



Co-Production and Co-Governance: Strategic Management, Public Value and Co-Creation in the Renewal of Public Agencies across Europe

Deliverable 2.1 Template for Case Study Selection, Fieldwork and Analysis

Due date of deliverable: 30/04/2019
Actual date of submission: 29/04/2019

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 770591.

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Project Details:

Grant Agreement Number: 770591

Project Acronym: COGOV

Project Full Title: Co-Production and Co-Governance: Strategic Management, Public Value and Co-Creation in the Renewal of Public Agencies across Europe

Project website: www.cogov.eu

Project Start Date: May 2018 (42 months)

Partners:



EDITION INFORMATION

VERSION	EDITION DATE	MODIFICATION
1	07/03/2019	First Edition
2	22/03/2019	Internal Revision
3	18/04/2019	Internal Revision
Final	29/04/2019	Submission

DISSEMINATION LEVEL

Public	X
Confidential, only for members of the Consortium (including the Commission Services)	



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EXECUTIVE SUMMARY

The EU Horizon 2020 COGOV project ('Co-Production and Co-Governance: Strategic Management, Public Value and Co-Creation in the Renewal of Public Agencies across Europe') aims to explore the strategic efforts of governments and public agencies to transform themselves from 'bureaucratic authorities' (treating citizens as legal subjects) and 'service providers' (treating citizens as customers) into 'arenas for co-creation'. In the latter context, citizens are recognised as experts able to provide useful inputs (in terms of resources, ideas and knowledge) into public governance processes.

A six-country study (Croatia, Denmark, France, Netherlands, Slovenia and United Kingdom) will collect data from 15 detailed case studies (i.e. innovative practices), in order to produce knowledge about the developmental patterns of pioneering - downwards-facing - approaches to participation, collaborative governance, co-creation and co-production. Within this context, the research strategy is to conduct and analyse case-studies of a wide range of innovative and, potentially transferable, policy practices using semi-structured interviews.

The Work Package (WP) 2 objectives are:

- i) Detecting the models for the strategic renewal of public services organisations consistent with the core downwards-facing ideas of the project (noted above) which have also been developed in practice by public services organisations across Europe;
- ii) Producing process-orientated knowledge about the dynamics and developmental patterns whereby such strategy forms in practice in public services organisations in Europe;
- iii) Making available, using extrapolation-orientated case study research, a repertoire/repository of 'best' practices to public management strategists across Europe to inform the desired downwards facing renewal of public administrations.

Within this context, this report is the first deliverable for WP2, and it proposes a common template for case study selection, fieldwork and analysis. It will then guide subsequent COGOV WP deliverables, including WPs 3-7 (for details of the other WPs see www.cogov.eu).

King's College London leads WP2. In the preparation of this report, all partners were involved in co-designing the interview pro-forma and commented on an earlier draft of the present deliverable. Furthermore, six early exploratory case studies (or pilot case studies) supported the validation of the interview pro-forma, fieldwork recommendations and analysis guidelines.



1. INTRODUCTION

The aims of this report (Deliverable D2.1) is to offer a common template for the case study selection, fieldwork and analysis. The analysis focuses on the models of government and schools of strategic management in contemporary use. The overall research strategy is to conduct case studies of a wide range of innovative promising practices within European public agencies and institutions. For instance, promising practices could be new forms of public participation, new Co-creation approaches or successful experiments for an organization's transition to Co-production.

Indeed, WP2 aims to undertake a tranche of exploratory case studies of strategic renewal and democratic revitalisation in different politico-administrative contexts across Europe, probing into contextual influences (hence modelling 'contexts') and causal chains (what mechanisms help explain the impact of these contextual influences?). It also aims to test the ways of adopting the Public Value, Network Governance, Co-creation and Co-production approaches, and Collaborative forms of public leadership (see the Literature Review Deliverable 1.1).

Within the case studies, the tracer innovation will be analysed, i.e. a stream of concrete innovative and interesting strategic activity which is concretely researchable, and which throws light on wider processes of innovation (as a 'tracer issue' for intensive tracking). A tracer innovation is a real-world activity that translate an idea into a service/strategy/policy, creating solutions in response to problems, challenges, or opportunities. They can be oriented towards novelty of concepts, processes, systems, services, products, motivations, relationships, platforms, solutions, etc. The tracer innovation allows the exploration - retrospectively - of the novelty in a set of case studies as well as the investigation of the history and evolution of the public agency.

WP2 will carry out an initial set of six cases (one for each COGOV partners' country), based on rich interviews (indicatively ten to fifteen per case) and wider analysis of documentary materials and other artefacts. The preliminary outcomes will form the basis for the survey to follow (WP3), as well as for the focused analyses on co-production and co-governance processes at the local and national level (WP4), in the cultural policy sector (WP5), a module about engaging professionals¹ (WP6) and the evidence-based tool kit (WP7) (for details of the other WPs see www.cogov.eu). Using the same methods, the second round of case studies, together with the explanatory cases, will be included in a cross case comparative analysis and in a repertoire of promising practices later in the project.

For each case, a full case study report will be produced according to the common template (Annex 1) to facilitate the development of cross case comparative analysis later in the project. The stakeholders' narratives, collected during the interviews, are processed and analysed according to the template. From an operational point of view, the semi-structured interviews are aimed to collect stakeholders' experiences and narratives about the potentially transferable innovative practices under analysis. The semi-structured interviews are carried out according to the interview pro-forma (Annex 2) and the field work protocol (Annex 3). The case study report template has been validated thanks to the first UK pilot case study and an operational example is provided (Annex 4).

¹ In COGOV, this term is used a broad definition of professionals that includes the traditional public servant in a ministry or local government, as well as professionals in the semi-public sector, e.g. in hospitals, housing corporations, schools, etc., (medical doctors, teachers, nurses, social workers etc.) as long as they are affected by / involved in developing and implementing co-governance, co-production and co-creation of public services.



Finally, Annex 5 reports an adapted overview of different models of government and schools of strategic management for public services organizations from Ferlie and Ongaro (2015)² and from the COGOV literature review (Deliverable 1.1, WP1).

² Ferlie E. and Ongaro E. (2015). Strategic Management in Public Services Organizations: Concepts, Schools and Contemporary Issues, Abingdon, Routledge, ISBN 978-0-415-85538-9



2. CRITERIA FOR CASE STUDIES SELECTION

In order to explore the dynamics and developmental patterns leading to strategic renewal and community engagement, fifteen cases (including the six initial exploratory cases) across various jurisdictions and policy sectors will be carried out. Thus, cases should share key selection criteria, reflecting the larger scope of the COGOV project and its links to the strategic and 'downward-facing' renewal of public services developed by public organisations across Europe.

The strategy for the selection of cases will employ an "information-oriented selection" approach, namely cases are purposeful samplings, selected to enlighten key features of interest and to inform the COGOV project objectives. Cases should clearly demonstrate explicit and implicit links between the four substantive "pillars" of the research project identified from the literature review (Deliverable 1.1, WP1): Public Value, Network Governance, Co-creation and Co-production approaches, and Collaborative forms of public leadership. In addition, they will offer an opportunity to discuss practical diversified examples of models of government and models of strategic management (Annex 5).

For these reasons, cases will be selected with a consideration of variation across jurisdictions (countries) and policy sectors, as well as ensuring that cases comprise a spread across the three target levels: i) local and regional governments, ii) central-level ministries of public administration as well as iii) public agencies or units in the cultural policy sector.

Furthermore, from the first COGOV meeting (Newcastle, UK, May 2018) the following attributes to include in the process of case studies selection were collectively identified: i) ambitious/transformational intervention/initiative; ii) strategic management schools components; iii) involvement of key decision- and policy-makers; iv) innovative elements of co-production and co-creation; v) positive and long term outcomes; vi) lesson learned diffusion strategy.

Therefore, the following shared criteria will be applied to the case studies selection:

1. Ambitious and promising innovative practice with significant learning points in relation to the key themes of the project, i.e. models of Strategic Management: Public Value, Network Governance, Co-creation and Co-production approaches (including digitalisation), and Collaborative forms of public leadership;
2. A variety of policy sector, i.e. Health, Sustainability and Environment, Work and Income, Cultural sector and Education, Open Government and Open Data;
3. Different levels of government (i.e. local and regional governments, central-level ministries of public administration, public agencies) and new organizational forms (whether they be public, private or hybrid legal entities)
4. A balance between the locations, i.e. six countries heterogeneously involved Croatia, Denmark, France, Netherlands, Slovenia and United Kingdom;
5. Interesting experiments of broader diffusion and replication strategy.
6. The field suggests that the case study is a promising practice even if it is not subject to a formal evaluation.



3. CASE STUDY REPORT

For each case study the information elicited from the interviews are structured and recorded using a common template. The case study report (7000 words) consists of two main parts: a structured analysis of the innovative promising practice (section A), and an interpretative analysis (section B). References and data sources are included in section C. The sections are described in Annex 1, while Annex 4 proposes a working example of the case study report. Annex 2, 3 and 5 respectively detail the fieldwork protocol, the interview pro-forma and the guide for the models of government and schools of strategic management, adapted from Ferlie and Ongaro (2015) and from the COGOV literature review (Deliverable 1.1, WP1).

