

PUBLIC MANAGEMENT IN THE 21ST CENTURY

The paper examines the evolution of public management practices from the traditional model of public administration to the emerging model of public management, which integrates stability with effectiveness, efficiency, and economy. The adoption of different systems is influenced by changes in theories, political and economic conditions, and public attitudes towards public administration. The paper highlights that the rapid advances in information and communication technologies and digitalization are transforming the relationship between public administration organizations and the public towards a more open government. However, public administrations must remain ethical, transparent, accessible, and accountable to serve the interest of citizens.

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Prologue

This publication is a review of public management practices, highlighting the different systems that influenced public administration organisation and structure over the past decades. It starts with the traditional model of public administration, the dominant system for the first eight decades of the 20th Century. It continues with the market-based system that dominated the organisation and management of public administration in the next three decades. And it ends with the emerging model of public management, which, according to many scholars and practitioners, seems to be a combination of the latter two, integrating stability and institutionalisation with effectiveness, efficiency, and economy.

It is not surprising that different systems of public management have prevailed over different periods, as they seem to be a result of responses to several interrelated factors such as changes in organisational, management, and economic theories, prevalent political and economic conditions, and changing public attitudes about the capacity and ability of public administration to function effectively and efficiently and respond to citizens varying demands and needs. They are also a result of scientific advances that revealed various factors that play a role in how organisations are structured and operate. For instance, provision of incentives that may positively influence human behaviour and by extension organisational performance.

Furthermore, external factors such as the rapid advances in information and communication technologies and digitalisation have allowed for adopting new modes of communication and interaction that have challenged and continue to, the prevalent norms on the relationship between public administration organisations and the public. As conditions around us change, citizens are redefining how they relate to government, since digital technology has allowed for a shift towards a more open government. For instance, through the use of open data, e-participation, and other digital tools, citizens are empowered to play a more active role in shaping government policies and decisions that affect their lives. This trend towards digitalization and open government is expected to continue and grow in the future, further challenging traditional norms and transforming the way governments interact with their citizens.

However, some things must remain constant for public administrations no matter what organisational and operational system is in place at any given time. Public administrations need to act ethically putting the interest of citizens first; they need to be transparent by being exposed to public scrutiny; accessible and responsive; and accountable.

We hope that this is an informative review highlighting the factors that allow for the nourishment of good public management practices in public administration and that it will meet the readers' expectations on the topic. It is another contribution of the Astana Civil Service Hub, in congruence with its mandate for knowledge and experience sharing among its participating countries; thus, satisfying their explicit demand for contemporary knowledge and experience pertinent to the fields of public administration and civil service development.



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About the Astana Civil Service Hub (ACSH)

The Astana Civil Service Hub is a flagship initiative of the Government of Kazakhstan and the United Nations Development Programme. It was created in 2013 by five international organisations and 25 countries: now comprising 43 participating countries. The geographical range of its participants stretches from the Americas and Europe through the CIS, the Caucasus, and Central Asia to ASEAN countries, demonstrating that partnerships for civil service excellence is a constant and universal need for all nations.

Its mandate is to assist in the promotion of public service effectiveness by supporting the efforts of governments of its participating countries in building institutional and human capacity; and thus, contributing to the improvement of civil service systems in the countries of the region and beyond.

The Astana Civil Service Hub is a multilateral institutional platform for the continuous exchange of knowledge and experience in the field of public service development, aiming at supporting government in the region through fostering partnerships, capacity building and peer-to-peer learning activities, and evidence-based research.

More information at www.astanacivilservicehub.org.

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I. INTRODUCTION

There has been a transformation in the management of the public sectors of advanced countries. The traditional model of public administration, which predominated for most of the twentieth century, has changed since the mid-1980s to a flexible, market-based form of public management. This is not simply a matter of reform or a minor change in management style, but a change in the role of government in society and the relationship between government and citizenry. The 'classic' public administration paradigm remained relatively undisturbed until the late 1970s. Subsequently, as a reaction to financial crises, turmoil over inflexible procedures and waning public acceptance of old-style public administration, an 'unending wave of reforms' emerged.

