Conflicts fostering understanding of value co-creation and service systems transformation in complex public service systems

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Deriving from approaches of PSL, service ecosystems, complexity and conflicts, this article proposes a framework of complex public service systems for understanding public service management. As drivers of service systems transformation, conflicts foster understanding of value co-creation, its underlying challenges, and service systems transformation. In the empirical study of youth service development initiative, the organizational actors' conflicts in understanding the service users' needs, value, the roles of actors, and the service system transformation were identified. In conclusion, the conflicting institutional arrangements in multi-actor, complex, and overlapping service systems' settings both maintain and disrupt the value co-creation and service systems.

Keywords: conflict; value co-creation; public service systems; service ecosystem; public management; complexity-informed research

Introduction

Public organizations from governments to municipalities and PSOs are facing complex, unstructured, ambiguous and uncertain challenges evoked by our increasingly complex societies. Solutions to these challenges are often sought by service system reforms and service development initiatives. Rightfully, these initiatives often locate the co-creation of value to the lives of citizens and service users at the heart of service management (Osborne et al. 2015; Trischler and Charles 2019).

Especially in the social and health care sectors, service users struggle with wide variety of problems from physical and mental health issues to poverty and social problems. Attempts to meet the needs of the service users inevitably involve multiple actors and intersect sectoral, organizational and systems' boundaries. Consequently, in ever changing multi-actor, multi-level settings, a service systems' approach is required (Eriksson et al. 2019; Lee and Lee 2018; Waardenburg et al. 2019).

Even though the objectives of the reforms and development initiatives are often jointly accepted, the institutional arrangements underlying the action, decisions and behaviour of organizational actors vary (Skålen, Aal, and Edvardsson 2015; Vargo, Wieland, and Akaka 2015). These contradictory institutional arrangements give rise to conflicting understanding about what value is and how it should be created (Vargo, Wieland, and Akaka 2015).

In this article, we suggest that conflicts act as 'a key driver of the transformation of service system' (Skålen, Aal, and Edvardsson 2015, 250), and should therefore be studied in all their richness. Our the aim is to unravel the process of value co-creation in service systems by *identifying conflicts between organizational actors* and by asking *how these conflicts affect the processes of value co-creation and service system transformation*. With a focus on complexity and conflicts, we expect to provide insights about the transformation of service systems and the hurdles of value co-creation (Echeverri and Skålen 2011; Osborne et al. 2015; Skålen, Aal, and Edvardsson 2015; Stacey 2011; Stacey and Griffin 2005).

Focusing on multi-actor settings in public service systems, scholars have recently undertaken research on Public Service Logic (PSL) by utilizing, for example, the perspectives of social context (Eriksson 2019) and collaborative governance (Eriksson et al. 2019). Also a service ecosystem perspective, deriving from service-dominant logic (Vargo, Wieland, and Akaka 2015; Vargo and Lusch 2016) has gained attention (Trischler and Charles 2019). The service ecosystem perspective foregrounds the complex and dynamic transformation of overlapping, multi-actor service systems in value co-creation (Skålen, Aal, and Edvardsson 2015; Vargo and Lusch 2016).

Especially in the public sector, complexity-informed research is often called for but scarcely utilized in practice (Greenhalgh and Papoutsi 2018), and increasing

demand have been raised for complexity-informed empirical research. Complexity-informed perspective recognizes the uncertainty, paradoxes, and complexities of everyday organizational life; focuses in evolutionary change, real-life dynamics, and challenges; and simultaneously addresses multiple levels of scale (Castelnovo and Sorrentino 2018; Eppel and Rhodes 2018; Haynes 2018; Vargo and Lusch 2016; Waardenburg et al. 2019).

Empirically, we conducted a qualitative case study examining a youth services development initiative in a Finnish city, Turku. Embedded in social and healthcare service systems, youth services accurately illustrate the complex context in which the conventional approaches of new public management (NPM) to public service delivery (Osborne et al. 2015; Virtanen and Kaivo-oja 2015) may fail to address the complex problems of youth (see, e.g., Tuurnas et al. 2015).

Theoretically, grounded in PSL, this article contributes by widening the scope of value co-creation from a systems' perspective in three ways. First, we contribute by exploring the service ecosystem approach as a more realistic lens for understanding value co-creation and the central role of institutionalization in it (Vargo and Lusch 2016; Vargo, Wieland, and Akaka 2015; Vink et al. 2019). Second, we consider the complexity-informed approach to foster a holistic and dynamic understanding of value co-creation and, particularly, how micro-level interactions enhance macro-level system structures and patterns (Eppel and Rhodes 2018; Castelnovo and Sorrentino 2018; Haynes 2018). Third, we contribute by understanding conflicts as drivers of service system transformation (Skålen, Aal, and Edvardsson 2015). As a synthesis of these ideas, we propose a framework of complex public service systems.

Value co-creation within complex public service systems

Value co-creation in public service logic

The creation of value as a desired outcome of service processes is currently one of the key doctrines of public management theory, following the ideas of PSL (Grönroos 2007; Grönroos and Voima 2011; Osborne, Radnor, and Strokosch 2016). PSL focuses on managing the value co-creation in a manner that fosters effective public service design and delivery (Hardyman, Daunt, and Kitchener 2015; Osborne et al. 2014, 2015; Osborne, Radnor, and Strokosch 2016; Osborne and Strokosch 2013; Radnor et al. 2014). In order to meet the needs and societal problems of the service users (Trischler and Charles 2019), PSL shifts attention from the service organization's internal efficiency to the external value co-creation as 'adding of value to the lives of citizens and service users' (Osborne et al. 2015, 426).

Many aspects affecting the value co-creation process from the service user's perspective have been identified in previous research. For example, these include organizational structures and sufficient infrastructure (Voorberg et al. 2014), [open] organizational culture (Verschuere et al. 2012), service providers' sufficient skills concerning the utilization of user knowledge in value co-creation (Steen and Tuurnas 2018), (inter-) organizational dynamics (Tuurnas et al. 2015), social systems (Skålen, Aal, and Edvardsson 2015), and institutionalization (Vargo, Wieland and Akaka 2015).