Accordingly, to the interview pro-forma, each case study report covers the following information: agency/organization background, perceptions of the problem, innovative practice description, impacts and outcomes, barriers and drivers, diffusion process, and lastly, the analysis of the innovative practice reflecting the key messages of the COGOV literature streams and the models of strategic management guide. Thus, the last section of the case study report will focus on the operationalization of the models of government and schools of strategic management,



ANNEX 1 - CASE STUDY REPORT: DETAILED GUIDANCE

TITLE OF THE CASE STUDY REPORT

Authors:

Abstract (100-150 words)

Short introduction of the case study.

A. AGENCY/ORGANIZATION AND THE TRACER INNOVATION

A.1. Agency/organization background (1000 words)

This section provides a picture of the agencies/organizations promoting the innovative practice or strongly involved. If one agency/organization, describe the agency/organization's mandate, objectives, formal constitutional status, formal governance structure, internal organizational structure (e.g. centralised or decentralised, etc.), leadership style, overall culture. If more than one agency/organization involved, repeat for each core agency/organization and describe formal and informal relationships/interdependencies between the core agencies/organizations. (Note: the section will get longer).

Questions # 2, 3, 4, 5, 6

A.2. Perceptions of the problem (400-500 words)

Presentation of the different stakeholders' problem understanding. This section aims to characterize the context of the innovative practice by answering the following questions: What was the reason for the innovation? What is the policy problem addressing? How high up the policy agenda was this problem? Was it a solution looking for a problem? Similar/dissimilar problem perceptions from the different stakeholders should be included.

Question # 7, 8, 10

A.3. Innovative practice (1000-1300 words)

Full description of the innovative practice being investigated and associated tools and techniques. To include history and background of the innovation, but also implementation process and key actors involved. Investigate what respondents think are the most interesting aspects and the needed operational changes within the agency/organization. Add references and links where appropriate.

Questions # 7, 9, 10, 16

A.4. Impacts and outcomes of the innovative practice (500 words)

The aim of this section is to capture any formal or informal evidence or intuitions about impacts and outcomes, i.e. what impacts and outcomes do respondents feel are most important to assess?

Questions # 20, 21, 22, 23



A.5. Barriers and drivers of the innovative practice (500 words)

This section reviews the barriers and drivers to offer initial insights to WP7. Which ones recur across the interviews? Are some seen as more important by respondents?

Questions # 11, 12, 16

A.6. The diffusion process and communication strategy (300 words)

This section aims to offer a complete picture of the (internal and external) diffusion model and communication strategy of the innovative practice under consideration. Capture any wider interest in this innovation from outside. In addition, how was it handled by the agency/organization, e.g. has the idea been replicated or has it diffused? Was there a formal or informal diffusion process?

Questions # 17, 18, 19, 10

A.7. Involvement of professional staff and public services professionals (100-200 words)

Short section and overview of comments made in interviews to offer initial insights to WP6.

Question #24

A.8. Methodology (100 words)

Details of the texts consulted and of the interviews carried out, e.g. number of interviews and rough breakdown by role.

B. CASE STUDY MODEL IN USE AND DEVELOPMENT PATTERNS

This section explores and discusses the links between the case study and the various models of government and schools of strategic management (see Deliverable 1.1 and Annex 5). It aims to look at key features of models in use which are evidenced within the real-world public agencies and organizations studied as part of this WP. The intention is to agree which models of government and of strategic management (up to 3) are most evident in the case.

This is a more interpretive section. Respondents often do not refer in interview to models of government and of strategic management as fully-fledged concepts so there is a need for interpretation of and inference from the notes or transcriptions. Key strategic planning texts should be analysed for their content (please collect any relevant texts from the agencies concerned to be analysed, e.g. strategic plans, brochures, PowerPoint slides). Relevant concepts from the interviews should be preliminarily coded up as of relevance and then classified against the models of government and schools of management outlined in the case study template (Deliverable 2.1, Annex 5). Afterwards, case specific researchers should enter into dialogue with national colleagues about overall findings to seek to agree a shared interpretation of the case. For instance, the significance and meaning of the initial coding document should be assessed and discussed by the team members working on the case study.



B.1. Models of Government in use: Analysis of the innovative practice as reflecting the key messages of the earlier COGOV WP1 literature review (1000 words)

This section analyses the innovative practice' main features as linked to the key messages of the COGOV literature review and its four themes and associated questions for empirical investigation (see Deliverable 1.1 and Annex 5): Public value, Network Governance, Co-creation and Co-production, Collaborative forms of public leadership. The digital aspect of the innovative practice should be investigated.

Which literature themes in the review are evident within the empirical case? How strongly/weakly are they evident? Is there a multiple or hybrid? Is a supporting academic or policy text cited (e.g. Moore, 1995) and used or are the ideas more informal? Is there a process of local adaptation of any such ideas (e.g. to the national context) evident?

Questions # 4, 6, 13, 14, 15, 25, 26

B.2. Models of Strategic Management in use: Analysis of the innovative practice in relation to the various models of strategic management (1000 words)

This section discusses the relations between the case study and the schools of strategic management (see Annex 5).

Does agency/organization's decision-making approximate to a school of strategic management? If so, how strongly? Is there rather a mixed or hybrid pattern with two or more models in use at the same time? Does it follow the precepts of a formal strategic management text? Is there a process of local adaptation of a formal model to a national or local context? Alternatively, does the agency/organization not conscientiously use formal strategic management models and principles, preferring instead a local (and pragmatic) response to an issue?

Questions # 4, 5, 6, 13, 14, 15, 26

B.3. Key learning points and final remarks (500 words)

Overall interpretation of and findings from the case (why is the case study interesting for the COGOV project?). Key learning points from the case for the academic literatures (strategic management and public management), also for public policy making and public management practice



ANNEX 2 - FIELDWORK PROTOCOL

1. Collect any relevant texts from the agency/organization under consideration (e.g. written strategy plan/policy report/PowerPoint presentations) in order to provide documentary materials for a wider analysis on the promising innovative practice and the agency/organization.
2. Carry out 10-15 rich semi-structured interviews to key stakeholders (i.e. topic-based conversation). It is important that the participants are chosen based on their ability to inform the process and to be knowledgeable about the promising innovative practice. Initially, knowledgeable stakeholders should be identified. Afterwards, in order to minimise the selection bias and the marginalization of stakeholders, the “snowballing” or “referral sampling” stakeholder identification practice, should be implemented (question #27).
3. Start the one-hour semi-structured interview (Annex 3) with the presentation of the COGOV project aims, the review of information sheet and the signing of the document consent form.
4. Write the case study report according to the template (Annex 1) and the working example (Annex 4). All the interviews should be audio recorded.
5. WP2 lead (KCL) will read the report drafts and offer comments suggesting improvements, to insure homogeneity across the case studies.
6. Where desired, teams can request assistance from the WP lead (KCL) to discuss an early draft of the case study report and its interpretation.
7. It is good practice to send a final draft of the case study report to the agency/organization under consideration, in order to give an opportunity to correct any error of fact and comment on perceived differences of the interpretation.



ANNEX 3 – SEMI-STRUCTURED INTERVIEWS PRO FORMA

PART A - OPENING QUESTION

1) Could you please describe your present work role within the *agency/organization*?

Goal: To identify and map the interviewees' individual role within the institution.

PART B – AGENCY/ORGANIZATION CONTEXT AND BACKGROUND

2) Could you please outline the main features of the *agency/organization*?

Goal: To identify the background of the *agency/organization* under consideration.

Try to cover all the important information that could inform the comparative analysis.

E.g. qualitative aspects (to ask repeatedly):

- a) Leadership:
 - Formal. A formal leader is where a person is officially designated as the leader of a group;
 - Informal. An informal leader is a person who's not officially appointed as the head of a group;
 - Collaborative. Collaborative leaders recognize the power and efficiency of a group approach in solving a problem, empowering team members.
- b) Governance structure and main features of internal organizational structure and task allocation: centralized, decentralized, hierarchical (bureaucratic), functional, divisional, geographical, flat/autonomous, matrix, lack of standardized structure (pre-bureaucratic), etc...

E.g. general features (to cover only once): objectives of the *agency/organization*, budget, funding opportunities, staffing numbers ...

3) What are the core competences of the *agency/organization*? Why is the *agency/organization* important or famous?

Goal: To identify the *agency/organization's* set of skills or specific experience in some activity. Core competencies differentiate an organization from its competition. E.g. innovation management, strong IT system, knowledge management, strong communication system, learning capacity, ...

4) Does the *agency/organization* have a long-term strategic plan? If so, what are the main objectives of this plan?

5) How does strategic decision making usually take place in the *agency/organization*? What are the main criteria of the decision-making process (e.g. environmental costs or benefits, social costs or benefits, cost effectiveness, value for money, ...)

Goal: To identify what kind of strategic school the *agency/organization* approximates to. See the adapted overview based on Ferlie and Ongaro (2015) and WP1 literature review. Please also collect any relevant texts from the agencies concerned (e.g. strategic plans, sets of PowerPoint slides) so that they can also be analysed.

6) How would you characterise the overall culture of the *agency/organization*? What is highly valued in the *agency/organization*?

Goal: To identify the collectively shared principles and ethics to which an organization adheres.

Every organization has a set of values, whether or not they are written down, guiding the perspective of the organization as well as its actions. Effective organizations identify and develop a clear and shared meaning of values/beliefs, priorities, and direction so that everyone understands and can contribute. E.g. open VS close, quality VS efficiency, hierarchal VS collegial, bureaucratic VS learning, ...



