In this article we describe the concept of ‘public value’ – of using consumption measures and public reaction (monitored via surveys) as a tool for continually assessing the performance of public institutions such as museums, hospitals and public service broadcasters and for taking one-off case-by-case decisions to authorise new services. We discuss the implementation of a public value system in both theory and practice using the BBC as a case study. We discuss how the BBC monitors and measures public value to: aid day-to-day decisions about service performance (its “RQIV” framework); and assess whether to launch new public services (through implementation of the public value test – “PVT”). We suggest that deeper engagement with the public through a public value framework can increase the legitimacy of public institutions generally; and public service broadcasters in particular. This has particular relevance in Germany, which has introduced into its public service broadcasting regime the ’Drei Stufen Test’1 (the ‘three-step test’).

1 The three steps of the “Drei Stufen Test” are laid down in the 12th inter-State Treaty on public broadcasting and require public service broadcasters to evaluate that each new and significant offer (1) serves the democratic, social and cultural needs of the German society; and (2) contributes in a qualitative way to “editorial competition” (“publizistischer Wettbewerb”) and that (3) the public service broadcasters specify the financial impact of such offers.

1. Public value

Public and voluntary sector institutions are increasingly being asked – by government, donors, and other funding bodies – to quantify the value they add and demonstrate value for money. But how can public and voluntary sector organisations measure their value and illustrate the benefits they deliver? How can they begin to measure their impact – those intangible cultural, social and environmental benefits – alongside more traditional input and output performance measures?

A relatively new means of identifying and monitoring the value created by public institutions – the concept of public value – was first formulated by Mark Moore (Moore, 1995). The concept moves beyond measuring outputs (e.g. the number of patients treated or the number of visitors to a heritage site) and emphasises the importance of public institutions working together with their clients (users) to identify those services most valued by the public. Moore’s work put the interests of consumers and citizens above the private interests of public bodies.

Wide application across the public sector

Public value has become an established (if yet minority) approach to assessing the success (or otherwise) of public services and organisations in the UK, Australia and some other countries.2 A wide variety of organisations from the BBC to the Scottish Government have adopted some variant of a public value approach. Germany has introduced an approval process for new services – the ‘Drei Stufen’ (three-step) test, which is based on the public value concept – into its public service broadcasting regime.

Factors for successfully creating public value

Three factors have been identified as important for the effective production and

2 The authors were recently approached by a consultant seeking information on the use of public value as an assessment tool for a museum in the Netherlands.
delivery of public value (Horner et al., 2006, chapter 2):

- **Authorisation** – Understanding citizens’ preferences and what the public values is unavoidable if legitimacy is to be maintained. Ensuring public service providers take adequate account of the views of the public in deciding how a service should be delivered and how success should be measured. Before one can design an appropriate approval and performance measurement framework for a public body, one must be clear on the role and purpose of the organisation being monitored and assessed – and development of that role and purpose depends crucially on the views of the public.

- **Creation** – At the organisational level, the creation of public value lies in the identification (and delivery) of specific outcomes to be achieved; authorised by the public and other stakeholders and continually redefined through a process of democratic deliberation between the public, politicians and service providers.

- **Measurement** – There are two separate concerns about measuring public value: can an absolute measure be derived which can be translated into a monetary value; and is the performance management framework adequate in fully capturing what public bodies do?

We concentrate on authorisation and measurement in this article.

### 2. Public value and European public service broadcasters

Public value has become of particular importance for European public service broadcasting ("PSB"). A description of PSB can be found in, amongst other documents, the BBC Charter (DCMS, 2006a) and the European Commission’s Communication on the Application of State Aid rules to Public Service Broadcasting, which says “State funding for audiovisual services would appear proportionate only if it is justified by the added value in terms of serving the social, democratic and cultural needs of society” (EC, 2009).