Evidently, multiple organizational actors play an essential role in enabling or hindering the possibilities for value co-creation with service users. As previous research shows, organizational actors—from mid-managers to street-level workers—affect the manner in which policies are implemented (cf. Buchanan et al. 2007; Lipsky 1980; Tuurnas et al. 2015; Tuurnas 2016). Particularly in the public sector, value co-creation

often occurs independently from the service provider (McColl-Kennedy et al. 2012; Trischler and Charles 2019).

In the service systems approach, value co-creation is situated beyond the customer-frontline worker dyadic relationship within a service system. A *service system* is a 'dynamic configuration of actors and resources that enable value cocreation through the integration and use of resources, benefitting actors within and across linked service systems' (Skålen, Aal, and Edvardsson 2015, 251). The service system includes various stakeholders–from public service organizations (PSOs) to private organizations, local communities, service users, citizens, nongovernmental organizations, and even technologies (Osborne, Radnor, and Strokosch 2016; Radnor et al. 2014; Trischler and Charles 2019).

The service ecosystem approach to value co-creation

Widening the scope of service systems, the *service ecosystems* approach recognizes that multiple actors co-create value in dynamic and overlapping service systems, which are governed and evaluated through institutional arrangements (Vargo and Lusch 2016). Institutional arrangements not only enable but also constrain value co-creation (Vargo and Lusch 2016; Vargo, Wieland, and Akaka 2015), by creating '*conflicting* views of value and how value is derived' (Vargo, Wieland, and Akaka 2015, 68, emphasis added).

The service ecosystem approach offers a holistic and systemic way for understanding value co-creation by bringing to the fore the institutional arrangements and the complex transformational nature of service systems. The transformation is happening through *institutionalization* where actors disrupt, maintain, and create institutional arrangements. Service ecosystems respond to changes that take place also

in other systems, thereby influencing transformation in one another. (Trischler and Charles 2019; Vargo, Wieland, and Akaka 2015; Vink et al. 2019.).

A complexity-informed approach fostering understanding of public service systems

According to the service theory, the focus for public service development and management must be on an open service system replete with complex interactions rather than organizations or even interorganizational networks (Gummesson, Lusch, and Vargo 2010; Radnor et al. 2014; Trischler and Scott 2016). As Radnor et al. (2014, 406) argue, 'addressing the complexity of this iterative and interactive system is at the core of effective services management'.

Utilizing a complexity-informed approach implies placing the context-specific, socially constructed behaviour of actors as well as their interaction (Castelnovo and Sorrentino 2018) at the core of public policy implementation, public management and their research. What becomes essential is to acknowledge in complexity-informed approach are various actors and their role and impact in co-creating value within service systems in a specific context. Consequently, the social forces and structures, which enable and hinder interaction among these multi-actor service systems, must be addressed in order to unravel and understand the processes of value co-creation (Eriksson et al. 2019; Akaka, Vargo, and Lusch 2013).

What is inherent in the complexity-informed approach is that attempts to co-create value in open, dynamic and overlapping service systems (Trischler and Scott 2016) does not necessarily lead to positive outcomes. Instead, the co-creation of value for one can result in the co-destruction of value for another. For example, Plé and Chumpitaz Cáceres (2010), in addressing the risks of value co-destruction, note that value destruction can occur in interactions among different service systems. And, as Wu

(2017) suggests, value co-creation might lead to increased dissatisfaction from both provider and client perspectives.

Conflicts of institutional arrangements in value co-creation

To understand and reveal the potentially contradictory outcomes and institutional arrangements influencing value co-creation processes, we propose that the conflicts become an important subject of study. Conflicts of institutionalized aims, values, beliefs and practices affect the behaviour and decision-making of actors within service systems and must therefore be foregrounded. (Skålen, Aal, and Edvardsson 2015; Vargo, Wieland, and Akaka 2015.)

We define conflict as *an individual's experience and understanding of a given situation or phenomena which is different from that of others involved* (cf. Mowles 2015; Rossi 2019; Stacey 2011; Stacey and Griffin 2005). Conflicts of aims, values, beliefs, and practices of simultaneously existing, contradictory logics have also been addressed in the literature on institutions (cf. Blomgren and Waks 2015; Greenwood et al. 2010).

Conflicts are a consequence of the fundamental diversity of humans: people have different–even contradictory–values, beliefs, attitudes, and practices which they bring to their interactions (Eriksson et al. 2019; Mowles 2015; Stacey 2011). Consequently, conflicts are a fundamental part of everyday organizational life (Kolb and Putnam 1992; Pondy 1989; Stacey 2011) and the complex social systems, in which service systems are embedded (Eriksson et al. 2019).

Previous literature divides the various classifications of conflicts in organizational contexts into four main levels: intergroup, intragroup, interpersonal, and intrapersonal (Lewecki et al. 2011). Furthermore, conflicts have been classified, for example, into tasks or relationships (De Dreu and Weingart 2003; Jehn 1997; Pinkley

and Northcraft 1994; Reid et al.2004; Sessa 1996; Van de Vliert et al. 1999; Wall and Nolan 1986); cognitive or affective (Amason et al.1995); content, relational, or situational (Katz Jameson, 1999); and affective, cognitive, and process types (Speakman and Ryals 2010). Amongst other typologies, emotional (Bradford et al. 2004) and goal conflicts (Tellefsen and Eyuboglu 2002) have been studied.

Instead of typologies or levels, our definition draws attention to the *experience of conflict*. Conflicts emerge on multiple levels, for example, among collaborating individuals, actors, or organizations. Notably, regardless of the level of conflict, they are always experienced by individuals (Rossi 2019). We argue that conflicts in complex multi-actor service systems cannot be understood solely as generative or destructive, cognitive or affective, or as a task or a relationship clash but as an experience that moves between these extremes: the destructive results of conflicts can become generative as people make sense of their experiences.

