

RESEARCH ARTICLE

An Innovative Public Value Chain to Improve Public Services

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Abstract

The paper aims to give a contribution to the debate on the improvement of public services through the development of a model, the *Public Value Chain* (PVC), which will take into consideration the features typical of the public services sector and its constant evolution. PVC finds its essence and strategic importance within an active and dynamic vision fostering the culture of change, outlining value-creating activities and determining operating procedures and approaches that will spread within the organization structure. PVC is based on the belief that public services organizations must be able to offer services always in line with the expectations and needs of citizens and enterprises, according to logics of excellent performances and efficiency in the use of the resources, taking into account that public services represent a quality factor in the life of citizens and in the productivity of enterprises. It is therefore possible to refer to a real value chain, even though this is not enough to give a comprehensive definition of the model applied to the public services sector. PVC highlights the complexity of operational contributions of each activity and the need for a coordination and finalization towards the final result, which is the added value the same public services organizations must be able to give.

Keywords: *Customer satisfaction, Public services, Public services improvement, Service marketing, Value chain, Value creation.*

Introduction

Public services can be regarded as a critical factor for the competitive development and the growth of 'country systems' (national economic, social and industrial systems). According to this approach, the organizations operating in the public services sector (including any public body and concession operator) play a key role as providers of services of general interest, which unquestionably have a strong impact on both the life quality of citizens and the productivity of enterprises. The performances of these organizations should be characterized by high quality and cost effectiveness as the aim is to bring Public Administration as much closer as possible to citizens and enterprises by creating 'public value' through the production of services increasingly more tailored to the needs of users.

In time, the above-mentioned considerations have allowed significant improvements to be introduced in the process of 'production and consumption' of public services, thanks to constant and important innovations in terms of services (what is offered), but mainly in terms of process (how it is offered), that is the ways through which activities are combined between them and create value.

In such a context it is essential to provide services that can meet the different needs and expectations of people, enterprises, and institutions, breaking a taboo that has been curbing the development of the sector for years, that is thinking of public services as something that must be provided to everybody in the same way. In other words, market logic also needs to be developed in the public services sector, meant as a properly well-regulated market that may be useful to the development of a country system. The aim is to meet demand expectations taking into consideration three macro segmentations:

- Demand from people
- Demand from any kind of enterprise;
- Demand from institutions, including Public administration bodies and non-profit organizations.

When changing the point of view, it becomes evident that concepts such as market, competition and excellent performances are not so different in application to the private or public services sector. This is also confirmed by the social-economic changes that country systems are now dealing with, which push increasingly more towards market liberalization and the privatization of

public services enterprises. The sector thus has had to deal with the opening of a far larger market, with public services being compared with those produced by other enterprises and where the same performances started to be compared with those of other competitors, even though the concept of competition applied to the sector may seem inappropriate when still thinking of it as something self-referential, static, generally over-bureaucratized, just referring to its own rules and regulations and far from comparing itself with other organizational reference contexts, either national or foreign ones.

In addition to this, when considering that the concept of competition is also based on an increasingly more compelling comparison among organizational performances, as in the case of national borders disappearing to include European and extra-European marketplaces, it becomes clear how the public services sector must necessarily come to terms with a larger performance system. Competition forces us to raise the level of performances in order to improve quality as well as to reduce prices and rates and therefore the costs that can be borne.

Public services must consequently be measured according to two essential points:

- Ability to meet the expectations of all users diversifying performances according to users' features;
- Cost-effectiveness, for services either delivered directly by public administration or by concession operators, which have to guarantee appropriate levels of performance.

Governance in the Public Services Sector

A governance capability is required to understand the logics of complex organizations such as those generally delivering public services. Such a capability is designed to promote an effective and efficient use of the resources available and, at the same time, to acknowledge a permanent responsibility in the management and administration of those resources, with the purpose of adjusting the interests of the community to those of any other economic system, be it public or private. In this respect, all the players need to be involved and actively participate, as they must become responsible for triggering a long-term development that may meet the needs of everybody and not of just a few. In the latest years, in the public services system, the logics implied in the concept of governance have had such a deep impact on the process of management and organization change that it can

be certainly stated that the global economic crisis now affecting many countries helped to point out problems in the public governance emphasizing some weak points to work on:

- Attention to stakeholders;
- Coordination of the several interests at stake;
- Systematic application of the principles of effectiveness, efficiency and transparency.

