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Towards a holistic customer value approach in managing public health care services: a developers' view

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Abstract

Purpose – Recent literature within public service logic has called for more explicit conceptualisation of customer value in public services. This study aims to fill this gap by examining how the customer value approach can be applied in the management of public health care services.

Design/methodology/approach – This study is a qualitative case study of management of public health care services in Finland. The authors interviewed 17 regional health care service developers and analyzed the interview data using thematic analysis.

Findings – The study suggests five propositions for applying customer value approach from the marketing literature in public health care service management. The study enables a deeper understanding of customer value creation in this context and improvement of public health care services.

Originality/value – This study contributes to the public management research in general and public service logic research in particular by suggesting what constitutes customer value in public health care services.

Keywords Customer value, Public services, Health care, Marketing, Public service logic

Paper type Research paper

Introduction

Public health care in Europe is challenged by a demand to improve access to primary care, to tackle ever-increasing costs and to change the focus from curing disease to preventing illness (Palumbo, 2016), thus requiring novel, value-creating approaches in service management. To capture the complexities of such service management in public sector research, the Public Service Logic (PSL) has emerged as a reaction to the shortcomings of widely used New Public Management that introduced the idea of utilizing management principles from the private sector (Alford, 2016). NPM has been criticized for its overt concentration upon the managerial lessons from the manufacturing sector and focusing on discrete transactions and singular outputs (Osborne et al., 2013; Osborne and Strokosch, 2013) thus encouraging a short-term, introspective and transactional approach to the delivery of public services (Osborne et al., 2015). PSL takes a very different approach and argues strongly for integrating individual and societal value and value creation linking service production with their use (Osborne et al., 2021), increasing the interest in the value approach in public service management research. In line with that, major research streams in service marketing, including service dominant logic (Vargo and Lusch, 2004), service logic (Grönroos, 2011; Grönroos and Voima, 2013) and customer-dominant logic (Heinonen and Strandvik, 2015) all have emphasized service user's (i.e. customer's) role in value co-creation. Regarding value



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creation in public services, PSL has drawn especially from service logic (SL) literature in marketing discipline (Grönroos, 2011; Grönroos and Voima, 2013). In accordance with this thinking, the focus in PSL has shifted away from the "performance" of PSOs to "value" as a measure and similarly, the locus of public service delivery has shifted from linear production processes initiated by the PSO to emphasizing that service users create value through their interactions with the PSO within the service system (Osborne, 2018).

Although public management theory increasingly adopts marketing-originated views, it seems to struggle to apply the key concept of marketing, namely the customer. Indeed, in public services, the innate meanings of the terms customer and value are controversial and continue to spark discussion both in practice and academia (e.g. Osborne, 2018). We use the concept of customer to capture the perspective of the individual user of a service through the customer value approach in marketing (Zeithaml et al., 2020) in the context of public services. Especially in developing and managing public health care services, applying the customer value approach can help to configure the critical service points and thus detect opportunities to improve the value derived from public money (Nordgren, 2009). However, applying this approach requires in-depth understanding of the influence of this specific context. Therefore, it is essential to gain more empirical understanding (Osborne et al., 2021) on implications of customer value approach for PSOs and their service management.

The value co-creation paradigm is highly beneficial for public management research but only if it is contextualized to fit the public service environment and the distinctive nature of public services (Dudau et al., 2019). This is especially important in health care services that can be very differently managed in private versus public context. For example, the public sector's core motivation in service management and development is overcoming the challenges of allocating scarce resources in an impactful way to create the most value for society rather than delivering profit (Leijerholt et al., 2018). Furthermore, PSOs deliver services to advance the well-being of the populace while applying the basic principle of equality, that is, ensuring every citizen has appropriate access to services (Costa-Font and Hernández-Quevedo, 2012). Dynamics related to customer retention and voluntary agency in value creation are also very different in private and public sectors (Osborne, 2018).

Although the need to adapt the theoretical models of customer value from the private sector to meet the requirements of public services is widely recognized (Alford, 2016; Osborne, 2018), PSL has been developed primarily through conceptual research (e.g. Osborne et al., 2021) with only a few empirical studies. Moreover, as suggested in previous studies (see e.g. Eriksson et al., 2021; Osborne, 2018) value continues to be poorly understood and under theorized in public management research and definition of what constitutes "value" is still only embryonic in this literature. Thus, more nuanced empirically based understanding of value in public management is needed (Dudau et al., 2019; Eriksson et al., 2021), concerning of what value is constructed and how it can be conceptualized (e.g. Zeithaml et al., 2020). In relation to this, PSL has sought to balance the original individualized conceptualization of value with so-called public value, a construct that focuses on value at the collective level (Moore, 1995), such as the common good or the public interest (Beck Jorgensen and Bozeman, 2007). It has been suggested that value in the public sector needs to be addressed in a broader perspective that includes not only individual, private value but public value that benefits society at large (Moore, 1995). However, Osborne et al. (2021) criticize public value thinking as it lacks the links and tensions between individual and societal value and an overarching framework within which to situate value creation as the fundamental building block of public service delivery.