Empirically, the definition of conflicts implies, for example, an imbalance among the values and practices of different actors attempting to foster processes of value co-creation. Thus, the understanding of what value is being co-created and how it should be perceived can vary (Vargo, Wieland, and Akaka 2015). Related to the discussion on public values, there is an acknowledged need for public service providers to balance between different values of, for example, legality, efficiency, and effectiveness, causing value conflicts (Jaspers and Steen 2018, see also Haynes 2018; Molina 2015). Aligned with the notions of Vargo, Wieland, and Akaka (2015), Jaspers and Steen (2018, 2) suggest that it is both important to reveal the conflicts being experienced and to further understand how actors deal with these conflicts.

This article highlights how public service systems' transformation (e.g., renewed, effective, and efficient public service delivery and service systems) occurs in

interaction with service systems (Skålen, Aal, and Edvardsson 2015; Vargo and Lusch 2016; Vargo, Wieland, and Akaka 2015). However, the transformation does not happen by concentrating on cooperation and setting differences aside but by negotiating differences with others (Mowles 2011; Stacey 2011). Instead of focusing exclusively on cooperation in value co-creation processes and public service system development initiatives, both cooperation and conflicts require exploration.

Moving forward: value co-creation within complex public service systems

In order to contribute to the literature of public service management, we derive from research on PSL, service ecosystems, complexity-informed approach and conflicts. As a synthesis of these ideas, we propose a framework of *complex public service systems.* Following the theorizations of Osborne et al. (2015), Haynes (2018), Trischler and Charles (2019), Trischler and Scott (2016), and Vargo and Lusch (2016), in complex public service systems value is always co-created:

(1) in specific contexts;

(2) often in complex ways;

(3) placing the needs of service users at the centre of all activities;

(4) by individuals at different levels and networks interacting with often conflicting institutionalized aims, values, beliefs and practices;

(5) within a multi-actor setting where power is unequally distributed;

(6) in overlapping complex service systems that cross organizational as well as system boundaries.

From a complex public service systems' perspective, conflicts of institutional arrangements become essential in understanding of value co-creation (Vargo and Lusch 2016). Even though institutionalization is seen as involving 'co-creational processes in

which actors try to resolve the nested contradictions and inconsistencies that are foundational to all institutional arrangements' (Vargo, Wieland, and Akaka 2015, 71), the question of *how* actors deal with, or resolve these contradictions requires deeper exploration.

Empirically, we unravel the process of value co-creation in complex public service systems by *identifying conflicts between organizational actors* and by discussing, *how these conflicts affect the processes of value co-creation and service system transformation*. Deriving from the complexity-informed approach, we employ a single case study (Greenhalgh and Papoutsi 2018). This enables us to highlight the importance of the context-specific, social behaviour and interaction of actors as the core of effective public service management (Castelnovo and Sorrentino 2018; Radnor et al. 2014), rather than drawing systematic comparisons which would be beyond the scope of this research.

The context of the empirical study: Youth service, Vamos Turku

Currently, Finnish municipalities are mainly responsible for organizing social and healthcare services. In the city of Turku, the strategic goal is to foster the unity of its youth services. One main reason for this development was the cost structure of the welfare division, particularly of child welfare services. Child welfare in Turku focused on residential care activities, which created unsustainable cost pressures. The city aimed to shift the balance of the services towards preventive work. A service producer external to the city's own organization was considered more resilient and thus more capable of bringing new working methods to the youth services system with the aim of contributing to the well-being of the youth. Overall, the city wanted to purchase an efficient and effective service that could meet its citizens' needs.

Vamos Turku (hereafter, Vamos) is a service provided by the charitable foundation Helsinki Deaconess Institute. Vamos aims to provide effective social welfare services, with youth at risk of social exclusion as its target group. A preventive work method and the engagement of service users are emphasized in its day-to-day work. Vamos offers individual and group coaching as well as service coordination for 12 to 19-year-olds. From the city's perspective, Vamos' primary task is to offer social assistance based on the Social Welfare Act (1301/2014) along with group coaching and individual support.

When a need for such a service was identified in Turku amongst frontline workers and civil servants, the political decision-making process aimed at purchasing Vamos' services was exceptionally fast. Four main reasons explain this expedited process. First, the city was accustomed to working in a networked environment with actors outside its own service organization. Second, the city had key actors who initiated and continued the process of purchasing Vamos' services. Third, the cost structure of the city's child welfare services required transformation. Fourth, the city was able to collaborate with an external funding organization, making the service purchase possible. This case study concentrates on that phase of the service development initiative where purchasing decisions were made, contracts were drawn up between Vamos and the city, and Vamos had just begun operating.

Materials and methods

By studying the experiences of actors involved in youth service development initiative we aimed to increase both empirical and theoretical understanding how conflicts affect the processes of value co-creation and service system transformation. The data were selected via purposive sampling (Jupp 2006) and the key actors of the service development initiative were considered sufficiently competent to provide relevant

knowledge about the research question (Table 1). Overall, 13 people were interviewed.

[Table 1 near here]

Vamos' frontline workers are well presented in the data. This is due to their central role in balancing the needs of the youth and the institutional arrangements at play as 'public servants with one foot in the known bureaucratic way of working and one foot in the still novel networked governance' (Waardenburg et al. 2019, 18). Frontline workers have a close relationship with the youth and, therefore, they have the possibility to understand the service users' perspective in value co-creation processes (Eriksson 2019).

The case study of a service development initiative focused on organizational dynamics, actors and interaction (Skålen, Aal, and Edvardsson 2015; Tuurnas et al. 2015) through the conflicts of institutional arrangements (Vargo, Wieland and Akaka 2015). As acknowledged in research concerning value tensions (Jaspers and Steen 2018), each actor group, depending on their role experience different conflicts. We were interested in organizational actors' experiences: what conflicts they experienced in the processes of value co-creation and service development initiative, and on what premises they negotiated the value propositions with service users (Eriksson 2019). Consequently, we did not concentrate on understanding the service users' experiences. For these reasons, youth was not interviewed for this study.

