

## Preface

Entrepreneurship and business models concerning the private sector have been well recognized in the literature. However, not only the for-profit companies are entrepreneurial and use business models. In fact, all organizations are, and have business models because they create, deliver, and capture value. Hence, governments, authorities and all other public sector organizations pursuing the ideas how to improve public services and raise the citizens quality of life, preferably in a more efficient way, need to become more entrepreneurial. Even though, the major challenges of public sector have been approached in many ways, for instance through new public management reforms, there is an increasing need to adopt “an attitude of experimentation and entrepreneurship” by governments as one of four principles of the public sector innovation movement (European Commission, 2013a, p. 6). Generally speaking, for the sake of all citizens public sector needs innovation (Hollanders et al., 2013; Hughes, Moore, & Kataria, 2011), and innovation is at the heart of public entrepreneurship (Morris & Jones 1999; Windrum, 2008). But public entrepreneurship, even though under scrutiny since the 1960-ies (Ostrom, 1965) and issues covered (Mack, Green, & Vedlitz, 2008), still remains unsatisfactorily explored (Kearny et al., 2007).

This edited book aims to increase the understanding of public entrepreneurship, hence the perspective of business model theory has been employed. Such a knowledge addresses an existing research gap, and has significant practical implications for public managers and policy makers. This book has been addressed to scholars, students and practitioners from various backgrounds and settings, all around the global world, who are interested in public entrepreneurship, public sector business models, and public sector innovation, despite their level of expertise. Because of such a wide potential audience we first outline what is public entrepreneurship and how this book contributes to its understanding. Then, we present the structure of the book. Finally, on the basis of all the chapters and inspired by the usefulness of executive summaries, we draw a framework of public sector business model, which we believe sheds some new light on public entrepreneurship.

### **PUBLIC ENTREPRENEURSHIP**

Despite still unsatisfactory research on public sector entrepreneurship, (Kearney, Hisrich, & Roche, 2007; Morris & Jones, 1999), there are several themes already covered by researchers, like: definitions (Boyett, 1996), types (Morris & Jones, 1999; Oborn, Barrett, & Exworthy, 2011; Zerbinati & Souitaris, 2005), personal and organizational characteristics and barriers (Boyett, 1996; Mack et al., 2008; Morris & Jones, 1999), drivers and facilitators (Luke, Verreynne, & Kearins, 2010; Meynhardt & Diefenbach, 2012), links to other forms of entrepreneurship (Hjorth, 2013), measuring issues (Friedrich & Ukrain-

## **Preface**

ski, 2012; Głód, 2015), and finally frameworks of entrepreneurship and differences between public and private entrepreneurship (Kearney et al., 2007; Morris & Jones, 1999; Yeazdanshenas, 2014). There are also particular areas of public entrepreneurship, like academic entrepreneurship (Jones-Evans, 1998; Lewandowski, 2013) for example, but paradoxically, general public entrepreneurship seems to be less scrutinized.

There is a variety of definitions of public entrepreneurship (e.g. Ramamurti, 1986; Drucker, 1985; Morris & Jones, 1999; Boyett, 1996). However, the definition given by Kearney et al. (2007), although narrowed to the context of the research, emphasizes the most important component: “Public sector entrepreneurship (...) is defined as an individual or group of individuals, who undertakes desired activity to initiate change within the organization, adapt, innovate and facilitate risk. Personal goals and objectives are less important than the generation of a good result for the state enterprise/civil service” (p. 279). Seeking and using an opportunity related to arbitrage is the core of entrepreneurial activity, which in the public sector is related to a different hierarchy of values, in contrast to private companies (Kearney et al., 2007). This is one of several features which distinguishes public entrepreneurship. The others pertain mainly to objectives, decision making, authority, motivation, funding, independence, time orientation, skills (Kearney et al., 2007; Morris & Jones, 1999). Moreover, some types of public entrepreneurship and its links to other forms of entrepreneurship also constitute its specificity. Apart from applicability to individual and organizational level (Morris & Jones, 1999), there is also political entrepreneurship (Oborn et al., 2011), next to corporate, public-social, and community entrepreneurs (Zerbinati & Souitaris, 2005). Some other classification distinguishes: professional politicians, spin-off creators, business entrepreneurs in politics, career-driven public officers, and politically ambitious public officers (Zerbinati & Souitaris, 2005). By some, public entrepreneurship is claimed to grasp the notion of entrepreneurship desiring social change, hence social entrepreneurship (Hjorth, 2013).