This study aims to fill the above-mentioned gaps by examining *how the customer value approach can be applied in the management of public health care services*. We acknowledge the importance of the wider ecosystem, i.e. the PSOs, employees, users, political parties and other relevant stakeholders surrounding the individual public service user (see Petrescu, 2019).

However, as the user/citizen is the basic unit of analysis and fundamental actor in PSL (Osborne, 2018), our focus is on the *individual value* that we conceptualize in this specific context by identifying the elements of value. This provides a novel and holistic understanding of customer value that has been missing from the current research in public management that, except for a few important conceptual studies (e.g. Osborne *et al.*, 2021), has discussed value in a fragmented and vague manner so far.

We first theoretically discuss the existing knowledge around value in public health care and identify the elements of customer value from the current service marketing research. In the empirical case study involving interview data of public health service reform developers in Finland, we define the characteristics of the public health care services development context and then analyse the impact of those characteristics on the way customer value elements can be transferred to that context. This study thus contributes to the theoretical discussion on value within public management research in general and public service logic research in particular.

Understanding of value in public health care

Recently, there has been a growing body of research integrating service marketing research with public management theory (see e.g. Engen *et al.*, 2021) resulting in the PSL. Specifically, service logic (SL) that explores the interactive relationship between the service provider and the customer in the co-creation of value (Grönroos, 2011; Grönroos and Voima, 2013) has been seen to provide significant implications to the public management research. The key point is that PSOs do not create value for citizens, but they can only make a public service offering (Osborne, 2018) and provide potential value, so-called value propositions (Eriksson *et al.*, 2021). Hence, it is how the citizen uses the service offering and how it interacts with his/her own life experience that creates value (Eriksson, 2019; Nordgren, 2009; Petrescu, 2019). PSL therefore starts from the service user as its basic unit of analysis and explores how public services and PSOs might be designed to facilitate the co-creation of value (Osborne, 2018).

In PSL, value co-creation is an essential concept that focuses on collaborations between service provider and citizen at the micro-level (e.g. Hardyman et al., 2015) and/or between a multiplicity of actors in public service ecosystems at the macro-level (e.g. Petrescu, 2019). Value co-creation in the public service systems thus includes actors from public, private and third sectors, as well as citizens/service users (Eriksson and Hellström, 2021). Despite recognizing various actors (see Hardyman et al., 2019) and some circumstances (Osborne et al., 2021), when citizens through co-design, for example, can derive value from public services as non-users, this logic is essentially user-centric, with the service user being the one realizing the value (Eriksson et al., 2021). In relation to this, Engen et al. (2021) state that PSL has mainly been developed with the private sector in mind, thus focusing on users' individual and private value instead of public value. While private value benefits users and is consumed individually by them, public value is said to benefit society at large and is consumed or received collectively by the citizenry (Alford and Hughes, 2008; Moore, 1995). Examples of public value include securing people's rights and justice, equal treatment, equal access to services and the upholding of democratic principles (Alford and Hughes, 2008). Sometimes private and public values can be in conflict in service provision and thus even cause destruction of private and/or public value (Cui and Osborne, 2022). Public values may enable or hinder the creation of individual value and thus an intersubjective approach to value creation, or value destruction in healthcare has been suggested entailing the construction and sharing of value perceptions among groups of people (Eriksson and Nordgren, 2018).

Even though it is well understood in the literature, that the private level, but also the group and public levels need to be considered in management of health care services (Eriksson and Nordgren, 2018), the individual experience can be regarded as an integral element of the value

Managing

creation. Further, complexity of public services, heterogenous public service users and changeable public value (see Cluley *et al.*, 2020), suggests that although public value is acknowledged as an important aspect of value creation, understanding is needed on the individual value in the health care context, which is on the focus in the present study.

To summarize; although PSL research has acknowledged the importance of value approach in the public service context, it has to a large extent focused on the process and nature of overly optimistic value co-creation, ignoring views of possible value destruction, or conflicts between private and public value, for example (Cui and Osborne, 2022; Cluley et al., 2020) and only implicitly discussed what constitutes value for the customer, i.e. for the individual public service user. PSL literature has examined those aspects, as well as loci, elements and processes of value creation through public services (e.g. Osborne et al., 2021), but the views have been detached, missing a holistic view to the elements of customer value and empirical studies on the topic are scarce. In this study, we utilize the service marketing research on customer value as a foundation to build a more comprehensive and explicit understanding of value as a central concept in the management of public health care services. Next, the key elements of customer value are discussed in detail.

