

The role of logistics management in public services – research plan

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Abstract. Public services and logistics are generally treated as different fields, but the tools of logistics management with the help of the Unified Services Theory can be used for the benefit of the public services. The aim of this theoretical paper is to generally introduce my topic and relevance of the research on which my PhD thesis will be based in the future. The expectations in the advanced, globalized world are pushing governments to find new methods to fulfil the needs of the citizens while keeping up or even increase efficiency and effectiveness. I believe that from a certain viewpoint the public administration system can be considered as a large scale supply network, and I am particularly interested in how we could apply logistical methods in public services to increase efficiency and effectiveness while simultaneously increase customer satisfaction. In this particular paper I would like to present how I see the connections between the concept of New Public management and the Unified Services Theory. I would like to show the similarities between them and how they could complete each other in order to serve as a background for later logistics related approaches and researches within the domain of public services.

Introduction

There are several reasons why I chose for my topic the area of public services, and the role of logistics management in public services. I am a graduated public service manager and logistics manager. The functions and behaviour of the public area and the logistics services were always within my interests and during my learning I gathered specified knowledge attached to these sectors.

My goal is to learn and research as much as possible about the possibilities of joining these two fields which are both within my interests, and use the logistics for the benefit of public services. I think this would be a great achievement and as I realized I am not the only one who thinks that way. For example the concept of New Public Management follows similar principles using and integrating other areas of the financial and business world to enhance the efficiency of public services. The field of logistics management can also be used for the very same reason resulting in very powerful and effective solutions

To properly circle around my topic first I want to explore the basic tools of both public services and logistics management and the possibilities of joining these fields in order to find new ways to improve public services and services in general with these logistics related approaches and tools. In order to do that there are several angles which I would like to examine closer by reviewing the relevant literature

than I would like to examine and analyze existing methods and after that I will search for available data to examine and possibly making interviews and questionnaires to gather more data.

First I would like to study the definition of services and how we can define them in different environments, than I would like to examine and use the benefits of the Unified Services Theory as a tool to redefine services and public services as processes in with customers (the citizens) have key roles. After that I would like to study the value creation and the definition of public value.

As we will see logistics management can be really useful for public services if we embrace the concept of the Unified Services Theory, to see services as processes in which customers are playing key roles. While public services are mostly considered as special types of services, the tools of other fields could be very effective to improve them, and there are several methods which are already trying to bring necessary changes into life, from which the concept of New Public Management seems to be the most exciting for me.

1. The role of public services, goals and tools

How does the government work? What does it do and why? What kind of services does it offer for its citizens and how effective these services are in everyday life? Usually most people care about these services because they are important for our life. If someone has something to take care of and finds the right service at the right place, at the right time, everything is all right. But with this statement I am already a little ahead myself.

First of all we should clarify how we define services? What is a service? There are many definitions which are trying to give a universal explanation. According to my studies a service is more or less an abstract resource. It can be produced but it cannot be stored after production. It represents a capability to perform a task by a provider if a requester asks for it. It also represents a value of intangible products such as accounting, banking, education, insurance, expertise, medical treatment, or transportation.

Sometimes services are difficult to identify because they are closely associated with a good, but usually during implementation when services are sold no transfer of possession or ownership takes place and services cannot be stored or transported. They only come into existence at the time they are bought and consumed. As we can see it is a real challenge to define what services are and identifying what makes service businesses different from any other business.

The government offers many services what people need. But this offer seems to be completely natural for everyone and no one think about how these services are planned and executed, if they are available. They have to be available at all time, because if they are not, that could cause major problems. And even if they are available, the efficiency, effectiveness and usefulness could be questioned both by the service providers and the people who use these services.

1.1. Public services

First of all we must clarify what are the public services. Basically those institutions that are maintained by the government to provide general services for the citizens are considered as public institutions and the offered services are public services. In most of the developed countries the term of public services often include healthcare services, emergency services, education, postal service, security and infrastructure on many fields such as transportation, water supply or energy. The number of publicly provided services are different in every state but even if they are not publicly provided or financed, they usually are highly regulated by the government for social or political reasons.