A *governance* is thus required playing an active and innovative role, which is based on a development project providing for a more complex process of investment in public services; the aim is mainly to improve performances to support community development as well as to cut costs referred to inefficiencies.

According to this interpretation, the governance reference model is the one of a public administration regarded as a citizen- and enterprise-oriented network system creating public value. Public administration is turned into a clear apparatus of skills and professional expertise that can positively affect the competitive advantage of a country. In particular, such a process of innovation considers not only the relations between public services organizations and citizens/enterprises, but mainly the larger network of relations within the public administration sector.

The Public Value Chain

Public governance highlights the way in which public services organizations should create social and economic value, while taking into consideration that those organizations are but economic bodies characterized by a public goal, with their own value-creating strategies and drivers.

From a strategic point of view, one of the main problems is to measure performances, that are to assess the results achieved in terms of impact on the community with reference to the resources used; this is a topic that has been highly-discussed in the reform of public administration in several countries.

Effectiveness, efficiency, equity, transparency, ethics, social sustainability and quality of services are only some of the factors that aim to redesign the complex machine of public administration. Nonetheless, assessing those factors looks extremely complex due to the non-competitive nature of the public services sector in the field of resource allocation.

Following an active and dynamic vision, a model, the Public Value Chain (PVC), is provided to be applied to this sector, which is crucial because it fosters the culture of change even before any reform, outlining value-creating activities and determining operating procedures and approaches that will spread within the organization structure. PVC is deeply influenced and at the same time fed by the operating procedures chosen to open up to the market and to serve citizens and enterprises, in the narrowest sense of the word.

In addition to this, PVC allows public services organizations to break away from their patterns of self-reference by innovating from the inside and thus making the process of change easier to spread and be accepted. Furthermore, when a public services organization is set up as a system of value-creating activities, the weight of each activity as well as their contribution to the final result can be thoroughly appreciated.

It can be stated that PVC may represent a tool driving public services organizations towards excellent performances, thus feeding the culture of change and continuous improvement in the supplier-consumption-customer satisfaction chain. As a consequence, PVC may be turned into a strong driving force for the development of those public services organizations pursuing a competitive edge. A key element will be the ability to understand the value chain in order to achieve and keep that competitive edge.

The above-mentioned considerations are based on the belief that public services must be delivered according to logics of excellent performances and efficiency in the use of the resources, in line with the expectations of citizens and enterprises. The activities of public services organizations are indeed based on procedures that have a strong impact on corporate outcomes and, as a consequence, on the value perceived by users; such a value is, on its turn, the result of a perfect integration among different value-creating activities, which are essential to increase the management and strategic quality of the same organizations.

With regard to this, the development of a strategically relevant PVC requires prospective core results to be identified that are specific for each organization. Results must be balanced according to the priorities of final users, with reference to what represents and creates the value that is given by the price citizens and enterprises are ready to pay for a service fully matching their needs. Hence, a public services

organization creates economic and social value when it is able to identify the best combination of those value-creating activities through which maximising the benefits for citizens and enterprises regarded as customers.

It is therefore possible to refer to a real 'value chain', even though this cannot obviously be taken as a comprehensive description of the model applied to the public services sector. The mere application of Porter's model, in fact, does not fit the organizations operating in such a particular industry sector. The activities taken into account are different, within certain limits, from those theorized by Porter (1985), with regard to their scale, progression and typology, even though they are in line with the overall logic according to which each organization includes two essential elements:

- Primary and support activities to create value;
- Margin or value, which represents the difference between the total value produced and the overall cost incurred for the service delivery process. In Fig. 1, the PVC suggested is detailed.

The importance of PVC is evident and its application to the public services sector certainly would help to evaluate and outline strategic areas for improvement in terms of both efficiency and effectiveness, thanks to the ideal combination of value-creating activities. PVC may be useful to increase the social and economic capital that, as already mentioned, translates into an improvement in the life quality of citizens and productivity of enterprises, thus leading to an increased competitiveness of the whole country.

It is important to remind that public services organizations have been set up to perform a 'social' function, that is to produce and deliver services the community can benefit from, thus fulfilling important public requirements while avoiding to entangle themselves. In other words, their main aim still is to fulfil a special productive vocation to serve specific needs. This however happens in a context of market rules and institutions that should promote not only the respect for users and their needs, but principally the appreciation of all the productive resources in order to promote a cost-effective management that may guarantee the profitability and development of any organization, be it public or private. The concepts of competitive strategy and value chain can consequently be referred to public services organizations, as they represent the mirror of the entire process of service creation and management.