The customer value approach in marketing research

To understand customers, value creation is central to current marketing thinking and an extensive body of literature exists on the phenomenon (Zeithaml *et al.*, 2020). From this research stream, five elements of customer value can be identified: *subjectivity, a processual nature, multidimensionality, contextuality and co-creation.*

First, *subjectivity* is at the core of the value concept, meaning that customer value is always a subjective evaluation made by an individual. Value is interpreted individually and subjectively by each actor (Edvardsson *et al.*, 2011) and it is realized in the user's life situation, i.e. value is integrated by the user with other actors' potential value offerings and resources (Osborne, 2018). Furthermore, value is socially constructed and emerges intersubjectively within peoples' social contexts (Eriksson and Nordgren, 2018; Helkkula *et al.*, 2012). Traditionally, customer perceived value has been defined as a subjective perception of the trade-off between multiple benefits and sacrifices relative to an alternative solution (e.g. Zeithaml, 1988). Current discourse in service marketing has redirected attention to the phenomenological nature of value creation (Edvardsson *et al.*, 2011) emphasizing the experiential foundation of value. The concepts of subjective customer experience and value are in fact strongly intertwined as value becomes realized through the experience gained when the customer activates and uses the service provider's offering and resources (Heinonen and Strandvik, 2015).

Secondly, customer value is *multidimensional* so that connected costs and benefits consist of several interrelated attributes or dimensions that form a comprehensive picture of a complex phenomenon (Sánchez-Fernández and Iniesta-Bonillo, 2007). In this regard, numerous different categorizations of these factors have been proposed to understand the essence of value perception (see e.g. Komulainen *et al.*, 2007). For example, the often-cited consumption value theory introduced by Sheth *et al.* (1991) categorizes value as functional, social, emotional, epistemic and conditional. However, it has been stated that even though value is by its nature a multidimensional construct, these kinds of categorizations offer only a partial and often a too-rational view of a complex concept (Lehtimäki *et al.*, 2018). Therefore, it is not sufficient to identify and define measurable value attributes; a more extensive customer-focused and experiential approach to value is needed to understand its essence.

Thirdly, customer value is *processual* in the sense that value is seen as not merely being connected to the actual object of exchange, but as being dependent on the whole

relationship between the counterparts (Lindgreen and Wynstra, 2005). Value from past exchange episodes has an impact on the overall value perceived by the customer (Ravald and Grönroos, 1996), for example. Value is connected to two levels: first, the process level that refers to the co-creation of value taking place during the service and relationship processes and second, the outcome level referring to value that is created in customers' own value-creating processes taking place after the service or relationship processes (Komulainen *et al.*, 2007). Thus, value perceptions may take place before, during, or after the service episode or relationship.

Fourthly, customer value is also *contextual* in that the customer's experience of value is acquired in a certain operating and social context in which institutions, such as social norms and conventions are key (Edvardsson *et al.*, 2011). It is about how service offering interacts with the life experiences and social context of a customer that creates this value (Helkkula *et al.*, 2012; Osborne, 2018). Customers are embedded within their own social systems that will fashion their own beliefs and values—and value can only be created within the context (Osborne *et al.*, 2021).

Finally, an essential element of value is *co-creation*, referring to the role of the customer in not only experiencing the value but creating it. The marketing research on customer value emphasizes the need for both service providers and customers to mutually invest in value creation since that process determines the value-in-use for the customer (e.g. Edvardsson *et al.*, 2011; Grönroos, 2011). The interaction of customer and service provider in value creation is often illustrated with the metaphor of value creation spheres, where either service provider or customer dominates the value creation or the two jointly co-create value (Grönroos and Voima, 2013). It is important to notice that value can also be co-destructed, meaning that value is collaboratively co-destroyed during the provider-customer interaction (see Engen *et al.*, 2021).

Empirical research methods

Qualitative methods support the purpose of this study by conveying a rich understanding of a complex phenomenon when it is not reasonable to study the quantity, intensity, or frequency alone (Denzin and Lincoln, 2000). As a research phenomenon, customer value in the public sector is highly embedded in its context and is also dynamic in its emergence patterns, thus justifying a qualitative approach.

To understand the context of public-sector service provisioning in relation to the studied phenomenon, we studied the health care development reform conducted in Finland. The development efforts highlighted the considering the users of the services and impact of the services as key strategic aims. The Finnish healthcare system is based on public healthcare services funded from taxation, to which everyone residing in the country is entitled. Traditionally, the system has been very decentralized, as the municipalities and their federations have been responsible for organizing and financing health care leading to various models to organize services as combinations of municipality-provided services and/or services procured from private sector actors. Thus, the scope and content have been determined in each municipality within the limits of legislation. Regional authorities guide and supervise services at the municipal level, grant licenses to private actors and monitor availability and quality of services provided.

We collected primary data through 17 interviews with regional health care service developers (see Table 1). Those informants were senior managers and experienced officers in regional health care authorities, hospitals and health care centres. They were chosen based on them being part of the group responsible for developing a new regional, more centralized organization of health and social services at the time when the new system was under construction in Finland.