Besides these overall services the government provides many more additional services which are essential to the citizen's everyday life and are available to everyone regardless of income or physical or mental ability. If our driving licence or personal identification expires or we would like to claim a passport to visit a foreign country we use public services as well. These services are performed by civil servants or public employees who are hired by the elected officials.

Most public services are under-provided by the market or exclusively provided by the government itself and because the characteristics of the service term itself, they do not involve manufacturing goods. They may be provided by local or national monopolies, especially in sectors which are natural monopolies.

To secure the availability of these governmental services the state is forced to build and maintain a state-wide supporting infrastructure. It is necessary to ensure the local accessibility through local offices. The public administration offices are conduits between the government and the citizens, and these local access points where the services can be accessed are considered the most common interface between the people and the state. And because of this their efficiency and functioning capability shapes people's thoughts about the government itself. At a national level, public services underpin human welfare and economic growth. To supply and provide these public services without any major problems are key tasks for the government. And as I mentioned people care about public services and depend on them being delivered well.

Public services need to be centred on citizens, and need to be responsive to their needs, while delivered with integrity. Promoting greater transparency and enabling ordinary citizens to assess the quality, adequacy and effectiveness of basic services, to voice their needs and preferences and to become involved in innovation offers an opportunity to enable better use of public funds, and improve service delivery. [8]

Public services account for a large proportion of government budgets, but increased spending has often not been matched by improvements in outcomes. In the worst case, if corruption raises its head, it could lead to declining standards which leads to money intended for books, teachers, medical supplies or infrastructure being siphoned off by officials or private contractors. Data showed that just increasing resources, equipment, financial, or personnel, does not guarantee that the quality of education or health care will improve. [13]

The quality of service delivery is critical both for the government and the citizens. We are living in the 21. century but the way how most of the public services are delivered was designed in a previous era to fulfil the needs of that era. Because of this most governments struggle to respond to present day needs driven by complex challenges, such as those created by aging populations, chronic health conditions, mega cities and poverty and inequality. Even if the integrity of public resource flows can be secured, these new challenges require new solutions and completely new approaches.

Public services are traditionally organized in a way that puts the public in a passive role, as the recipient of a standardised service. But life is changing and so do the people. The innovation of other areas such as travel, communications, media make deep impact on how we see our everyday life. Nowadays citizens are connected like never before and have the skill sets and passion to solve problems, and are used to giving feedback on the goods and services they receive, and playing an active role in making choices. With such an approach and high expectations from people the old school bureaucratic processes and the lack of fast and efficient solutions often turn people against the government leaving permanent bad impressions. For example government employees are often accused by not working hard enough. [9]

As a matter of fact the governments feel the pressure and they are already experimenting with new solutions, and they try to redesign different parts of the system to meet the expectations. Trying to involve the citizens and make their role from completely passive to at least partially active cannot be done in a day. It requires both long time and long term solutions. But at the end citizens can play a more active role as a user community for public services. The new technological solutions and the easily available data enable a different kind of participation. [3]

However translating information into action seems to be a difficult challenge. The relationships between citizens, policy-makers, program managers, and service providers are complicated and are not easily altered through a single intervention, such as an information campaign or scorecard exercise. [9]

1.2. New Public Management

As I mentioned before traditionally governments never thought about citizens as customers and because of this the way how public services were executed excluded the citizens as potential feedback resources. But in the last decades of the 20th century as our technology and society developed governments realized the necessity to develop new ways and methods of the services to maintain efficiency and serve the changing needs of citizens in order to secure public satisfaction.

One of the modern public administration approaches is what we call New Public Management. Basically in this case different kinds of management techniques from the private sectors are taken over and used in the public sector for the benefit of the government.