This new paradigm poses a direct challenge to several of what had previously been regarded as fundamental principles of traditional public administration. The first of these was that of bureaucracy, that governments should organise themselves according to the hierarchical, bureaucratic principles most clearly enunciated in the classic analysis of bureaucracy by the German sociologist Max Weber. Although adopted by business and other institutions, these precepts were carried out far more diligently and for longer in the public sector. Secondly, there was one-best-way of working and procedures were set out in comprehensive manuals for administrators to follow. Strict adherence to these scientific management principles would provide the single best way of operating an organisation. The third principle was bureaucratic delivery; once government involved itself in a policy area, it also became the direct provider of goods and services through the bureaucracy. Fourthly, there was a general belief among administrators in the politics/administration dichotomy, that is, where political and administrative matters could be separated. The administration would be an instrument merely to carry out instructions, while any matters of policy or strategy were the preserve of the political leadership. Fifthly, the motivation of the individual public servant was assumed to be that of the public interest; in that service to the public was provided selflessly. Sixthly, public administration was considered a special kind of activity and, therefore, required a professional bureaucracy, neutral, anonymous, employed for life, with the ability to serve any political master equally. Seventhly, the tasks involved in public service were indeed administrative in the dictionary sense, that is, following the instructions provided by others without personal responsibility for results.

These seven seeming verities have been challenged. First, bureaucracy is indeed powerful but does not work well in all circumstances and has some negative consequences. Secondly, trying to find the one-best-way is elusive and can lead to rigidity in operation. Flexible management systems pioneered by the private sector are being adopted by governments. Thirdly, delivery by bureaucracy is not the only way to provide public goods and services; governments can operate indirectly through subsidies, regulation, or contracts, instead of always being the direct provider. Fourthly, political, and administrative matters have been intertwined for a long time, but the implications of this for management structures are only now being worked through. The public demands better mechanisms of accountability where once the bureaucracy operated separately from the society. Fifthly, while there may be public servants motivated by the public interest, nowadays it also seems incontrovertible that they are political players in their own right. They may also be assumed to work for their own advancement and that of their agency, instead of being pure and selfless. Sixthly, the case for unusual employment conditions in the public service is now much weaker, especially given the changes that have taken place in the private sector where jobs for life are rare. Finally, the tasks involved in the public sector are now considered more managerial, that is, requiring someone to take responsibility for the achievement of results, instead of being regarded as administrative and with public servants merely following instructions.

Economic problems in the 1980s led governments to reassess their bureaucracies and demanded changes. As Caiden (1982) argued, "All blamed the dead hand of bureaucracy, especially the poor performance of public bureaucracies and the daily annoyances of irksome restrictions, cumbrous red-tape, unpleasant officials, poor service and corrupt practices". A radical change in organisational culture is occurring, but not without cost. The new approach has problems, not the

least of them the disruption to standard operating procedures and poor morale. There seemed to be a long way to go before a new results-based management could emerge, although there was no going back to the traditional model of public administration.

II. DRIVERS OF CHANGE

The changes in the public sector have occurred as a response to several interrelated imperatives: first, the attack on the public sector; secondly, changes in economic theory; thirdly, the impact of changes in the private sector, particularly globalisation as an economic force; and, fourthly, changes in technology. Over the period of the reform movement, emphases have changed as well. In the earlier period, there was more concern with reductions in the role of government than later, but all four have had their impacts.

In the early 1980s there were wide ranging attacks on the size and capability of the public sector. Government, particularly its bureaucracy, was a source of some unease in the community at the same time, paradoxically, as more services were demanded of it. These years saw expressly anti-government parties and leaders at the head of governments, particularly in the United States and the United Kingdom. Reforms to the public sector followed the election of Ronald Reagan in 1980 and Margaret Thatcher in 1979. These were not, however, simply reforms, rather, the whole conception of the role of the public sector within society was challenged, and the way it is managed has altered as a direct result.

There were three main aspects to the attack on government. First, it was argued that the scale of the public sector was simply too large: consuming too many scarce resources. Cuts to government spending followed even in those European countries - Spain, Italy, Germany, Sweden - where the public service have traditionally been large. Secondly, there were governmental responses to arguments about the scope of government. It was argued that government was involved in too many activities and that alternative means of provision existed for many of these. In response to these criticisms, many formerly governmental activities were returned to the private sector. While privatisation was contentious in the United Kingdom during the 1980s, it has since become widely accepted. In some countries, notably New Zealand, but also the United Kingdom and Australia to a lesser degree, any service which could conceivably be provided by the private sector was likely to be turned over to private providers either by contract or direct sale. Thirdly, there was a sustained attack on the methods of government, with bureaucracy becoming highly unpopular. Provision by bureaucratic means was increasingly regarded as guaranteeing mediocrity and inefficiency. If activities were to stay in government other means of organisation than bureaucracy needed to be found. The ideological fervour of attacks on the role of government, and efforts to reduce its size, faded somewhat in the late 1990s, as it was no longer a priority of public management to reduce the role of the government.