PART C – INNOVATION

PART C.1 - THE TRACER INNOVATION

COGOV project is exploring the tracer innovation that is taken as an example of a promising practice in more participative government. A tracer innovation is a concrete activity that translate an idea into a service/strategy/policy, creating solutions in response to problems, challenges, or opportunities. The tracer innovation allows to explore retrospectively the innovation in a set of case studies.

- 7) What would you say was the core idea lying behind this *innovative practice*? In your opinion, what is the most interesting aspect of the *innovative practice*?
- 8) What was the reason for this change/innovation? Was it a solution to a problem? Was it a solution to a policy problem? How would the problem have been dealt with prior to the *innovative practice* (i.e. in a traditional way)?
- 9) At an operational level, what internal changes were required to implement the *innovative practice*? (E.g. staff change, re-organisations, new funding opportunities, external consultants, new IT system, HR system change, a dedicated team, ...)

PART C.2 – INNOVATION DRIVER AND BARRIERS

- 10) Could you please give some history and background of the *innovative practice*? How and by whom was the idea proposed?
- 11) Could please describe key drivers/enabling factors of the *innovative practice*?
- 12) Could please describe key barriers of the *innovative practice*?
- 13) Does the *innovative practice* use (explicitly or implicitly) principles of stakeholder participation or participative government? If so, what are they? Are citizens involved? If yes, how? E.g. Deliberative process, citizen participation in decision making, collaborative problem solving, wider consultation exercises, community engagement activities, ...

Goal: To identify the participative government principles influencing the innovative practice under analysis. Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.

- 14) Where did these ideas (of stakeholder participation or participative government) come from? E.g. academics, think tanks, management consultancies, political parties, international bodies such as EU or OECD.
- 15) Is there a core WRITTEN TEXT (e.g. books) that has proved influential for the *innovative practice*? If so, what is it? Was the text adapted to the local context?

Goal: To identify if ideas supporting are explicitly or implicitly linked to a text.

- 16) How would you describe the implementation process of the *innovative practice*? How long did it take? Who were the key actors? Was there any internal and external resistance to the implementation of the *innovative practice*?

Goal: To identify distinct phases of the implementation process, actors involved in the design and implementation process, innovation barriers, unexpected adaptation and any unintended effects.



PART C.3 – INNOVATION DIFFUSION

- 17) Has the idea behind the *innovative practice* been picked up by other agencies/organizations?
Has the innovative idea been replicated in other agencies/organizations?

Goal: To identify the innovative practice broader diffusion and the nature of the replication strategy.

- 18) Did the team/individual working on the *innovative practice* plan a diffusion strategy (internal or external) or it happened informally?

Goal: To identify the diffusion path and 'scaling up of the tracer innovation'.

- 19) Have you been approached by others or shared your experience on the *innovative promising practice* with others in your line of work?

PART C.4 – INNOVATION IMPACTS

- 20) What is the current state of play of the *innovative practice*?
- 21) What are the impacts of the *innovative practice*? In your opinion, will the positive impacts of the *innovative practice* be sustainable in the long term (e.g. continuation of funding ...)?
- 22) Was there a formal evaluation of these impacts? If so, what did it conclude?
- 23) What were the unexpected successful impacts of the *innovative practice* (e.g. development of relationships with external organisations ...)?

PART D – WIDER ASPECTS OF THE CASE AND LINKS TO COGOV CORE IDEAS

- 24) How have professional staff and public services professionals been engaged in participating in the *innovative practice*?

Goal: To offer initial insights to WP6. In COGOV WP6, it is used a broad definition of professionals that includes the traditional public servant in a ministry or local government, as well as professionals in the semi-public sector, e.g. in hospitals, housing corporations, schools, etc., (medical doctors, teachers, nurses, social workers etc.) as long as they are affected by/ involved in developing and implementing co-governance, co-production and co-creation of public services.

- 25) To what extent is the *innovative practice* connected to digitalization and on-line platforms and services (E.g. participation online, e-government ...)?
- 26) Finally, what are the key learnings for the *agency/organisation*? Why did the *innovative practice* prove influential in the *agency/organization* context
- 27) (If appropriate) Is there anyone else you think we could usefully speak to?



ANNEX 4 - CASE STUDY REPORT EXAMPLE

WELSH WATER'S 'WATER RESILIENT COMMUNITY' PROJECT

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Abstract

Welsh Water (WW), a not-for-profit specialist water and sewerage company, led an innovative co-production partnership with communities in the Rhondda Fach, a rural ex-coal mining valley in South Wales. The 'Water Resilient Community' project aims to maximise the benefits of WW's presence in the Rhondda Fach, one of Wales' most deprived communities, while upgrading 23km of water pipes running between two towns (Maerdy and Pontypridd). The project is acting as the pilot of a new approach of partnership with customers affected by upgrading work. This case is interesting because it focuses on civic engagement and community involvement. Examples of these efforts include supporting local community projects, offering workshops and seminars in local schools, and saving customers money through social tariffs and water audit schemes.

A. AGENCY/ORGANIZATION AND THE TRACER INNOVATION

A.1. Agency/organization background

Main Features

Welsh Water (WW) is a company limited by guarantee but (unique in the water sector in England and Wales) a not-for-profit organisation, whose primary function is to provide safe drinking water and waste water sanitation for 3 million customers across Wales and some parts of England. WW was privatised in 1989, along with the rest of the water sector in Wales and England. However, when the owners (Hyder) got into financial difficulties in 2000, the organisation was bought by Wester Power Distribution, and the water component of the business was sold to Glas Cymru (which was formed to own, finance and manage WW). In 2001, Glas Cymru transformed WW into a not-for-profit, i.e. WW has no shareholders, and any financial surplus is reinvested into the organisation. It is financed through long term bonds. It is still a company limited by guarantee, however, where the Board plays an important role in its corporate governance and which faces the sectoral regulator. WW has 3,000 employees, making it the 4th largest company in Wales.

Since this key change in ownership model, WW's focus has increasingly been on the communities it serves, rather than simply bill minimization or profit maximisation. WW has also been trying to build trust within the communities (this is reflected in the mandate and mission of the company: to earn the trust of customers every day). The core competency of WW is seen as their high-quality customer service. Included in this is keeping customers informed, being open and honest, and providing value for money. Participants also stressed their ability to provide an essential service in a resilient fashion.



The 2050 long term strategic plan sets out the challenges WW expects to face over the coming years (for example, climate change, population growth, water efficiency, and ageing assets). The 2050 plan must also be in accordance with the objectives set in the Well-being of Future Generations (Wales) Act 2015³ passed by the Welsh Assembly that has devolved powers in this domain. The 2050 plan was designed with Cardiff University and Arup, an independent firm of designers, planners, engineers and consultants. Alongside the 2050 plan, WW works in 5-year business planning cycles, which set out short to medium term plans for the organisation.

The devolved Welsh political and administrative context is thus an important aspect of the case.

Decision making Process and Leadership

The decision making in WW has a top-down element, but it also involves extensive staff and customer involvement processes. Decisions are formally made within the organisation at the Director level (there is a board of non-executive and executive directors), and then go to the Executive Team for agreement. The CEO is an executive director. This process is also deliberative; going back and forth until agreement is reached. There is also customer feedback as there is a Customer Challenge Group (CCG) that scrutinises WW's decisions. There are several regulators (e.g. Water Services Regulation Authority or OFWAT, Consumer Council for Water, Natural Resources Wales, Environmental Agency)⁴ that decisions must be approved by. These decisions usually relate to spending. If decisions are to be made in relation to customer bills or reinvestment of funds, customer surveys are conducted to ensure customer acceptability. Once decisions are approved, they are then filtered down. For example, in 2016 a customer consultation was conducted (face to face and online) to decide how the £30million of surplus made the previous year should be spent. Customers were given several options: reduce their own bills; reduce the bills of struggling customers; spend to save e.g. invest in renewable energy; help the worst served customers i.e. those with repeat debt problems; or invest in community education and recreation. 12,000 customers took part in the consultation and wider goals of community development and helping less advantaged customers were strongly favoured. As a result, the next five-year business plan was designed around the customers' responses.

Within this context, there were two main decision making criteria that were mentioned by interviewees. Firstly, cost effectiveness, due to the not-for-profit status of the organisation and the need for customer acceptability of prices. Secondly, the environmental impact criteria are highly valued (e.g. WW's RainScape project⁵, which is one of the challenges highlighted in the 2050 plan). The leadership at WW was described by participants as 'strong', and a mix of formal and informal styles.

Interviewees said the leadership is top-down, and very clear in objectives and vision. There are strong communication mechanisms from the CEO downwards to get feedback and to 'sell' the vision to staff. There is clearly a strong senior management team, but the leaders were described as very

³ The Act places a duty on public bodies in Wales to behave more sustainably and think about the long-term impacts of their decision making. The aim is to improve the social, economic, environmental and cultural well-being of Wales, to create a more sustainable Wales for future generations. Implicit in the Act is collaboration and cooperation between Public Service Boards, with the aim of fostering a more 'joined-up' approach to working. Also, encouraged in the Act is the involvement of individuals and communities.