The basics of this concept can be summarized in these principles: [6]

- suppression of the role of the government, dismantling its functions and increasing the involvement of private market participants

- Effectiveness, efficiency and economy in government (the less is sometimes more)
- Decentralization of decision-making, the transfer of powers to the lower levels of political decision-making and managerial levels (let the driver drive)
- The reduction of hierarchical levels of the administration, by creating quasi-autonomous (agency-type) structures.
- "Marketization", introducing market-type mechanisms and methods in the creation of public services such as outsourcing tasks, complex outsourcing of public services, privatization
- "Managerialism", introducing corporate management techniques in public administration, such as performance measurement, performance-based assessment, remuneration, strategic planning, benchmarking, and management control systems.
- Another main objective of the New Public Management is the reform and deregulation of the complicated legal system

The foundations of the New Public Management were laid off in the eighties mostly in England and Australia and until the nineties it was mostly seen as a developed country, particularly Anglo-Saxon phenomenon. But at the beginning of the nineties the popularity of the New Public Management started to grow and several variants of NPM techniques appeared in some developing and transitional economies, such as management decentralization within public services, downsizing and performance contracting with the help of autonomous agency creation, budget and financial control devolution and increasing the performance, outputs and customer orientation in the public services.

New Public Management reforms have been driven by a combination of economic, social, political and technological factors. A common feature of countries going down the NPM route has been the experience of economic and fiscal crises, which triggered the quest for efficiency and for ways to cut the cost of delivering public services. [2]

As we can see the concept of New Public Management can be considered as a set of ideas with the common effort to extend the principles of economic sectors to the state (public) institutions while citizens of the state are also treated as customers. Its goal is the economic modernization of both the public institutions and the state's to create efficient public administration processes.

The NPM concept is not simply a corporate management approach to the public administration; it is also an effort to achieve higher rate of efficiency and effectiveness in the operations of the state, while it prefers the neo-liberal state concept, which only supplies the most important social responsibilities. The NPM methods require both economic performance and cost-oriented thinking, and they try to achieve with minimal cost the maximum performance.

But in order to be effective we have to define the goals and we have to design an acceptable control (monitoring) system. Publicity can be a major for of control in this case. But citizens can be effective contributors only if they have enough knowledge about the way how public service processes work.

One of the main factors of the New Public Management is the thought that the public administration serves the people and not the other way around. Features of the customer-friendly administration:

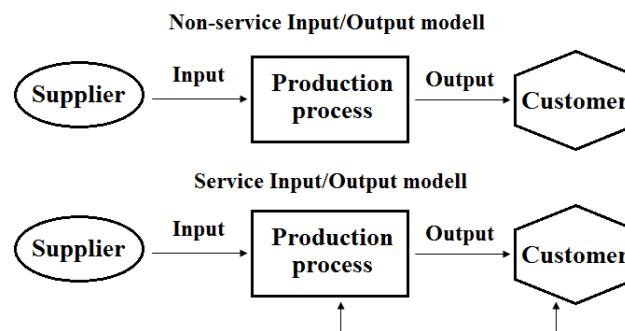
- understandable regulation

- deregulation of insecure or unnecessary rules
- simple procedures
- quality improvement of services
- information windows in offices
- customers-friendly environments in the offices

2. Unified Services Theory

To understand the Unified Services Theory we must embrace the thought that every service can be considered as a process. From this viewpoint we can see services as production processes where each customer provides additional input for the production. With non-service processes, groups of customers may contribute ideas to the design of the product, but individual customers' only participation is to select, pay for, and consume the output. [10]

"A serious problem occurs when the inability to understand services leads to treating them as a peculiar case of manufacturing. This naivety is illustrated by the practice of those who refer to services as "non-manufacturing" and/or who maintain that service businesses should be run by manufacturing paradigms" [10]



1. Figure: Customer's passive and active role in a non-service and service model

(Source: own compilation based on resources)

From the viewpoint of the Unified Services Theory the customer provides significant inputs into the production process of a service. During traditional product manufacturing groups of customers may contribute ideas to the design of the product as test audience, however an individual normal customer can only select and consume the output. [10]

As seen on the first figure in the Unified Services Theory the customer has a key role in the service system and support the process with additional information to create more added values for the benefit of both the future customers and the owners of the service operation.