In interviews, the respondents were asked about theirs' and others' aims, practices, values and beliefs that they experienced while cooperating with other organizational actors during the service development initiative (Table 2).

[Table 2 near here]

All interviews were subsequently fully transcribed afterwards. Based on the qualitative theory-guided content analysis (cf. Gläser and Laudel 2013; Krippendorf 2013), the

analytical strategy was aimed to systematically describe the meaning of the qualitative data. When analysing written data, a bottom-up coding scheme was formed, comprising third-, second-, and first-level categories (Figure 1).

[Figure 1 near here]

As Figure 1 illustrates, the first step in the analytical process entailed finding relevant, meaningful passages from the transcribed data, which were paraphrased in the second step. The third step involved forming third-level categories by summarizing similar paraphrases. In this process, the theory-guided content analysis evolved from the data-driven analysis to maintain the informants' original experiences without interpretation (Table 3).

[Table 3 near here]

After the formation of the third-level categories, the analysis advanced to the fourth step: the generation of second-level categories. The fifth and final step dealt with structuring the first-level categories. At this point, the theories selected to explain the phenomena played an important role, and the process progressed from a data-driven to a theory-driven analysis (Table 4). As typical of qualitative research, these analytical steps comprised an iterative process.

[Table 4 near here]

This case study revealed conflicts in public service delivery and the public service system development initiative. Yet it is essential to notice that the case study approach has certain limitations; case studies are always contextualized in settings that may have a significant effect on the results. This research cannot offer general determinants or generalizations. Rather, the aim is to gain an in-depth understanding of the studied phenomenon and learn from it, contributing to the development of theory through this

process (Flyvbjerk 2006).

Findings

Following the notions of Vargo, Wieland, and Akaka (2015), Jaspers and Steen (2018), as well as Skålen, Aal and Edvardsson (2015), we present the findings in order to reveal the conflicts in the attempts to co-create value and eventually to discuss how conflicts affected the processes of value co-creation and service systems' transformation.

Conflicts in understanding the needs of the youth: How to decide for whom the value should be co-created?

From the city's perspective, the question of Vamos' target group— the youth in need— became an issue of defining the term 'preventive work', which this service was assigned to implement in relation to the needs of the youth.

> It is not a light service. I mean, in a way that from our perspective, it is not a youth club. It is particularly when you already need help. And that is, of course, a challenge for Vamos' functioning, how it finds the target group that it can operate with on a level where it has the possibility to operate. We don't just fool around with that because those who can do well just having the opportunity to meet a school nurse or talk to a curator don't need Vamos (City official).

However, this definition of preventive work revealed tensions within the city's child welfare sector. Previously, when the contracts between the city and Vamos were signed, the latter was assigned to do both preventive work and to work with youth who were clients of the child welfare services. This soon became a resource allocation issue. Eventually, after discussions, they all expressed the concern that Vamos would lack the resources needed for this task.

> Because easily, they would redirect tens of youngsters to us, and then we would have our numbers filled. And our service would only be for those kids who are

already connected to child welfare, who should be able to [receive the service from child welfare]. (Service manager).

It was decided that Vamos would not work with youth who were previously referred to the child welfare sector and that child welfare must provide sufficient help with its own service resources for its target group. These decisions appeared to be based on numerical indicators and resources, for example, the number of children needing help, the goals for client numbers and frontline workers, budget, and time.

The decisions regarding the target group were also rationalized by the Vamos service actors' reliance on its operational logic: 'Well, here, we are not workers of the child welfare sector, and that's it. If there is a need for child welfare services, then [the youth in need] are not our clients' (service manager). However, these decisions were questioned by other actors. For example, a frontline worker in the healthcare sector stated that the client-oriented work method was exactly what numerous clients of the child welfare sector needed: 'I think that there is a need for this kind of service, especially for those who have bigger problems'. The decision to exclude certain youth who were actually in need of Vamos' services was viewed as a consequence of a structural problem in the city's service system that would not allow the actors to consider the youth's needs as the basis for the decisions but prompted them to act on whether they were already clients of existing service sectors.

A frontline worker in the health care also emphasized that the child welfare service's operational logic did not satisfactorily meet its clients' needs:

> I disagree [...] that the clients of the child welfare services should be left out of these [services] because [...] now [...] they have justified it with child welfare having resources, for example, to organize intensive family work. But what we, here in [our] daily lives, come across is, for example, quite often, we hear that social workers go to the homes of the youth and talk with the mom and the kid.

> And then the kid tells us, 'I don't want to meet that woman anymore'. So that support is not sufficient, from our perspective (Frontline worker).

This incompatibility highlighted the need to reconsider the decision pertaining to the target group and to allow the youth in need of help to enlist on the services provided by Vamos. The incompatibility could be a starting point to consider the work methods of the child welfare services to act on a need-based approach 'so that the needs are the basis, and how you deal with those needs is really based on the world of the youngster and not that a Mrs comes and says how things should be' (Frontline worker, Vamos).

To conclude, conflicts arose in relation to identifying the youth Vamos should work with. The actors in both social service and healthcare sectors recognized that the youth most in need of help—those in danger of being socially excluded—were excluded from the Vamos service. For example, a frontline worker from the health care services said, 'It is not for them who need it the most at this moment, that is, the ones who are in danger of becoming marginalized. They have been excluded, and they are the ones whom we are really concerned with'.

Despite these notions, the decisions regarding the target group were based on the sector-oriented structures and institutional arrangements of the city and not the youth's needs. The sector-oriented approach of the city's service system and, particularly, the child welfare sector's institutional arrangements seemed to have outweighed the youth's needs.