It is also addressed in Germany’s Interstate Treaty on Broadcasting – ‘Drei Stufen Test.’ This Treaty resulted from complaints to the European Commission regarding the digital activities of ARD and ZDF. The European Commission has since noted that with “the entry into force of the new Treaty on 1 June 2009 a long standing discussion on the application of Community rules in this [the German broadcasting] sector will finally be settled.” (EC, 2008)

### Public value and the BBC

The BBC consists of eight groups, based on the services offered and functions performed. These groups are Vision (operates all UK BBC television services), Audio and Music (which operates all national radio stations and all music programming across BBC services), Future Media and Technology (which undertakes research and development and which provides the infrastructure for the BBC’s online services), Journalism (which operates the BBC’s news department, including global news, and its regional services, including those for Scotland, Wales and Northern Ireland), Marketing, Communications and Audiences (which is responsible for all audience monitoring activity), Commercial (which deals with all BBC commercial subsidiaries) and Operations (which operates all central support services – such as Distribution). The BBC has been at the forefront of implementing a robust regime for monitoring and measuring the public value it creates. It first adopted the term ‘Public Value’ in 2004 and proposed that “the BBC will use public value to drive all its decisions about the scale and scope of what the organisation does.” (BBC, 2004, page 15). Two proposals were discussed: the introduction of a system of ongoing monitoring and a ‘public value test’ to be applied to all major proposed developments or expansion of an existing service.

The BBC has adopted a fit-for-purpose interpretation of Moore’s public value concept specific for public service broadcasting. It has created an evidence-based framework that responds to public reaction and against which the BBC’s performance can be assessed objectively. An extensive discussion of the background for the BBC’s approach to public value has been published by Collins (Collins, 2007). The public value framework is used by both BBC management and the BBC Trust (which aims to ensure that the BBC remains independent, resisting pressure and influence from any source) to measure ongoing performance and also to authorise new initiatives. The BBC Trust therefore regularly assesses the BBC’s performance in delivering its purposes through interactions with the viewing public (licence fee payers) and identifies ‘purpose gaps’ – the difference between the importance of a purpose and the BBC’s performance in delivering that purpose.

In addition, the BBC has created a performance measurement framework to regularly and continually monitor its performance. Although quality (including distinctiveness against commercial provision) is seen by many to be the defining measure of public service programming, the BBC bases its performance assessment on four key measurables: reach; quality; impact and value (for money) – the “RQIV” framework. These together identify the public value of its activities.

### Public value requires clearly defined public purposes

But, effective measurement, monitoring, assessment and reporting of the performance of a public body such as the BBC can be achieved only against a properly defined and agreed purpose framework. For the BBC, its mission and purposes are set out in its Royal Charter and Agreement (see Fig. 1).

### 3. The BBC’s RQIV framework

The BBC’s public value based performance framework is used to drive all its decisions about the scale and scope of what the organisation does. It is based on an assessment of reach, quality, impact and value for money (RQIV). The RQIV framework is chosen as an example since it is one of the most developed public value frameworks.

### Reach

Reach is a key component of public value; if public services do not reach their audience, they are unlikely to generate value. Moreover, given that the BBC is funded by a universal licence fee, it is important that its portfolio of services provide something for everyone – that is, that its aggregate reach is close to 100 %. It is therefore a measure that reflects the
**BBC Mission:** To enrich people’s lives with programmes and services that inform, educate and entertain.

**BBC Purposes:**
- Sustaining citizenship and civil society
- Promoting education and learning
- Stimulating creativity and cultural excellence
- Representing the UK, its nations, regions and communities
- Bringing the UK to the world and the world to the UK
- Delivering to the public the benefit of emerging communications technologies and services

**Fig. 1: Royal Charter for the Continuance of the BBC**

The BBC’s role to deliver something for everyone (universal availability and equity).

Reach is a well understood performance measure in both radio and television, although online metrics are not yet fully developed. In television, the ability of a channel to reach the audience for fifteen minutes in a given week is measured by the Broadcasters’ Audience Research Board (“BARB”) utilising an audience panel with specialist equipment installed in the household. In radio, fifteen minute weekly reach is measured by Radio Joint Audience Research (“Rajar”) using a regular audience panel that complete listening diaries.