Identifier	Developer's occupation	Organization	Duration of interview (min)	Managing public health
D1	Director of Elderly Care	City A	50	care services
D2	Finance Director	Social and Health Care Joint Authority A	33	
D3	Director	Hospital District D	54	
D4	Change Director, Social Welfare and Healthcare	Regional Council C	24	51
D5	Chief Medical Officer	Regional Council B	51	
D6	Change Coordinator, Social Welfare and Healthcare	Hospital District D	46	
D7	Finance manager	City A	69	
D8	Director of Regional Government Reform	Regional Council A	35	
D9	Project Manager, Procurement	Regional Council A	45	
D10	Change Director, Social Welfare and Healthcare	Regional Council A	54	
D11	Director of Regional Government Reform, ICT	Regional Council A	36	
D12	Project manager, Social Welfare and Healthcare	Regional Council A	24	
D13	Director of Welfare Services	City A	37	
D14	Director	Joint municipal authority B	82	
D15	Senior Officer of Social Welfare Services	Regional State Administrative Agency A	48	
D16	Coordinator of Regional Government	Joint municipal authority C	66	
	Reform, Social Welfare and Healthcare	-		Table 1.
D17	Project manager, Social Welfare and Healthcare	Joint municipal authority B	50	Description of informants

We conducted interviews using an open-ended interviewing technique to allow informants to freely express their perceptions and to allow the deep meanings given to customer value in the informant's narrative to emerge.

The interview data were transcribed and analysed using the abductive approach, which enables a deep dialogue between the theoretical understanding and insights arising from the empirical data (Dubois and Gadde, 2002). In addition to analysing relevant contextual characteristics, the thematic analysis was based on the five identified elements of customer value creation. We organized the data based on this theory-driven understanding of the customer value approach and the specificities of the public-sector context (see "initial codes" in Table 2), allowing new categories to emerge from the data, as the process proceeded (main themes and related subthemes).

Findings

In the following, we empirically identify the characteristics of the context of the public health care services management impacting customer value and discuss the elements of customer value.

Context of public health care services management

Firstly, the development of public health care services is driven by the aim to improve both the customer experience at the individual level and societal impact of services, despite the scarcity of public resources. Such multilevel drivers can draw the development of services in

IJPSM 36,1	Initial codes	Main themes	Subthemes
50,1	Contextual characteristics	Individual impact/societal impact/ scarce resources	A need to prioritizeA need to improve in all areas
- 0		Professional power	 Creates complex setting A tension in relation to customer focus
52	_	Equality Inflexibility	 A need for customer perspective May prevent impactful targeting Legislation/bureaucracy Political decision-making as a friction force
	The subjectivity of value	Creating understanding of subjective customer needs	 Horizontal silos Regarding citizens as experts by experience The use of service design methods Conducting surveys
		Cultural change of accepting subjectivity	 Organizing workshops Importance of subjectivity recognized However, developments not systemic yet
		Customer experience management more reactive than proactive	 Reliant on local resources Focus on customer satisfaction surveys Data not enabling corrective actions
		Who determines the value?	Political interests add complexityMulti-level nature of subjectivity
	The multidimensionality of value	Focus from single transactions to combination of services	To support varied situations of citizen more holistically Focus still too much on single transactions
		Value-based segmentation	Unique combinations of value attributes for different groups More detailed segmentation as a solution for challenges of impactfu cure
		Value is also about understanding customers' sacrifices	Costs like time, energy to acquire the services Sacrifices still not sufficiently understood
		A need for service integration	Cutting across formerly separated service areasHighlighting the uniqueness of
	Processual nature of value	Customer goal-oriented view instead of one service encounter at the time	 combination of value attributes The importance of a holistic view Challenged by silos and lack of collaboration
		Holistic perspective demands considerable levels of control across variety of service sectors	 Silos preventing development of holistic processes Management of individual processes as a point of developmen Tensions over responsibilities Importance of service guidance

Initial codes	Main themes	Subthemes	Managing public health
Contextuality of value	Customer value is experienced within the customer's operating and social context	Customer's context should inform value creation Requires knowledge of individual's	care services
		life situation Considering daily living environment and social context	53
Co-created nature of value	The use of terms patient/customer	 Revealing pre-assumptions of roles Customer/professional spheres "Customer" somewhat more active 	_
	Power of professionals impacting customer activeness	 than "patient" Professional power somewhat harmful for service culture Now the professional power is questioned: Knowledge more 	
	Customers as active subjects	accessible to everyone Customers are more demanding The goal to see customers more engaged to their own value creation process Customers as value co-creators	
		Services provided proactively	Table 2.

different directions and require managers to prioritize. Simultaneously, there is a pressure to significantly improve in each of these areas, which generates a complex setting for service management.