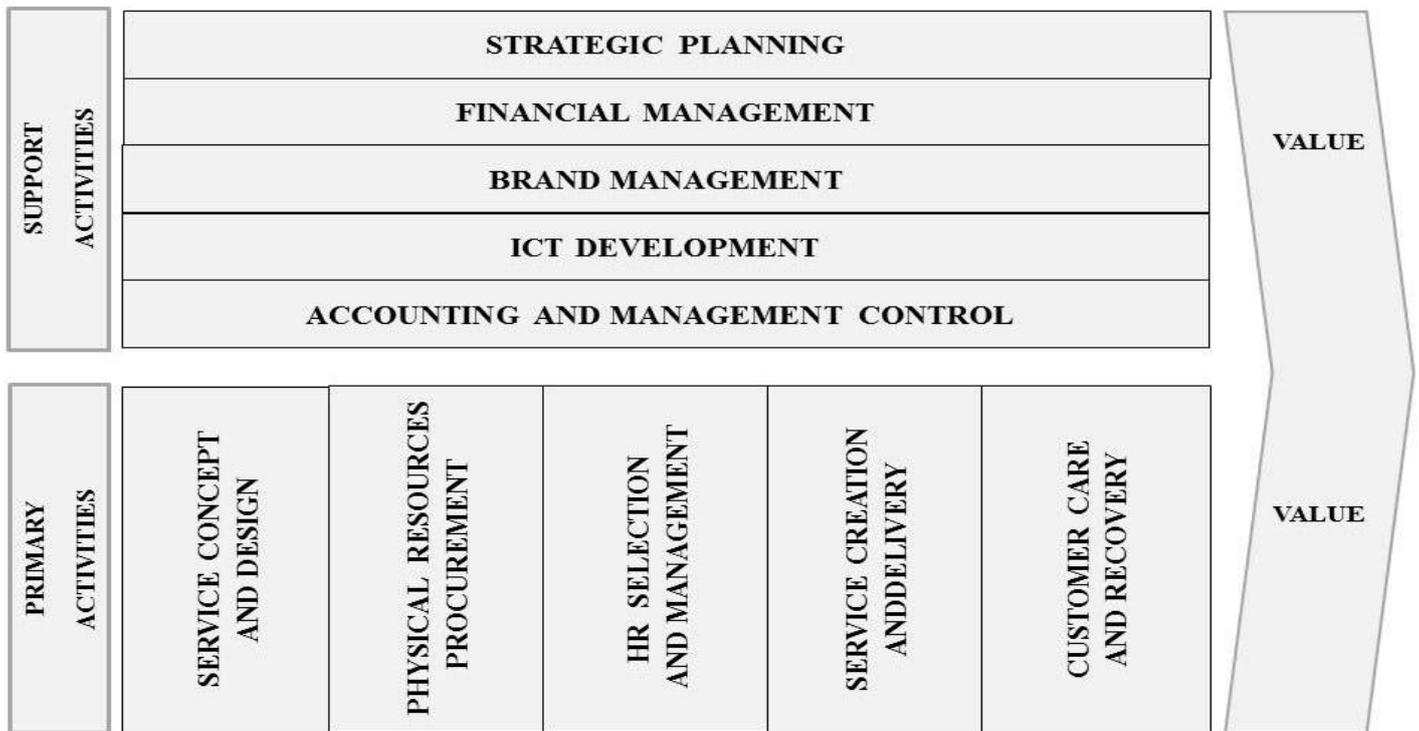


Fig. 1: Public value chain

The value chain is therefore the tool that allows the focus of attention to be broadened from what is offered to users to how it is offered, referring to all the processes through which activities are combined together and create value.

A correct development of the PVC may consequently allow an over-bureaucratized machine to be turned into a management machine, identifying the activities essential to the development of corporate business as well as the costs incurred and the results achieved. The purpose is to promote the constant improvement of the services as to increase the level of satisfaction of citizens and enterprises. The relation among the activities mentioned allows the weakest links of the chain to be detected, thus offering the opportunity to develop some strategically interesting alternatives to improve the entire value chain, creating a positive impact on competitiveness.

