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Editorial

Insights on Value Co-Creation, Living Labs and Innovation in the Public Sector

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1. Introduction

Citizen participation in the planning, design, and delivery of public services has been of central interest for public administration and management scholars since the 1970s at least (Osborne and Strokosch 2021, 2022). Strengthening citizen participation is often viewed as pivotal in order to meet citizens' changing expectations and to handle increasingly difficult societal problems (Bason 2017, 2018; Torfing et al. 2016). This is reflected in a shift towards more demand-based approaches to innovation in the public sector, in which efforts of renewal are responding to citizens' demands and needs (Torfing et al. 2021). Concepts such as co-production and co-creation have become central in studies and analyses of these developments (Voorberg et al. 2015). Understanding of the mechanisms of co-production and co-creation operating at different levels and during different phases of public service processes has been of particular interest in the public administration and management literature. For instance, Nabatchi et al. (2017) suggest that co-production may take place at an individual, group, and collective level during the phase of commissioning, design, delivery, or assessment. In parallel, there is growing scholarly interest in the theorization of value and the dynamics of value creation in public service contexts (Hodgkinson et al. 2017; Strokosch and Osborne 2019; Strokosch et al. 2021). This Special Issue is situated at the crossroads of these research dialogues on citizen participation and value creation. The collection of articles address, in different ways, the links between citizen participation, service user involvement and value, and value creation in public service settings.

2. Theoretical Background

The limits of both the Traditional Public Administration and New Public Management, which emphasize internal efficiency and the capacity of a public service organization (PSO) to deliver value, have been thoroughly discussed (Hartley et al. 2013; Torfing and Triantafillou 2013; Desmarchelier et al. 2020b). In response, Collaborative Governance (e.g., Ansell and Torfing 2021) and, more recently, the Public Service Logic (PSL) (Osborne 2018; Osborne et al. 2021) propose a shift away from intra-organizational efficacy. Collaborative Governance proposes that a plurality of actors work together across organizational boundaries to plan and implement public policy (Moore and Hartley 2010; Emerson and Nabatchi 2015). Drawing on the Service Management and Marketing theory, the PSL suggests a framework which centralizes on the concept of value—for service users

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and society—and considers how it may be created or destroyed through the interactions of different actors, including service users, whose interactions with services take place within a complex ecosystem (Petrescu 2019; Osborne et al. 2022).

The concept of co-creation is of increasing interest to academics, policymakers, and practitioners alike. It has been applied in two streams of developing literature on public innovation and collaborative governance, and on value creation and the PSL. Related to public innovation works, co-creation has been used to refer to the collaboration of various actors to innovate public services to solve a shared problem (Torfing et al. 2016; Torfing et al. 2021).The role of users in public sector innovation can also be understood from the service innovation literature and multi-agent frameworks (Gallouj 2000; Gallouj and Weinstein 1997; Windrum and García-Goñi 2008), where the very same innovation is defined as an outcome of the interactions between providers/suppliers, users/consumers, and, when needed, policymakers. The contributions of multiple actors are understood to lead to social innovation for public sector transformation (Rubalcaba et al. 2012; Rubalcaba 2016). This explains how innovation in public services is often provided by innovation networks (Desmarchelier et al. 2020a, 2020b, 2021).

The PSL seeks to explore and understand the different elements of value and the environments, processes, and interactions that influence it. Value is not only concerned with economic value or the efficiencies of service production but also value accrued by the service user and society (Osborne 2020; Osborne et al. 2016, 2021). For the PSL, various actors, including public service users, organizations from across sectors, and policymakers, interact in a relational process of value co-creation. This takes place within complex and dynamic public service ecosystems where the interactions of these actors, along with intersecting contextual factors, influence service production and ultimately value creation (Hodgkinson et al. 2017; Osborne et al. 2020, 2022). However, the actuality, intricacies, and interconnections between actors and the processes through which value is created, enabled, or constrained have not been sufficiently understood and developed. Indeed, although some important empirical research has been conducted regarding the participation of citizens during service delivery (e.g., Hardyman et al. 2019), far less is known about how value is co-created during and following service delivery, within the context of the service user's own life. Furthermore, little is known about how novel approaches might enable value co-creation, such as contemporary service design and co-design methodologies (Wetter-Edman et al. 2014), how living labs (Gascó 2017) impact value outcomes for public service users or society, or the role of lifecycles in networks for public service services (Rubalcaba and Peralta 2022).

3. The Collection of Articles

The seven papers published in this Special Issue have helped to provide insights on co-creation and its interlinkages to value, value co-creation, and innovation. Two concern value co-creation in general, two deal with living labs as co-creation spaces, and three papers deal with innovation (two concern digital transformation, and one concerns social innovation). Some of the papers are related to the EU H2020 research project Co-VAL on value creation for transforming the European Public Administrations (2017–2021), although the Special Issue was open to the whole scientific community.

Herein, this editorial synthesizes the main contributions of these papers. The two papers regarding value co-creation ask for more attention from public administration researchers on important but under-investigated topics. The first, "Public Service Logic: An Appropriate Recipe for Improving Serviceness in the Public Sector?" by Mette Sønderskov and Rolf Rønning, is a conceptual paper critically discussing the contribution of the PSL for understanding "serviceness" in the public sector. The authors argue that because the PSL is mainly derived from the service management literature, it is somewhat disconnected from the public administration traditions. The authors compare the main differences between public service logic and public administration logic and highlight potential ways of bridging the two traditions when advancing the PSL. Specifically, the authors call for

better integration between the PSL and research on street-level bureaucracy, understood as the "the interactions between users and service providers in the public sector". Relatedly, they argue that the PSL should more profoundly consider the contextual characteristics of the public sector such as conflicts between public and private value, underlying conflicting values, and politics more generally.