There was a greater appreciation of the positive role of government. Even international agencies, such as the World Bank and IMF, which had encouraged developing countries to reduce government, changed their tune. The landmark World Development Report of 1997 (World Bank 1997) set out the kinds of things governments should do and replaced their earlier rather simplistic view that governments and public services should be minimised. In the 1970s, conservative economists argued that government was the economic problem restricting economic growth and freedom. Theorists claimed that evidence and models backed up their arguments that less government would improve aggregate welfare by improving economic efficiency. Instead of governments forcing people to do things through the bureaucracy, markets were superior in every respect, with words like 'freedom' or 'choice' to replace what had been described as the 'serfdom' of government (Friedman and Friedman 1980).

A harder-edged form of economics became prominent in the economics profession at this time, usually called 'neo-classical economics' or sometimes 'economic rationalism'. This paralleled the decline of Keynesian economic thought, and the major role it gave to government, as countries tried to cope with stagflation and other serious economic problems following the first oil price

shock of 1973. As times became harder, politics and government became more concerned with economic issues. Within governments, policy advisers and even politicians and the bureaucracy embraced neo-classical economics and its advocacy of making more use of markets inside and outside government for policymaking and the delivery of services.

The most important economic theory applied to the bureaucracy, particularly in the earlier debate over managerialism, was public choice theory. This gave theorists a plausible weapon to support their views that government is too big and inefficient, and offered a sharp contrast to the traditional model of public administration. Public choice is a sub-branch of economic thought concerned with the application of microeconomics to political and social areas. From standard economic assumptions, predictions can be made, and evidence sought to see if those predictions were justified.

Instead of being motivated by the public interest, bureaucrats, like anyone else, are assumed to be motivated by their own selfish interest. Bureaucracies do not work well when looked at from this perspective because individual bureaucrats are regarded as trying to maximise their own utility at the cost of their agency; maximising their own welfare and not the public interest. Similarly, politicians are not to be trusted as they maximise votes and/or money.

III. THEORETICAL BASES OF PUBLIC MANAGEMENT

The theoretical bases of new public management need to be considered in some detail, particularly as the theories behind the traditional model of administration were criticised. It was argued that traditional public administration was based on two theories, the theory of bureaucracy and the theory of separation between politicians and administrators. There are also two main theoretical bases to new public management. These are economics and private management.

1. The Traditional Model of Public Administration

Public administration as both theory and practice began in the late nineteenth century, became formalised somewhere between 1900 and 1920, and lasted in most Western countries largely unchanged until the last quarter of the twentieth century. This is a long period for any social theory, even if, since the early 1980s, governments have moved away from many of its precepts. The traditional model can be characterised as: an administration under the formal control of the political leadership, based on a strictly hierarchical model of bureaucracy, staffed by permanent, neutral, and anonymous officials, motivated only by the public interest, serving any governing party equally, and not contributing to policy but merely administering those policies decided by the politicians. Its theoretical foundations mainly derive from Woodrow Wilson and Frederick Taylor in the United States, Max Weber in Germany, and the Northcote–Trevelyan Report of 1854 in the United Kingdom (Hughes 2003).

a. Characteristics of the traditional model of public administration

In the classic public administration paradigm, the organization of the public sector is generally assumed to be based on six principles: (1) An apolitical public service; (2) Hierarchy and rules; (3) Permanence and stability; (4) An institutionalised civil service; (5) Internal regulation; and (6) Equality.

Public administration had its "Golden Age". Early practitioners were confident, assured of their theories and, above all, believed that the improvement of government and its administration offered the promise of a better life for all. Public administration in its Golden Age, from around 1920 to the early 1970s, was a worthy and satisfying enterprise, with government and public service offering the hope of improving society.