Conflicts in understanding value: What is value, from whose perspective and how it can be measured?

All actors did agree that evaluating and measuring the service's effectiveness—particularly its long-term impacts—was an important yet difficult and complex issue. What was evident for the Vamos was the aim of evaluating their success by measuring

the effects of the service, that is, the value created in the form of improved well-being of the youth. However, Vamos' frontline workers doubted the possibilities of measuring, evaluating, and documenting subjective experiences as the basis for evaluating the service's effectiveness. Indeed, succeeding in their everyday work implied achieving the goals discussed with each youngster and his/her family and, most importantly, the person's subjective experience of benefiting from the service. 'I don't know what else […] would mean anything, from my point of view' (Frontline worker, Vamos).

In contrast to Vamos' perspective on understanding value as improved well-being of the youth, the city's measurements mainly concentrated on following up on service volume as costs incurred and the number of service users. Predictably, this evaluation based on numerical information soon became problematic: '[…] you can't just look at the amounts; the quality also needs to be considered' (Frontline worker, city). By decreasing the number of clients in the child welfare sector, the balance of the cost structure could shift to the lighter, preventive services and, thus, cost savings could be achieved. The city officials also highlighted Vamos' effectiveness related to outcomes in the school system and the child welfare sector—the number of school dropouts, youngsters graduating after almost dropping out, and children ending up in child welfare services were viewed as possible measurements.

The actors for both Vamos and the city gave assurances that the city allowed Vamos the freedom to operate and the time to find ways of helping the youth. Nonetheless, all discussions on measurement and effectiveness tended to revolve around the city's concern with regard to the slow adjustment towards a more favourable client-to-worker ratio: 'It is, at least, I think that if you count the money, then 60 young persons and 6 workers, it is really expensive; you can't run it like that, obviously' (City

official). When the client numbers were increasing, the trend was acceptable. 'Well, now, the amount is clearly greater. Yesterday, we talked about 85, and a couple of months have passed; from there, you can see now that it is going in the right direction' (City official).

Evaluating Vamos' success based on the numerical measures of client numbers was obviously difficult because these numbers did not correlate with the quality and effectiveness of the service. The city appeared to equate effectiveness with efficiency, and difficulties arose when attempting to evaluate both with the same, mainly numerical, measurements of cost reduction and increase in client numbers. Understanding value in terms of the improved well-being of the youth could nevertheless actually imply higher costs.

> [H]e contacted us and is now in [a] mental hospital. If he hadn't, he would have killed himself, or that is how we think of it. Then, he wouldn't have incurred more costs. He incurs a lot more costs now, in the mental hospital, but from the humane perspective, [it is much more effective] (City official, youth services).

At this conflict category, we draw attention to the understanding of value in the co-creation process. Overall, the relationship between cause and effect in terms of service effectiveness, cost structure development, and public service system efficiency was questioned by the actors. Evaluation was perceived as controversial and difficult, yet as one of the most important tasks to tackle. Nonetheless, the actors' understanding of value and evaluation of effectiveness was conflicted. This conflict could be identified as one between Vamos and the city's operational logic. Along with defining with and for whom value was created, evaluating and measuring effectiveness became one of the core practices with regard to which the actors held differing opinions.

Value was understood differently depending on the evaluator's institutional arrangements. The conflicts revealed two distinct ways to approach the value-creation

process outcomes. First, value was viewed as contributing to external effectiveness by improving the youth's well-being. Second, value was perceived to be gained by developing internal efficiency by balancing workforce resources and the number of clients in a cost-efficient manner.

Conflicts in understanding the roles of multiple actors: How to co-create value in a multi-actor service system?

From the perspective of the city, Vamos was indeed purchased to fill a recognized gap– the lack of service for a particular youth group–and to supplement the existing service networks: public (school system, police, social services, health care services, etc.), private, and third-sector organizations working with the youth. Overall, the actors agreed that supporting the integration process was essential in meeting the youth's needs and achieving the stated goals. Vamos was assigned to develop a youth service, together with other PSOs and the city's own services in different sectors, that would be integrated into a holistic entity: 'We try to come up with this as a smooth an entity as possible […]. Well, for kids, it really doesn't matter who delivers the service' (City official).

Even though Vamos was mainly accepted and the requirement for its need-based approach was recognized, the integration process was not without difficulties; moreover, interpretations of the relevance of the service varied. The city official also expressed resistance to Vamos: 'It is not jealousy, either, but there are these feelings that someone's toes are stepped on […]'.

In particular, the actors of the youth service sector, established as the city's own service, had conflicting interpretations of the need for Vamos' service. The actors felt excluded from the decision-making process and strongly emphasized that their work was rather similar to the service that Vamos was about to offer. The integration process

appeared to challenge the professional identities of the actors of the city's youth services. Consequently, there was no collaboration between these two youth service providers.

This resistance to Vamos was criticized from the perspectives of the city and other service actors that considered Vamos' way of working beneficial for the youth and the overall service system.

> I think that the thought is completely silly, to even think of overlapping services. Because there are so many youngsters, there won't be any problems about not having clients. So, the thought of stepping on someone's toes, that must be wiped out of this city; we have too much of it. I think we should bear in mind that we have these kids together, and we should be responsible for them together (City official).

The school was among the most important entities that Vamos needed to work in collaboration with. The collaboration and integration of the service was considered difficult for two main reasons. First, schools are institutions with numerous professionals accustomed to working with youth in a certain manner. Second, collaboration implied working with a target group of school dropouts and, from the perspective of Vamos, this collaboration should have occurred during office hours; whereas, from the school's perspective, the at-risk youth should have been in school.

From the perspective of the city, emphasis was placed on Vamos being flexible and effective in directing its operations to meet the youth's needs. However, Vamos' operational logic was not meeting these expectations. For example, no work was carried out in the evenings, during the youth's leisure hours.