There are at least few conceptual frameworks of public entrepreneurship. For example, Morris & Jones (1999) noticed the dynamic character of public entrepreneurship in a university, and identified several steps of entrepreneurial process. Others, in turn, focused on a more static approach. Yeazdanshenas (2014) identified the relationships between different internal and external factors with organizational entrepreneurship in the public sector. Meynhardt & Diefenbach (2012) showed that the principles of New Public Management and Public Value Management, next to some factors known from business literature, contribute to entrepreneurial orientation on a department level in public organization. Luke's et al. (2010) study advocates to include among drives and facilitators of public entrepreneurship such factors as: operational excellence, cost efficiency, culture, branding and transfer and application of knowledge. Kearney, Hisrich, & Roche (2007) conceptualized more comprehensive model of corporate entrepreneurship within the public sector, and highlighted performance as a key effect of entrepreneurial behavior. Pursuing better performance is in line with suggestion that arbitrage and exploiting opportunities are the fundamental criteria of entrepreneurial activity, relevant for the public sector (Drucker, 1985; Kearney et al., 2007). Although Kearney et al. (2007) used narrow understanding of performance, currently a well-developed framework of public sector performance is known (Dooren, Bouckaert, & Halligan, 2015). What is missing, though, is better understanding of the processes behind this performance, in particular from the perspective of a business model (Osborne, Radnor, Vidal, & Kinder, 2014).

This book builds on the framework of public entrepreneurship (Kearney, Hisrich, & Roche 2007) as a trigger for better public sector performance. In particular, it explores innovation, the core component of public entrepreneurship (next to risk taking and proactivity), from a new angle of business model theory

(Zott, Amit, & Massa, 2011). Hence, public sector business models and their innovation are considered here as a vital area of public entrepreneurship and public management theory. Three questions delineate focus of this book:

1. What are currently the main challenges of public entrepreneurship?
2. How those challenges are being addressed in practice and what do we learn from this?
3. How public entrepreneurship may be improved through new teaching methods?

## **DECONSTRUCTION OF PUBLIC ENTREPRENEURSHIP: STRUCTURE OF THE BOOK**

### **The Big Picture: Conceptualization of the Main Challenges and Theoretical Components**

We begin with a polemical and conceptual chapter addressing the major challenge of public sector entrepreneurship. It is encapsulated in the title of the Chapter 1, *Between Davos and Porto Alegre. Democratic Entrepreneurship as Crowdsourcing for Ideas*. Yes, a vision of democratic entrepreneurship is our main concern, as Hjorth (2013) puts it public entrepreneurship “calls on the citizen, and therefore also maintains that radical democratic force that addresses everyone” (p. 48). The reasons for concern increased significantly recently, because currently democracy, governance and citizens participation, in many cases, serves rather as an arrangement of the stage for political theatre, than is considered as a real operating model. And it’s a worldwide phenomenon, manifested in many ways and on various dimensions, like, for example, the campaign and results of president elections in the USA, or in European Union the problems of disunity like Brexit and Hungarian walls against refugees on the national border with Serbia, or constitutional tribunal issues in Poland, or militarization and power manifestation and NGO restrictions in Putin’s Russia, or corruption in India. Just to mention a few topics preferred by media. Although there are no simple, only-truth solutions and answers to the problems expressed above, public entrepreneurship remains an important phenomenon to explore from the scholar point of view. The first chapter provides a big picture of this phenomenon, and, rather than giving the answers, provokes to ask further questions. Despite the variety of possible questions, two theoretical ones come to the forefront. The first one comprises the possibilities to use business model theory to better understand the reasons and processes of public management. This issue is addressed in Chapter 2, *Adopting the Concept of Business Models in Public Management*. It first explains why we need business model theory in public management and why it is so complex. Then this complexity is described in details as a balancing act between three notions of value, from the perspective of stakeholders, citizens, and sustainability. In the final step the chapter outlines an extensive framework of public sector business model, consisting 36 components. In turn, the second theoretical question addresses the problem how public sector business models may innovate. Bridging innovation theory and business model theory on the ground of public management the Chapter 3, *Public Organizations and Business Model Innovation: The Role of Public Service Design*, provides some theoretical foundations and a framework for future analysis in this regard. Some examples of public service design, already known from the literature, support the conclusion that service design, based on various forms of cooperation between different entities, may be applied to innovate public sector business models.