The BBC uses its own internal server log data, adjusted for cookie clearance, to measure online weekly reach. It also undertakes a regular tracker survey which is reported monthly. The data is collected continuously from a random, changing sample, based on a large online panel. The results are calibrated to be representative of the whole UK population, not just the online population, and offline research dips are also conducted every six months to help calibrate the data. The sample size is around 1,900 per month. The BBC also purchases data every quarter on the size of the online population, and where people are accessing the internet, and that survey is conducted offline.

**Quality**

A low quality programme, even if it reaches large numbers, will fail to deliver public value and audiences are quick to react when programmes fall short of their expectations. As such, the BBC Agreement requires that the content of the BBC’s “UK Public Services taken as a whole must be high quality, challenging, original, innovative and engaging” (DCMS, 2006b, clause 14). Ofcom research for its review of public service broadcasting has also demonstrated that quality is one of the programme characteristics of public service broadcasting most valued by audiences (Ofcom, 2008, paragraph 3.15).

The BBC uses a number of metrics and sources to generate a proxy measure of quality (see Fig. 2). It conducts regular audience surveys (‘Pulse’) to gauge overall approval of BBC services and to measure audience appreciation of individual programmes. It utilises a specially selected panel of people. About 15,000 adults and 1,500 children go online each month to complete the questionnaire, which takes about five to six minutes. At least 5,000 log on everyday. The BBC uses the Net Promoter tool to assess the performance of its websites relative to similar sites from other providers. Net Promoter is an opt-in survey that runs for 6 weeks of each quarter (up to 200 sites each quarter). The sample and size varies each quarter but the most recent survey had a sample size of 75,000 across the sites.

The BBC is also developing measures of audience trust and perceptions of impartiality.

**Impact**

The BBC interprets impact as a measure of the characteristics of public service broadcasting for individuals and for citizens – the need to be memorable, challenging and engaging, and supportive of the BBC’s purposes. If a high quality programme reaches a significant audience but does not have impact – if it is not memorable, challenging or engaging and if it is not supportive of the BBC’s public purposes – it is unlikely to generate public value.

Again the BBC uses a number of metrics to indicate impact. It relies primarily on regular surveys (e.g. the Pan BBC Tracking Survey – “PBTS”) to assess audience perceptions of whether a programme was challenging or engaging. It also regularly seeks audience views on whether the BBC is meeting its public purposes. It also uses ad hoc measures – e.g. the number of book clubs set up as a result of a BBC programme promoting reading – to assess the impact of individual programmes.

**Value (for money)**

Value is intended as a measure of efficiency and effectiveness in delivering public value on behalf of the licence fee payer. Its interpretation differs depending on whether it is being used for ongoing performance monitoring purposes or for the authorisation of new services.

In the context of regular monitoring, the BBC assesses the cost – usually the cost per user hour or cost per online unique user – of its services. It uses relative value generated by different services as one of its tools for internal resource allocation.

In the context of public value tests and its ‘authorisation’, the BBC regularly re-searches audience’s willingness to pay – their consumer value – and their assessment of worth – citizen value (an attempt to measure the externalities of broadcasting). The concepts and identification of citizen and consumer value are explored further below.

As noted above, using public value as a performance measurement tool requires significant and ongoing audience moni-
Possible wider use of the RQIV framework

The RQIV approach could be applied equally to other public services: reach could measure visitor numbers (museums or galleries) or contact with the public (police); quality and impact measures could be accessed through visitor satisfaction surveys and value could also be assessed through `per user measures or through user surveys. Overall, the public institution would also need to be assessed – again via user surveys – against the purposes for which the institution was created.

4. Internal performance reporting at the BBC

Not only can the RQIV framework be used to assess the overall public value of a given institution, it can – by providing a standard framework for comparative assessment – also be used to trade-off between the various services offered by an institution. This allows scarce resources to be allocated between competing demands to maximise the public value created by the organisation.