> It feels like, okay, are they hearing us who are actually working with these kids, in practice […]. It is precisely what the kids need, something to do with their free time, something else than hanging around at the mall (Frontline worker, city).

Apart from the conflicting understanding regarding the work hours, group work also became an important issue in which Vamos' operational logic clashed with the other actors' expectations.

> We arranged it, that she could participate in Vamos' services, but they put her in this group, which was a total catastrophe […]. I had high hopes that now we were getting there and would have someone to work with her, and then, she was placed in this group […]. I thought that this couldn't be true, that we would have had the 'last chance' with her, so why? (Frontline worker, city)

Further, this third category of conflict identified emerged in the integration process of the Vamos service as part of the city's existing service system. In these processes, conflicts arose because different actors had varying understandings of Vamos' role, its place within the service system, how its operational logic met the youth's needs, and expectations from the service. According to the analysis, these conflicts revealed value co-creation as attempts made not only by one service organization but also those within networks of collaborating PSOs. What became evident was the two-way change in interaction: The objective of Vamos was to change the service system, but what was left unnoticed was that other actors were simultaneously changing Vamos' operational logic.

Conflicts in understanding the transformation of service systems: How to co-create value within a complex public service system?

As a strategical decision, the city recognized the requirement for the development of a service system. According to a city official '[…] overall, this service system should be developed to operate based on the needs of the service users instead of the existing structures. The resolutions could be quite different and the results more sustainable'. The interpretation appeared to be that the city was unable to work in a manner that

ensured that people felt like they were catered to and their problems–which often crossed the boundaries of service sectors, services, and organizations–were sufficiently dealt with. Therefore, the need for systemic change was based on the notion that the fragmented sector-oriented approach of the service system had difficulties in meeting the needs of the youth, thereby leading to inefficiency and simultaneous fragmented service processes started by different PSOs.

In its attempts to develop the service system, the city concentrated on the PSOs and the networks of collaborating PSOs by identifying the need to create an overall understanding of the service network of youth services. This task included the mapping of youth-related functions within the city's own organization and, subsequently, outside organizational boundaries. As a solution to the need for systemic development, the city purchased a service, Vamos, from outside its own organization.

The city viewed extrinsic service providers as drivers of a systemic change, which the public sector was allegedly incapable of achieving by itself. Here, the value obtained from the integration process and the systems' development was regarded as 'value for money', where public organization's internal efficiency could be achieved by reducing the fragmentation and the resulting inefficient processes. Vamos' role was not to compete with PSOs but to make the public service system more efficient–one person at a time, in a network of multiple PSOs–by operating on the basis of the needs of the youth.

In this fourth conflict category, the stated objective of co-creating value in the form of improved well-being of the youth was defined in the city's strategy; attempts were made to effect change through the collaboration, interaction, and integration of multiple PSOs from public, private, and third-sector organizations. However, as previously described, what went unnoticed was the impact of the fragmented sector-

oriented structures and institutional arrangements of public services, on the transformation of both Vamos and the overall service system. Based on the analysis, a discontinuity emerged between the strategical aims and the decisions underlying practical actions; consequently, the complex, emergent nature of systemic change was left unnoticed.

Discussion and conclusions

We suggest that research on and management of value co-creation could benefit from *complex public service systems*' approach: a synthesis of ideas from PSL, service ecosystems, complexity-informed research and conflicts. We will next discuss how the identified conflicts in understanding the needs of the youth, value, the roles of multiple actors and transformation of service systems affect the processes of value co-creation and service system transformation in this specific context (Table 5).

[Table 5 near here]

Value is co-created in often complex ways. We argue that transformation is always beset with conflicts (Vince 2014), and that these conflicts of institutional arrangements drive both the transformation and maintenance of value co-creation and service systems. Complex public service systems' transformation through institutionalization implies not only transformative action but also overcoming the conflicts of institutional arrangements through institutional maintenance (Vargo, Wieland, and Akaka 2015).

According to the findings, actors did not only consciously take transformative, disruptive or maintaining actions in this service development initiative. Rather, they often unconsciously 'followed' the dominant institutional arrangements, which in turn are inherent in their decisions and behaviour. This can be also explained as individuals

experiencing pressure caused by existing institutional arrangements while trying to foster transformation (Vink et al. 2019).

Foregrounding the complex, dynamic, multi-level nature of transformation in the process of value co-creation implies that both change and maintenance in one aspect of the system affect another aspect in complex ways. For example, in this case maintaining and following the institutional arrangements and service structures of the city impacted Vamos and its possibilities to co-create value with service users, although this change was not intended. Related to the roles of actors, the complex nature of transformation also implies that Vamos had an impact on, or at least challenged the other actors' ways of working.

Value is co-created by placing the needs of service users at the centre of all activities. We propose that PSL offers a prominent starting point for understanding value co-creation by placing the lived experience of the youth and resolving their challenges effectively at the core of all action (Osborne et al. 2015; Trischler and Charles 2019). However, he results revealed that putting theory into practice is rather controversial. A holistic, dynamic, and need-based service system was still far off in the context we examined.

The findings foreground the need and strategical aim of the city to consider governing public services within such a service system that would place the lived experience (Osborne, Radnor, and Strokosch 2016) of service users at its main concern. Yet, it became evident that the public organization–the city–could not manage such a development. The tendency was clear for example understanding value mainly as internal efficiency and evaluated through numerical measurements in contrast to understanding value as an improved well-being of the service users.

Value is co-created by individuals at different levels and networks interacting with often conflicting institutionalized aims, values, beliefs and practices. Complex public service systems include multiple actors with different roles and institutional arrangements, which simultaneously affect and are affected by the system where value co-creation is located (Trischler and Charles 2019; Vargo and Lusch 2016). This brings to light the need to acknowledge both presence of the multiple levels and the simultaneously existing institutional arrangements of multiple actors, in a specific context and through conflicts. Indeed, value co-creation is 'a multiactor phenomenon involving dynamic and complex value constellations' (Trischler and Charles 2019, 27).