However, the traditional model was rigid and bureaucratic, narrowly focused and preoccupied with structure and process, although it was better than what existed before. Merit-based appointment, formal bureaucracy, and the notion that politics and administration could and should

be separated were adequate principles for an administrative system, particularly one operating in a time of stability. However, there are major criticisms of the traditional model; although it was a good model for a long time, its time has passed.

b. Problems with the traditional model

The inadequacies of this kind of government management became apparent in the 1970s and 1980s. Hierarchical structures are not necessarily the most efficient of organisations if comparing outputs with inputs. Bureaucracy may be ideal for control but not necessarily for management; it allows for certainty, but it is usually slow in moving; work may be standardised, but at the cost of innovation. Also, the model of political control was always problematic in assuring genuine accountability. From the 1970s, the public services encountered increasing criticism in most developed countries. There were four main problems. First, the model of political control was inadequate and illogical. Second, one-best-way thinking was problematic. Third, the theory of bureaucracy is no longer universally seen as providing the technical efficiency Weber thought it provided, and it also tends to be undemocratic. And fourth, there was criticism from the Right (here termed the 'public choice critique') of the whole idea of bureaucracy as something that took away freedom and was inefficient compared to the market.

i. Political control

The separation between policy and administration advocated by Wilson in the 1880s was designed to counter the spoils system, then still rife in the United States. However, a strict separation between politicians and administrators, between policy and administration, was never realistic in its original home. The reform movement in the United States was not able to separate policy from administration, or politicians from administrators. It was only able to clarify the point where political appointments to the public service were to be separated from career appointments.

The traditional form simply does not reflect the extensive, managerial, and policymaking role performed by the modern public service. It imposes a negative form of control, which seeks to avoid embarrassing mistakes rather than provide any positive incentive to improve efficiency. The attempt to be 'non-political' meant a reluctance to recognise the policy and political significance of public service work. Public servants also have an important managerial role, something more important than merely administering or following instructions.

The model of political control was unrealistic in that politics and administration are necessarily intertwined. The work of public servants needs to be regarded as fundamentally political, although not necessarily party political.

ii. One best way

The traditional model assumed there was 'one best way' of administering; implicit in that, through the theories of bureaucracy and scientific management, was the idea that one best way of dealing with a given problem could be found. Gulick's POSDCORB and Taylor's scientific management were 'popular manifestations of this one best way theorising', that is, a methodology by which a few simple nostrums were followed in all circumstances. Following from Taylor, the one best way was determined by examining all the steps involved in a task, measuring the most efficient and, most importantly, setting out this method as a set of procedures. In the public service, the procedure manuals became ever larger with the method for dealing with every conceivable contingency spelt out in exhaustive detail. Once this was done the task of the public official was purely administrative, merely involving consultation of the manual and following the procedures laid down. There was little thought involved and no creativity other than that of finding the right page of the manual. Administrators, by definition, have no responsibility for results; one best way thinking allowed them to evade responsibility altogether.

It was only later, as managers became responsible for results, that there was any real thought that different methods could lead to different results and that methods and actions should be

tailored to circumstances. In reality, there is no one best way, only many possible answers. Public management does not assume that there is any one best way of achieving results. In the abstract, responsibility is given to a manager without a prescription as to how results are achieved. One of the manager's roles is to decide a way of working, and he or she is then personally responsible if results are, or are not, forthcoming.

iii. Bureaucracy

A further problem with the traditional model focuses on the Weberian model of bureaucracy. Critics argued that the structure and management of the traditional model were obsolete and in need of drastic reform, because of problems with the concepts of bureaucracy and bureaucratic organisation. Formal bureaucracy may have its advantages, but it is argued, it also breeds timeservers rather than innovators. It encourages administrators to be risk-averse rather than risk-taking, and to waste scarce resources instead of using them efficiently. Weber regarded bureaucracy as the highest form of organisation, but it is also criticised for producing inertia, lack of enterprise, red tape, mediocrity and inefficiency, all diseases thought to be endemic in public sector bodies. Indeed, the word 'bureaucracy' is today more usually regarded as a synonym for inefficiency. There are two problems with the theory of bureaucracy. First, the problematic relationship between bureaucracy and democracy and, second, formal bureaucracy could no longer be considered as a particularly efficient form of organisation.