It is a triadic setting of customer experience, scarce resources and the impact of services. First, you should provide a better service experience in a situation where customers do not always know what is best for them. Resources are scarce and in future will be even more so. Services should be provided in a more impactful way, with a focus on preventing sickness. This equation does not work where the need for services grows, the experience should be better and services more impactful. (D8)

Secondly, in managing health care services there is a tension between the professional power of the medical experts and the assumptions that the increasing focus on customer experience can overly increase the customer's power. Associating the idea of customer value creation with the idea of customer getting what he/she wants, does not resonate well with the professional ethos or with the knowledge asymmetry between professional and customer, as the following quote shows:

I think that it [increasing customer focus] would equate to giving up professional power. Changing attitudes is the most important. There have been eye-opening experiences when professionals have taken the role of a customer . . . When developing, we still focus on how to make processes effective and how we professionals would do this in a flexible, quick and cost-efficient way, with sufficient quality. But [normally]we do not look at it from the customer's perspective. (D15)

A third characteristic of the context is the institutionalized idea of equality in public health care provision. Seeing the customer base through the equality principle may prevent the impactful targeting of services at certain groups of people.

... to recognize the universal weakness of our system, that is the same for everyone by the same means. But if we could only recognize different customer segments to allocate the right kind of services at the right time. (D16)

Fourthly, the development of public health care services is somewhat inflexible. Legislation can impose bureaucracy and development initiatives can involve several political and system-bound steps that can create inertia. In addition, horizontal silos between service areas often form incentives and cultural differences specific to service areas.

Traditionally issues have been solved by new legislation. And then it is municipalities that execute the legislation and then services are provided for the community. (D14).

Elements of customer value

The following sections review the findings related to the five elements of value and findings are reflected with the identified contextual characteristics.

Subjectivity of value. The data illustrate a sincere effort to find ways to collect information on and create an understanding of, subjective customer needs to develop the services processes. This involved regarding citizens as experts by experience, the use of service design methods, conducting surveys and organizing workshops when developing the services. Many of the informants recognized the cultural change of accepting the subjectivity of the customer in service provision. However, they also suggested that these developments are not systemic enough to offer a basis for service development beyond the local level.

The kind of culture of ignorance has vanished and it is understood that individual customer experience has its meaning, too, no matter what kind of experience it is. (D13)

Thus, understanding the subjectivity of value creation is not a systemic effort in public health care but remains reliant on resources at the customer interface locally. It is also recognized that immediate customer contact always ultimately makes or breaks if the subjectivity is realized in services.

The service encounter between the customer and our worker is the most important. We can do many things at the administrative level; develop projects, facilitate, train. But the responsibility lies in individual customer contact. (D1)

The interviews revealed both the importance of developing customer experience management and the challenges involved in doing so. Currently in the public sector, customer experience management is characterized by more reactive action than proactive customer understanding, by focusing on customer satisfaction surveys instead of tracking customer satisfaction to enable corrective actions as problems occur.

The subjectivity of value perception also raises the question of whose subjective value should guide service processes. The key question, who determines the value, is often difficult to answer in the public setting, when political interests add complexity to service development. In addition, the multilevel nature of subjectivity highlights the importance of understanding how people close to the focal customers, such as family and friends, influence customer value.

In-service development . . . should not only be about listening to individual customers but also those close to them, who live with them, because that is the reality the individual lives. (D1)

To summarize, efforts to develop public health care services increasingly recognize the customer's subjective value experience but applying it to its full potential clashes with the requirements of changing political frames and constrained resources. Furthermore, in this context, subjectivity appears as an interplay between individual and public value and characteristically resembles a multi-actor construct more than individual subjectivity.

The multidimensionality of value. The data indicate that the service development initiative in our case targeted a multidimensional form of value creation. Rather than focusing on the

single value attribute of medical cure, there is a shift towards understanding the varied combinations of value attributes influencing customer value creation. For example, our informants often mentioned a general aim of moving the focus from reactive, single service transactions to combinations of services supporting the different situations a citizen faces more holistically.

Although the data show the recognized importance of multidimensionality in value creation, it is often suggested, too, that a public health service continues focusing on a single transaction and direct functional value (like curing disease piecewise) instead of seeing a customer's life holistically in service encounters.

Are you [professional] able to think of the customer viewpoint and see the human being as a whole, not as a case or a disease? (D6)

The data also highlight the value-based customer segmentation and understanding the unique combinations of value attributes as being meaningful for different groups of citizens. More detailed and effective segmentation can solve at least some of the challenges involved in increasing the impact of services in a situation marked by resource scarcity.

What is valuable to some is worthless to others. We have to cover the whole population, which is a heterogeneous group! I would like to include an understanding of segmentation, classifying, or suchlike . . . an understanding of differences in service needs and the tools needed. (D8)

It is also suggested that understanding the multidimensionality of value creation is not only about the variety of potential value attributes (emotional, functional, etc.) and about their combinations, i.e. the benefits; it also involves understanding the costs for the customer (e.g. the time and energy expended to acquire the service). This understanding was recognized as being absent to a considerable extent from the development of public services.

