.g., regional policy)

⇒ Performance Metrics

Impact of Differing Business Models ⇒ Strategy Patterns

Germany

“Stadtwerke”

Japan

Municipality-Centered Enterprises

（企業局、地方公営企業、第三セクター事業、PPP、PFI、コンセッション事業等）

Impact of Differing Governance Structures ⇒ Organizational & Institutional Patterns
Theoretical Foundations for Modelling “Public Value”

**Economics**
- “Public Good”
- “Common Social Capital” (社会的共通資本) (宇沢弘文)
- “Theory of the Commons” / (E. Ostrom, D. Bollier, C. Felber, S. Helfrich, 細野助博)

**Public Management Theory**
- “Performance Management” (C. Talbot)
- “New Public Management”
- “Public Value” (M. Moore, B. Bozeman, M. Cole, J. Bryson)
- “Citizen Value” (Wuppertal Institut)
- “Public Private Partnership 公民連携論 (東洋大学、龍谷大学)

**Political Science**
- “The Common Good” (A. Etzioni)
- „Daseinsfürsorge“ (生活権)
- “Public Space” (公共圏・公共空間) (船橋晴夫)
- “Sustainable Development Goals” (SDG’s)

**Strategic Management**
- “Creating Shared Value” (M. Porter, M-K. Ahrend)
- “Collaborative Value-Added” (T. Redlich)

1. Classification of Goods & Services

<table>
<thead>
<tr>
<th>non-excludable</th>
<th>rivalrous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Goods (P. Samuelson)</td>
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<td>Club Goods (J. Buchanan)</td>
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2. Society’s Public Values (B. Bozeman / T. Meynhardt / C. Talbot)

- Solidarity
  - Communal Sharing
    - Common Good
    - Public Interest
    - Social cohesion
    - Altruism
    - Local governance
    - Citizen involvement

- Authority
  - Authority Ranking
    - Regime dignity
    - Regime stability
    - Political loyalty
    - Accountability
    - Responsibility

3. Public Value (M. Moore / J. Bryson)

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Result of social choice process
Reflection of collective consensus

Diverse & Contested

Social Infrastructure / Use of Public Assets (社会的共通資本)

➞ How to be characterized?
➞ Who should provide?
➞ How to specify its public value?
Theoretical Foundations: “Typology of Goods & Services?”

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D. Bollier/S. Helfrich, *The Wealth of the Commons*

- “Common goods are elementary to our life and meet basic necessities of life.” → “Theory of Basic Needs”
- Excludability of a good is determined by social process:
  “A common good is not non-excludable *per se*, but *given* this characteristic; common goods are *created* through choice of society.”
- “Common goods exist only if we produce them – and will remain only if we take care of them.”

- Degree of rivalry determines usage rules:
  1. non-rival goods → open access
  2. rival goods → restrictions to access

→ problem of efficiency
→ problem of market failure (e.g., externalities, natural monopolies, imperfect information)
→ problem of overuse ("tragic of the commons")
→ problem of underuse ("tragic of the anti-commons")
B. Bozeman: “Public Failure Theory”

- “Public values constitute the normative consensus about the rights, benefits and prerogatives to which citizens should (or should not) be entitled, about obligations of citizens to society, the state, and to one another and about the principles on which government and policies should be based.”

- “If society expresses consensus on a certain value and this value is not achieved, then a public failure has occurred.”

- Public Value Mapping
  - set of 10 public values criteria
  - 7 categories for inventory of public values
  - Public Value Mapping

T. Meynhardt, “Psychological Roots of Public Value Creation”

- “Public value creation is situated in relationships between the individual and ‘society’, founded in individuals, constituted by subjective evaluations against basic needs, activated by and realized in emotional-motivational states, and produced and reproduced in experience-intense practices.”

- Value exists in relationships: “Value is a result of a relationship between a subject that is valuing an object and the valued object...A value can become objective if different subjects share a valuation...Public value can be seen as a shared or collectively held value about the quality of a relationship involving the public.”

- The public is inside: “There is no objective public dimension, independent of subjective meaning...’The public’ takes on different shapes...There can be different ‘publics’.”

- Public Value is grounded in basic needs: “Public value is bound to subjects’ needs (individuals, groups)...Needs concern deficits between an actual and desired psychological state that results in a motivation to act.”
  - moral-ethical: need for positive self-evaluation (e.g. functioning of community, human dignity)
  - hedonistic-aesthetic: need to maximize pleasure and avoid pain (e.g. sports or cultural events)
  - utilitarian-instrumental: need to pertain control and coherence in means-to-end relationships (e.g. ‘value-for-money of public service)
  - political-social: need for positive relationships (e.g., solidarity, cooperation, inclusion)

- Public Value Creation: Perceived – not delivered - and relative / dynamically produced and reproduced: “There is no public value without human appraisal...Public value is the combined view of the public about what they regard as valuable...Public value is a linkage mechanism that helps people relate to their wider community and society, and helps organizations identify the potential for gaining and sustaining legitimate action...A value (e.g., sustainability) is only enacted when people integrated associated attitudes in their mindsets and behavior.”
## Theoretical Foundations: “Typology & Inventory of Public Values?”