In the following paragraphs, a short description of the activities of the PVC will be provided, taking into consideration that each one of the activities will be further approached in specific dissertations.

Primary Activities in PVC

Public services organizations are responsible for investigating the costs and the results related to each one of the activities taken into consideration in order to identify any weak point and turn it into areas for improvement.

Service Concept and Design

When defining the concept of public service and designing it, the main reference is the analysis of the needs of end users, whereas customer satisfaction is meant as the goal to achieve even before being the tool used to achieve the expected goals of efficiency and effectiveness, in addition to consistency and sustainability of services in time.

The aim is to identify and structure public services as a set of components, primary and secondary ones, which could be later modified, managed and controlled with reference to demand trends over time. In this context, the optimal management of the trade-off between standardization and personalization of services turns out to be a crucial element. In particular, the intangible component, which is primary services, must be balanced by the tangible component, which is the secondary and additional services (supporting primary services) that represent the added value in service supply. In this view, the impact of additional elements, when consistently integrated, helps to plan services in line with the quality expectations of end users. The personalization of a service represents a crucial step in the process of interaction with users, as the service can be 'objectified' by identifying its tangible components. This will allow one of the primary value-creating activities to be constantly monitored and controlled while detecting any shortcoming in the management or

the structure, which may be hidden in the service planning.

Furthermore, an accurate planning of public services must be marked by a comprehensive design of the delivery process, which will take into consideration users' behaviour as an essential element for the successful outcome of the process and, therefore, of the quality of public services.

In particular, mapping activities and supply tangible components help to understand and outline the role of users and contact staff in the delivery process of public services. Such a different point of view also makes the *service blueprint model* [1] applicable, which allows services to be subdivided into their (basic and additional) components. The model shows the service delivery process, the times of interaction with users and the tangible components of services simultaneously; in addition to this, it provides for an accurate map of the entire delivery process of public services, with the purpose of identifying the key players of the process as well as the potential criticalities that may cause a bad perception of service quality. Defining the *service blueprint* model thus means to subdivide public services highlighting all the phases that contribute to their planning, through a careful description of activities composing service supply.

Physical Resources Procurement

When the structure plan of the services offered is completed, the acquisition of physical resources is required to implement the next step of service production and delivery.

In the case of public services, such a phase is very delicate due to both the amounts of resources to be acquired and the exposure to biased choices compared to the best ones. The topic of procurement thus often becomes a very important issue for public services organizations, as the widespread diffusion of a service requires a high availability of equipment, systems, materials and services.

The identification of the specific needs related to the planned services is firstly required as well as, later on, the identification of the suppliers who are able to provide the best quality-price ratio in the interest of citizens and enterprises. It is no coincidence that the procurement of physical resources, in the PVC structure, must be developed as a primary activity and not just as a support to value creation.

The procurement practices for those resources and the ways in which they are effectively combined and interact should therefore be carefully analysed, in order to understand the competitive advantage of public services organizations.

HR Selection and Management

Human resources are a key element to meet customer satisfaction in the delivery process of public services. In particular, front office staff play an extremely important role, as they are the most tangible part of public services, included in the service experience, on whom the successful outcome of the entire process mostly depend.

It is therefore possible to define the third primary value-creating activity, that is HR selection and management, which becomes one of the most relevant strategic components. The ability of the staff to manage users' needs properly is a crucial factor because users feel the perception of what they have experienced rather than reminding the service they were delivered.

The quality of the people is thus essential to determine the competitive quality of public services organizations, which can stand out increasingly more when dedicated to the effective management of human resources. With regard to this, only a global and focused strategy makes possible pursuing the goals of enhancing human resources within the context of service delivery process. Public services organizations should act according to the logic of *'think global, act local'*, developing and applying to themselves a management approach that must take into consideration the environmental dynamism now marking the sector, without leaving aside their own distinctive features. Actions consequently must be taken with regard to organizational identities and cultures, relationship building, appreciation and acknowledgement of organizational citizenship, in order to build a climate of confidence without which the systems of evaluation and appreciation of work would not be allowed to grow and develop.

To this purpose, the concept of internal marketing best fits the context, as it is a management philosophy through which it is possible to recognize the internal reference market and take employee satisfaction as a further (not alternative) practicable way to meet the satisfaction of end users. The ultimate goal is selective employee loyalty [2], because there is no collaborator better than the one who is confident

and satisfied with working for his/her company. Enterprises, on their turn, should attain the condition of *best place to work for the best people*, in which the best people are also those more in line with the needs and the expectations of the same organization.