⁴ <https://www.dwrcymru.com/en/Company-Information/Regulators.aspx>

⁵ <https://www.dwrcymru.com/en/My-Wastewater/RainScape/RainScape-Llanelli.aspx>



approachable, open and honest, as well as collaborative in the sense that they try and work with everyone. The decision making process thus mixes a strongly defined Board and senior management team, an open communication style to staff and customer participation mechanisms.

Organisational Culture

There was generally seen to be a strong collective culture in the organization, with many positive elements such as commitment to service. Overall, interview respondents agreed that the culture at WW is very open, honest and friendly; underpinned by employees tending to have long service histories, also acting as being an anchor institution for employment and social innovation across Wales. So many workers have long work histories and strong commitment to the company. It is also increasingly customer (as well as staff) orientated with a range of consultation mechanisms evident to build in customer voice. One aspect that was seen as mixed was the geographical divide between North and South Wales. Certain areas in North Wales are very remote, which creates challenges for communication.

Furthermore, one interviewee stated that due to the number of people with long service histories, there is an embedded way of doing things. However, this is changing due to the recent focus on developing customer participation, innovation and collaboration, in which employees are encouraged to develop new ways of working. Participants think this will make the organisation more resilient. Lastly, participants agreed that the culture is very centred around the strong bonds between employees.

Further Remarks

It is worth underlining that COGOV seeks to explore the development of co-production within contemporary European public service settings. As stated in the original bid, it was recognized that movements from government to governance have resulted in more pluralism among provider organizations. This has included the emergence of hybrid organizational forms that straddle the traditional private-public sector dichotomy. This is especially the case in those sectors in some countries where the (previously) public function has been recast in a narrow commissioning role e.g. social care and utilities in the UK. From the outset of COGOV, it was envisaged explicitly that case studies would need to include these new organizational forms, whether they be public, private or hybrid legal entities. In our original bid it was stressed that: "in order to attain the objectives of the Call in the most substantive way...we stress the focus is on public services organisations, encompassing but also going beyond public sector organisations." (Project Proposal Submission, p. 4).

Within this context, WW is the only UK utility provider to operate as a single-purpose company limited by guarantee. Owned by a corporate parent, Glas Cymru, WW has no shareholders. This unusual model of public service utility provision is claimed to provide a basis for improved customer responsiveness/involvement, and reduced asset financing costs (the water industry's single largest cost). Thus, it is entirely appropriate that the emergence of WW's innovative approaches to co-production be explored within a COGOV case study.

A.2. Perceptions of the problem



The Rhondda Fach is characterized by low employment, poverty, deprivation, and problems with bill affordability⁶. The Victorian water distribution system is exposed to assets aging and related loss of supply during poor weather. For these reasons, 23 km of drinking water pipes needed to be replaced to improve water quality and to guarantee a more reliable supply system. Considering this functional need, WW had to ensure that the project was delivered in the least disruptive way possible for the community.

The Water Resilient Communities project aligned to a large capital investment (around £23 million) for the upgrading of the main water pipes from the top of the valley to the bottom. The 2 year pipes renewing process is considered a major intrusive and disruptive scheme, and the geography of the area increased the difficulties from a technical point of view, i.e. the valley is one road in and one road out and the pipe is in the middle of the road, with narrow streets and terraced houses.

As outlined in the long-term strategy plan Welsh Water 2050, the biggest challenge for WW is to become a truly world class resilient and sustainable water service for the benefits of future generations, according to the Well-being of Future Generations (Wales) Act 2015. Within this context, the significant investment represented an opportunity to explore different approaches to deliver efficiently the pipes replacement and to actively engage the community in order to bring other benefits to the organisation. Thanks to the cultural shift of the company and the transition to being not-for-profit, WW used this opportunity (i.e. the water resilient communities project) to open an honest relationship and dialogue with customers. WW decided to add value to their presence in the community using participative approaches, helping customers who have problems with water debt with the social tariff, promoting their affordability targets, working with other organisations who are trying to deliver certain projects in the area (such as a major housing association and a Health Board), consult with businesses customers (traders, independent shops) to make sure the works did not impact their trade (e.g. make sure that parts of the road are open for deliveries etc.).

Normally, WW would lay the pipes in the designated areas, without involving people living in the area, (five or six communities are located along the main road). WW would send informative letters to the residential communities and with businesses customers (traders, independent shops). The innovative project used community meetings, stakeholders' workshops, events, the "community van", publications, and school educational programs.

A.3. Innovative practice

Core Idea

The innovative practice being investigated is Welsh Water's (WW) 'Rhondda Fach, Water Resilient Community' project. WW was driven by the idea of creating maximum benefit to customers in the Rhondda Fach who were going to be affected by pipes upgrading work taking place in the area. WW recognised that impact outside of core services and investment was currently limited. As such, the core idea was to collaborate with the community to create less discomfort as possible, while listening to and communicating with residents to enhance the community, increase the community resilience to the area and provide lasting benefit. This was a change from the traditional way of conducting

⁶ <http://www.assembly.wales/NAfW%20Documents/10-044.pdf%20-%2014052010/10-044-English.pdf>



upgrading work. Previously, WW employees said their approach was to complete the work as quickly as possible and leave straight after completion.

The CEO had read about other projects outside of the company that had conducted ‘deep dives’ into communities⁷, which led to the main idea behind the project. A deep dive (or Deep Place approach⁸) is a place-based study that explores a community to gain an understanding about the issues it faces, to support and enable sustainable change. The Rhondda Fach community traditionally had low trust in WW, and there was misinformation about the organisation. Part of the issue was that the area suffered with severe levels of deprivation. There was a feeling that WW had a responsibility as an ‘anchor institution’ in Wales to do more for these deprived communities, and to build trust so that they could reach the hard-to-reach (and often vulnerable) customers and hear their views. The aim was to achieve customer acceptability, and to build trust and familiarity.

When asked what was most interesting about the project, interview respondents provided a range of responses. A small number of participants were external to WW, working instead for local charities and organisations. These participants found it interesting that WW were open to collaborative and new way of working and consulted with them instead of hierarchically manage their activities. There was a sense that they wanted outside organisations to be heavily involved. Participants within WW found it interesting to work with existing groups already present in the area, to solve problems together. They also found the ‘deep dive’ approach interesting, specifically the lengths the organisation had gone to in planning the engagement and understanding the community. The ‘deep dive’ was said to be the brain child of the CEO, who commissioned a socio-economic report on the Rhondda Fach from Dr Mark Lang (Cardiff University)⁹. The CEO had a conversation with the Director of Customer Strategy and Communication, who came up with the concept and proposed it to the executive team, managing to secure their buy-in. The CEO then challenged the Engagement Manager to find a way of working differently with customers. Once buy-in from the executive board was secured, various teams were approached and asked if and how they could support the project. A project manager was then seconded for a period of 12 months. Their role was to oversee the project and manage inputs from the various teams.

Content of Service Innovation

As part of the innovative practice, WW offered several complementary services to residents of Rhondda Fach. Firstly, water audits were offered. These involved a 30-minute visit from a water engineer, who assessed the water appliances present in the home. The engineer then fit water saving products. In this case, saving water meant cheaper water bills for customers. To promote this service effectively, WW co-produced a leaflet with local customers. They worked together on improving the original leaflet, which customers said was confusing. They used simpler headings and focused on the money saving aspect of the initiative. Secondly, WW worked to sign up vulnerable customers to the Priority Services Register. Customers on this register would receive an emergency water supply in the event of a water shortage. Thirdly, WW signed customers up to social tariffs. This initiative was aimed at customers who were struggling to pay their water bills. If customers stuck to a fixed payment plan for a certain amount of time, WW promised to erase their debt. Lastly, WW’s Education Team

⁷ https://docs.wixstatic.com/ugd/920757_6fd4b3d6406e49738168b7fd044fae09.pdf

⁸ <https://www.deepplace.org/our-approach>

⁹ Lang, M. 2017. Dwr Cymru Welsh Water Resilient Communities Project: Maerdy to North Pilot Area, Rhondda Cynon Taff. Mark Lang Consulting.



provided outreach sessions to local schools. Instead of visiting a school once (which was common practice), the team sustained an ongoing relationship with each school and visited three times. Moreover, WW hosted Facebook live Q&A sessions and town hall meetings, created a programme for young people to tackle unemployment, worked out of Jobcentres, and redesigned their communication strategy based on customer feedback.

Implementation Strategy

The implementation strategy for a traditional WW investment scheme is very different to the Resilient Community strategy. Traditionally, customers would be told what was happening and what they could expect throughout the duration of the works. However, WW worked differently to implement the promising practice under investigation. An initial conversation about the project took place in May 2017, with the aim of delivering the project by January 2018. In August 2017, WW brought together the first group of external stakeholders with the aim of understanding more about the community. A socio-economic report on the Rhondda Fach was commissioned, providing information on demographics, housing type, deprivation levels, child poverty levels etc. WW then took this information to the external stakeholders and asked if it was in keeping with the issues faced in the community. WW then looked internally at the services they already provided, and consulted partner organisation Cynnal Cymru¹⁰ (organisation for Sustainable Development in Wales) for guidance. Trivallis¹¹ (a local housing association) was a stakeholder of the project. Several workshops were then held with the various teams that were organising each work stream e.g. education, social tariffs, vulnerability etc. Workshops were held with organisations already conducting projects in the area, so that duplication was avoided. This also enabled WW to tap into existing community groups and find community ‘gatekeepers’ to ensure the success of the project. The project then ran for 12 months, from January 2018-January 2019. WW are now believed to be in the stage of formally evaluating the project and its outcomes.