B. Bozeman / T. Jørgensen

<table>
<thead>
<tr>
<th>Value Category</th>
<th>Value Set</th>
<th>Closely Related Values</th>
</tr>
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<tbody>
<tr>
<td>Public sector's contribution to society</td>
<td>Common Good</td>
<td>Public interest, Social cohesion</td>
</tr>
<tr>
<td></td>
<td>Altruism</td>
<td>Human dignity</td>
</tr>
<tr>
<td></td>
<td>Sustainability</td>
<td>Voice of the future</td>
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<td></td>
<td>Regime stability</td>
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</tr>
<tr>
<td>Transformation of interests to decision</td>
<td>Majority rule</td>
<td>Democracy, Will of the people</td>
</tr>
<tr>
<td></td>
<td>User democracy</td>
<td>Collective choice, Local governance</td>
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<tr>
<td></td>
<td>Protection of minorities</td>
<td>Citizen involvement, Protection of individual rights</td>
</tr>
<tr>
<td>Relationship between public administrators and politicians</td>
<td>Political loyalty</td>
<td>Accountability, Responsiveess</td>
</tr>
<tr>
<td>Relationship between public administrators and their environments</td>
<td>Openness/secrecy</td>
<td>Responsiveness, Listening to public opinion</td>
</tr>
<tr>
<td></td>
<td>Advocacy/neutrality</td>
<td>Compromise, Balance of interests</td>
</tr>
<tr>
<td></td>
<td>Competitiveness/cooperativeness</td>
<td>Stakeholder or shareholder value</td>
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<td>Intraorganizational aspects of public administration</td>
<td>Robustness</td>
<td>Adaptability, Stability, Reliability, Timeliness</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>Enthusiasm, Risk readiness</td>
</tr>
<tr>
<td></td>
<td>Productivity</td>
<td>Effectiveness, Parsimony, Businesslike approach</td>
</tr>
<tr>
<td></td>
<td>Self-development of employees</td>
<td>Good working environment</td>
</tr>
<tr>
<td></td>
<td>Accountability</td>
<td>Professionalism, Honesty, Moral standards</td>
</tr>
<tr>
<td>Relationship between public administration and the citizens</td>
<td>Legality</td>
<td>Protection of rights of the individual, Equal treatment, Rule of law</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>Justice, Reasonableness, Fairness, Professionalism</td>
</tr>
<tr>
<td></td>
<td>Dialogue</td>
<td>Responsiveness, User democracy</td>
</tr>
<tr>
<td></td>
<td>User orientation</td>
<td>Citizen involvement, Citizen self-development</td>
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<td></td>
<td>Timelessness</td>
<td>Friendliness</td>
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</table>

Theoretical Foundations: “Typology & Inventory of Public Values?”