According to traditional thinking when we are speaking about manufacturing something only the suppliers provide inputs, and the customers simply buy and consume the outputs. In this case the

customers provide no input at all just simply pay for the given outputs. By contrast the Unified Services Theory claims that every manufacturing production and traditional service can be considered as a process in which the customers can provide additional input and may even contribute ideas to the design of the product. Of course in normal cases one customer will not redeem the world and change the particular attributions of the product he pays for, but the additional information in general can cause changes in the design of the overall service or in the overall service process.

Because the Unified Services Theory is based on the idea of customer inputs it is necessary to define who the customer is. Generally, the customer is the individual or entity who directly or indirectly decides whether or not the firm shall be compensated for production. With services a company's production process can be defined as company effort to add value to customer inputs. Company effort in preparation for production is the pre-production process. When the production process concludes the customer use the production outcome to continue to add value. This post-production process is primarily based on customer action. Often, well-designed service outcomes will enable the customer to create value in the post-production process. This principle occurs because the only ways companies can add value is through efforts and through outputs. Efforts can add value directly to customer inputs (given by the Unified Services Theory). Outputs, or outcomes, can allow customers to add value after the company's production efforts are complete. [10]

In the 20th century the main focus was on the technological innovations and on the methods how these innovations can be used in production and product development for commercializing ideas and inventions mainly in the manufacturing industry. However in today's world the role of services is growing and so grows their economical impact as well. Because of this the importance of understanding service innovation concepts and practices is unavoidable. As we can see Unified Services Theory brings us one step closer to understanding the nature of services and the intangible role of customers in the processes while it points out that in our developing world the more and more dynamic interactions among technological and human systems inevitably lead to managerial and organizational changes in services.

3. The role of logistics, goals and tools

We know that with the help of the Unified Services Theory we are able to see any kind of service as a process. Public services supplied by the government are no different. We can see them as processes as well. After this recognition the concept of New Public management gives us a powerful toolbox which can be used on many ways to make public services better than they were before.

For me this means that I can fill up that toolbox with the tools of logistics management and methods used in private business. Every kind of process needs supply and has a certain demand. I am quite interested in the possible ways of how we can change and develop public services, or any kind of services with logistics and a supply chain management approach.

With logistics knowledge we can manipulate and change the way how inputs are handled before processing, during processing and after processing. But processing something only makes sense if

there is a need for that output “product”. This demand is generated by customers or in our case by the citizens of the state. This is where marketing comes into the picture.

In any business or factory one of the major questions is: what do our customers want and how can we fulfil their needs? First of all we have to know what they want in order to produce the right product with the right specifications. Second of all we have to introduce our product to as much customers as possible to make them want what we produce.

After we know exactly what we have to produce to fulfil the needs of our customers the next step is to figure out how we should produce the exact „product” our customers need. The elements of logistics management can give us several cues and methods what we can use to effectively operate public services.

3.1. Logistics management in general

In case of public services maybe it seems a little odd to talk about logistics management but it makes more sense than we may think at the first moment.

We could define logistics as a business planning framework for the management of material, service, information and capital flows. It includes the increasingly complex information, communication and control systems required in today's business environment

Generally the task of logistics is to ensure that the right information, material, energy and people be at the right place, in the right time and quality. This is what we call the 9R principle. With other words we can say that it is an organization and implementation of a complex operation to manage the flow of things between the point of origin and the point of consumption in order to meet requirements of customers or corporations. Some people call it a separate interdisciplinary science which deals with every logistics related social sciences and tries to alloy them together for the very same goal.