The cost is not only on the service provider side but on the customer side there are also costs of service that should be taken into account. (D6)

Finally, the idea of multidimensional value creation spurs a need for service integration that cuts across formerly separated service areas (health care, social services, educational services, employment services, etc.), also highlighting the uniqueness of every combination of value attributes required.

It is indeed an individual customer's experience, for they do not need a similar integration, but (integration) is always very unique. (D16)

The above analysis shows that a holistic approach to customer value creation should be at the heart of public health care development, which is bound to the processual nature of value creation, something we address further below.

Processual nature of value. Based on the data, essential in developing the services is seeing the customer from a holistic perspective and goals instead of focusing one service encounter at a time. However, silos and a lack of collaboration between departments like health and social services often prevent the efficient development of holistic service processes, as reflected in the following quotation:

We talk about silos, silos should never exist [...] When we are providing services for the same customer, we should see the holistic picture and collaborate. For example, for a child who needs social services, there are also youth work, hobbies, preventative services and all related third sector services. (D9)

Holistic perspective to customer value demands considerable levels of control over the processes across a variety of service sectors. In the data, management of an individual's health and social services was considered as a point of development, but also seen as causing

tensions over responsibilities. Recognizing a customer's individual service needs and pointing the customer towards the right processes requires professionals who understand the phases of the service processes and can deploy unused resources in the service processes.

We should identify those people who repeatedly use services and some professionals should then adhere to the situation. There are people in the service system that use a lot of services and no one does anything for that. We should invest much more in guiding and managing customers. Those people could get a support person who would familiarize him/herself with the customer's situation and would help the customer through the service system. (D15)

To summarize, the data illustrate the importance of holistic and processual approach to customer value. A thorough understanding of the customer's life instead of focusing on separate encounters as well as cross-functional collaboration between different authorities in service provision is critical.

Contextuality of value. Customer value is experienced within the customer's operating and social context. From the service development perspective, our data suggest that a customer's context should inform attempts to create value for customers. This requires investigating an individual's life situation and the planning of solutions to address that situation. In addition, considering customers' daily living environments and other people in their lives become important. This perspective, then, relates to developing processes from the customer's perspective, as the following quote illustrates:

If we are talking about developing services, I think we should not do that only with that customer group who has for example some illness, but also with their nearest communities and those they live with. Because, anyway, it is the reality [...] where he/she lives. (D1)

In summary, service encounters should comprehensively capture a customer's personal and unique context instead of relying solely on professionals' predetermined procedures or standardized service blueprints.

Co-created nature of value. The use of the terms customer and patient in the health care context illustrates problematics related to the role of customers. In health care services, the service provider's sphere in value creation terms may include medical procedures, the customer's sphere includes self-care and preventive way of life and the joint value creation sphere encompasses their interconnection including the long-term planning of care. The data shows how the term customer is used to portray someone more active than a patient.

Well, many times I use the term customer or patient ... and in social care, they talk about "customers" but in health care, it is "patients" ... A customer is somehow more natural, as it contains more aspects of self-determination and personal responsibility. (D13)

In connection with the traditional roles in health care, the power of professions also seems to impact a customer's ability to be active, or the professionals' views on that ability.

Professionality in this work and the power used related to it has traditionally been harmful to the service culture. How many forces exist that break that power: knowledge is attainable for everyone, customers are not so humble anymore, they are more demanding and they have more alternatives [e.g. between private and public services]. (D8)

The role assigned to the customer seems to affect how active the customer can be in the process of value co-creation. The goal for service development would be to engage customers in their own value creation process, rather than their being merely the subject of that process. At the same time, services should be provided proactively rather than being a reaction to a situation.

In summary, the extent of customer activity varies in the service provision and that also determines the understanding of value co-creation in health care. Encouraging customers to

become value co-creators and service co-developers currently seems to be one of the key challenges in the health care context.

Discussion

Our empirical study suggests that power asymmetries between professionals and customers can complicate professionals' understanding of subjective customer experience and assimilating it into service management. The bureaucratic and political system may hinder the understanding of whose subjective value perception should be in the focus: customer's/user's, family members', or political decision-makers', for example. Similar challenges caused by regulatory frameworks are recognized in recent discussions on value co-destruction in public services (Engen et al., 2021). This may result in a gap between individual value and public value in the context of public sector service provisioning. The integral role of these both has been recognized in literature (Eriksson and Nordgren, 2018) and there has been a call for more extensive understanding of individual value within NPM (O'Flynn, 2007). Our data shows developers' willingness to understand subjectivity of customer value and actions being taken to consider it in service management to design more empathic and context-sensitive services (see e.g. Mattelmäki et al., 2014). However, in our data, currently, those actions seem more local and dependent on the organisation than a systematic principle. Accordingly, our first proposition is:

Proposition 1. In public health care services, value is subjectively perceived by individuals and influenced by a collective perception including family members and society at large.