<table>
<thead>
<tr>
<th>Table 1. Public values criteria</th>
<th>Illustration of Public Value Failure and Success</th>
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<tr>
<td><strong>Criterion</strong></td>
<td><strong>Definition</strong></td>
<td><strong>Illustration of Public Value Failure and Success</strong></td>
</tr>
<tr>
<td>Creation, maintenance, and enhancement of the public sphere</td>
<td>As a public value: open public communication and deliberation about public values and about collective action pertaining to public values.</td>
<td>Failure: An authoritarian regime seizes control of the internet or other social media in an effort to exert control of protestors and thereby thwart open public communication.</td>
</tr>
<tr>
<td>Progressive opportunity</td>
<td>An “equal playing field” is less desirable than collective actions and public policies addressing structural inequalities and historical differences in opportunity structures.</td>
<td>Success: A deliberative democracy group is established to bring together diverse stakeholders in a local environmental dispute and these stakeholders engage in free and open public values-related communication.</td>
</tr>
<tr>
<td>Mechanisms for values articulation and aggregation</td>
<td>Political processes and social cohesion should be sufficient to ensure effective communication and processing of public values.</td>
<td>Failure: “Merit-based” policies that fail to distinguish the effects of opportunity structures on achievement.</td>
</tr>
<tr>
<td>Legitimate monopolies</td>
<td>When goods and services are deemed suitable for government monopoly, private provision of goods and service is a violation of legitimate monopoly.</td>
<td>Success: Compensatory education programs.</td>
</tr>
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<td>Imperfect public information</td>
<td>Similar to the market failure criteria, public values may be thwarted when transparency is insufficient to permit citizens to make informed judgments.</td>
<td>Failure: Public officials developing national energy policies in secret with corporate leaders of energy companies.</td>
<td>Failure: Policy for wetways that consider important issues related to recreation and economic development but fail to consider long-term implications for changing habitat for wildlife.</td>
</tr>
<tr>
<td>Distribution of benefits</td>
<td>Public commodities and services should, ceteris paribus, be freely and equitably distributed. When “equity goods” have been captured by individuals or groups, “benefit hoarding” occurs in violation of public value.</td>
<td>Success: Health care system reforms taking into account such factors related to relevant subject matter experience and expertise.</td>
<td>Success: Measures taken to ensure long-term viability of pensions.</td>
</tr>
<tr>
<td>Provider availability</td>
<td>When there is a legitimized recognition for the necessity of providing scarce goods and services, providers need to be available. When a vital good or service is not provided because of the unavailability of providers or because providers prefer to ignore public value goods, there is a public values failure due to unavailable providers.</td>
<td>Failure: Welfare checks are not provided due to a lack of public personnel or failures of technology for electronic checking transactions.</td>
<td>Failure: In privatization of public services, contractors have to post bond-ensuring indemnification but provide inadequate warrants for public safety.</td>
</tr>
<tr>
<td>Time horizon</td>
<td>Public values are long-term values and require an appropriate time horizon. When actions are calculated on the basis of an inappropriate short-term time horizon there may be a failure of public values.</td>
<td>Actions pertaining to a distinctive, highly valued common resource should recognize the distinctive nature of the resource rather than treat the resource as substitutable or submit it to risk based on unsuitable indemnification.</td>
<td>Success: Fishing quotas or temporary bans allowing long-term sustainable populations of food fish.</td>
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<td>Substitutability vs. conservation of resources</td>
<td></td>
<td></td>
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<td>Ensure subsistence and human dignity</td>
<td>In accord with the widely legitimated Belmont Code, human beings, especially the vulnerable, should be treated with dignity and, in particular, their subsistence should not be threatened.</td>
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B. Bozeman, “Public Failure”
Theoretical Foundations: “Typology & Inventory of Public Values?”

C. Talbot, “Theories of Performance”
- Diverse, contested nature of public values (5 Value-based Theories)
  → “Performance measurement in the public sector raises questions about value and political choice.”
  → “Public values are not uniform, but contested and conflicting”
  → “How we assess the value of an activity depends crucially on how we hold and apply our values”
  ① Four Culture Theory (Harrison/Handy)
  ② Cultural Theory (Thompson)
  ③ Competing Value Framework (Quinn/Cameron)
  ④ Relational Model (Fiske)
  ⑤ Reversal Theory (Apter)

- Integrating Framework (based on 5 Value Theories)
  ① Communal Sharing
  ② Authority Ranking
  ③ Equality Matching
  ④ Market Pricing
Theoretical Foundations: "Typology & Inventory of Public Values?"

Competing Value Framework (Quinn/Cameron)

Figure 6.2 Complete CVF Model
Sources: Quinn (1988), Quinn and Cameron (1988), Cameron and Quinn (2005), Cameron et al. (2006), and Quinn et al. (2007).
Theoretical Foundations: “Dimensions of Public Values?”

M. Moore, “Strategic Triangle”

J. Alford
Benefits & costs in respect to

1. “service performance” (cost, quality, effectiveness, responsiveness)
2. “relationship”
3. “institutional or strategic relevance”

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Theoretical Foundations: “Dimensions of Public Values?”

Dimensions of Public Value

(A. Cresswell et. Al)

A. Cresswell et. Al, “Public Value Framework”

1. **Financial**: impacts on current or anticipated income; asset values; liabilities; entitlements; other aspects of wealth; or risks to any of the above.

2. **Political**: impacts on personal or corporate influence on government actions or policy; the stakeholder’s role in political affairs; or influence in political parties or prospects for current or future public office.

3. **Social**: impacts on family or community relationships; social mobility; status; and identity.

4. **Strategic**: impacts on economic or political advantage or opportunities; goals; and resources for innovation or planning.

5. **Ideological**: impacts on beliefs; moral or ethical commitments; alignment of government actions, policies, or social outcomes with beliefs; or moral or ethical positions.

6. **Stewardship**: impacts on the public’s view of government officials as faithful stewards or guardians of the value of the government itself in terms of public trust, integrity, and legitimacy.

7. **Quality of life**: impacts on individual and household health; security; satisfaction; and general well-being.
Theoretical Foundations: “Performance Management & Governance ?”