The second paper, "Creating or Destructing Value in Use? Handling Cognitive Impairments in Co-Creation with Serious and Chronically Ill Users" by Jim Broch Skarli, also draws on the PSL. It directs attention to value co-creation and value co-destruction in the context of vulnerable and unwilling service users suffering from cognitive impairment. The paper contributes to the understanding of how cognitive gaps between public health care services and users inhibit value co-creation and highlights mechanisms of value co-destruction. Based on a qualitative case study, Skarli brings attention to the built-in asymmetrical relations between different actors in public service processes, and he argues for a reduction in these asymmetries for the facilitation of value co-creation. Overall, the author argues that PSL research needs to pay more detailed attention to the role of PSOs in facilitating value creation during service delivery.

The Special Issue also includes two papers that concern living labs and complement other papers in this area, such as those by Carstensen and Bason (2012), Criado et al. (2021), Dekker et al. (2020), Fuglsang and Hansen (2022), and Gago and Rubalcaba (2020). The first is "Living Labs for Public Sector Innovation: An Integrative Literature Review" by Lars Fuglsang, Anne Vorre Hansen, Ines Mergel, and Maria Taivalsaari Røhnebæk. The paper provides a wide and comprehensive integrative literature review from different European countries. The authors see living labs as environments and structures that enable the co-creation of public sector innovation, but they also point out that living labs remain a somewhat elusive concept and phenomenon. The paper discusses the types of values developed by living labs in the public sector and contributes to the debate on the co-creation of innovation. By providing a model synthesizing how living labs link to public sector innovation, the authors identify knowledge gaps on the role of living labs and propose three major avenues for future research.

The second paper concerning living labs is entitled "Public Value Co-Creation in Living Labs—Results from Three Case Studies" by Nathalie Haug and Ines Mergel. In this paper, living labs are defined as innovation units established to introduce new methods and approaches for experimentation and open innovation practices in PSOs. The paper outlines a dual theoretical backdrop: first, it identifies contextual factors that influence co-creation processes in living lab environments; second, it outlines a framework for conceptualizing outcomes of living labs based on public value theory. The empirical section is based on qualitative research conducted in three living labs in Germany and Austria in different levels of government (federal, regional, or city administration). The results indicate that top-level political and managerial support are important contextual factors that enable and constrain innovation. Tangible results (products, data, and digital competencies) and intangible results (networks and changes in mindsets) are produced in addition to the value accrued by those participating in lab activities. Therefore, the paper provides an interesting insight into what makes a living lab run successfully.

On the topic of co-creation and innovation, this Special Issue has published three papers. The first is "Co-Production of Digital Public Services in Austrian Public Administrations" by Noella Edelmann and Ines Mergel. Building on previous works (Mergel 2018; Mergel et al. 2019), the paper analyzes the case of Austria based on interviews with 41 experts from public administrations (national, regional, and municipal) in order to understand who is involved in digital public service co-production, how they are involved, and what outcomes are to be achieved. The authors argue that digital tools used during co-production are used "not only as an additional tool for gaining insights from users" but also to facilitate the involvement of different user groups to support digital transformation. We advise the reader to read a complementary case to this one from Denmark, presented in an article by Scupola and Mergel (2021).

The second paper on this topic deals with digital transformations of PSOs enabled though collaborations with private sector organizations. The paper is written by by Jonathan Rösler, Tobias Söll, Louise Hancock, and Thomas Friedli and is entitled "Value Co-Creation between Public Service Organizations and the Private Sector: An Organizational Capabilities Perspective". The research is based on an exploratory case study of collaborations between private sector organizations and a large, state-owned transport and rail infrastructure provider. Drawing on insights from qualitative interviews, the study identifies six barriers that hinder value co-creation in public service ecosystems and five corresponding organizational capabilities required to overcome them. In their conclusions, the authors emphasize the need for further research into the respective roles of the organizational-level and individual capabilities in value co-creation in the public sector.

The final contribution covers the area of social innovation in the public sector. This paper is entitled "Understandings of Social Innovation within the Danish Public Sector: A Literature Review" by Ada Scupola, Lars Fuglsang, Faiz Gallouj, and Anne Vorre Hansen. The authors partly build on the framework of public service innovation networks for social innovation (PSINSIs) previously examined by Desmarchelier et al. (2020a, 2021). It explores how social innovation in Danish public services is conceptualized and enacted through the lense of public service innovation networks for social innovation. To do this, an integrative review of the literature dealing with the Danish context is conducted. The article highlights that social innovation is framed in several ways in the Danish public sector. In particular, the literature can be grouped according to four themes: (1) samskabelse (co-creation), (2) collaboration with civil society, (3) social entrepreneurs and social innovation, and (4) public–private innovation partnerships. Moreover, the article presents and discusses a number of Danish empirical projects that may be understood through the lens of the PSINSI framework, thus contributing to practice.

In short, this Special Issue has contributed to the public administration literature by providing new insights into value co-creation, living labs, and innovation in the public sector. These insights are based on the PSL and multiagent frameworks used as theoretical anchoring. Each contribution suggests avenues for research and, importantly, the need for integration and stronger analytical connections between these interconnected research areas.

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