Service Production and Delivery

This activity is designed to develop a production and delivery plan consistent with the available production capability, thus focusing on an effective cost management, when considering that the production cycle of public services is deeply affected by fluctuations in demand.

Perishability of services makes the phases of production and consumption coincide (*sincomarketing*), creating a real-time service experience through the interaction between user and service provider. Perishability is therefore related to the experience that may derive from services rather than to the performance itself.

The focus is thus shifted back to a crucial element involved in the construction of the PVC that is the creation of public services that are perceived as mostly tangible by users as equipped with those physical elements required to make service experience cope with user's expectations.

The elements of the public services production and delivery system can be identified as follows:

- User, directly involved in the process of service creation;
- Contact staff (front office);
- Servicescape [3], the physical environment where all service production and delivery activities take place;
- Internal organization system; physical support unseen by consumers (*back office*), which is essential to the service production process.

The tangible components characterizing public services can further be subdivided into the ones that are referred to the contact staff and the others related to the physical structures and all the other tangible elements. Users therefore assess production according to the elements they actually experience, depending on the perceived result.

From what has been discussed so far, it is clear that the entire process of service production and delivery can only be improved by triggering internal organizational innovation, in line with the need to increase the quality level of public services. This process could not exist without the *servicescape* [3], which points out the need to

describe services through their tangible components and at the same time represents the physical structure inside which users experience the entire process, with a possible positive impact on service experience.

Customer Care and Recovery

In a long-term vision, public services organizations must create a perceived and lasting value according to the concept of social sustainability. In this sector, a key concept is therefore that of stakeholders' satisfaction that measures the performances perceived.

With regard to this, it is appropriate to highlight that the service experience is generally the result of a series of moments of interaction and truth. In the following phase, users assess service performance, comparing it with their own expectations. When considering that customer satisfaction, as already stated above, is the mission of public services organizations, rather than a goal to achieve, it is clear how such a phase is extremely important to create positive expectations in connection with public services consumption and how it has a deep impact on the image and the reputation of an organization.

For this reason, when customer care activity is considered for the construction of the PVC, the focus should be on those factors that may affect the expectations and mostly the perception of public services. In particular, the so-called 'tolerance zone' must be identified, which represents a still acceptable service level between the quality level expected by users and the minimum quality level that does not generate dissatisfaction.

In order to manage the tolerance zone at the best and make real value be created, customer care activity must keep the zone as large as possible. This will be done through activities that comply each time with standardized criteria, but which are also designed for a reasonable degree of personalization, with reference to the fulfilment of users' expectations in service consumption.

Customer care can actually contribute to value creation as it helps users to better benefit from a service by exploiting all its potentials, on the one hand, and it is involved in the management of bad services also through recovery activities, on the other hand. The outlook is that of a wide-ranging activity coming before, during and after the acquisition and consumption of services by users. Customer care is thus intended as a set of activities designed to make service supply richer

and more competitive also, and maybe mostly, as the result of a preventive action and not just in the case of bad services.

This kind of activities generally has not been too much effective in public services nonetheless it represents a very useful tool to create satisfaction. For this reason, it is essential to develop the skills of the staff as well as to support them with appropriate technologies, which may truly help to meet all the requests in almost real time.

Such a topic is clearly connected to the much wider debate on communication, which has now become an investment factor far from being considered just a cost but also a value-creating activity.

Support Activities in PVC

The construction of the PVC requires support activities to be designed that may be useful to create the value perceived by users. Here below a description is provided with reference to the activities regarded as significant to increase the strategic and operational quality of public services organizations.

Strategic Planning

Strategic planning describes the attitude marking both the basic choices of public services organizations and their relationship with external and internal reference environments. Throughout their constant improvement process, those organizations often come across the need to rationalize resources, in both the medium- and long-term period. The concepts of efficiency, effectiveness, and the most general cost-effectiveness (which today can find their own dimension inside public services organizations) also head for a better allocation of resources. Strategic planning can and must consequently be used to endorse the entire process of construction of the PVC, working as a support activity of the entire value chain. The purpose will be to develop methodological and strategic processes through which fostering innovation.

A correct development of strategic planning may actually help to achieve the goal of improving and renovating the public sector through essentially increasing strategic effectiveness and operational efficiency. The result would be a reduction in the costs of the entire process and, consequently, in the public expenditure of the whole country system.

