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(DE)COMPOSING PUBLIC VALUE: IN SEARCH OF BASIC DIMENSIONS AND COMMON GROUND

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ABSTRACT: *In re-emphasizing public organizations' societal and related normative functions, public value (PV) discourse is one way of approaching public sector performance. Although PV research is flourishing, empirical studies are still lacking. We provide evidence of the basic dimensions of PV creation in Germany's Federal Labor Agency. The results suggest a three-part factor structure and a second-order factor, indicating a broad notion of performance across different constituencies. The factors provide a framework to measure any public organization's perceived PV contribution. Our study complements the existing process perspective of PV, as developed by Moore (1995).*

INTRODUCTION

Public organizations are essential for creating relationships between individuals and society. The state not only allocates resources, distributes goods and services, and contributes to stable economic growth (Musgrave 1959), but also creates (or destroys) the legitimacy of and trust in public action (Rainey 2003). Public organizations' activities are not value-free; they also have a normative function with regard to, for example, social cohesion and justice. In effect, they shape perceptions of how citizens can benefit from public activities in terms of society's values.

However, such a proposition cannot be taken for granted in times of fiscal stress and major public sector reforms that are primarily directed towards efficiency goals. To understand public organizations as a positive force, i.e., to consider not only their constraints but also their performance contributions, is thus of great interest to both

theory and practice (Kelman 2007). This is particularly clear after the recent global financial crisis with its burden of sovereign debts, as well as the need for balanced market regulation. While much is known about public organizations' deficits, we lack a shared perspective that considers collective preferences.

In the U.S. public administration discourse, the focus on normative aspects appears in the classic works by Waldo (1948/2007), who infused the research stream with political theory and thus confronted us with public organizations' inherent value problems. Waldo deeply mistrusted the notion of (social) efficiency as merely factual and neutral and argued for a conscious effort to discern the values involved and include morality and ideological aspects in the study of public administration. Waldo's work has been a great and influential example of the administration-as-politics approach (Fry and Raadschelders 2008; Rosenbloom and McCurdy 2006).

The Waldonian plea for a reflexive, pluralist, historical, and multidimensional perspective has clearly informed prior research and has sustainably shaped the public administration field. As Kelman (2007) argues, the field has followed this notion of politically charged public organizations and, as a result, has rejected positivist methodologies, as put forward by scholars such as Simon (1946), who insisted on rigorous empirical testing and a concise logic to overcome administration's "proverbs."

Against this historical background, our article follows the Waldonian concern for public organizations' value-ladenness—in a Simonian way. Our quantitative study seeks to empirically discern the factors that contribute to a public organization's perceived value creation. In the process, we aim for a micro-foundation of public organizations' contributions to society. We adopt a behavioral approach; i.e., we relate concepts to subjective perceptions and values. Our article is situated in the ongoing public value (PV) discourse, as established by Moore in *Creating Public Value* (1995). Following Waldo, Moore also rejects an overly simple distinction between politics and administration and develops a "normative theory" of how public servants should increase their institutions' PV.

If one compares the PV discourse with other fields, such as strategy or human motivation theory, we can identify process theories (*how*) as well as content theories (*what*). The latter have not yet been developed within the PV discourse; there are a few first steps at the conceptual level, but no empirical work. In this article, we link the discourse to psychological theory in a quantitative study. We begin by reviewing relevant parts of the existing PV literature and then develop a perspective of how to systematically derive the dimensions of PV creation. Subsequently, we describe the research context and the design applied to test the framework. The presentation of the results is followed by a discussion and conclusions.

PUBLIC VALUE: WHERE INDIVIDUALS MEET SOCIETY

The PV discourse rejuvenates Waldonian thinking as developed in the U.S. context. Moore (1995, 350) frankly admits that "[i]n the end, I come out where Waldo does. Indeed, I am trying to write and think within the tradition he has developed." This line of thinking also resonates with and connects to European traditions

of value-creating bureaucracy. One intellectual root, for example, is the “Polizeiwissenschaft” tradition in Germany after the Thirty Years War (Maier 1986). Both the U.S. and European traditions emphasize public organizations’ positive contributions to social welfare.

The PV narrative takes these roots and connects them with managerial thinking. The Mooreian vocabulary of “value creation,” “strategic management,” and “discretion as an opportunity for leadership” suggests a much more muscular notion and charges the notion of public organization with more positive connotations. In response to a late 20th century wave of approaches that were critical of the state, and fulfilling a clear need for more entrepreneurial behavior in the public sector, Moore (1995, 10) introduced a valuable definition into the discourse: “The definition that remains equates managerial success in the public sector with initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run.”

For Bennington and Moore (2011), certain drivers have helped PV ideas gain momentum. One is reconsidering government as a positive, value-creating institution after a period of fairly critical perspectives. Another is the growing awareness of mutual interdependence in a globalized world. The authors diagnose a need to conceptualize the systemic interplay between different societal actors (Bennington and Moore 2011, 256ff).

Research on PV “is up and running” (Rhodes and Wanna 2007, 407). PV “may, just possibly and as a result of the current tumultuous events, turn out to be the next ‘Big Thing’ in public management a lot faster than any thought possible. It certainly has already in some senses ‘made it’” (Talbot 2009, 167).

Thus, PV research may be considered a “next lens” as well as an improvement on new public management (NPM) ideas. While advocating a stronger economic and managerial focus in public administration, NPM has not fully taken into account the multitude of normative functions and heterogeneous expectations of public management (Stoker 2006; O’Flynn 2007). The notion of PV promises to include collective preferences in a much broader (Waldonian) sense. It empowers holistic and systems thinking and seeks to overcome simplistic state versus market ideologies (Bozeman 2002).

Moore is primarily concerned with the aspect of mobilizing different actors in a community to engage with the process of public deliberation and social problems that cannot be solved by any one party alone. Together with Bennington, he therefore draws on Dewey’s argument to “call into existence a public that can understand and act on its own best interests” (Bennington and Moore 2011, 273). Moore also describes tactics for a joint effort to overcome obstacles to collective well-being.

Given this focus, there is little need for Moore to provide either an explicit concept of value or a systematic treatment of what constitutes PV. Moore relies on Rawls’ theory of justice, which primarily defines justice in terms of fairness. Moore—much like Rawls (for a thorough, balanced review of Rawls’ ideas, see Sen 2009)—does not explicitly relate an abstract notion of justice to concrete behavior. In other words, Moore does not conceptualize the many different PVs reflected in people’s subjective perceptions. But as Andrews, Boyne, and Walker (2006, 30) argue, “[P]ublic service beauty is in the eye of the stakeholder.”