The metrics generated by the BBC’s RQIV framework allow senior managers within the BBC to make comparative judgements on how resources should best be allocated between competing services such as television, radio and online content. At the Executive Board level, investment decisions are taken to allocate resources to maximise the delivery of the BBC’s public purposes and the public value generated by the licence fee. If the BBC can close a purpose gap by shifting funds between services or if investment in one service would provide significantly more public value than another service then funds will be allocated between services accordingly.

Given the wide range of services provided by the BBC, its internal reporting framework is necessarily complex. Performance against a variety of measures is reported regularly to the Executive Board. An example of a summary ‘dash board’ prepared for the BBC Executive, broken down across the three media – television, radio and online – as well as taking a pan-BBC approach, is included at Fig. 3.

Similarly, within each BBC Group the RQIV framework is used to allocate funds between specific services – e.g. between different television channels or radio stations. Significantly more detailed analysis is provided in supporting documents addressing each service – e.g. BBC 1, Radio 2 or bbc.co.uk – as well as individual genre areas such as journalism. Examples are set out in Fig. 4.

Without a common framework for these disparate services, it would be impossible to allocate funds within the BBC efficiently and objectively.

5. Public Value Test (PVT)

The public value approach can also be used on an ad hoc basis to authorise changes to the service mix offered by a public institution or by the government.

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<table>
<thead>
<tr>
<th>Reach: Example metrics</th>
<th>Source</th>
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<tbody>
<tr>
<td>Overall weekly 15 minute reach for TV and Radio</td>
<td>BARB (TV)/RAJAR (Radio)</td>
</tr>
<tr>
<td>Share of audiences</td>
<td>BARB (TV)/RAJAR (Radio)</td>
</tr>
<tr>
<td>Reach of online services</td>
<td>BBC Survey</td>
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<tr>
<td>Reach of BBCi</td>
<td>BARB</td>
</tr>
<tr>
<td>Number of online Unique Users</td>
<td>Internal data</td>
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<tr>
<td>Volume of online Live Streaming and Audio on Demand</td>
<td>Internal data</td>
</tr>
<tr>
<td>Reach of underserved audiences</td>
<td>BARB (TV)/RAJAR (Radio)/TNS</td>
</tr>
<tr>
<td>Reach of new platforms (mobile, iPlayer, HD)</td>
<td>Various</td>
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</tbody>
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<tr>
<th>Quality: Example metrics</th>
<th>Source</th>
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<tr>
<td>Overall approval of the BBC and BBC services (average out of 10, % scoring high (8-10))</td>
<td>PBTS</td>
</tr>
<tr>
<td>Appreciation (average AI, % scoring high (8-10))</td>
<td>Pulse (TV, Radio) Netpromoter (bbc.co.uk)</td>
</tr>
<tr>
<td>Perceptions of quality (high quality, original, impartiality, etc.)</td>
<td>PBTS/Pulse/ad hoc surveys</td>
</tr>
<tr>
<td>Perceptions of High quality and innovation (average out of 10, % scoring high (8-10))</td>
<td>BBC Survey</td>
</tr>
<tr>
<td>Channel best for (genre)…</td>
<td>Various</td>
</tr>
<tr>
<td>Awards (industry recognition)</td>
<td>Various</td>
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<tr>
<th>Impact: Example metrics</th>
<th>Source</th>
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<tr>
<td>Perceptions of challenging and engaging (average out of 10, % scoring high (8-10))</td>
<td>BBC Survey</td>
</tr>
<tr>
<td>Perceptions of meeting BBC purposes</td>
<td>Purpose Remit Survey PBTS</td>
</tr>
<tr>
<td>Impact beyond broadcast</td>
<td>Various</td>
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<tr>
<th>Value: Example metrics</th>
<th>Source</th>
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<tr>
<td>Cost per user hour (TV, Radio)</td>
<td>BARB (TV)/RAJAR (Radio) BBC Finance</td>
</tr>
<tr>
<td>Cost per unique user (bbc.co.uk)</td>
<td>Internal BBC data</td>
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<tr>
<td>Perceptions of value for money</td>
<td>PBTS</td>
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Fig. 2: RQIV data sources

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to evaluate competing budget demands. For instance the public value approach would provide a tool for a museum to assess objectively whether to replace one exhibition with another or allow government to decide where to invest between competing budget demands. The public value framework also offers evidence of public support – and hence legitimacy – to expansions in public institutions.