Understanding the multidimensionality of customer value in public service management can create opportunities for more effective and cost-efficient service provision. It can enrich current segmentation practices, often based on demographics, in health care management, by enabling a more individualized and customer-oriented approach in service provision. While addressing the context, this multidimensional view to value attributes (e.g. Sheth *et al.*, 1991) may conflict with equality requirements and the hegemony of the professional viewpoints in health care service provision (see Alford and Hughes, 2008). However, it may help to overcome the tendency to focus on transactional encounters and functional value only. Instead, understanding the customers' lives and the related value attributes beyond functional value, such as emotional value (Mattelmäki *et al.*, 2014), or the sacrifices customers make when using the service, can build the more nuanced view to individual value called for by Dudau *et al.* (2019) and stressed by Hardyman *et al.* (2019) and help to integrate services provided by different professions. These notions prompt the second proposition:

Proposition 2. In public health care services, customer value is multidimensional including medical cures and individuals' emotions, valuations, preferences and the sacrifices they make.

Understanding the difference between satisfaction with a service process and its outcome can be challenging. Seeing value creation as an ongoing process of the customer journey would enhance not only continuity of the care but also organizing the service management. Our findings suggest complementing traditional customer feedback with gaining an in-depth understanding of the customer's journey to support customer value creation and finding the focus for development actions. Thus, silos of service areas, a professional tendency to focus on functional value and a lack of collaboration between professional groups can hamper the processual approach needed to support customer value creation. To build more unique and impactful processes requires more guidance during the customer's journey. According to our findings, professionals with knowledge of broader combinations of services and cross-

sectional service integration could enhance value creation by recognizing customers' individual service needs and directing them to the optimal processes. The meaningfulness of value configurations and organizing of collaboration between public service providers has been discussed recently also by Eriksson *et al.* (2021). Hence, our third proposition is:

Proposition 3. Customer value in public health care services is created throughout the customer journey and enhanced with cross-sectional, meaningful integration of services.

The inherent contextuality of value creation highlights a need to investigate an individual's life situation and devise innovative solutions to address it. Our findings suggest that those solutions must also consider the individual's daily living environment and significant others, being in line with findings of Skarli (2021), for example. Solutions would therefore require that the professional viewpoint is complemented with an understanding of the resources available in the customer's context that either facilitate or hinder value creation in public services, also noted by Engen *et al.* (2021) in regards value co-destruction and Cluley *et al.* (2020) in their critic of public service value concept. Moreover, there is a clear need to consider the unique individual contexts in service management in tandem with the scarce resources available to do that in public health care. Hence, our fourth proposition is:

Proposition 4. Customer value creation in public health care services is embedded in the customer's personal and unique context that service providers must capture during service episodes instead of relying only on standardized service blueprints.

The co-creative nature of value creation in public health care does not mean that customers should prescribe their own medicines but involves viewing the customer as an active cocreator of the value and as we emphasise, responsible for one's own value creation, instead of being the only subject receiving value. However, in the health care context, it is necessary to consider the various abilities of customers to co-create value, as well as destruct value through public services (see Cluley et al., 2020; Cui and Osborne, 2022). User is seen as a central value co-creator in PSL literature (Osborne, 2018) and understanding of users, their activities, interactions and experiences in context has been seen as key issues in services and actors' resource integration efforts and value co-creation activities (Wetter-Edman et al., 2014), but it is still not fully understood in practice. Neither is value co-creation about merely self-service, although this can offer a means for empowered customers to participate in value creation. Therefore, service providers should find opportunities for customers to contribute to value creation, potentially in their own ecosystem (e.g. their family) and based on their resources. Value co-creation in the studied context is about resource integration between customers, a network of professionals and the customers' own ecosystem (see Skarli, 2021). Our findings indicate that in public health care, the professional power influences a customer's opportunities to co-create value, although customer involvement in value creation is a prerequisite of those customers deriving value. The fifth proposition is therefore:

Proposition 5. Customer value creation in public health care services is dependent on participation of customers in value co-creation. Participation can be active or passive and subject to customer's willingness and abilities.