**M. Moore**
- Public Value Accounting: 3 features
  1. assets of government to produce public value incl. authority and money
  2. incorporating utilitarian standards (e.g., individual satisfaction, social outcomes) and ethical, deontological standards (e.g., justice, fairness)
  3. including achievements/benefits as well as financial costs, unintended consequences and social costs of using state authority

- Public Value Scorecard
  - adopted from Kaplan/Norton, Balanced Scorecard
  - 3 perspectives reflecting Moore’s Strategic Triangle: public value account, legitimacy & support, operational capacity

**J. Alford**
- Cost, service quality, effectiveness, responsiveness
- 3 dimensions for benefit & costs of Public Value
  - service benefits & costs
  - relationship benefits & costs
  - institutional (or strategic) benefits & costs
- Decision-Making / Option Evaluation: Notion of contingency

**T. Meynhardt, “Public Vale Scorecard”**
- 5 inquiry techniques for developing performance measures
  1. Prioritizing (e.g. forced ranking)
  2. Screening
  3. Surveying
  4. Exploring
  5. Sensing (e.g., applying linguistic analytics to big data from social media)

- Measuring Public Value along 5 categories (reflecting basic needs)
  1. utilitarian-instrumental values (1): “Is it useful?”
  2. utilitarian-instrumental values (2): “Is it profitable?”
  3. moral-ethical values: “Is it decent?”
  4. political-social values: “Is it politically acceptable?”
  5. hedonistic-aesthetic values: “Is it a positive experience?”

- Assessing associated opportunities and risks
Theoretical Foundations: “Performance Management & Governance?”

Performance Regimes (“Network Governance”)

Performance Measurement of Public Agency

Figure 4.1 Performance Regimes Framework (Heavy lines indicate direct influence, and lighter lines indirect influence, on service delivery unit’s performance)

Figure 1.4 Shaping Public Performance: Bringing it All together
Source: Talbot (2010).

Figure 1.2 The public value governance triangle

**Legitimacy and authority via:**
- Legitimate decision bodies
  - Government
  - Business
  - Nonprofit
  - Cross-sector
- Broad stakeholder support
- Support from citizens and other individuals

**Public values** in the creation of public value, as articulated, revealed or realized through:
- Policy analysis, design and evaluation
- Leadership
- Dialogue and deliberation
- Institutional and organizational design, including designing and implementing cross-sector collaborations
- Formal and informal processes of democracy
- Strategic management, including performance management regimes and models

**Public value; definitions include:**
- What public officials and the citizenry decide, especially via collective choice mechanisms (Moore)
- Normative consensus about
  - the rights, benefits, and prerogatives to which citizens should (and should not) be entitled;
  - the obligations of citizens to society, the state, and one another
  - the principles on which governments and policies should be based (Iezzoni)
- Public value successes and failures as assessed in part against a set of public value criteria (Iezzoni and Johnson)
- Public value for the public when it concerns relationships with the public, and from the public when it is drawn from experience of the public (Meynhardt)
- What is valued by the public and what enhances the public sphere (Bovim et al.)

**Capabilities to create public value via:**
- Capabilities, competencies, and working relationships embedded in collectivities of many kinds, (e.g., governments, businesses, nonprofits, cross-sector collaborations, associations, the citizenry, etc.)
- Individual competencies
- Procedural legitimacy and procedural justice
- Procedural and substantive rationality

**The broader environment, including the public sphere**

**Direction of policy development, implementation, and impact:**
## Research Design – Work Packages & Modules

### Model Building & Preparation (2018~2019/1H)

<table>
<thead>
<tr>
<th>Work Package</th>
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</table>
| 0. Building Database on Financial Data (JP / GER) | - List of Target Enterprises / Financial Data  
- Comparative Analysis of Accounting Standards and Practices |
| 1. Development of a Set of Key Performance Metrics to Measure “Public Value” | - Review of Theories / Literature Review  
- Identifying Set of Suitable Indicators |
| 2. Identifying Differing Business Models of Municipality-Centered Enterprises (JP / GER) | - Analysis of Corporate-Level Strategy  
- Business-Level Value Chain Analysis  
- Analysis of External & Regulatory Context |
| 3. Identifying Differing Governance Patterns (JP / GER) | - Review of Theories / Literature Review  
- Analysis of Regulatory & Policy Differences |

### Model Testing (2019/2H~2020)

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- Influence of Business Model / Governance  
- Assessment of Contextual Impact |
| 6. Testing Concept of “Public Value” (JP/GER) | - Citizen Surveys  
- Assessing Relevance & Feasibility of Indicators  
- Comparative Analysis of Citizens’ Attitudes |
| 7. Comparative Case Studies (JP/GER) | - Evaluation of Case-Specific “Public Value”  
- Comparative Analysis of Case Studies  
- Assessing Impact of Business Model, Governance Patterns & External Context |
- Dissemination Strategy (e.g., Publishing, Conferences) |