Using RQIV to make the case for a new BBC service

The BBC uses its RQIV framework when it seeks ‘authorisation’ to launch a new service. This is known as a public value test (PVT) and is somewhat comparable with the proposed three-step test in Germany.

In a PVT, the BBC Trust assesses the likely public value of a proposed new service following an application by BBC management, who submit:

- A public value assessment using the RQIV framework
- Audience research: which informs assumptions about reach, quality and impact as well as consumer and citizen value
- A Reach Model: which attempts to estimate the likely take-up (and from that value for money) of the proposed service
- Preliminary Market Impact Analysis

The public value test can be seen as an assessment of the following ‘values’:

- The value licence fee payers would place on the service (measured through ‘willingness to pay’ consumer research methods)
- The value the service delivers to society as a whole through its contribution to the BBC’s public purposes and priorities
- The value for money delivered by the service

As a result, the value element of RQIV is extended to include an assessment of consumer and citizen value as well as ‘value for money’. But how does one discover what a new service proposal is worth?

6. Measuring consumer and citizen value

Concepts of ‘consumer’ and ‘citizen’ value

There are a number of mechanisms whereby public bodies such as the BBC can measure the value they deliver to their audiences. Broadly these split into two main concepts:

- Consumer Value: the sum of the value that individuals get from directly consuming the service (similar, though not identical to willingness-to-pay). This can be extremely powerful in a commercial context but for public service organizations this methodology can be inadequate for two major reasons. First, willingness to a pay is to a large extent dependent on the affluence of the respondent and can incentivise the institution to deliver value to the wealthiest members of society. Second, it does not capture the externalities and merit goods that are intrinsic to the concept of a public service remit; and
- Citizen Value: the sum of value of the service to society as a whole – a mea-
Fig. 4: Examples for specific services

Public value: measuring the performance of public institutions

BBC Radio reach declined slightly on the year, whilst share is up 2.5% points year-on-year, driven by gains for BBC Network radio.

Reach: Radio

**BBC Overall**

**Reach: Television portfolios – (All/Digital homes)**

All BBC reach in all homes was unchanged year-on-year, whilst share declined 0.7% points. All BBC reach and share are both up slightly in digital homes.

Reach: Digital Homes

Share: Digital Homes

Fig. 4: Examples for specific services
sure of broadcasting externalities. It seeks to capture the value of those externalities by asking people to judge what they think a service is worth to society as a whole. This may lead to very different responses which can be most easily explained in terms of niche services like BBC Parliament: I myself may not consume the channel (and therefore place little or no consumer value on it), but I may appreciate the role it plays in society (by holding our politicians to account) and therefore place a high citizen value on it. This approach also reduces the effect of influence by asking people what they feel a service is worth (rather than what they are willing to pay).

Consumer research as a tool for assessing value

Consumer and citizen value are typically measured using consumer research. The question used to elicit citizen value is as follows:

“Please imagine that people no longer had to pay the BBC Licence Fee. We are curious to know what you think (service) is worth to society as a whole. To help us understand this, could you tell us what you think each of this service is worth to the average person (in pounds per month).”

This methodology has been designed to address respondents as democratic agents, and is appropriate for services whose funding structure is determined by an electable or accountable government. As Andrew Graham puts it: “There are two systems for allocating resources in our society: the market and the democratic process – the funds for public service broadcasting are allocated via the latter”.

Therefore citizen value research is also conducted in a quantitative setting, ideally after a trial of the new service but otherwise following a brief description of what it would look like. Although respondents are addressed as democratic agents, separating consumer from citizen value is unintuitive and respondents may be more generous to services that they are likely to consume themselves. In addition, respondents can only ever respond with their perceptions of the societal value created by a service.