The propositions outlined above envisage a proactive approach to service development rather than a merely reactive one. In Table 3 below, five customer value elements are viewed through the lenses of the characteristics of public service development identified, further developing the customer value approach in this context. The examination of the elements of the value also points out to the interconnected nature of these elements highlighting the need to understand the customer value in public health care services holistically, taking each of the

Characteristics of the public	Elements of value				
health care service development context	Subjectivity	Multi-dimensionality	Processual nature	Contextuality	Co-created nature
Contradicting drivers of developing customer experience and increasing impact of public services and scarcity of public	An interplay between individual and public value Who can determine what is valuable?	Finding right value attributes would enable more impactful allocation of resources	Understanding the difference between satisfaction with the service process vs outcome to find correct focus for	Contradiction between a need to take into account the unique contexts when scarce resources prevail	Focus on professional view considered as a starting point for impact, making idea of co-creation
Tension between the professional power and the assumptions of increasing customer's power	Focus on professional viewpoint in service development	Tendency to focus on transactional solutions and functional value	development Tendency to focus on transactional solutions, thus, part of the process only instead of coping with the holistic life situation	Professional viewpoint should be complemented with the understanding of resources in the customer context	Catalenging Seeing the customer as an active value creator and co- creator, instead of being only a subject
Institutionalized idea of equality of service provisioning	Subjectivity contradicts with this by highlighting individual aspects of value creation	Contradicts by highlighting uniqueness of value attributes	To build more unique processes, more customer guidance is needed	Identification of individual's context and planning services based on that	Value co-creation in this context is about resource integration between ecosystem actors
Legislation-led system entails bureaucracy and silos	Whose subjective understanding of value is listened to in the bureaucratic and political system?	Challenges service integration across variety of professionalisms with multi-dimensionality	Challenges service integration across variety of professionalisms and service areas	Challenges service integration across variety of professionalisms and service areas	Value co-creation is about resource integration between variety of actors

Table 3. Customer value approach in the development of public health care services

elements into account. This reveals the complexity of customer value and the way it needs to be adjusted within the public health care services context.

Conclusions

This study contributes to discussions on the public services management, firstly, by providing empirical, holistic understanding of what constitutes value in public health care services. Although the co-creation has already received attention in existing PSL literature. this study adds knowledge of individual value, which is an integral element of the value cocreation. Our study sheds light to the value elements not thoroughly addressed by previous research, such as subjectivity, processual nature, multidimensionality and contextuality of customer value within public health care services. The present study emphasises the need to understand all the elements of customer value and how these interact to form a holistic value experienced by the customer in public health care. By employing the customer value concept, the present study is in line with the notions of Heinonen and Strandvik (2020), considering customers as central actors in the service process and actors within their ecosystem and life worlds. This study also aligns with Osborne (2018) in suggesting that a focus on the customer leads to measures of success of public services extending beyond organizational performance and essentially becoming as customer value derived from service. Moreover, this study adds to the line of recent literature (see Grönroos, 2018; Engen et al., 2021; Petrescu, 2019) by suggesting that although public services differ from for-profit services in many ways, service marketing theories – and particularly customer value (e.g. Edvardsson et al., 2011; Sánchez-Fernández and Iniesta-Bonillo, 2007) and value creation research (e.g. Grönroos and Voima, 2013; Heinonen and Strandvik, 2015) - has the potential to renew the theory of public management, if applied with a critical approach (see Osborne, 2018). The importance of understanding of the organizational and legal structures or professional norms (Eriksson, 2019) and their direct connection to actual everyday practices in health care service provision appears a key issue in applying the customer value approach.

Secondly, previous research has called for more empirical research in understanding value (e.g. Osborne *et al.*, 2021) created in public services and public health care services. By explicating the unique elements of customer value within public health care services, the study contributes first to the PSL literature (e.g. Grönroos, 2011; Osborne, 2018) by increasing the empirical research in the domain, thereby adding also to the research stream on the customer value approach in services (Zeithaml *et al.*, 2020).

For managers, putting suggested propositions at work would enable developers to accurately apply the marketing-originated view of customer value in the public health care services. Critical insight should be directed to ensuring co-creation as a means to support customer value creation, not a means to increase the customer's input in service provision as such. By acknowledging the multidimensionality of customer value, service developers can increase customer value and the impact of services through service process-related activities, not just medical treatments. Service design is a user-centred, co-creative, sequencing, evidencing and holistic approach to service development (Stickdorn and Schneider, 2010; see also Holmlid, 2012) that is closely connected to customer value creation approach. According to Wetter-Edman *et al.* (2014), designing of service innovations is centred on understanding and engaging with customers' own value-creating practices. This denotes the importance of the individual level value as the basis for designing the value co-creation as well, of which our present study provides more knowledge. For service developers in health care, employing varied service design techniques may allow a deeper understanding of the customer perspective and enable service development based on customer value.

It is important to acknowledge the high level of context-embeddedness, the multitude of organizational levels and the political processes associated with the development of public

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services. The data collected in the present study certainly offer merely one example of the phenomenon; however, to ensure the findings have broad relevance, we have described the data and the empirical context of the study carefully. The present study focused on the service developers' perspective and future research should also expressly address the customer's perspective and elaborate on the value elements. Future studies might also address identified characteristics of the public health care and especially political and legal factors, more comprehensively by examining the way customer orientation becomes embedded in public policy-making discourses and the way customer orientation emerges from public-sector practice.

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