This activity looks crucial as it is closely connected with all the other activities of the

chain, on the one hand, and it helps to carry out a detailed analysis of the context in terms of community needs, on the other hand. The aim is to generate service supply consistent with the expectations and the needs communicated by stakeholders. In this way, public services organizations consciously become one of the main players in the value creation process.

Financial Management

Financial management is an extremely important and complex activity within the public services sector, which is required to achieve the goals of efficiency and effectiveness using more limited resources than in the past. Without delving into it, it is however appropriate to highlight that public services organizations are generally marked by a low level of working capital and a high level of assets, requiring a careful management of repayment plans. As an element positively affecting those factors, financial management can be a useful support activity to value creation, with the aim of producing the best financial return possible by a limited production capability available.

Brand Management

In a market-oriented perspective – in which satisfaction, reputation and confidence are increasingly more fundamental components when delivering appreciated and valued public services – the strategic management of the brand of public services organizations is certainly applicable, when the aim is to reinforce the effectiveness of the primary activities of PVC and create a positive impact on the image perceived, which may not be so valued.

There are various components that may help to reinforce a brand by building reputation and corporate identity and they are connected not only to the service delivered and communication, but also to tangible elements and staff behaviour. The role of human resources, in particular, becomes essential. The basic principle, in fact, is that the staffs are able to provide users and other stakeholders with the expected brand experience and to provide the organization they work in with a far higher level of dedication and motivation only when they fully understand and appreciate the 'public service' brand.

In such a context, a '*testimonial*' loyalty' [2] needs to be created that aims to turn the staff into the real spokespeople of the organization. The employer image is an intangible resource competitors cannot easily copy because it

integrates the features typical of the working position with the components typical of any corporate culture.

The Development of ICT and the Central role of Interactive Networks

The drive for change in the public services sector pushes towards a strong development of digital innovation projects designed to implement the competitiveness of the country system through e-Government actions. The aim is to improve public services and make public administration more efficient, modern and transparent, thus reducing the costs for the community. This would turn the public sector into an advocate of country development and a leading player to fulfil a complete social, economic and environmental renovation effectively.

On the one hand, the use of ICT (*Information and Communication Technology*) aims to create more effective tools for interaction with users, thus providing clear information and quality services; on the other hand, it is meant to improve information sharing and inclusiveness, while broadening the web of relationships among the different stakeholders in order to integrate cross-functional and intra-functional processes in the best way.

In this context, the synergy between human resources and technological applications turns out to be essential to promote quality services. The ultimate goal is to overcome barriers and organizational resistances, to develop a strong service culture, and to embrace an economic foresight in line with the sustainable development of the country system.

Accounting and Management Control

Control activities are essential to drive management activity and to guide the work and the functions carried out at any level of the structure, thus fostering value creation. Leaving aside their different ways of application, those activities are connected with the measurement

and assessment of the delivered performances, in the awareness that strategic decisions and choices must be taken using tools that may allow for a more objective assessment.

In the PVC it was deemed appropriate to clearly mention accounting and management control as one of the support activities as, in the public services sector, this is an essential activity to look constantly at the needs of citizens, enterprises and the whole of reference stakeholders. On the other hand, it is also regarded essential to improve the criteria of choice and selection with reference to resource allocation, even with regard to the competent public authorities.

This approach is supported by the fact that control and assessment activity needed the enforcement of special reference regulations in order to define the basic goals to achieve. It can be stated that this activity is even more important in the public services sector, involving the before-and-after analysis of the consistency and/or of any variance among the missions deriving from regulations as well as among the operational objectives selected, the operational choices made and the available human, financial and material resources. This activity is also designed to identify any impediment, responsibility for the failure or partial implementation of services, as well as any possible solution or remedy [4-47].

Conclusions

The paper aimed to highlight the importance of the PVC model in the process of public services development and improvement.

The model, as discussed above, fosters excellent performances and efficiency in the supply of public services meeting the needs and expectations of citizens and enterprises. It may therefore be worth regarding it as an issue for debate, in particular in a phase like the one we are currently experiencing, related to the spending review, in which the public resources of many countries are being reduced and often cut indiscriminately, which is an action that may result in a negative impact on the quality of public services and, consequently, in disadvantages for citizens and enterprises.

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Remarks

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