In the case studied, actors from schools, health care, social services, child welfare services, youth services, as well as city officials and politicians all brought different institutional arrangements to the interaction with one another. What became evident only after the study of conflicts was that the actors' institutional arrangements were contradictory. The conflicts in understanding the roles of actors aroused questions of what one should do and how as a part of the service system, and in relation to other actors.

As Vince (2014) accurately states, without critically addressing the conflicts integral to all development initiatives, the attempts of transformation can often lead to things remaining the same. Our findings suggest that the development initiatives of the service delivery and service system were mainly guided by the actors' attempts to maintain or follow the institutional arrangements and service structures of the city. The disruptive institutional arrangements were at play (for example understanding the service users' needs as a basis for deciding the target group, or measuring value as improved well-being experiences of the service users), yet the power relations seemed to hinder the transformation.

Value is co-created within a multi-actor setting where power is unequally distributed. An important underlying mechanism related to conflicts and service systems' transformation is power. Hence, actors do not hold equal possibilities of influencing value co-creation and systemic transformation in complex settings (Haynes 2018). By power, we refer to organizational dynamics integral to actors' experiences. Power relations hinder and enable behaviour and action and, therefore, shape the possibilities of actors to transform their ways of working. (Vince 2014.)

In our case, quite naturally, the power seemed to be on the city's side, impacting, for example, the practices of defining the target group for the service and measuring service effectiveness through numerical indicators. Indeed, the struggle over power and position, has recognized to be one of the key elements motivating actors to co-create value and further transform the service system (Skålen, Aal, and Edvardsson 2015).

Value is co-created in overlapping complex service systems that cross organizational as well as system boundaries. Although the strategically stated objective of this service development initiative was to gain a systemic transformation with the service purchase, the nature of systemic transformation went unnoticed. The attempts to manage service system transformation mainly remained focused on the city's own organization, the single service organization and networks of PSOs instead of the service systems' perspective.

Despite the strategical aims of the city, the decisions initiating practical actions were guided by the city's existing service structures and institutional arrangements instead of foregrounding the service users' needs at the heart of service management. However, challenges and needs of the service users 'know' neither the organizational nor system boundaries. Therefore we suggest that in order to understand the value co-

creation and service systems transformation in a dynamic, multi-level and multi-actor settings (Eriksson et al. 2019; Lee and Lee 2018; Waardenburg et al. 2019), a complex public service systems approach is needed.

Managerial implications

In pursuing value co-creation, public managers should employ a holistic viewpoint, taking into account service users' needs, multiple actors' experiences, and the systems perspective by engaging with complexity (Castelnovo and Sorrentino 2018; Trischler and Scott 2016). We suggest that managers need to 'zoom out and analyse how value cocreation takes place between collective organized actors with possibly different interests' (Trischler and Charles 2019, 26).

If a desired change is to take place, at least one party must notice the differing underlying institutional arrangements. Due to their positions, managers often have the power to hinder or enable transformation (Vince 2014). This implies that managers' role should include identifying the conflicts of institutional arrangements (Rossi, Rannisto and Stenvall 2016). Then, for something novel to emerge, there needs to be ongoing negotiations around these differences (Mowles 2015; Rossi, Rannisto, and Stenvall 2016; Vargo, Wieland, and Akaka 2015).

In keeping with Vargo and Lusch (2016), instead of exclusively and often unconsciously focusing on the dominant institutional arrangements, we suggest that managing the transformation of public service systems is about realizing, accepting, understanding, and balancing the different institutional arrangements that actors bring to the value co-creation processes. Conflicts offer a window through which the institutional arrangements, obstacles and possibilities of value co-creation processes and service systems' perspectives can be made visible and addressable. Therefore, managers

do not need to attempt to avoid conflicts but rather recognize their presence and utilize them as an engine of service system transformation.

This study also makes way for additional questions and new research avenues. First, further theoretical and empirical research related to a complex public service system perspective on value co-creation is necessary. In particular, utilizing a complexity-informed approach and focusing on conflicts at different levels of government and across different public administration traditions could further advance our understanding of service system transformations. For example, it would be crucial to focus on power imbalances in a multi-actor service systems settings. Conflicts could also be addressed in value co-creation with professionals *and* service users. In practice, service design could provide tools for including the service users; understanding conflicts of institutional arrangements; and a means of connecting the micro and macro levels of value co-creation in service ecosystems, thereby engaging with complexity and system transformation (Trischler and Scott 2016; Vink et al. 2019).

It is beyond this research's extent to explore whether Vamos managed to achieve the aims described to it: transforming the public service delivery and service system to meet the needs of the youth. Yet, due to the dynamic nature of complex public service systems it is evident that the service system is by now transformed in one way or another.

Disclosure statement

The authors report no potential conflict of interest.

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Key actors	Organization and position	Role in the service development initiative
city official	city, head of the welfare division	strategic planning and decisions
city official	city, director of family and social services	strategic planning and decisions, preparing the service purchase, presenting the purchase proposal, collaborating and governing Vamos' operational work
city official	city, project worker in education division	participating in the network of youth services, preparing the service purchase, participating in the directing group
service manager	Vamos, group manager	preparing the service purchase, starting the service, working with the youth
frontline worker	city, doctor in youth clinic, health care services	preparing the service purchase, working with the youth, collaboration with Vamos
frontline worker	city, nurse in youth clinic, health care services	working with the youth, collaboration with Vamos
frontline worker	city, youth services, family and social services	participating in the service purchase, working with the youth, collaboration with Vamos
frontline worker	Vamos	working with the youth
frontline worker	Vamos	working with the youth
frontline worker	Vamos	working with the youth
frontline worker	Vamos	working with the youth
frontline worker	Vamos	working with the youth
service manager	Vamos	strategic planning in collaboration with the city officials, starting the operational work

Table 1. Key actors and their role.