Moore (1995, 52) simply states that “value is rooted in the desires and perceptions of individuals.” From a psychological perspective, the opposite is also true: desires, motivations, evaluations, and perceptions are rooted in values. From a behavioral perspective, values are at best only presented at a cognitive level (“talk”), until they are internalized and enacted as emotionally charged preferences or motivations (Meynhardt 2004).

Owing to the missing behavioral elements, much of the doubt as to whether PV is a theory at all is due to “more general problems in studying *values*” (Beck Jørgensen and Bozeman 2007, 354). Unsurprisingly, Moore is accused of presenting a construct that can mean “all things to all people” (Rhodes and Wanna 2007, 408). This confusion is exacerbated when the same authors see PV as

a fundamentally non-democratic notion... The inherent danger with ‘public value management’ is that public managers are asked to serve as the Platonic guardians and arbiters of the public interest. They are charged with imagining value and defending their notions of the ‘public good’ against other conceptions. (Rhodes and Wanna 2007, 412; for a reply, see Alford 2008)

The matter of the democratic legitimization of PV management is an important aspect of the emerging discourse. We follow Beck Jørgensen, and Bozeman (2007, 373), who argue that “public value is not governmental.” In this sense public managers are just one group of many other groups of actors contributing to PV creation. If we think of different actors, we also need to ask what they actually *create* and how we can structure PV dimensions.

For example, some scholars have tried to develop a PV inventory by reviewing the literature for relevant values either mentioned on a conceptual level or stipulated in empirical studies (Beck Jørgensen 2007; Beck Jørgensen, and Bozeman 2007). Although without systematic justification, Bennington (2011) lists economic value, social value, cultural value, political value, and environmental value as important dimensions.

However, none of these contributions links PV to more elaborate ideas of what people really consider as PV at the individual level. A possible reason is provided by Talbot (2006, 3), who criticizes the PV discourse for being “like most modern social science” because it “shies away from examining the assumptions it implies about human nature.” We are not aware of any author, besides one of the authors in an earlier work (Meynhardt 2009), who conceptually links the notion of PV to established psychological theories about basic needs. Besides theoretical considerations, this is also an empirical endeavor at the behavioral level, where the concept must find purchase if it is to endure.

WHY PUBLIC VALUE MATTERS TO PEOPLE

Valuing something involves preferences, emotions, motivations, and other psychological constructs that describe the evaluative element of human perception and

behavior (Graumann and Willig 1983). We may therefore draw on psychological research, which provides basic constructs of what human beings strive for. In the following section we introduce and paraphrase the conceptualization developed by Meynhardt (2009) as a basis for our empirical work. Here, we find a framework on how to conceptualize the psychological “currency” of PV—on what it means to *add value* to the public interest.

Following the basic premise that PV is about co-creation and active involvement, the value of a performed service depends on human appraisal, as autonomous acts by individuals. From this perspective, PV has a dual nature: it contains aspects of *value* (i.e., material, objective) and of *values* (i.e., mental, subjective). In line with our interest in the psychological PV experiences, Meynhardt (2009, 212) concentrates on value creation as an impact on people’s values and perceptions:

Public value is value for the public. Value for the public is a result of evaluations about how basic needs of individuals, groups and the society as a whole are influenced in relationships involving the public. Public value then is also value from the public, i.e. ‘drawn’ from the experience of the public . . . Any impact on shared experience about the quality of the relationship between the individual and society can be described as public value creation.

From this perspective, PV is created if there is some effect on beliefs and attitudes towards something in the public realm (e.g., community, state, or even nation).

Such subjective accounts complement objective data: if people do not accept and appreciate what government does, its legitimacy may be endangered, despite its actual behavior or performance. Thus, PV creation involves the shaping of experiences in relationships between individuals on the one hand and public entities and their services on the other. The source of value lies in the relationship, as the place where value emerges as a result of interaction. PV is high when people feel that they can draw value from these interactions. PV creation or destruction can therefore be any change in such evaluations.

The individual evaluation of PV requires an internal frame of reference, which refers to a fundamental psychological mechanism: satisfied needs may lead to pleasant feelings, positive emotions, and well-being. Unsatisfied needs may be followed by anger, discomfort, frustration, or anxiety (see, for an overview, Lewis, Haviland-Jones, and Feldmann Barrett 2008). It is assumed that people value (whether consciously or not) that which makes them feel satisfied and dislike that which makes them dissatisfied. Clearly, such value is created or destroyed in all spheres of life. However, PV has a limited scope; it is one of several potential resources (e.g., nature, family life, and spiritual life) from which people draw value and realize their human potential.

Establishing PV “on the ground” means conceptualizing how PV is reflected in perceptions. PV is not a goal as such; following Meynhardt, it always involves needs-driven assessments. In other words, abstract values such as solidarity, justice, and social cohesion need to be instrumental in individual well-being in order to matter.

As a result, PV is considered a resource to satisfy basic needs. For example, garbage disposal involves an individual interest as well as a collective/public interest; it affects the quality of life in a community, rather than just being about the waste disposal as an individual experience. In almost every dimension of a functioning society, institutions' impacts exceed the individual benefit and point to a larger societal purpose.

GROUNDING PUBLIC VALUE IN PERCEPTIONS

We have identified a psychological gap in PV theory that is inherent in the discourse, because PV focuses on value creation in a much broader sense than simply financial or economic value. Creating is not just about delivering, but also about recognition and perception.

People value what they feel positive about. In his approach, Meynhardt (2009) goes on to identify relevant psychological research on what constitutes a positive experience. He primarily refers to the work of Epstein (1989; 1993; 2003), who in a literature review showed that the authors of existing theories of human motivation (e.g., Freud, James, Adler, Rogers, Kohut, Horney, Erikson, Bowlby, Kelly, and Allport) mostly only focus on one motive, for example, sexual desire, attachment, growth, or power. Once developed, however, all basic needs or motives "are equally important" (Epstein 1993, 321), which implies that the function, if any, that is dominant varies among individuals and within individuals over time (Epstein 1989, 8). All of the aforementioned authors have a sophisticated theory that emphasizes one specific human motivation. However, there is no reason to assume that any single theory is more useful than any other.

In synthesizing the existing approaches, Epstein argues that the spectrum of proposed concepts can be traced back to four basic needs that drive behavior at a very fundamental level. They are regarded as driving forces in whichever complex, "implicit theories of reality." According to Epstein's thorough analysis, we can distinguish the need for positive self-evaluation, the need for positive relationships, the need to maximize pleasure, and the need to gain control and coherence of one's conceptual system (Epstein 1993; 2003). Following Meynhardt, who adopted these four dimensions as a common denominator from Epstein, we also assume that PV creation is evaluated against these dimensions; i.e., PV has value when it contributes to needs fulfillment.