If we are speaking about logistics activities within a company we usually use the term inbound logistics which is one of the primary processes of logistics, concentrating on purchasing and arranging the inbound movement of materials, parts, or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores.

If we are speaking about logistics activities outside a company we usually use the term outbound logistics which is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.

The resources managed in logistics can include physical items such as food, materials, animals, equipment, and liquids; as well as abstract items, such as time and information. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing, and often security. [12]

3.2. Logistics in public services

The reason why I am talking about supply chains is because from my viewpoint as I can see the government and its infrastructure can be considered as a large supply network as well with several major nodes through which information and material flows simultaneously in every direction. The goal of every supply chain and its participants is to create value with the purpose of fulfilling the needs of the customers. Because of this we can speak about value chains and demand chains as well.

According to the traditional assumption governments do not have customers, and thus no competitors, so the tools of logistics management or marketing are considered as unnecessary functions of public management. But as we discussed before governments are also service providers and have various types of customers such as the residents, taxpayers, investors, property owners, visitors, small business owners, and other funders and recipients of public services. It is true that in most cases the government services are monopolies with no significant competitors so the citizens are captured and forced to use the services what the government offer to them.

And because of this monopolistic status the governments are not forced to act and change quickly as other businesses on the private markets. Many citizens are critical of the government because for example the lack of needed services, and specific complaints often include the belief that there is a huge discrepancy between the paid taxes and the value of received services in exchange.

As we can see under these conditions logistic or marketing solutions can be major assets for a public agency that wants to meet citizen needs and deliver real value. Every public institute can benefit from applying a more logistic related approach to their tasks to solve problems and meet the expectations.

Governments have several challenges, they have to meet the expectations of improved service delivery while at the same time old and new services and programs often have budgetary constraints, but despite the difficulties with different management models and tools governments can deliver more quality, speed, efficiency, convenience and fairness to its citizens.

The public sector is different from the private sector but it also part of the economic life and deals with production, delivery, and allocation of basic public goods and services on different levels. Of course the customer-centric philosophy will require much more flexibility and the government has to take into account the individual needs much more in order to ensure the development of the public services.

Summary

As the world changes and develops so do the people who live in it. Governments have to keep the pace and adjust to these changes. We can observe the emerge of new thoughts and methods in public administration performance of government decision-making and administrative tasks more and more as the social and collective awareness is gaining more ground. Besides the market values like financial efficiency, economy, the community values become more and more important too.

Whether we are speaking about a lean or a broad government administration, we must move with the times and this can only be achieved with continuous development and with applying new techniques.

In my opinion as we can see that modern logistics management has the necessary tools and it can help in modernizing public administration if we can learn how to use it properly.

As a logistics manager I have a certain viewpoint from which sometimes every action can be seen as a process, even services. This approach can be useful in many areas of life including public management, which is another area of my interest. The Unified Services Theory gives us a special framework in which we can see every kind of public services as processes and with the help of New Public Management we can handle these processes with different kind of tools borrowed from the private sector.

The New Public management is not a framework itself, it is more like a conception which is not only allows but even encourages us to use the tools of marketing, logistics management and other areas as instruments to restructure and reorganize public services in order to make them more efficient, cost-effective and to better fulfil the needs of the citizens. The public sector and the private sector are traditionally considered as two entirely different areas but New Public Management aims to change that viewpoint and tries to use tools of the private sector to make significant changes.

As we can see both the concept of New Public Management aims to handle citizens as customers and tries to increase their satisfaction by taking over new methods from other managerial areas. But in order to satisfy customers we have to figure out their needs and the best way to do that is to involve them into the value creation from the beginning. The Unified Services Theory follows this exact path by not just involving customers but reinterpreting the concept of service delivery itself by seeing services as special kind of production processes which are creating value. In my opinion by alloying the two concepts and building on both of their strengths this we can seek new ideas to increase satisfaction with a logistics related approach.

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