## **Insights from the Field: Cooperation, Social Innovation, Multiple Value, Marketing**

Next chapters provide some detailed analysis of various forms of cooperation, innovation, public value and public marketing. The examples from Russia, Poland, Spain, and Czech Republic are helpful in getting some insights into practical operation of public sector business models. First, in Chapter 4, *Options for Applying Functional Overlapping Competing Jurisdictions (FOCJs) for Municipal Cooperation in Russia*, the Functional Overlapping Competing Jurisdictions, as a form of municipal cooperation, are analyzed for the level of their applicability in Russia. This analysis helps to comprehend the specificity of some components of public sector business model of FOCJ, in particular how value in terms of finance is captured, what are the adoption factors pertaining to legislation, and what is the role of partnership. Chapter 5, *The Business Model of a Public Social Partnership: Contextual Determinants*, scrutinizes the business model of a public-social partnership. The evidence from Poland and Spain support the conclusion that Business Model Canvas is applicable in this context. However, it also reveals that actual results of public-social partnership are most frequently determined by interpersonal relationships between individuals jointly performing a task for a local community. Hence, individual level of public entrepreneurship is crucial to achieve better performance in the public sector through this kind of cooperation. In turn, Chapter 6, *Applying Business Solutions to Social Problems: Social Co-Operative and its Business Model – Evidence from Poland*, investigates how the business models of for-profit enterprises could be applied to social enterprises, and to a social cooperative in particular. It proposes some modifications to the original Business Model Canvas, pertaining to social mission of such an organization. In more general terms, this study emphasizes the role of various forms of cooperation between public sector and social initiatives. This voice strengthens the previous ones in advocating for partnership-centered business models in the public sector. Chapter 7, *Support of Social Innovations – Case of the Czech Republic*, outlines how public sector business model may be embedded in a wider policy business model. In the Czech Republic many social innovation projects were supported from European Social Fund (ESF) by co-funding national, regional and local projects that improve the levels of employment, the quality of jobs, and the inclusiveness of the labor market in the Member States and their regions. Hence, this study shows that the process of creating, delivering and capturing value, which is the basic definition of a business model, encompasses also multilevel political dimension. Value proposition, as a key building block of a business model, is further explained in the Chapter 8, *Local Public Enterprise Business Model as Multiple Value Creation System*. This study reveals that the public enterprise business model involves many financial and non-financial performance categories which determine the creation of value. Moreover, consistency of created values is difficult to accomplish, mainly due to the plurality of values expected by various interest groups, such as customers, managers, employees, suppliers and other stakeholders. Multiple value proposition and related diversity of stakeholders require adequate approach to customer relations and delivery channels, which are important building blocks of a business model according to Osterwalder and Pigneur (2010). This issue is undertaken in Chapter 9, *Public Sector Marketing in Poland*. In particular, a mix of traditional marketing, relational marketing and social marketing, is necessary to balance multiple-value expectations and maintain good interpersonal and institutional relations.

## Teaching Issues

Finally, Chapter 10, *The Productive Leadership Game – From Theory to Game-Based Learning*, shows how new digital leadership simulation game can foster the leadership competencies and entrepreneurial mind-set to improve team based organizational productivity in the public sector. This chapter not only presents a simulation-based innovative teaching method. In a broader sense, it provokes fundamental questions about public management curricula. What is the position of public entrepreneurship in the first place? How leadership training could underpin entrepreneurial activity of students and practitioners? How to renew curricula to effectively enhance democratic entrepreneurship?