Against this background, Meynhardt (2009) translated these four needs into values:

1. The need for positive self-worth and for a feeling of high self-esteem is seen as a primarily moral value. The moral-ethical dimension of PV concerns the assessment whether or not a person feels treated fairly, equally, and justly.
2. The need for positive relationships addresses one's belongingness as a social being and the need for social identity. It focuses on group membership, status, and power. This dimension is primarily concerned with political-social values, such as cohesion and solidarity.

3. The need to maximize pleasure and avoid pain is a fundamental, underlying motivation for positive experience. It refers to hedonistic-aesthetical values, a dimension that may include a broad range of PV, such as personal safety and the experience of public spaces as cultural achievements.
4. The need for control and coherence of one's conceptual system translates into more basic instrumental-utilitarian values, such as functionality or use value. From a PV perspective, this value dimension relates to a public service's "technical" function, i.e., whether it effectively solves a problem.

Taken together, all four dimensions form a framework of how to systematically assess and classify PV. It is a lens through which public services can be viewed holistically, without an a priori hierarchy. From this perspective, PV is created (or destroyed) to the extent that public services (dis)satisfy the basic needs involved in a relationship between individuals and a public organization.

PERCEPTIONS OF "THE PUBLIC"

Moore seeks to "call a public into existence." One could interpret his effort as a reminder of the public interest dimension. Following Meynhardt's psychological perspective, this dimension should also be reflected at the individual level. From the public servant or manager's perspective, this refers to a conscious effort to consider "the public" and to discern and envision what the public interest is. From the perspective of constituencies, the public dimension may refer to a resource from which they can draw value. For example, special help for disabled people not only solves individual needs, but is also linked to PVs in democratic societies, such as justice and human dignity. From a beneficiary's perspective, an interaction with a public service also signals a social norm relating to how much a society is prepared to do for disabled people. Is there a distinct public dimension in the form of subjective perceptions that relate to specific PVs? Does "the public" exist, as Moore claims?

Following the argument that PV may serve as a resource to fulfill basic needs not only involves different dimensions, but possibly also the notion of "the public" itself. Here, we follow the suggestions by Meynhardt (2009), whose reasoning can be summarized as follows: he starts with reference to Mead's (1962) symbolic interactionism, a sociological theory, arguing that human beings develop a sense of selfhood and personal identity by relating cognitively to a larger social environment (e.g., by envisioning what is expected in certain roles and by generalizing individual perceptions). When applying this theory, the personal imagination of the public dimension is considered a prerequisite for individual development and identity.

In symbolic interactionism, the notion of the generalized other is used to describe how a person develops a sense of the shared expectations that others have about certain roles or actions. In our approach, the public dimension is regarded as a specific instance of the "generalized other"—in this case an evolving cognitive representation of "society" or "the public." Taking a public dimension, perspective is assumed to help the individual anticipate what is expected in a given society and simultaneously

speculate about what to expect from it. The point is the mechanism of forming a like a “gestalt”) from a stream of isolated experiences.

“*The public is inside.* [It] is an individually formed abstraction generated on the basis of experiences made in daily practice, analytical insight, and all sorts of projections as to complex phenomena” (Meynhardt 2009, 204). Accordingly, PV creation can be considered an impact on these abstractions or images of society. People draw value from this interaction with the generalized other. For example, a positive identification with one’s nationality or community involves an evaluation of personal needs and a value proposition of this larger societal entity. If this comparison leads to a positive perception, the individual may experience added PV. For example, if people feel safe in their neighborhood, or feel that nobody will fall through the cracks, this will increase their well-being.

EMPIRICAL ANALYSIS

Whereas the discourse at a conceptual level seems fairly well-developed (see Alford and O’Flynn 2009), empirical research on organizations’ PV creation is underdeveloped. Andrews, Boyne, Moon, and Walker (2010, 107) even argue that there is a general lack of empirical studies of public sector performance focusing on “wider organizational outcomes associated with the delivery of services.” We therefore seek to provide data that help develop propositions about actual PV *creation*. The previous sections provided us with the following ideas: Grounding PV in perceptions implies a behavioral approach, which holds that PV responds to wider human needs and requires people as co-creators. In order to matter in real-life contexts, PV needs to matter for people, who must base their behavior on perception and judgment as they make sense of facts and construct reality. They are not passive recipients, but are active PV constituencies and stakeholders.

We are interested in PV’s empirical structure, i.e., whether or not the four noted dimensions could emerge as a basic structure reflected at the level of individual perceptions of public organizations. We also seek to identify a distinct public dimension, since Meynhardt’s approach proposes such a phenomenon—referring to the idea that people may experience a specific quality of public services as public rather than just perceiving separate single characteristics. Our theoretical perspective leads us to empirically inquire whether a clearly identifiable and theoretically justifiable set of PV dimensions emerges, or whether there is, instead, simply a set of unrelated, or related but theoretically meaningless, perceptions. More precisely: Which factor structure best explains a public organization’s perceived PV creation?

METHODS

Organizational Context

At this exploratory research stage, we decided to focus on a single institution. While this limits external validity, the study provides an opportunity to focus on content validity, which is what is needed at the present stage of research. To increase

variance, we looked for an institution that affects almost all areas of society (variance of the constituencies).

We selected Germany's Federal Labor Agency (FLA). With its inception in 1927, the FLA was established as the fourth pillar in Germany's social security system, in addition to health insurance, old age insurance, and accident insurance. With the constant rise of unemployment in Germany during the 1970s, 1980s, and 1990s, the FLA experienced a steady growth of employees, up to 113,000 in 2011, which makes it Europe's largest employment service provider. From its headquarters in Nuremberg, the FLA operates through 10 regional coordination offices and 178 local agencies across Germany.

The scope of the FLA's services makes it an attractive institution for PV study. On the one hand, it is responsible for the timely and correct transfer of unemployment and family allowances. This part of its portfolio involves almost no discretion. Instead, it requires highly standardized and reliable processes and systems. At the same time, the FLA provides labor market services for unemployed people, as well as employers. This includes a broad range of activities, for example, career consultation for students and adults, placement services, intensive training programs, support for entrepreneurs, and employer consulting.

All these activities have a politically legitimized basis and are bound by law (the Social Security Code). At the same time, there are concerns about where the FLA's mandate for PV creation begins and ends, about how it measures success, and about its ability to adapt to new situations. By the end of the 20th century, "FLA for everything" was a well-known expression that pointed to the difficulties of such a broad spectrum.

Triggered by the so-called placement scandal in 2002, in which job placement figures were found to have been systematically faked, a commission of inquiry (the Hartz Commission) recommended internal reform aimed at an ambitious turnaround towards a more customer-service-oriented and efficient organization based on NPM principles (Hartz Commission 2002). These principles seemed most attractive as they focused the agency's activities on a stricter output and outcome orientation.