Operational Changes

There were several changes at the operational level that were required to ensure the success of the project. Firstly, a project manager was seconded to lead the project for 12 months. Before becoming project manager for the Water Resilient Communities project, the employee was a Catchment Performance Manager, working with data and analysing trends. They had no previous experience of project management. Aside from this, there was not a dedicated team established. Tasks relating to the project were in addition to workers’ everyday tasks. Secondly, a culture change was needed to move away from the existing “silo” effect, which is characterised by a lack of information sharing and interaction between teams within an organisation. As such, there was some resistance from staff due to the new method of working. Various departments had to learn to work together as part of a wider team. This led to increased collaboration across WW and was described as a learning curve for staff. It was also crucial for staff to learn what each department’s function was on a day-to-day basis, to enable departments to connect and tap into each other’s resources. Staff also had to be more hands-on with customers, especially in face-to-face situations when working out in the community. WW employees stressed that this has been embedded as a new way of working day-to-day. Furthermore, external organisations such as Cynnal Cymru, Trivallis and the local Country Voluntary Council, Interlink were brought in to help support the project. This was due to their knowledge of the local

¹⁰ <http://www.cynnalcymru.com/>

¹¹ <https://www.trivallis.co.uk/>



community and resulting ability to help foster long-term, sustainable change. Finally, several WW employees commented that buy-in and support from the CEO and managers was important in giving staff the confidence to work differently. This buy-in was also crucial for resource allocation.

Digitalization

The promising practice is marginally connected to digitalisation, and on-line platforms. Externally, from a customer perspective, the limited access to computers and Wi-Fi, and the extended use of pay-as-you-go phone tariffs made digital engagement difficult. This resulted in face-to-face approaches to engagement (community meetings, focus groups) being more appropriate. However, different social media platforms and Facebook live events were tested. Internally, a web-based software called Trello enabled WW to track changes, outcomes and targets on an online dashboard. The successfulness of this was mentioned by several WW employees.

A.4. Impacts and outcomes of the innovative practice

The Rhondda Fach Water Resilient Communities project is continuing (replacement of the pipes is ongoing until 2020), and the evaluation process is in progress. The hard data and outcomes were tracked throughout the project, in terms of uptake to Priority Services Register for new vulnerable customers, uptake to social tariffs, number of bills and debts cleared, cumulative financial savings for the community, and number of water efficiency visits conducted in the community. The customer's feedback has been collected (via stakeholders' meetings and workshops) and it appears that there has not been a formal output from the soft outcomes yet.

The purpose of the interviews was to discuss what went well, what did not go well, and what challenges were faced throughout the project. There were benefits to be had for both the community and WW. A key lesson within the organization was that the project promoted the benefits of joint working between the various business areas of WW, moving from a business that operate in "silos" to a more collaborative setting based on staff shared learning and in-depth knowledge. There was a lack of synergy due to different aspects of the business working very differently. A strong employee engagement perspective characterized the project, enabling colleagues to get involved in a project which is genuinely trying to improve the sustainability and resilience of a community.

Unexpectedly, the project developed long-lasting good working relationship with the other organizations involved (i.e. Cynnal Cymru and Trivallis), that extended beyond this Welsh Water related matter, encompassing approaches of collaboration and relaxed information sharing across organizations and agencies.

From a social perspective, the long-lasting relationships with the community established through newsletters and meetings represent the main impact. The project is the WW legacy in terms of maintaining the relationships and the communication channels. For instance, some customers continued their engagement after the project, contacting the staff members directly outside the main events. The issue of how to make the legacy long-term sustainable and resilient, both in this pilot and in future similar project, was frequently mentioned during the interviews. Furthermore, the awareness raised surrounding WW's social mission was highly valued, encompassing the increase of stakeholders' engagement and costumers' trust. Other impacts mentioned are extended school's education programme on water saving tips and water efficiency audits of all the schools, reducing their costs.



According to interviewees, an unexpected successful impact is the built up of a good element of trust within the community. For instance, the contentious issue of rats in the Penrhys Estate, was resolved thanks to the gained trust in WW, and their constant presence in the community through meetings and events. WW staff underlined that community members of the estate felt confident asking for their help. They felt that previously, the local authority had baited for the rats and set up traps but hadn't listened to the community group as to where there were problems on the estate. WW used the new relationships with the local authority and with the housing association to support the discussion on the topic. A disinfection action plan and an educational programme were developed with timings that involved the community group and drew upon their local knowledge. A second example is the Finance Director becoming a trustee at the local Welfare Hall, using his strong finance experience to voluntarily support the Board of Trustees in the book-keeping and managing of a large amount of money received.

A.5. Barriers and drivers of the innovative practice

The following drivers and associated effects have been identified by the interviewees (table 1, 2, 3). Specifically, table 3 shows the recurrence of the links between the items. Respectively, key barriers, related consequences and links are displayed in tables 4, 5, and 6.

Table 1 – Drivers of the Welsh Water case study

#	Drivers
D1	Designated and skilled project manager and team coordinator
D2	Willingness to invest in the community
D3	Long term community-oriented objectives of the board
D4	Customers' trust
D5	Customers' awareness on WW's mission

Table 2 – Drivers' effects of the Welsh Water case study

#	Drivers' effects
DE1	To supervise the evolution of the project and to timely update team members
DE2	To organize effective meetings/workshop with (and in) the community
DE3	To be in contact with gatekeepers
DE4	To enhance the activities with the community and with different existing local organizations
DE5	To change customers' water use behaviour and improve water related education
DE6	To support customers in vulnerable circumstances and increase affordability (social tariff)
DE7	To have meaningful interactions with the community and a better understanding of local challenges and opportunities

Table 3 - Recurrence of the links between the drivers and associated effects for the case study

Drivers and Effects' links							
Drivers	Effects						
	DE1	DE2	DE3	DE4	DE5	DE6	DE7
D1	1	4	1	1			
D2					1	3	
D3				2	1	1	



D4		1		1	1		3
D5					1	1	

Table 4 - Barriers of the Welsh Water case study

#	Barriers
B1	Lack of a dedicated budget for the project
B2	Lack of a dedicated resources (time and skills) for the project
B3	Lack of clear objectives and ideas on the approach to use (i.e. learning by doing approach)
B4	Lack of costumers' trust (especially at the initial stages)
B5	Organizational structure of WW (e.g. working in silos)
B6	Lack of efficient communication within WW
B7	Different assessments from different areas of the business (i.e. GDPR assessment)
B8	Identify who are the right people to speak to within other organisations
B9	Not accessible centralised file storage system

Table 5 – Barriers' effects of the Welsh Water case study

#	Barriers' effects
BE1	Lack of flexibility in allocating budget and time for important activities related to the project
BE2	Time-demanding teaming-up activities (within WW)
BE3	Time-demanding engaging activities (with stakeholders, community association and organizations)
BE4	Delays
BE5	Increase of the financial costs
BE6	Challenges in sharing information activities

Table 6 - Recurrence of the links between the barriers and associated effects for the case study

Barriers and Effects' links						
Drivers	Effects					
	BE1	BE2	BE3	BE4	BE5	BE6
B1	1					
B2	3	2	2			
B3		7	3	1	1	
B4			4			
B5	2	2		1		
B6		1				
B7				1		
B8			2			
B9	1			1		1

A.6. The diffusion process and communication strategy

The project did not have a strategy for external diffusion; it happened spontaneously. WW started to promote the project to encouraging other agencies to work with them, once a clearer idea of the process was reached and stronger preliminary outputs were available. The project represented a pilot, a major commitment of the company, thus in the earlier stages, it was kept confidential in the earlier stages.



The project and its preliminary key learnings have been presented to various external bodies during different conferences or best practice exchanges events on the subject of building resilient communities e.g. organized by Preston City Council or by the Wales Audit Office. The events were also useful to develop a number of relationships for future projects. Furthermore, the project was shared with other water companies through yearly water companies' performance publications of the Consumer Council for Water, an independent water council advising and supporting customers on every aspect of their water and sewerage services.

The project had a planned internal communication strategy (i.e. within WW). It has been well-advertised throughout the business, through internal publications (e.g. success-type articles with the summary of what was achieved in the project), social media, and internal presentations of the directors' board. Within WW, new projects have been drafted to replicate within resilience schemes an improved version of the project. A collaborative "learning by doing" approach was mainly used, and all the involved members of WW were able to feed in lessons learnt for future improvements.

To the best of our knowledge, the project or the innovative idea behind it, has not been replicated in other agencies. However, several organisations in Wales and utility companies working as distributor and account managers for customers, started to show interest in the preliminary outcomes and the lesson learnt as a sort of good practice project. Interest was shown also from the local authorities and the public service boards, regarding the Well-being of Future Generations (Wales) Act 2015, as to how they're going to improve the lives of current and future generations.

