

## Chapter 8

# Local Public Enterprise Business Model as Multiple Value Creation System

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### ABSTRACT

*This chapter demonstrates that the local public business model is a phenomenon connected with the multiple value creation system. The primary objective of this study is to gain a more comprehensive understanding of how local public companies may build their business models and simultaneously create new values for customers, stakeholders, and society. The study examines the links between the business model, multiple value creation, business ecosystems with regards to public enterprise. The present study analyses the business model of the local public enterprise in Poland. The findings describe the multiple value creation system from different perspectives and allow for delineating the public business model framework in the tourism industry. Profound understanding of values perception from many perspectives may bring the local public enterprise business model as complex phenomenon closer to recognition.*

### INTRODUCTION

Local public enterprise represents a popular approach to the communal service delivery in many European countries in the 21st century. The activities of local government companies generate a large part of a gross domestic product, employment, and investments. Public enterprise has a long tradition, and there are continuous discussions and contrary tendencies about privatization or further development of the local public sector. After World War II, multiple public enterprises were created in both democratic and communist countries to address market deficits, reduce mass unemployment and promote economic development. However, from the eighties rising corruption, management inefficiencies, overstaffing and current account deficits exposed serious government business failures which consequently increased tendencies toward privatization and limitation of the quantity of the public enterprises worldwide (Khan, 2008). Moreover, globalization and marketization of the international economy contributed to

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the development of the private sector and limitation of the public sector including local enterprises. Performance goals such as increasing efficiency are among the primary motives for local privatization and restriction of the public companies. Private firms outperform public ones in several aspects, like productivity, investment, return and access to these services (Perrone Pinheiro et al., 2016). Nonetheless, the general feeling regarding privatization is now more balanced than in the past, due to unsatisfactory results obtained by the private enterprises and difficulties with the control of local economies in turbulent times (Bognetti, & Obermann 20108). From the last economic crisis, the transparency of the bank policy and other global firms are under discussion. Private sector companies have not produced clear, definite improvements in recent years. On the other hand, the public sector in many countries has had difficulty in resolving local economic and social problems due to limited financial resources and insufficient organizational capacities. Therefore, governance alternatives to directly managed local public enterprise have become very familiar nowadays with local governments in Poland, and other countries like United Kingdom, Canada, Japan.

Municipal enterprises are the businesses owned by local governments that provide services and generate new local revenues, which can be used for the purpose of benefiting the community. While national governments have adopted many strategies to promote the transfer of activities from the public to the private sector, there is a widely held belief that basic services like health, education, water, electricity and transportation should remain as public enterprises (Khan, 2008). Local public enterprises play a significant role in building sustainable local economy nowadays for several key reasons: create stable jobs for community members, increase local economic stability by reducing a community's reliance on private businesses, and provide goods and services to important but overlooked areas by for-profit enterprises. Moreover, local public companies often provide more accountability, transparency, and democratic control than the for-profit company. Public entrepreneurs do, in many ways, act like private ones, although there are important differences related to the difficulty in measuring performance, defining objectives, softer budget constraints, and the problems of the underspecified legal status of some public activities (Klein, et al 2010). Despite the fact that rapid increase in the number of municipal enterprises are significant across many countries; there is a limited understanding of what a municipal enterprise is and what it means from an academic perspective (Kallio & Kuoppakangas, 2013). Compared with the widespread debate on corporate governance in the private sector, the international research on the public sector organizations needs more attention from an academic perspective. Moreover, local public enterprises that combine the organizational forms of both business and public mission values at their cores are a common type of hybrid organization, thus making the public enterprise a particularly attractive setting to study.

The local public company is the suitable place where we may observe coexistence of two different logics: the business management model and public management model. In acknowledging the potentially conflicting goals that institutional environments impose on public enterprises, there is an increasing research interest in the organizational and strategically level characteristic for the hybrid organization (Crucke et al., 2015). Research has acknowledged the importance of resolving tensions that possibly emerge from the conflicting demands associated with the social and economic missions, and the key role of decision makers in shaping organizational level goals and strategies (Tracey, Phillips, and Jarvis, 2011). The main objective of this study is to gain the more comprehensive understanding of how a public company builds its hybrid business models in adverse conditions and simultaneously creates new values. The theoretical background consists of three sections. The first part of the theoretical study is focused on business model theory in the context of the value creation and definition of the business

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