Internal reforms fostered a more managerial approach and a controlling culture. As one interviewee in the qualitative research phase noted, since 2003 such reform has been "by far the most significant effort to bring about change that the FLA has ever been engaged in" (Meynhardt and Metelmann 2009, 279).

After a phase of efforts to improve internal efficiency, the need for a broader look at the FLA's societal function, its social impacts, and opportunities for PV creation was placed on the agenda. The FLA had experienced the advantages and disadvantages of NPM, and came to acknowledge PV as a performance parameter. Bearing in mind that, in the political debate, it was argued that private agencies could outperform the FLA in terms of delivering its services, our research interest fits well with a relevant strategic question: what makes the FLA valuable to society?

Sample

Different internal and external evaluators might vary in their assessment of performance (Andrews et al. 2010). We must therefore assume that the FLA does

not have just one PV, as potentially meaningful basic dimensions (noted earlier) can be used to explicate differences. To ensure a wide variety of PV perspectives, we aimed for a heterogeneous sample that covers a broad range of social groups.

At the same time, we only concentrated on leaders and managers with strategic foresight from multiple constituencies—private companies, public institutions, private organizations with non-commercial goals (e.g., unions, interest groups, and churches, many of them representing citizens and unemployed people), and politicians.

We could have designed a study that also emphasized citizens as recipients of services. This choice does not reflect any proposition regarding who can decide about PV, a question raised by Rhodes and Wanna (2007). We had specific, primarily methodological, reasons for starting empirical work with these constituencies, which are also formal or informal policymakers.

One assumption was that direct customers may emphasize their immediate gain(s) as a personal value. For example, in the case of unemployment, the personal need for belongingness and self-worth will be more salient as a collective preference or PV than the broader perspective of social cohesion. A person on the shop floor receiving financial support for short-time work tends to first see individual gain (e.g., the individual's financial situation or job security).

We expected to find a less personally biased evaluation when questioning organizational leaders and managers with strategic foresight. Our respondents needed a perspective beyond individual concerns; they needed to see the consequences for business in the region or, as a politician, consequences for the town or area. This line of reasoning does not imply that the public interest dimension is not reflected on the shop floor. However, the strategic dimension is by definition of focal interest at the management level.

Furthermore, one criterion was that their organization had to have a direct or indirect relationship with the FLA; for example, by taking advantage of placement services as an institutional customer or through participation in regional joint initiatives (e.g., social care or urban development). In this respect, all the subjects had some knowledge of FLA activities.

There was another argument, one specific to the FLA's organizational design. Although governed by a federal ministry, the FLA is also governed by elected representatives from three groups—employers, employees, and public institutions. This means that, at the local level as well, there is an agency board consisting of members from each group. For example, public institutions may have—among others—a city mayor and union officials in the employee group, and local businessmen in the employer group. Actors from all areas of society therefore have a responsibility in these boards. They decide local strategies, but also lobby for their interest group. In this sense, they are policymakers. Given the institutional setting, their voice is important for government to decide on labor market policies. Agency boards can also foster general FLA reforms and thus play an important role in legitimization issues; they can help terminate or sustain this public organization, directly (politicians and members of the governing board) or indirectly (as employers or union officials via their interest groups). They have the power to influence the FLA's mandate.

In order to cover a broad range of perspectives and to reduce systematic local influences, we collected data from six German agencies in our sample. We selected these agencies on the basis of internal FLA criteria concerning labor market dynamics and geography. For example, these FLA units included agencies from eastern Germany (Erfurt and Suhl), as well as from the former West Germany (Cologne, Essen, Heilbronn, and Ravensburg). Each agency employs between 200 and 350 people. At every site, we collected contact data from each agency in a standardized way. To avoid a biased self-selection effect, we cross-checked with an external business address database. We stratified the six subsamples to cover constituencies from private companies, public institutions, and private nonprofit institutions—covering all possible legal statuses in Germany. Given our research interest in a factor structure, this strategy should also help identify dimensions that are valid across constituencies.

Questionnaire Development

In an exploratory qualitative phase, we conducted 60 semi-directed narrative interviews (of approximately two hours each) with internal experts and leaders from all societal sectors (profit, nonprofit, and public), inquiring into the FLA's role and function in Germany and Europe. None of those interviewed was included in the subsequent quantitative study. All interviews were transcribed and content analyzed (Krippendorf 2003). The emerging themes were validated in a focus workshop. As a result of this pre-study, we arrived at a pool of 125 items.

We used expert ratings to extract redundancies and then applied our deductive frame of reference of four basic needs and their related values to achieve a balanced pool of questions covering all four areas.

For example, the item *My local agency helps effectively to maintain social peace* was seen as closely related to “political-social value” concerned with the need for positive relationships. The item *My local agency plays an active role in advocating for equal opportunities for women in the labor market* was interpreted as “moral value” concerning the need for self-worth, equality, and fairness. The iterations between inductive reasoning from the interviews and deductive checks by applying our framework helped us avoid idiosyncratic biases, blind spots, and a prejudiced item distribution. Since we had no other theoretical argument, we used a methodological one and selected an almost even number of items to present each value dimension in an appropriate mix of content specificity and construct range. The result was a 38-item questionnaire with approximately 10 items representing each of the four dimensions. We then administered a pretest with 17 subjects for item revision to ensure comprehensiveness and item quality.

After these preliminary steps, we sought to apply this item set in a first quantitative research step. Our content-driven item mapping to four latent dimensions led to a congeneric model (e.g., Lienert and Raatz 1998): every item represents the latent construct, but this latent factor influences the items with different but substantial weights, and each item is also influenced by different (uncorrelated) measurement errors. To achieve reliable measurements of the basic components (factors) and to

TABLE 1
Respondents by Sector

<i>Sector</i>	<i>Number of Respondents (%)</i>
Private companies	228 (44)
Public institutions (e.g., schools, local administrations, and universities)	152 (29)
Private organizations with non-commercial purpose (e.g., churches, unions, and charities)	116 (22)
Members of Parliament (community, county, or federal level)	26 (5)

reduce the amount of items, we performed exploratory factor analysis (EFA). In a second step, we undertook a confirmatory factor analysis (CFA).

Measures

The survey consisted of 38 items assessed in a Likert scale from 1 to 6 (e.g., *My local agency helps effectively to maintain social peace*; 1 = don't agree; 6 = fully agree). Data collection took place between May and September 2009 at the selected sites. We approached subjects in a four-step procedure: e-mail contact, a phone call, a reminder e-mail, and—if necessary—another phone call. This approach resulted in a total of 522 surveys (response rate: 34.8%).¹ Table 1 illustrates the respondent distribution by sector.