A.7. Involvement of professional staff and public services professionals

Within the project, several professionals were involved, such as local authority, Welsh government, members of the Health Board, the Public Service Board¹², members of the Future Generations commissioner office and academics. For instance, WW tried to work with the public services' initiatives already in place and was part of the Valleys Taskforce which has been set up by Welsh Government. In order to reach mutual benefits and long-lasting relationships, WW tried to engage with the different local stakeholder groups and the representatives in the area (e.g. housing association, environmental teams). Professionals helped sharing their knowledge, data and experiences in the area, using mainly brainstorming to collect ideas and thinking.

A.8. Methodology

In March 2019, 10 semi-structured interviews were carried out involving key managerial roles within WW. Pivotal associations, partners of the Rhondda Fach Water resilient project, were also involved, such as Cynnal Cymru (organisation for Sustainable Development in Wales) and Trivallis (local housing association). The semi-structured interviews have been carried out in collaboration with Cardiff University. In addition, the texts of two important planning documents were subjected to content analysis, namely Welsh Water 2050 and Welsh Water Business Plan 2015-2020. Full details of the methodology adopted are presented in Deliverable 2.1.

B. CASE STUDY MODEL IN USE AND DEVELOPMENT PATTERNS

¹² <https://gov.wales/public-services-boards>



B.1. Models of Government in use: Analysis of the innovative promising practices under consideration as reflecting the key messages of the earlier COGOV WP1 literature review

Public Value (PV)

While there were no formal references made to the work of Moore (1995) in the case or his public value model, the case demonstrated activity that can be seen as highly compatible with it. Thus, the tracer innovation strongly suggested a pattern of activity (i.e. the social tariff) designed to intervene in cases of water debt and to help disadvantaged consumers and communities. The strategic planning process also strongly considered broad notions of social purpose and innovation and went well beyond a narrow focus on cost and bill minimization.

Network Governance (NG)

There were certainly elements of the NG narrative found, notably strong partnership working with other public and not for profit agencies, including a large housing association and a health board. Consultation systems with customers and citizens were developing strongly, as seen in the consultation process for the 2050 Welsh Water plan. The relationship to the devolved administration and Welsh Assembly was important. WW was sometimes described as a big 'anchor institution' that had an important role because of its presence and scale in steering projects and associated networks.

At the same time, WW's own formal accountability and governance lines were rather PLC like (clearer) as they primarily (and necessarily, given the pressures from the sectoral regulator) ran up to its own board. It retained an internal governance focus (as we explore further below). Sovereignty had not, for instance, been pooled with other agencies or companies Board across the catchment area or on a whole area basis. Thus, there were also limits found to NG principles in use.

Co-Production and Digitalisation

While there was strong activity found in relation to core themes of: outreach, customer and user participation and community development, both in the strategic planning process and in the tracer issue explored, there were fewer examples found of radical co-production. Furthermore, digitally enabled participation appeared to play only a limited role. It is the case that the consultation exercise was conducted on line as well as face to face. This limited use of digital technologies was in part because of the nature of the tracer innovation and the publics served by it, where on line modes of working had, as yet, only had modest influence.

Collaborative Leadership (CL)

There was a mixed picture when benchmarked against some indicators of CL as explored in the COGOV literature review. There was a clear attachment to a stewardship role associated with CL with a long-term vision rather than a short-term focus on cost reduction and dividends, with a strong emphasis on ecosystem sustainability. Furthermore, the design of more participative decision making processes in the 2050 consultation exercise - around the key question of how to allocate the surplus, involving customers as well as producers - is aligned with the CL model government. The open senior management style was strongly appreciated inside the organization (for example in the CEO's use of team briefings) but this was more vision-led and individualistic. There was a strong pull back to the Board as an internal decision making centre. Lastly, there were fewer references found to novel forms of collaborative *leadership* activity coming senior management in Welsh Water across to partner



organizations and agencies, so the full characteristics of a whole system rather than a single agency perspective are not evident.

The Welsh Way of Public Management Reform

“We’ve done a lot of promotion and awareness over the not-for-profit and I think that goes down extremely well with people and obviously with Welsh people but people in general, to know that the money they pay is getting reinvested back in to the business and there are no shareholders that take a cut and I’m not saying that model is wrong but I think it works extremely well”.

An important inductive finding was of the presence of a distinctly Welsh trajectory of public management reform, less market driven and more whole area and partnership based. This trajectory was wider than the water sector but also apparent in it.

Due to the specificity of this case study, a detailed description of the wider context is needed. The Welsh Assembly (established in 1998) has considerable devolved powers, including in public administration and has passed significant legislation with implications for how public (and other) bodies work together. A water company which chose to move to a not-for-profit status without shareholders or dividends might be thought to fit well in this political and administrative context.

In particular, the 2016 Well Being of Future Generations Act can be seen as important and also as influential within WW’s strategy making. The Act was closely aligned with the UN’s Sustainable Development Goals with an emphasis on sustainable consumption, decarbonisation, health, equality economic growth and building resilient eco systems (Welsh Water 2050, p131). The Act places “a duty to consider the long term and to work cohesively with people and communities to achieve outcomes”. Although WW is not a public sector body and does not fall within the scope of the Act, it has developed a long-term strategic plan in close alignment with the government’s strategy for the public sector.

Within this context, aspects of the NG model were found to be important, allied to ideas of a more cooperative and sustainable Welsh way of public management reform. Yet there were also limits and hybrid elements found with a well-received, open but strong leadership style apparent from the CEO downwards and a well-developed but rather internally focussed and Board led governance structure.

B.2. Models of Strategic Management in use: Analysis of the innovative promising practice in relation to the various models of strategic management

A Formal and Long-term Strategic Planning Process

A formal strategic planning process was mentioned by respondents in interviews as helpfully setting an overall vision and framework. Such a planning process was strongly apparent, where certain management related tools and heuristics were clearly evident in the documents analysed. There is a both an (interesting and unusual) long-term vision statement (Welsh Water 2050, 148 pages) alongside a more conventional five year plan (Welsh Water Business Plan, 2015-2020, 99 pages).

The long-term vision document started by simply stating its overall mission (p4) which was as follows: *“to earn the trust of customers every day”*. This plan covered a very long-term horizon of more than thirty years rather than the usual five year operational planning cycle. This reflected both an orientation to the goals of long-term sustainability and to the distinctive conditions of managing their very long lived asset base. Another high-level stated objective (p4) was: *“to become a truly world class, resilient and sustainable water service for the benefit of future generations”*. In this respect, its non-profit status can be seen as an important and helpful driver.



WW had been helped in preparing the plan by expert advisers from Arup and Cardiff University. The plan was a very substantial document that mixed the use of various planning tools and techniques mission statements, appealing visuals, presentation of simple quantitative data, long-term trend exploration and horizon scanning, a search for international examples of best practice and vivid mini case studies. There was not a use of very elaborate long-term data projections or some conventional environmental assessment tools such SWOT or PESTELI.

With the help of Arup, the plan also developed a novel visual heuristic to ensure long term resilience: namely 'the resilience wheel' (p20) which covered three core domains (finance and governance; people; infrastructure and environment), with associated indicators for each. This was a vividly presented overall assessment framework that sought to identify and think through the possible future shocks and stresses which could erode water system resilience.

The plan followed an extensive consultation exercise with some 20,000 customers' responses (utilising both digital and face to face forms) as well as meetings with stakeholder groups. Mindful of the distinct Welsh political and legislative framework (see section B.1), it advocated for catchment wide joint working and cooperation with local communities as well as customers.

Instead, the business plan operated at the more operational level, outlining key five year objectives. They include effective control over costs (and bills) but also specify wider objectives, such as increasing special customer tariffs and outlining ambitious investment plans. There are many associated KPIs (Key performance indicators) listed. The business plan also stresses the strong oversight role of the Board. Thus, there is clearly a well-developed strategic planning process evident, notably so in the 2050 plan. This text includes the uses of data but is also much broader and in some ways also softer and more creative than a purely data driven text. It covers an unusually long time period. The identification and thinking through of possible threats to system resilience is a major and novel theme, based on horizon scanning. External consultants were used to inform the analysis, and internally the Chief Executive and the Regulation team were involved in writing it.

Ownership and Corporate Governance School

"There's strong leadership, you know, we're a not for profit organisation but what that... although it means that we don't have shareholders, there's still a very strict governance system in place so we've got a board of directors who sort of monitor the business and challenge every decision that is made very much the focus there being on ensuring that every business decision delivers value for money for customers and is done for the benefit of customers. So, that's at the very high level but then we also then have what are called members then so the Glas Cymru members so they in effect are, you know, shareholders in effect and they've got a governance role there as well again ensuring that the company is being run in a safe and efficient manner. And then we've got an executive body then and I would say, you know, it is fairly clear where their roles and responsibilities lie".

The governance model of strategic management – widely interpreted - refers to the ownership mode, associated accountability mechanisms and the strategic role of the Board. The decision to move back from privatization to non-profit status in 2001 – which is unique in the case of water companies in England and Wales as well as in Europe – was seen as of fundamental importance in the case.



In formal governance terms, WW is constructed as a limited company without shareholders. It was instead financed through the issuing of long-term bonds. Rather than paying dividends, financial surpluses – which may be considerable - are reinvested in the business¹³.

WW has a PLC (Public Limited Company) like main Board structure, with a non-executive chair, a CEO and a mix of executive and non-executive directors with a range of senior level experience. There are various specialist sub committees such as audit and compensation, and quality and the environment¹⁴. The Board was seen in the interviews as an important (and often helpful) senior level influence.