2. The Public Management Model of Public Administration

The theoretical bases of new public management need to be considered in some detail, particularly as the theories behind the traditional model of administration were criticised. The last two decades of the twentieth century saw the adoption of policies expressly aimed at reducing the size of government influenced by the theoretical arguments of conservative market economists. A key rationale was to reduce government bureaucracy as a goal, in its own right. They made two main claims: first, that government bureaucracy greatly restricted the freedom of the individual and second its power needed to be reduced in the name of 'choice'.

The 1980s and 1990s saw the emergence of a new managerial approach in the public sector, in response to what many regarded as the inadequacies of the traditional model of administration. This approach may alleviate some of the problems of the earlier model but does mean quite dramatic changes in how the public sector operates. As Kamarck (2013) argues "the end of the twentieth century has seen a revolution in public administration that is every bit as profound as that which occurred at the turn of the nineteenth century, when Weberian bureaucratic principles began to influence many governments around the world".

It was noted earlier that the managerial approach has had many names, although the literature has now more or less settled on 'public management' or 'new public management'. There is also general agreement as to the actual changes that are involved in moving away from the traditional administrative model. A new model of public management has effectively supplanted the traditional model of public administration, and the public sector in the future will inevitably be managerial, in both theory and practice. It is important to identify potential problems in the new approach and propose solutions to them, although it seems most unlikely that there will be a return to the traditional model of administration. While this new model may cause some problems and pose some dangers, the benefits are likely to be far greater than the costs. Public management need not mean the widespread and uncritical adoption of practices from the private sector. What it should mean is that a distinctive public management needs to be developed. This should take account of the differences between the sectors, but still recognise that the work being done by public servants is now managerial rather than administrative.

a. The beginnings of a management approach

For much of the twentieth century there was little difference in management structures or styles

between private and public sectors. Large companies were as hierarchical and Weberian as any government department. It was only from the 1950s or 1960s that the problems of bureaucratic rigidity became evident in the private sector. The rise of the manager coincides with the realisation that the division of tasks and the writing of manuals to cover every contingency had limitations. Someone needed to take charge and to take personal responsibility for results.

Even if the decline in legitimacy since the 1950s is true, that decade is too early for a change of management style. By the 1980s governments were unconvinced that the traditional system of administration provided an effective form of management of their public service, when compared to the private sector, and began making changes as a result. Somewhere between these times is when a managerial approach began.

b. Reform Style

The management reform movement has spread around the world with remarkable speed. Reformers in every nation have pursued the movement in different ways, with bold rhetoric about reinvention and reform tailored to the special managerial and political problems that they face. However, the reforms have tended to originate in one of two fundamentally different philosophies: Westminster or American.

The Westminster-style strategy (UK, New Zealand, Australia) began by redefining what government ought to do and led to the privatisation of functions that officials concluded government could not or should not do. It brought about new budgeting and personnel policies along with the reengineering of organisational processes and internal contracting strategies. The Westminster-style governments have launched sweeping, comprehensive reforms that sought to restructure government and what it does, from top to bottom.

The American-style strategy (USA) sought cheaper, more effective government without shrinking the scope of government activities. It has attempted to incorporate the best practices of businesses into government operations, from customer service to a focus on results. Its reforms have been incremental rather than sweeping and comprehensive.

The Nordic countries have combined these two approaches in their quest for the same goal. They have used sweeping budgetary reforms characteristic of Westminster-style reform to sustain the basic welfare state. However, their efforts were consistent with the broad American strategy of avoiding fundamental transformations in the scale and scope of government.

One starting point is the 1968 Fulton Report in the United Kingdom. This report noted concerns with the management capability of the public service. It recommended that the system be opened up, that outsiders be employed at all levels and that the rigid hierarchical structure in which barriers were placed at several points be removed.