ANALYSIS AND FINDINGS

As an initial step, we divided the sample. For the confirmatory part, we combined all criteria (sector, geography, and leadership position) as to achieve a random, yet even, distribution reflecting a balanced subsample. As a result, we arrived at $N = 195$; the remaining respondents ($N = 327$) were used to administer the exploratory part.

Principal Axis Factoring

We conducted a principal axis factoring (PAF) as quasi-exploratory factor analysis (EFA) method, including the set of 38 items developed in the qualitative procedures. PAF was applied to the entire subsample ($N = 327$) to pretest the theoretically deduced relationships (concerning the four value dimensions) between the indicators and assigned constructs. A PAF procedure differentiates between criteria's explained and residual variance components. The procedure is therefore termed "quasi-exploratory," in contrast to exploratory component analysis.

Before conducting the EFA procedure, we tested the relationship strengths between the variables in order to proceed with a factor analysis. A sampling adequacy measurement according to the Kaiser-Meyer-Olkin criterion resulted in .971, which

indicated the sample's adequacy (Kaiser and Rice 1974). Furthermore, Bartlett's sphericity test indicated strong relationships between the variables, due to the observed significance level after testing ($< .0001$). We used varimax rotation in order to exploratively interpret the factor loadings for each item.

To explore the number of extracted factors, we combined a number of criteria: (a) eigenvalues (Kaiser-Guttman), (b) a scree test, (c) parallel analysis, (d) the differences between the empirical and reproduced correlations (termed the residual correlation matrix), and (e) theoretically based content considerations. The Kaiser-Guttman criterion and scree test are often criticized for dealing arbitrarily with the decision regarding the number of stable factors. In contrast to the other criteria, Horn's (1965) parallel analyses are based on a descriptive statistical criterion as the resulting factors are placed in relation to a number of random factors. Another criterion used to solve questions about the number of latent factors is an analysis of the residual correlation matrix. In most cases, parallel analyses suggest that fewer stable factors are extracted than would be recommended by the eigenvalue or scree test. We therefore decided to contrast parallel analyses with minimizing residual correlations and considerations regarding the content validity. While Criterion A suggests extracting four factors with an eigenvalue > 1 and Criterion B remains ambiguous, parallel analysis (Criterion C) cautions against extracting four factors. After controlling for residual correlations and the factor solutions' content validity, we decided to eliminate the fourth factor.

An EFA is by definition an item-reducing procedure, involving several iterative steps in order to develop a reliable set of items. Considerations regarding the content validity, item factor loading structure interpretation, and internal consistency analysis (Cronbach's alpha) resulted in the deletion of 22 items.

Considering the different perspectives, we explored three stable factors with an eigenvalue > 1 and the remaining 16 items with factor loadings > 0.5 (Baggozzi and Yi 1988), which are shown in Table 2.

We interpret the resulting factors as follows:

Factor 1—Institutional Performance. This factor contains items often associated with service and delivery, generally involving how efficiently an institution performs its core tasks. It reflects whether the organization is considered competent at what it does. We term this factor *institutional performance*; it is closely associated with NPM claims of innovative, customer-oriented public organizations. This factor is clearly an important dimension of the performance perception.

Factor 2—Moral Obligation. This factor consists of items that primarily address matters of equal opportunities for those who have some kind(s) of disadvantage(s) and handicap(s) in the labor market. The main focus is on eliminating barriers due to personal characteristics, such as gender, race, or disabilities. In our needs-based perspective, this is primarily a moral-ethical issue, since it aims to compensate for unjust and unfair background conditions. We term this factor *moral obligation*, because it specifies an ethical point of view associated with a labor agency, which is supposed to acknowledge the diversity of citizens' circumstances and needs. It explicitly addresses people's basic need for self-worth and

TABLE 2
EFA Results Using Sample 1

<i>Items</i>	<i>Item Factor Loadings</i>		
	<i>Institut. Performance</i>	<i>Moral Obligation</i>	<i>Political Stability</i>
1. ... is an institution one can trust.	.707	.223	.267
2. ... acts flexibly and avoids unnecessary bureaucracy.	.739	.234	.158
3. ... does not pursue one-sided interests, but functions as a neutral public institution.	.543	.226	.283
4. ... delivers high-quality service.	.749	.322	.181
5. ... is a reliable cooperation partner in the region.	.652	.330	.332
6. ... responds constructively to external critical feedback.	.637	.343	.308
7. ... is open to innovative approaches.	.605	.434	.264
8. ... strives credibly for high customer satisfaction.	.619	.385	.380
9. ... has a good image.	.665	.329	.345
10. ... successfully promotes disabled people's participation in the labor market.	.228	.663	.209
11. ... plays an active role in advocating for equal opportunities for women in the labor market.	.261	.716	.266
12. ... provides special support for handicapped people in the labor market.	.376	.662	.335
13. ... effectively supports immigrants' skills development.	.328	.659	.118
14. ... effectively contributes to social cohesion.	.398	.417	.547
15. ... delivers an important contribution so that nobody "falls through the cracks."	.418	.347	.551
16. ... helps effectively to maintain social peace.	.327	.258	.879

Note: Items of each factor in bold.

self-esteem. This moral obligation is somehow distinct from institutional performance; i.e., the PV assigned to the FLA is not fully covered by the more immediate and visible features of the task at hand.

Factor 3—Political Stability. Besides the first two factors, the statistical evidence suggests yet another dimension, which we term *political stability*. It comprises themes (social peace, social cohesion, and the avoidance of large differences between groups). From a basic needs perspective, Factor 3 refers to positive relationships between groups and belongingness. The distinctness of a political and a moral perspective, as indicated by our data, seems plausible; what is politically desirable and what is morally acceptable do not necessarily converge.

The latter is reflected in the factor institutional performance, which includes a number of NPM goals, such as customer satisfaction, innovation, trust, flexibility, service quality, and effective cooperation. This cluster reflects a composite of a

legally defined task (instrumental-utilitarian perspective; what we do) and a customer focus (hedonistic-aesthetical perspective; how we do it). The other two factors point to Waldo's assumptions that public organizations are not value-free, but also reflect moral and political norms.

The three dimensions are not wholly new. Indeed, in many ways they relate to existing conceptual categories. For example, Boyne (2002; 2003, 368) derives several lists of generic performance dimensions from the literature, such as output quantity, output quality, efficiency, equity, and consumer satisfaction. To some extent, these themes are covered in our item list. Our study is different as it offers the systematic reduction of the core dimensions, which is based on empirical data, rather than mere deductive reasoning. Furthermore, our theory-driven approach is linked to the actual perceptions of local constituencies outside the public organization.