It should be recalled that water remains a regulated sector in England and Wales. WW faces a sectoral regulator (OFWAT) which has been active in shaping reporting requirements and governance arrangements. The background here included wider attempts to upgrade corporate governance systems across the whole of the UK private sector in a long series of initiatives and reports since the 1990s to prevent what had been some notable scandals from reoccurring.

Specifically within the water sector, OFWAT's 2014 report ("Good Leadership, Transparency and Governance – Principles") outlined basic principles and standards of governance, suggesting that they may eventually become part of the licensing process for water companies. Strong board level leadership and governance was here seen as important in preserving legitimacy with customers, especially where water companies had been taken over by foreign firms (which was of course not the case in Wales). Consequentially, there was a strong push by the regulator to ensure that all Boards of companies in the water sector engaged in active oversight and could also demonstrate that in their reports.

In the case of WW, the forward to the five year plan stated (p1): *"the Board put in place a rigorous system of control, supervision and challenge under which the plan has been proposed by the company and considered by the Board over a period of 22 months at 16 board meetings... the Board conforms with the UK Corporate Governance code and the principles of good governance set out by OFWAT"*.

There was also a more stakeholder-based element of the governance system of WW, namely the Group of Members. This grouping is more compatible with NG ideas and supplemented the main Board. The Welsh Water Business Plan 2015-2020 argued that the 57 members held the Board to account for their overall stewardship and noted that (p17): *"our members are selected by an independent panel which is required to maintain a balanced and diverse membership, reflective of the range of our customer and stakeholder interests. They do not receive any fees, nor do they have any financial stake in the business"*. However, respondents referred less in interviews to the members than they did to the main board, suggesting the members may have a more secondary role in practice.

Strong Values and the Cultural School

This school was clearly present but rather more implicitly than explicitly. There were no references, to example, to the use of a culture change programme as a management technology that might seek to shift the cultural dimension. Nor was McKinsey's well known 7S heuristic invoked as a way of diagnosing the existing culture.

Yet there were frequent references made in documents and interviews to a pre-existing strong and positive collective culture, together with a commitment to broad goals of a social mission and long-

¹³ see <https://www.dwrcymru.com/en/Company-Information/Governance.aspx>

¹⁴ see <https://www.dwrcymru.com/en/Company-Information/Governance/The-Directors.aspx>



term sustainability. Thus, the existence of this strong and positive culture could assist the achievement of long run organizational excellence, consistent with the arguments of the cultural school.

The pre-existence and then accessing of positive collective values were core to the mission statement. WW declared it wanted to be a high trust organization (in other words that staff would consistently behave in a trust-worthy way with customers because of positive personal and also collective values rather than 'low trust' elaborate checking and audit processes). This mission statement was often quoted to us and was carefully worded to help ensure that the organization was seen as trustworthy by its customers "every day", that is in repeated transactions. Therefore, there was evidence of an attachment to goals of public service, the advantages of a not-for-profit ethos, long-term sustainability and promoting the well-being of the water ecosystem across its catchment area. In other words, WW was attached to much broader and socially orientated goals than simple cost and bill minimization.

B.3. Key learning points and final remarks

In essence, WW represents a bold experiment in taking a not-for-profit approach to organization and management in the water sector, most unusually so when compared to other water companies in England and Wales as well as in Europe. It remains a private limited company, of course, rather than a public agency, as it has been de-privatised but not nationalised. There were certainly important elements of network governance and of more participative decision making models of government evident in the case (both in the consultation exercise around the 2050 plan and in the tracer innovation), although in a mixed rather than a pure fashion. Public value texts and concepts were not invoked, yet we suggest that the behaviour of the company around promoting social innovation can be seen as highly compatible with them.

There was less evidence of substantial moves to collaborative and externally focussed leadership; the leadership style was open but more internally focussed and visionary rather than transactional in nature. There are certainly moves to strong customer participation and on line consultation systems in (for example) the decision making process around the distribution of a substantial surplus but radical co creation and digitalization seem less well developed.

We suggest three schools of strategic management had a strong presence in the case. There was clearly an elaborated and very long term strategic planning process that involved the strong use of horizon scanning techniques to explore threats to long term resilience.

As a large and regulated company, secondly, demonstrating effective corporate governance and the strategic role of its Board was always going to be important, especially given the demands of the regulator. The Board was here seen as an important high level influence. Therefore, this internal focus counterbalanced radical moves to externally based working.

There was thirdly evidence of a strong and positive culture aligned to social mission and long-term ecosystem sustainability with a much wider purpose than cost and bill reduction and dividend maximisation. This school was present implicitly (as an inheritance) rather than as explicit domain for management intervention but was of fundamental importance.

While the cultural school is important and can be seen as a relatively 'soft' school, it was counterbalanced by two 'harder' models of strategic management in use, notably a formal strategic planning process and the role of the governance system, notably including the Board.

Questions that WW may wish to consider as feedback:



1. Should senior level collaborative leadership across to other agencies and organizations be developed further? If so, how?
2. How can digitally enabled modes of consultation and co-production be fostered?
3. How can the WW board look outwards as well as inwards and downwards, given the demands from regulators etc on it?
4. Did the WW 2050 strategic planning process work well? What is the learning? How might it be developed further?
5. Is the underlying and positive culture resilient or might it erode?

C. REFERENCES AND DATA SOURCES

<https://www.dwrcymru.com/en/RhonddaFach.aspx>

<https://www.dwrcymru.com/en/Customer-Service/Your-Company-Your-Say.aspx>

<https://www.dwrcymru.com/en/Customer-Service/Your-Company-Your-Say/CCG.aspx>

<https://www.dwrcymru.com/en/My-Account/Priority-Services.aspx>

<http://www.ourcwmtaf.wales/SharedFiles/Download.aspx?pageid=286&mid=613&fileid=378>

<https://www.ofwat.gov.uk/regulated-companies/price-review/2019-price-review/business-plans/>

<https://www.dwrcymru.com/en/My-Wastewater/RainScape.aspx>

<https://www.dwrcymru.com/en/Company-Information/Business-Planning/Welsh-Water-2050.aspx>

<https://www.dwrcymru.com/en/Company-Information/Business-Planning/Water-2020-PR19.aspx>

<https://www.dwrcymru.com/en/Company-Information/Not-for-profit.aspx>

<https://www.dwrcymru.com/en/Company-Information/Dwr-Cymru-Welsh-Water/Key-Facts.aspx>

[Well-being of Future Generations \(Wales\) Act 2015](#)

<https://www.dwrcymru.com/en/Company-Information/Governance.aspx>



ANNEX 5 – MODELS OF GOVERNMENT AND MODELS OF STRATEGIC MANAGEMENT

(Please also collect any relevant texts from the agencies concerned to be analysed, e.g. strategy plan, policy report, PowerPoint presentations)

1. MODELS OF GOVERNMENT

Adapted from the COGOV WP 1 literature review

I. PUBLIC VALUE (PV)

- The PV is an explicitly public sector strategic management-oriented model;
- Public managers are stewards of public value more than as loyal agents of politicians
- The key notion of the PVS is the ‘creation of public value’ defined as the positive impact of services on public needs (collectively identified and selected through democratic means);
- The PV is friendly to some adapted notions of corporate strategic management developed by private sector orientated writers while seeking to maximize public value rather than shareholder value;
- Strongly associated with the work of Mark Moore¹⁵ and his key heuristic device of the ‘strategic triangle’ of public value which may appear explicitly or implicitly (i.e. the production of public value through social innovation, attention to building support in the authorising environment which includes but goes beyond elected politicians and developing operational capacity to implement the innovation effectively).

II. NETWORK GOVERNANCE (NG)

The key features of the NG model include:

- A broad shift from narrow ‘government’ to wider ‘governance’;
- Involving a wide range of non-state actors as partners;
- More use of networks and less use of hierarchy and markets as a governance mode;
- The role of the state here moves from command to indirect ‘steering’;
- Networks are ‘semi-autonomous’;
- They may often be used to tackle cross cutting or ‘wicked’ issues;
- Need high levels of trust;
- They may operate at the subnational (regional) level as well as the national level.

Related questions:

- What is the declared strategy of the public agency being studied in relation to the construction and operation of such complex networks?
- Are such networks indeed critical in achieving its core decision making and service delivery goals or could they be delivered on a single agency basis?

¹⁵ Moore, M.H. (1995) *Creating public value: Strategic management in government*. Cambridge, MA: Harvard University Press.



- What is the role of the public agency precisely in steering such complex networks and how does it do it? Is there a lead agency?
- Have new consultative and deliberative processes and arenas been constructed to facilitate network working?
- Have resource flows been redesigned (e.g. made more ‘joint’) to support such network working?
- Are there limits in practice to network autonomy from the state? How does the state steer?
- What are the behaviours, skills and competences within public agencies needed for the design of effective networks (may link to RBV)?
- Have these design issues been explicitly addressed within a strategic process and/or text undertaken by the agency?
- Are key relevant academic texts drawn upon (e.g. Rhodes¹⁶, Osborne¹⁷) at all?