Theme	Questions
Background information	1. What is your organization? 2. What is your role in this organization? 3. What is your role in this service purchase and development initiative?
The objectives	1. How has this initiative been justified to you, i.e., based on your understanding, what was the reason this initiative was launched? (objectives from the city's perspective) 2. What did you think, in terms of your hopes and goals? (objectives from the interviewee's perspective) 3. How do these two perspectives come together? (alignment of objectives) 4. What did you think about other actors' goals compared to yours? (alignment with other actors' objectives) 5. Have these original goals changed in the process since the service started operating, and if so, how? (changing objectives) 6. From your perspective, how is this service development initiative functioning, and have the stated goals been achieved/are they achievable? (achieving the objectives)
City governing the service development initiative	1. How would you evaluate the city's success in leading and managing this development initiative? 2. Actors for the city: in your day-to-day work, do the city's strategical choices matter?

Table 2. Topic list.

Meaningful passages	Paraphrased passages	Third-level categories
Because easily, they would redirect tens of youngsters to us, and then we would have our numbers filled, and our service would only be for those kids who are already connected to child welfare and who should be able to [receive the service from child welfare]. Yes. (Service Manager)	Vamos cannot work with youth that the child welfare sector is already working with because they should be able to help themselves and Vamos would have their numbers filled.	Who needs help or can be helped is defined by service customership and resource allocation issues.

Table 3. Example of forming the third-level categories.

Second-level categories	First-level categories
defining the target group and preventative work resource allocation defining who can be helped operational logic of the service defining who should be helped the needs of the youth as basis for defining the target group	Conflicts in understanding the needs of the youth
measuring effectiveness important but difficult and complex task measuring effectiveness as improved well-being experience of youth difficulty in measuring experiences to evaluate service effectiveness numerical measurements of service effectiveness numerical vs. quality measurements imbalance effectiveness as improved service system effectiveness as improved efficiency and effectiveness of other services	Conflicts in understanding value
integrating the service into the youth service system service purchased for filling the structural hole in service system service purchased to develop the service system gap in service system based on the needs of the youth questioning the relevance of the service questioning the need for the service exclusion from the integration process and decision-making difficulties in collaborating within the service system difficulties arising from professionalism difficulties arising from mismatch between service's operational logic and needs of the youth	Conflicts in understanding the roles of multiple actors
city's need to develop service system needs-based system more effective needs-based system more efficient service purchases as strategical choices service purchase as means to develop the service system public service system incapable of achieving desired change focus on service network	Conflicts in understanding the transformation of the service system

Table 4. Generating first-level categories.

	Conflicts in understanding	Maintained and followed institutional arrangements	Disrupting institutional arrangements
Service users' needs as basis of value co-creation	The needs of the youth How to decide for whom the value should be co-created?	Deciding the target group based on existing institutional arrangements and service structures of the city	Deciding the target group based on the service users' needs
	Value What is value and how it can be measured?	Understanding and measuring value as internal efficiency, using numerical information, 'value for money'	Understanding and measuring value as experiences of the service users' improved well-being, value as external effectiveness
	Roles of multiple actors How to co-create value in a multi-actor service system?	Understanding the role of Vamos as supplementary in the existing network of PSOs, understanding the roles of actors based on sectoral structures and as integrated in network of PSOs	Understanding the roles of actors as adding value to the lives of the service users in collaboration with other PSOs, understanding the impact of all actors to service systems
	Transformation of service system How to co-create value within a complex public service system?	Understanding the service users' needs-based value co-creation and service system transformation as strategical decisions and relying in one service organization	Understanding the conflicts between strategical aims and decisions underlying practical actions, acknowledging the complex, emergent nature of systemic transformation

Table 5. Conflicts of institutional arrangements affecting the value co-creation and transformation of complex public service systems.

Structuring first-level categories (theory-guided)

Generating second-level categories (data-driven and theory-guided)

Forming third-level categories by summarizing similar passages (data-driven)

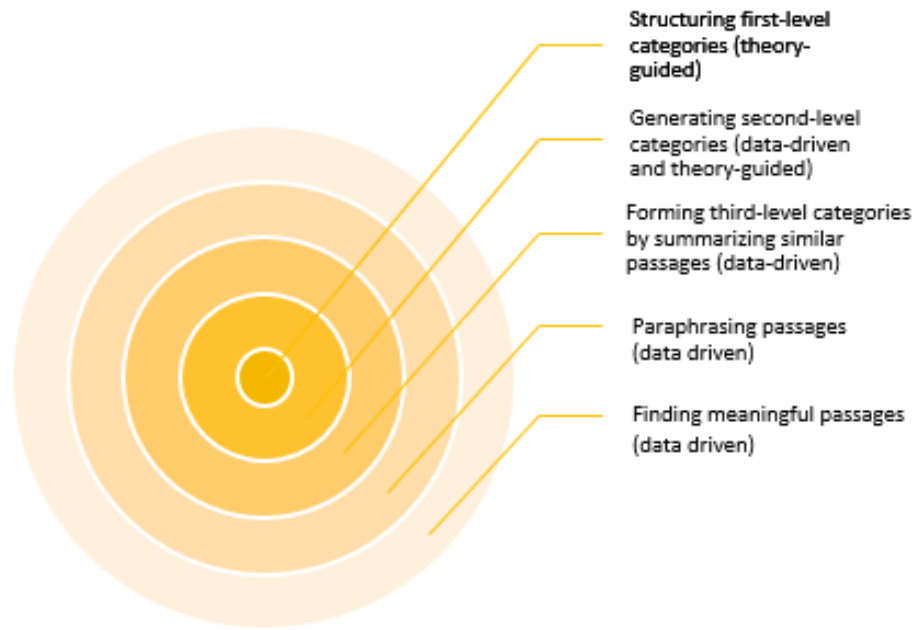Paraphrasing passages (data driven)

Finding meaningful passages (data driven)

Figure 1. Bottom-up coding scheme for analysing the data.