Confirmatory Factor Analysis

Based on the EFA results from our first sample ($N = 327$), we were able to formulate a hypothesis about the basic factor structure of PV perception. Using our second sample ($N = 195$), we tested this hypothetical structure against alternative measurement model structures (e.g., a one-factor or a two-factor model). This two-step procedure of EFA and CFA with different samples ensures that established methodological standards are met (see Brown, 2006). At the same time, this procedure is necessary to test for a common ground, i.e., for a second-order factor.

To confirm the explored latent factor model, we used LISREL to test different measurement models in our second stratified sample ($N = 195$).² The squared multiple correlations of 0.79 to 0.83 between the items and their factors indicate reliable measurements with regard to this second sample. Ultimately, the model with a second-order factor *public value* achieves the best fit. We will discuss our interpretation of this result later. Figure 1 summarizes the focal model.

The alternative models were (1) a one-factor model, which assumed that all the indicator variables relate to only one first-order PV factor, which means that no substantial differences would emerge between the item contents; (2) a first-order, two-factor model with non-restricted correlations between the factors; and (3) a three-factor model with non-restricted correlations between the first-order factors would converge in the same solution as our focused model. Figure 2 highlights the different measurement models.

By using the maximum likelihood algorithm, a covariance matrix is reproduced from the data set based on the theoretically assumed measurement model and factor structure. All existing fit indices or criteria for testing the estimated covariance matrix against the empirical matrix have been contested in one way or the other (e.g., Weiber and Mühlhaus 2010); we therefore report several criteria to reach a balanced assessment. First, a well-fitting model is described by $\chi^2/df < 2.0$ (Byrne 1989, 55). As seen in Table 3, only the focal model fits these conventions.

As can be seen, our focal model and the two-factor model fit the cut-off value of < 0.05 for the standardized root mean square residual (SRMR) (Homburg, Klarmann, and Pflesser 2008). For the root mean square error of approximation

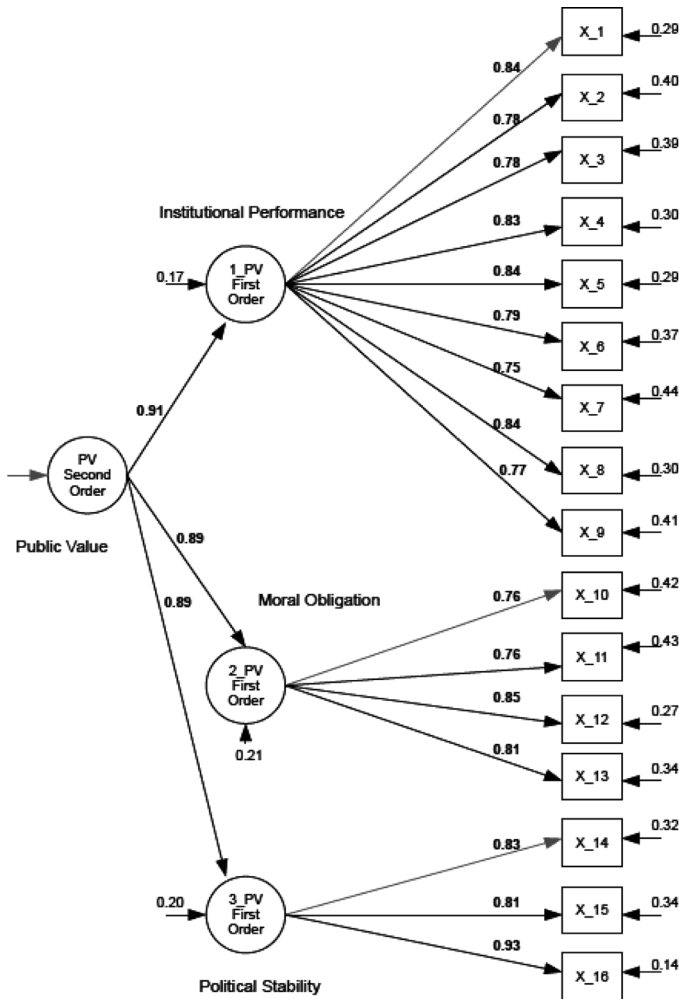


Figure 1. Measurement Model (Factor Loadings for Each Item Are in Bold, Other Indices Are Calculations of Error Variance).

(RMSEA), a reasonable model fit is < 0.08 (Browne and Cudeck 1993). Only our focal model is in line with this threshold, although it still misses the cut-off value of .05 for a close fit. Owing to the effectiveness of the goodness of fit index (GFI) and the adjusted goodness of fit index (AGFI), two widely established goodness of fit indices, have recently been questioned (e.g., Sharma et al. 2005), authors have advised against using them for practical purposes (e.g., Weiber and Mühlhaus 2010; Sharma et al. 2005). Both indices are also seen as ineffective for smaller samples (Weiber and Mühlhaus 2010). Our focal model misses the $GFI/AGFI > 0.90$ threshold for a good fit (e.g., Jöreskog and Sörbom 1983). On the other hand, the

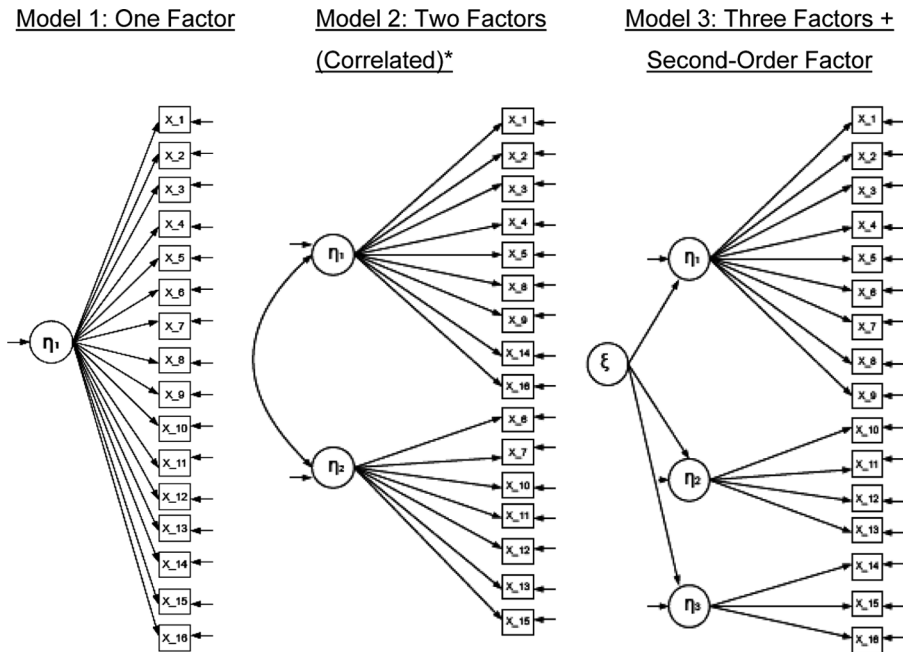


Figure 2. Alternative Models Tested. *Model 2: Items Sorted After a Principal Component Analysis with Two Specified Factors.

focused second-order model fits the cut-off value of the comparative fit index (CFI), which is highly regarded for practical applications of structural equation modeling (Weiber and Mühlhaus 2010). On balance, the assumed and focused second-order PV factor model best accounts for the variance in the empirical data.