III. CO-PRODUCTION INCLUDING DIGITALISED CO-PRODUCTION

The key features of the (digitalised) Co-production model include:

- Bottom up and less hierarchical approach;
- Collaboration with many non-governmental actors;
- The agency adopts a facilitative/collaborative rather than a command and control style;
- Collaborative, interactive and horizontal mode of working;
- Shared decision-making processes;
- Two-way flows of communication NOT one way;
- May be evidence of the design of novel deliberative processes (it may be that additional local models emerge inductively in some cases and if so, should be recorded);
- Co-production may be facilitated by new forms of ICTs/e-government;
- Focus on designing collaborative service innovations;
- May relate to ‘wicked problems’ or community-based issues;
- Moves beyond participation to more radical co-production.

Related questions:

- How do public agencies design new deliberative processes to support such co-production and innovation?
- Do they have a theory of collaborative innovation in their strategies or just worked practices?
- What new platforms and arenas are created, including ICTs?
- Are there resource needs to support this new mode of working? If so, how are they identified?

IV. COLLABORATIVE PUBLIC LEADERSHIP

The key features of the collaborative public leadership model include:

- May be closely aligned with the co-production model;
- Seen as highly appropriate for ‘wicked problems’ and multi-agency settings;
- Characteristics of a system rather than a single agency perspective;

¹⁶ Rhodes, R. A. (1990). Policy networks: a British perspective. *Journal of theoretical politics*, 2(3), 293-317.

¹⁷ Osborne, S. P. (2010). *The New Public Governance: Emerging perspectives on the theory and practice of public governance*. London: Routledge.



- Leads to a new and much wider leadership style – from top-down management within one organization to a range of wider leadership tasks including acting as: steward, ideas champion, facilitator, capacity builder, dialogue creator;
- Collaborative leaders follow as well as lead;
- Collaborative leaders emphasise creativity as well as operational management;
- Collaborative leaders may seek to support and empower weaker stakeholders to build inclusive dialogue;
- Building of wider legitimacy and high trust levels for tackling complex public policy problems is important;
- May well be a multi-sectoral or multi-level approach;
- May take the form of more distributed and less individualised forms of public leadership;
- May be associated with particular and distinct public managerial styles and competences;

Related questions:

- Is such a style really evident in the cases or does vertical top down management persist?
- In which settings is it most evident?
- What are the concrete skills and competences seen as required?
- What are the career backgrounds of those public managers who are perceived as being good at collaborative management?

2. SCHOOLS OF STRATEGIC MANAGEMENT

Adapted from Ferlie and Ongaro 2015¹⁸

V. THE STRATEGIC DESIGN AND PLANNING SCHOOLS (SDe and SPLa)

- The SDe agency's strategy drives its design of a formal organizational structure;
- The SDe seeks to achieve a strategic fit between a particular organization and an analysis of wider external environment;
- The SDe strategy making is normally seen as being led by senior managers and their advisers and then handled to middle management to implement;
- Then SDe has a written and official strategic plan which is data informed;
- The SDe uses well-known analytic techniques to assess the external environment (e.g. search for the presence of the PESTEL, Political, Economic, Social, Technological, Environmental, Legal diagnostic tool) and internal organization (e.g. use of SWOT, Strengths, Weaknesses, Opportunities, and Threats tool) The SPLa develops the SDe further, representing greater formalization of the planning process;
- The SPLa is characterized by the presence of long-range plans, a planning process and planning units;
- The SPLa has specialist planning staff, based in headquarters, uses long-range forecasting and operation management techniques and then passes plans down to middle management to implement;
- The SPLa elaborates strategic plan document with long term projections.

¹⁸ Ferlie E. and Ongaro E. (2015). Strategic Management in Public Services Organizations: Concepts, Schools and Contemporary Issues, Abingdon, Routledge, ISBN 978-0-415-85538-9 (Chapter 2 and 3)



VI. THE STRATEGIC POSITIONING SCHOOL (SPo)

- The SPo also assumes a highly rational analytic and top down approach to strategy formulation which is then given to middle management to implement;
- The SPo underlines the importance of market or sector structure and its analysis;
- The SPo is depended on a narrow set of rational analytic techniques;
- The SPo emphases value production across a whole service delivery process;
- Search for the influence of Michael Porter's work on competitive strategy and associated tools;
- Look for use of the: five forces framework; generic strategies model and value chain analysis;
- Also, an emphasis on value production across a whole service delivery process;

VII. THE MINTZBERGIAN STRATEGY (MS)

- The organization's strategy is defined as a more emergent process or as a pattern in a stream of decisions rather than as adherence to a fixed long-term plan;
- Strategy making is seen as pluralist terms and can involve a greater plurality of actors than solely the top management;
- Strategies can be traced back to a stream of local decisions which only later build into a pattern and then go on to trigger major changes;
- Search for the presence of short and more general mission statements or interim position statement rather than formal plans;
- Links to wider ideas of organizational learning and the learning organization within the strategic process;
- The MS uses workshops, away days and deliberative processes to involve staff and learn;
- Strategy may be sectorally or contextually specific, rather than generic.

VIII. THE (SOCIAL) ENTREPRENEURIAL SCHOOL (ES)

- Strategy making in small and medium scale settings, often highlighting the strong, personal, influence of a founder or entrepreneur rather than formal corporate or business planning systems;
- An entrepreneur is seen as an individual who accepts a high level of personal risk to launch a new product or service, acting as a founder and an owner manager of a small medium enterprise;
- In small non-profit organisations a similar process may be evident but dependent on 'social' rather than economic entrepreneurs with the vision to construct new social settings;
- ES is dominated by the search for new opportunities rather than dealing with existing operational problems;
- Power lies in the hands of the CEO/founder often unwilling to delegate operational responsibilities
- May be present in a crisis when power is centralised upwards e.g. retrenchment;
- May be present in an autocratic public agency or a new social enterprise dependent on a strong vision from the founder (often one charismatic person).

IX. THE CULTURAL SCHOOL (CS)

- Organization's culture here is seen as more fundamental than both formal structure and strategy;
- The CS is less short-termism and action-oriented and rational analytic than the SDe. It is also less individualistic and more collectivist in orientation;
- The CS moves beyond 'transactional' focus on operational decisions to more ambitious 'transformational' leadership which raises levels of motivation from the workforce and engaging with their perhaps unconscious emotional needs;



- The CS had references to the presence of a high commitment or excellent culture;
- Interviews would be likely to uncover quotes relating to the presence of a strong value system in the organization. The organization may have negative (bureaucratic) as well as positive (innovative) cultures;
- The CS also stresses on a transformational and ‘authentic’ leadership style;
- Look for the use of a cultural diagnostic tool (e.g. cultural web).

X. THE RESOURCE-BASED VIEW (RBV)

- Knowledge-based view of strategy. RBV looks at the internal capacities of the organization;
- The organization in this school is seen in terms of its tangible and also intangible resources, including its underlying knowledge bases which taken as a bundle produce competitive advantage in an advanced economy;
- Organizations have different resources profiles (known as core competences or dynamic capabilities which evolve over time) and are hence heterogeneous, with such variation exerting performance effects;
- Heterogeneity or differences between an organization’s resources is a fundamental assumption for this school so that organizations within the same sector can vary a lot;
- The ability to sense, acquire and use knowledge from outside (absorptive capacity) is a key core competence;
- Effective knowledge management or mobilization is likely to be a key core competence;
- Search for the presence of RBV related terms (see above) in documents and interviews;
- In this school, the agency is likely to present itself as highly distinctive in its sector and as possessing unique assets which have built up over time.

XI. CORPORATE GOVERNANCE SCHOOL (CG)

- In NPM regimes there has often been an adoption of firm-based models of CG within public organization and an attempt to empower the board as a directing centre;
- The main board is comprised of several full-time senior managers employed by the organization and part-time independent directors drawn from outside. There are often two key leadership roles: a non-executive chairman and an executive CEO;
- The board is supposed to take responsibility for the overall governance of the organization reporting to shareholders/constituents. It may set up sub-committees to pursue specific tasks which then report back to the main board;
- The main objectives of the board are: to determine strategy, assess performance and shape organizational culture (values, rules, tone);
- Search for the strong and active role of the Board (including non-executive directors) in strategy making in the public agency or NGO concerned;
- more broadly, the governance school also directs attention to the fundamental ownership structure (for profit, not for profit or public sector) and of formal accountability lines.

Related questions:

- Is there evidence in the case of a powerful Board operating at a strategic level?
- What are the formal accountability lines in the organization?
- What is the formal ownership structure? Has there been a shift in ownership mode (privatization or deprivatisation) and how important is any such shift seen to be?



- Is the Board single agency based or is there a wider partnership model at Board level across agency?
- Is there a second supervisory board (with a wider collection of stakeholders) in operation?

XII. THE STRATEGY AS PRACTICE SCHOOL (SPrac)

- The SPrac is interested in micro-level study of concrete and local strategic practices. The focus is on micro activities that, while often invisible to traditional strategy research, nevertheless can have significant consequences for organizations and those that work in them;
- there is less emphasis on top down strategic planning;
- The SPrac has retained a more pluralist focus including middle managers, management consultant and boundary spanners (VS SPro);
- A SPrac perspective has a strong alignment with public and not-for-profit settings, because it does not assume the presence of strong competitive forces shaping the organization and its openness to pluralist forces such as influential professionals who may counterbalance the traditional power of top management;
- Search for the active use of micro events such as away days or task forces at the bottom of the organization as important forces;
- Strategy making is here likely to be more collective, dispersed and bottom up.