Calculating total value from researched figures

Market research such as this can be expected to deliver citizen value scores in terms of value per month to a household or an individual. The choice between household and individual largely depends on the service in question. For example, a service delivered over broadband that will largely be used on your own may be best judged in terms of value to the individual. In order to calculate the total value of the proposition it is necessary to scale these responses to a nationwide level.

Given the phrasing of the value question above, which includes non-users, the scaling could be as simple as multiplying by households (or individuals) in the country. However this has the counterintuitive consequence that value is independent of usage. Therefore the approach generally taken is to multiply using household by the per-household value (for existing services the number of users is known, but for proposed services usage must be forecast). In most cases this is a sensibly conservative approach, but it can be unduly harsh for services aimed at small groups but which have significant externalities, such as educational services aimed at certain age groups. This methodology will result in a value score that can then be compared to the cost of the service to determine the extent to which it is likely to deliver value for money.

7. Balancing public value and market impact

However the delivery of significant public value is not in itself a sufficient argument to justify public intervention. Rather interventions should be made in situations where there is substantial potential value that the market is not delivering. Many public institutions operate in a mixed economy where there is both public and private provision. In such circumstances, there is a risk that public investment may ‘crowd out’ private investment that is highly valued by users. It is therefore important that the impact on private sector provision of changes to, or expansion of, public services is also taken into account in any authorisation process.

Understanding the static and dynamic market impact of the proposed intervention is a vital part of the BBC Trust’s consideration of new services. As part of its PVT, the BBC Trust considers the public value assessment alongside a market impact assessment (MIA), which is a forecast prepared by Ofcom – the UK’s independent media and telecoms regulator. Ultimately the Trust must determine whether the citizen value created by the service will outweigh the negative consequences for the market.

8. Application across Europe and in Germany

As noted above, the public value framework can be tailored to any public institution offering services to the public. We have illustrated its application by discussing one of the most developed public value frameworks in the UK – the BBC’s RQIV framework and public value test. Similar public value assessment approaches are gaining traction throughout Europe, particularly in public service broadcasting where over the last two years the role of public service broadcasters in new media has been an intense debate across Europe.

Germany, for instance, has debated the digital activities of ARD and ZDF. Complaints were made to the European Commission, which eventually led to the 12th amendment to Germany’s Interstate Treaty on Broadcasting. The new Treaty will need to be implemented effectively and procedures for the ‘three-step test’ have already been announced, for instance by ZDF (ZDF, 2008). Schulz has offered some suggestions for the implementation of the three-step test and noted that “One lesson to be indeed learned from the BBC is their attempt to simultaneously tackle corporate strategy and accountability, i.e. responsibility and justification vis-à-vis the society.” (Schulz, 2008).

Offcom has published a methodology for undertaking MIAs (see Ofcom, 2007).
9. Conclusions

We believe that the public value concept has wide application wherever public services are offered by public institutions. In particular, some aspects of the BBC’s experience may be relevant for other European PSBs, such as those in Germany, interested in monitoring and evaluating the new and existing services they offer.

We make the following observations:

- The assessment of public value is a complex task with room for judgement. However, it is a powerful tool for assessing the relative merits of the different investments that a public institution might make.

- Audience research is a critical component.
  - It provides an objective measure of value, but also important data on perceptions of quality, likely usage of a new service and so on.
  - It also offers an opportunity for a new season of engagement with users who should improve the reputation of, and support for, public services such as PSB.

- The assessment of market impact inherently invites comment from those who object; supporters often remain silent. Public institutions that operate in a mixed economy should therefore prepare their evidence base carefully. Again, audience research into usage, perceived substitutes and impact on usage of substitutes, can be helpful.

- Both the ongoing assessment of public value and the public value test of a new service can be labour intensive, expensive processes. While this might be appropriate for a public institution or service with scale, it can be disproportionate for a niche service.

Overall, we believe the public value framework offers an important tool for measuring and monitoring the performance of public institutions. Although it may seem somewhat bureaucratic, it provides valuable scrutiny (and validation) of existing (and new) public services. It requires a significant degree of ongoing and sophisticated user monitoring – but that is nothing new: any business **MUST** understand its customers – and their wants and needs – to succeed.

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