The Fulton Committee Report (1968)¹

"In our view the structure and practices of the Service have not kept up with the changing tasks. The defects we have found can nearly all be attributed to this. We have found no instance where reform has run ahead too rapidly. So, today, the Service is in need of fundamental change. It is inadequate in six main respects for the most efficient discharge of the present and prospective responsibilities of government:

- First, the Service is still essentially based on the philosophy of the amateur (or "generalist" or "all-rounder"). This is most evident in the Administrative Class which holds the dominant position in the Service. The ideal administrator is still too often seen as the gifted layman who, moving frequently from job to job within the Service, can take a practical view of any problem, irrespective of its subject-matter, in the light of his knowledge and experience of the government machine.
- Secondly, the present system of classes in the Service seriously impedes its work. The Service is divided into classes both horizontal (between higher and lower in the same broad area of work) and vertical (between different skills, professions, or disciplines). There are 47 general classes whose members work in most government departments and over 140 departmental classes.
- Thirdly, many scientists, engineers and members of other specialist classes get neither the full responsibilities nor corresponding authority, nor the opportunities they ought to have. Too often they are organised in a separate hierarchy, while the policy and financial aspects of the work are reserved to a parallel group of "generalist" administrators; and their access to higher management and policy making is restricted.
- Fourthly, too few civil servants are skilled managers. Since the major managerial role in the Service is specifically allocated to members of the Administrative Class it follows that this criticism applies particularly to them. Few members of the class actually see themselves as managers, i.e., as responsible for organisation, directing staff, planning the progress of work, setting standards of attainment, and measuring results, reviewing procedures, and quantifying different courses of action. One reason for this is that they are not adequately trained in management. Another is 'that much of their work is not managerial in this sense; so, they tend to think of themselves as advisers on policy to people above them, rather than as managers of the administrative machine below them. Scientists and other specialists are also open to criticism here: not enough have been trained in management, particularly in personnel management, project management, accounting and control.
- Fifthly, there is not enough contact between the Service and the rest of the community. There is not enough awareness of how the world outside Whitehall works, how government policies will affect it, and of the new ideas and methods which are developing in the universities, in business and in other walks of life.
- Finally, we have serious criticisms of personnel management. Career planning covers too small a section of the Service—mainly the Administrative Class—and is not sufficiently purposive or properly conceived; civil servants are moved too frequently between unrelated jobs, often with scant regard to personal preference or aptitude. Nor is there enough encouragement or reward for individual initiative and objectively measured performance; for many civil servants, especially in the lower grades, promotion depends too much on seniority.

For these and other defects the central management of the Service, the Treasury, must accept its share of responsibility. It is unfortunate that there was not a major reform in the post-war years when the government took on so many new tasks and the Service "had been loosened by war-time temporary recruitment and improvisation. There was then a great opportunity to preserve and adapt to peace-time conditions the flexibility which the war had imposed. For a number of reasons, not all of them internal to the Service, this opportunity was not taken. In the 1950s the old ways reasserted themselves. The nature of the task was changing, and the Service was let behind. Only recently has any attempt been made to introduce significant reforms. Despite the recent improvement in its management services the Treasury has failed to keep the Service up to date".

¹ John Scott Fulton, Baron Fulton (27 May 1902 – 14 March 1986) was a British university administrator and public servant. From 1962 to 1965, Fulton was chairman of both the BBC and ITA committees on adult education. He served as a BBC governor from 1966 to 1971, serving twice as Vice-Chairman (1966–1967 and 1968–1971). Winston Churchill invited him to chair the Committee on the Civil Service in 1964. Reporting in 1968, it found that administrators were not professional enough, and lacked management skills, and included the creation of a Civil Service College as one of its 158 recommendations.

c. Characteristics of Public Management

i. Management not administration

The reformers coupled their economic theories with management reform ideas borrowed from the private sector, where corporate managers were preaching that employees could not manage effectively unless they had the flexibility to determine the best way to meet policy goals and that managers ought to be held responsible for results. Managers therefore needed the freedom to spend within their budgets, to hire the best employees to do the job, and to buy the supplies and equipment they needed for the tasks at hand. Traditional New Zealand administration had imposed heavy controls on public managers, giving them little freedom. The reformers have sought, in short, to balance two competing approaches: giving managers more flexibility (“letting the managers manage,” as they say in New Zealand) while holding them strictly accountable for results (“making the managers manage”).

ii. Flexibility in staffing

At the next level of senior management, there has been a consistent trend away from position classification towards flexibility in arrangements for filling senior positions. Greater emphasis is now placed on policy advising, general management and professional skills rather than experience gained from specific duties. The aim is to improve overall efficiency by improving the service’s management capability. At all levels, personnel changes have improved flexibility. It is now easier to re-deploy or even sack staff. Inefficient staff can now be dismissed quite quickly, with protection against arbitrary or politically motivated dismissal.