TABLE 3
CFA Results Using Sample 2

<i>Model</i>	<i>df</i>	χ^2/df	<i>SRMR</i>	<i>RMSEA</i>	<i>AGFI</i> (<i>GFI</i>)	<i>CFI</i>	<i>AIC*</i>	<i>CAIC</i>
1 (one factor)	104	3.02	0.065	0.10	0.62 (0.71)	0.80	378.29	515.03
2 (two factors)	103	2.35	0.054	0.083	0.68 (0.76)	0.85	308.28	449.29
3 (three factors)	101	1.98	0.051	0.071	0.72 (0.80)	0.87	270.24	419.80

*The comparison of measurement models in Table 3 also includes two information theoretical measures (AIC and CAIC). Both criteria provide fit indices to compare alternative models and to evaluate parsimony. Both indices relate the chi-square value to model parameters and, in doing so, model complexity acts as a “penalty” with reference to the indices’ calculation (additional CAIC accounts for sample size). To evaluate real alternative models, we have to sequentially select models with the lowest AIC or CAIC values. As seen in Table 3, our focused model qualifies as parsimonious, even though it is more complex than other models. AIC “independence model”: 2811.99; AIC “saturated model”: 272.00; CAIC “independence model”: 2880.36, CAIC “saturated model”: 853.13.

This model is a theoretically conclusive model of PV measurement. The second-order factor shows that there is clear common ground among the different factors. On the one hand, empirically, the factors are never fully independent. However, we refer to a common ground between the factors at the level of latent variables. The structure of different content dimensions can be meaningfully interpreted; each dimension best explains the variance of the associated manifest variables. However, on a higher conceptual level, these latent variables (factors) are interrelated to form an even more abstract construct: a second-order factor.

DISCUSSION AND IMPLICATIONS

Contribution to Theory

At the outset of this article, we identified the need for empirical research in order to advance PV discourse. This article fills the gaps by means of a quantitative study of the perceived PV of Europe's largest bureaucracy.

Following Kelman (2007, 227), we argue that "government underperformance is overdetermined." Academic discourse has provided us with a perspective on what goes wrong and why. However, the de facto positive contribution to society appears undervalued or at least under-researched. Our data suggest a differentiated view on what makes a specific public organization's service valuable to constituencies in its local environment.

This article advances the notion of performance for public institutions, which is based on an attempt to discern their social impact. In other words, it is about rediscovering social welfare—here, PV—as a dependent variable. We answer our research question as follows: we identified a basic PV structure and a general factor behind the first-order factors, indicating common ground. There are three latent first-order factors—*institutional performance*, *moral obligation*, and *political stability*—that are structurally related to the second-order, latent *public value* factor. The three-factor-structure emerged from an EFA of one sample and was confirmed in a second sample.

With regard to Meynhardt's framework concerning valid PV structures, we found initial evidence for three basic value dimensions: instrumental-utilitarian (institutional performance), moral-ethical (moral obligation), and political-social (political stability). The fourth conceptual dimension—hedonistic-aesthetical—was not found to be a separate entity. Specific themes, for example, about quality or satisfaction, may be too closely associated with institutional performance. We therefore find certain items from this dimension associated with the *institutional performance* factor. According to our data, the hedonistic-aesthetical dimension is not a distinct and isolated property that is distinctly linked to a public organization. It remains to be seen whether or not this is a specific characteristic of public organizations.

What do these three factors and a general second-order factor mean? According to our psychological theory, every PV must be somehow reflected at the individual psychological level. If this is not the case, we cannot maintain that PV has been created. Our study suggests that such a perception of PV creation can be (de)composed in a specific institution.

Three distinguishable factors indicate that local constituencies do perceive a public organization's performance on more than one dimension. The study shows there is some indication of more than a perception of the service FLA provides: an appreciation of a public organization's moral and political functions. Constituencies perceive value creation beyond the technical task at hand.

In particular, the three factors point to basic PV dimensions with their conceptual basis in the theory of human needs and motivation (Epstein 1993; 2003). Based on items using both inductive procedures (interviews) and deductive reasoning (selecting items based on a framework of four PV dimensions), we were able to establish evidence for actual content in PV.

We also showed evidence for common ground, a second-order factor. Besides the (de)composition of PV, the results point to a common property that may be interpreted as a real recognition of a general public dimension in the FLA.

Our second-order factor supports the idea of a public dimension as described by the concept of the generalized other—in this case, the general public. This more abstract factor not only unites the three first-order factors from a statistical viewpoint, it can also be interpreted as a generalization at another level. In line with symbolic interactionism, such an abstraction is a necessary component for internalizing norms through interaction and for forming people's selfhood and identity. This mechanism may explain how the experience of "the public" is a resource for individual needs satisfaction, adaptation, and learning. In this sense, public organizations, whether deliberately or not, shape individual experience and perform a normative function, relating the individual and society. Our second-order factor suggests a value consciousness at the perceptions level that transcends the single parts. Our data suggest distinct quality from a mathematical perspective and a theoretical point of view. To use an analogy: different co-existing symptoms make up a syndrome, which—as a collective quality or "gestalt"—cannot be reduced to the individual parts. Likewise, different symptoms may be produced by one syndrome. Here, the syndrome represents the public dimension.

From a theoretical perspective, we do, however, provide evidence that the Mooreian public "exists" at the subjective perception level. The collective value of a public dimension may clearly be an attractive entry point for policymakers. However, whether or not this common ground is consciously reflected cannot be determined by our data.

One of this study's most remarkable results has been the pervasive effect of a single item: maintaining social peace. Along with two other items (social cohesion and not "falling through the cracks"), it represents the factor *political stability*, which has almost the same weight (0.89 vs. 0.91; see factor loadings in Figure 1) at the second-order level as the first-order factor *institutional performance*, but with a number of manifest variables that are three times lower. Such a "small" factor should—following our congeneric model—actually produce a lower amount of explainable variance due to the lower number of manifest variables (and, thus, more limited content) representing this factor. In our study, however, the three items are as informative about the public dimension (second-order factor) as the nine items of institutional performance.³ In other words, concerning PV creation, the FLA is as

much a political institution as it is one that is seen as delivering a service. This result was confirmed and validated during a number of feedback workshops with more than 100 FLA managers. We interpret this as strong support for Waldo's administration-as-politics approach.