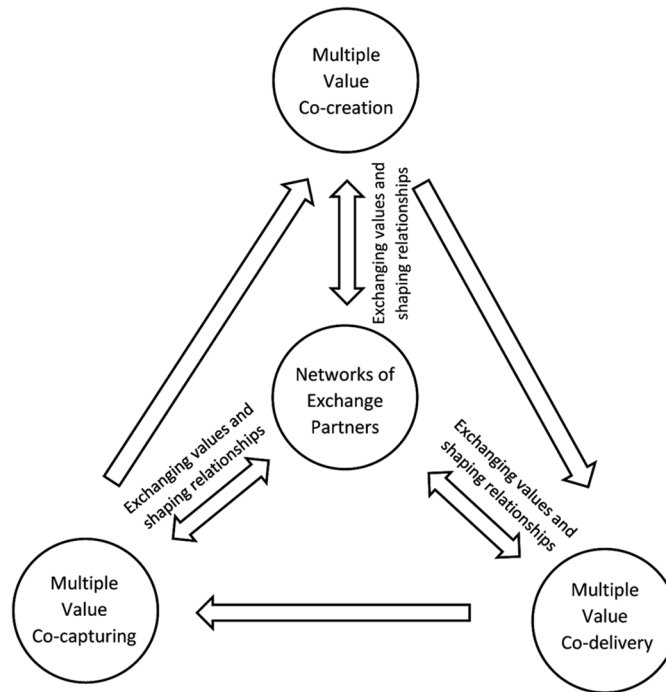
## CONCLUSION: DRAWING A BUSINESS MODEL APPROACH TO PUBLIC ENTREPRENEURSHIP

Public sector innovation is at the heart of public entrepreneurship (Morris and Jones 1999; Koch 2008), and literature describes many types of such innovations (e.g. Armstrong & Ford, 2001; de Lancer Julnes, 2016; Koch & Hauknes, 2005; Lewandowski, 2015; Sørensen & Torfing, 2012). This book, through the effort of all the authors, contributes to better understanding of another type of innovation, pertaining to the public sector business model. Hence, the role of public entrepreneur is to innovate the business model of public organization.

Some major conclusions from the chapters of this book help to draw a proposition of such a business model. Firstly, there is no one best framework of Public Sector Business Model, and many types are successfully applied including Business Model Canvas and its modifications, an extensive 36-component framework, or a 4-component business model. Thus, having such a variety and complexity, there is a need for a new, simple framework which would depict its main sense at glance. Moreover, frameworks applied in the chapters are static, and business model is in fact a dynamic process (Abdelkafi & Täuscher, 2016; Jabłoński, 2015). Hence, such a trait should be incorporated too. Secondly, all the chapters more or less explicitly advocate that various forms of cooperation are a central point of Public Sector Business Model. It supports the argument that co-production is central to the realization of effective public services (Osborne et al., 2014). Such co-production should be understood in a broad sense of co-creation, co-delivery and co-capturing of value. Thirdly, behind creating, delivering and capturing value, there is a process of exchanging values (see also Alford, 2002), and in general every business model is a model of exchange. Such a model has many dimensions, pertaining to how the exchange is organized, what is the subject of exchange, and who is involved in the process. And there is no single answer to each of those questions. In fact, the chapters of this book reveal the variety of possible approaches and points of view, supporting some of the arguments already recognized (Alford, 1993). Stemming from those considerations is the fact, that public sector business model is very complex, and there is no one customer value proposition. Rather, PSBM is a multiple-value creation system, with various stakeholders interests to be secured and balanced. Some are the key ones, like citizens as customers and tax payers, broader community with its social issues and non-governmental organizations, enterprises contributing to economic growth, politicians as decision makers holding a legitimacy to represent citizens but pursuing also personal interests, like political career, natural environment which must be protected. Such a variety of stakeholders, and the necessity to balance often conflicting interests, requires implementation of the

## Preface

Figure 1. Proposed framework



relationship marketing and social marketing methods. Moreover, institutional relations in this multiple-value creation system are often very vital on the interpersonal level.

Taking those conclusions into account, and building on the most general framework of a business model depicting “the rationale of how an organization creates, delivers, and captures value (economic, social, or other) in relationship with a network of exchange partners” (Massa & Tucci, 2013), we propose a simplified and dynamic framework of Public Sector Business Model. Following the above definition it contains such components as: networks of exchange partners as a central one, and three others reflecting the process of co-creation, co-delivery and co-capturing of multiple value. On every stage some partners from the network are involved in value exchange process and the relationships are being shaped, either intentionally or not. The figure below depicts proposed framework.

Proposed framework of Public Sector Business Model and all chapters contributing to this book, could also support teaching process. However, the first and the last chapter argue more explicitly that there is a need for a debate on the curricula renewal, which would enhance making a step forward in teaching public entrepreneurship and public management, a step towards democratic entrepreneurship. So, is crowdsourcing an option?

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## Preface

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