iii. Flexibility in organisation

One aspect of organisational flexibility is disaggregation, which means splitting large departments into different parts by setting up agencies to deliver services for a small policy department. This really starts in the UK, with the Next Steps initiative of the Thatcher Government in 1988. The basic model specified in the report was to set up a separate agency responsible for the delivery of services which it does on a quasi-contractual basis with the relevant policy department. To some extent this is not new; the practice of dividing large departments into smaller segments was accepted in a few countries such as the United Kingdom, New Zealand and the Netherlands and has been established in the Scandinavian countries for decades. Once such delivery agencies are operating under explicit contracts there is no particular reason why they should be in the public sector at all or for its staff to be public servants.

iv. Greater competition

Introducing competition is a feature of public management. It is argued by proponents that if services are ‘contestable’ they should be put out to tender. The OECD (2015) refers to “provision for client choice through the creation of competitive environments within and between public sector organisations and nongovernment competitors”. Widespread privatisation is part of this but is not the only means of reducing governmental scope. Competition for provision through contracting, sometimes within government, is seen as reducing costs compared to bureaucratic provision. While part of this is to simply cut costs, another motivation is the need to clearly specify the service or good which is to be the subject of competition.

v. A stress on private sector styles of management practice

This includes staffing changes designed to better fit staff for their positions, to appraise their performance and to reward them accordingly with merit pay. The emphasis on performance also leads to short-term appointments by contract and being able to terminate staff who are not performing. It is by no means unusual for staff to be hired on contracts or to be appointed to the highest levels from outside. These changes derive from the private sector where staffing and budgeting flexibility has long been a source of some envy. They are buttressed by theoretical

considerations from economics that organisations and individuals will not perform to their fullest unless an appropriate system of incentives is in place. This should not be seen as something 'necessarily derived from the private sector'. It is, rather, good practice in any kind of management.

vi. Contractualism

Under what has been called "contractualism", any conceivable government service can be provided by contract, either externally through private or voluntary sector providers or internally with other parts of government. Compulsory competitive tendering was adopted in local government in the UK in the early 1980s and in other parts of the government later. As part of this move to contracting there can be individual performance contracts for staff, contracts with the minister and the government as a whole and contracts in the form of 'charters' with clients and the public.

A public service operating under explicit contracts with the private sector, or explicit contracts between policy departments and service delivery agencies, would be a very different public service. There can be no thought of service to the public or even service to the government. If everyone is a contractor, no one has a longer time horizon than the end of their contract; if everyone is a contractor, there can be no such thing as the public interest, only what appears in the terms of a contract.

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viii. Relationships with politicians

If one of the main characteristics of the managerial model is that managers take responsibility for the achievement of results, the relationship between managers and politicians and managers and the public must alter. In the traditional model the relationship with the political leadership was narrow and technical, of master and servant, of those giving the orders and those carrying them out. Under the public management model, the relationship between politicians and managers is more fluid and is closer than before. It is not a narrow and technocratic form of management, as political authority still exists. Public managers are now involved in matters of policy, they are also involved in matters of strict politics, they are more often personally responsible for matters and will pay by losing their jobs if something goes wrong. Public management has become a form of political management and the relationship with political leaders has changed. In other words, there is not an unrealistic formula for the relationship between politician and manager, there is interaction and the skills required are somewhat intangible.

The major skill needed of a public manager is how to be a bureaucratic politician, to be able to interact with politicians and with the outside in a way that is beneficial both to oneself and the organisation. This may be open to criticism as being politicisation, but to achieve political goals is the main function of any public service worthy of the name. The traditional model tried to de-politicise what was essentially political. Public management recognises the essential political character of government; public servants work with politicians in an interactive process called management. Of course, politicians have the final say, but the unrealistic separation of policymaking from administration has been finally discarded.

xix. Relationships with the public

There is recognition of the need for direct accountability between managers and the public, as the result of demands for a 'client focus' and for greater responsiveness to outside groups and individuals. This is another big difference from the traditional model.

x. Separation of purchaser and provider

Even if government is involved in an activity, it does not need to be the final provider. It is possible to separate the purchaser from the provider; the purchaser being the party who decides what will be produced and the provider the party who delivers the agreed outputs and outcomes. Separating the two is seen as advantageous. It is even possible to separate the purchaser from provider within government, even within the same agency.

xi. Re-examining what government does

A key aspect of the reform process has been to look in detail at what government does, its role in the economy and society, and what is left to the private sector to do. An aspect of this is contracting out or privatisation, but it is broader than that. Advocates of the new public management, armed with theoretical insights from economics, have argued that there are some things governments should not do.