In sum, our study may provide an empirical basis to incorporate psychological theories into the PV discourse. It partly supports Meynhardt's framework and poses new questions about basic dimensions' distinctiveness. Further theory building is necessary to develop new propositions that explain interdependencies between the first-order factors and their relationships with the second-order factor. This attempt to construct the PV micro-foundation can be seen as a behavioral perspective that could help examine assumptions about human nature in public services. We see our work contributing by proposing a perspective on what Beck Jørgensen and Bozeman (2007, 377) call for: "[I]f there is any single item for a public value research agenda, it is developing approaches to sorting out values and making sense of their relationships." Furthermore, our results complement the Mooreian process perspective. Further research should—similarly to strategy or human motivation discourses—relate process ("call a public into existence") and content (what people actually value).

Contribution to Practice

As our study shows, in the case of the FLA constituencies do perceive and appreciate a public organization's social impact in a differentiated and subtle way. While the surveyed opinion leaders believe the FLA has an efficiency dimension, they also see more: a contribution to society, i.e., that a public organization has a moral obligation, as well as a political function. This leads to an even more challenging job profile for public managers: balancing efficiency—budget restrictions and performance measures—and creating a greater societal contribution. Since FLA managers are held accountable in terms of all three PV factors, they must be responsive to all of them.

Can sufficiently strong conclusions be drawn to help improve performance? Yes and no. No, because the methodology must also be applied to other organizations. Yes, because our case indicates that a public organization's performance is much broader than suggested by an emphasis on performance measures and customer feedback. Our analyses place the broader societal function (moral-ethical and political-social) alongside a more technical focus on institutional performance. Although constituencies do consider service-oriented institutional performance, there are also important calls for a broader value contribution by public organizations.

In effect, FLA units may differ regarding the score they achieve for the different factors. The additional dimensions are more elusive than existing ranking or rating systems. However, as this study shows, it is possible to codify such perceived performance dimensions. Furthermore, our model suggests that only an integral perspective on performance can capture an organization's PV. We arrive at the following proposition for improved practice: Quantitative feedback on perceived PV creation is necessary to align outcome-based public sector steering models with internal controlling measures. Only regular feedback on people's perceptions of PV can ensure

responsiveness to local expectations. Such responsiveness may be a tightrope between administration and politics, but as Waldo and Moore note, there is practically no sustainable alternative in a fast-changing environment.

Our approach, which relates to public sector effectiveness criteria models, is a combination of a goal model (PV as content) and a multi-constituency model (considering different perspectives), as advocated by Boyne (2003). Because goals evolve as expectations change, public organizations must use multiple sources of external feedback to ascertain current perceptions, but also to identify new opportunities to increase public value. In this respect, our results provide assessment criteria which allow us to compare how different constituencies actually value an organization's PV.

Concerning steering instruments and indicators, our results cast doubt on any one-sided approach. All efforts to promote new PV must consider constituencies' expectations, i.e., what people really value. This does not necessarily mean abandoning shared internal performance measures as a basis, but calls for an extended consideration of fairly intangible measures as well. A differentiated steering approach comprising the three public value dimensions established here might be an interesting way to correct one-sided approaches. For example, institutional performance consists of a number of technical tasks (such as service quality and cooperation activities), which are easier to measure in terms of performance measures. Moral obligation and political stability contain evaluations that are much more subtle. Our study proposes a methodology for "[m]aking implicit values of public service delivery explicit by developing alternative indicators" (Van de Walle 2008, 271).

We also need to question whether a dominant outcome orientation with a managerial impetus (e.g., management by objectives) would be fitting for the moral-ethical and political-social dimensions. Instead, we speculate that fulfilling the political mandate with a motivation for and an ethos of PV creation is often the best one can expect from public servants. We must at least consider different time scales for measuring and delivering such PVs. Another aspect concerns the degrees of freedom for local entrepreneurship (Meynhardt and Diefenbach 2011). As values cannot be directly delivered but emerge in relationships, their creation requires creative and innovative action. This poses a permanent governance and leadership challenge: not everything that is valuable with regard to PV can as easily be measured as objective, hard facts. To disentangle the aspects that can be managed directly by means of existing performance measures and those that require new approaches is crucial for an effective PV management.

The parsimony of our dimensions allows for their use in different organizations. While one may need to modify specific items' content, one could most probably use the same dimensions. In order to distinguish how each factor's relative weight varies across different external groups, one can compare the factor scores. Incidentally, in our case, the FLA is about to introduce this methodology into its management control system.

The evidence provided for an elusive concept such as PV is likely to present a major challenge for existing management models. Our study confirms empirically that understanding and explaining any public organization's normative function involves narrow fiscal or economic criteria, as well as non-economic ones at the same level.

Society must be integrated into public administration—a Waldonian thought, unsurprisingly.

LIMITATIONS AND FURTHER RESEARCH

Our study results are limited to one specific cultural context. Further research should seek to replicate the different dimensions, but also the general notion of “the public.” Further studies might use our methodology to compare different populations and different constituency groups. In particular, the resulting second-order factor should be replicated in relation to various organizations, which—in our view—can stimulate discussion about common ground in highly differentiated and fragmented societies.

More attention should also be paid to control for common method factors, such as data gathering techniques. We realized a cross-sectional design that appropriately categorizes and interprets data at correlative levels. There is also a need for a controlled longitudinal study design to glean more insights into PV dynamics as well as interactions between factors.

It remains to be seen what antecedents drive specific constellations of the three factors. For example, multilevel analyses might help identify local area factors’ relative weight, compared to more global ones, such as regional or federal influences. Along this vein, we need to inquire into cultural and legal determinants that shape the performance appraisal context.

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NOTES

1. The data set contained less than 10% of missing values. We tested for missing at random and used an expectation maximization algorithm to impute missing variables. This procedure safeguards against biases by excluding whole cases or lists of variables (Wirtz 2004).

2. LISREL enabled us to formulate and test factor structures at the measurement model level and to include our assumption about a second-order factor, which is interrelated with the explored three dimensions on a higher level of latent constructs. By applying relevant structural equation modeling tools, we could extract error variance and test alternative models by comparing the fit indices. This is not possible with more traditional approaches, where one would use factor-values and apply a second PAF. LISREL allowed us to define the second order construct—technically spoken—as an exogenous variable that “predicts” the endogenous ones (in our case the first-order factors).

3. Given our congeneric measurement model, the breadth of the construct (number of items) is directly related to the variance explained: The larger the factor’s number of items (i.e., the large construct-breadth) the better the chance to explain variance in the data.

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