One important part of the public management reform process has been to examine and re-examine government programmes to ascertain if they are meeting their goals. Many countries have adopted quite rigorous processes for review of functions. For example, in Canada in the mid-1990s a review was undertaken of the rationale for state intervention in terms of the following six tests:

1. **Public interest test:** is the activity still useful for society?
2. **Role of government test:** should any government be involved in this activity?
3. **Federalism test:** is the federal government the appropriate level for this activity or could another level of government do it better?
4. **Partnership test:** could this activity be done in whole or in part by another group in society?
5. **Efficiency test:** could this activity be carried out at less cost?
6. **Affordability test:** even if the other tests are met, is society able to pay for the programme?

IV. GOVERNMENT AND PUBLIC MANAGEMENT

What government should or should not do needs to be of fundamental concern to public managers. In mixed economies there must be some demarcation between those activities that fall in either the public sector or the private sector. The dividing line varies between different nations at different times, but, in the last two decades of the twentieth century, it definitely moved away from the public sector and towards the private sector. This transfer of resources and functions to the private sector obviously affects those who work in the public sector or rely on it in some way. If a public activity is less valued by the community, if activities historically provided by governments are being marketized, the rationales for doing these things are of obvious interest to public managers.

1. Open Government

As societies change, citizens are redefining how they relate to the government. Among the most important changes in attitudes to, and expectations of, government is the trend towards more open government. There has been progress from a hope to a demand and even to a legal right for citizens to have access to information. Many countries have moved from a situation where government chose what it revealed, to a principle of all government information being available unless there is a defined public interest in it for being withheld.

What is "open" government? Three characteristics appear to be most relevant when describing a

government as open, namely:

- **Transparency** – that its actions, and the individuals responsible for those actions, will be exposed to public scrutiny and challenge;
- **Accessibility** – that its services and information on its activities will be readily accessible to citizens; and
- **Responsiveness** – that it will be responsive to new ideas, demands and needs.

Each of these dimensions of “openness” has practical implications from the point of view of those outside government looking in. From the public’s perspective, an open government is one where citizens, businesses, and civil society organisations (CSOs) have:

- The ability to request and receive relevant and understandable information (exposure);
- The capacity to obtain services and undertake transactions (accessibility);
- The opportunity to participate in decision making (responsiveness).

2. Steering Rather Than Rowing

“The word government is from a Greek word, which means “to steer”. The job of government is to steer, not to row the boat. Delivering services is rowing, and government is not very good at rowing” (Savas 1982).

Governments that focus on steering actively shape their communities, states, and nations. They make more policy decisions. They put more social and economic institutions into motion. Some even do more regulating. Rather than hiring more public employees, they make sure other institutions are delivering services and meeting the community’s needs. In contrast, governments preoccupied with service delivery often abdicate this steering function. Public leaders who get caught on the tax-and-spend treadmill have to work so hard to keep their service systems together running faster and faster just to stay in the same place — that they have no time left to think about steering.

In today’s world, public institutions also need the flexibility to respond to complex and rapidly changing conditions. This is difficult if policy makers can use only one method—services produced by their own bureaucracy. It is virtually impossible if their employees cannot be transferred when needs change, moved into the employ of non-governmental organisations when they can do a better job, or fired for poor performance. Bureaucratic governments can do none of these things easily, thanks to their civil service regulations and tenure systems. In effect, they are captive of sole-source, monopoly suppliers: their own employees. As a result, entrepreneurial governments have begun to shift to systems that separate policy decisions (steering) from service delivery (rowing).

Steering requires people who see the entire universe of issues and possibilities and can balance competing demands for resources. Rowing requires people who focus intently on one mission and perform it well. Steering organisations need to find the best methods to achieve their goals. Rowing organisations tend to defend “their” method at all costs. In Public Management, governments increasingly divest rowing from steering. This leaves government operating basically as a skilful buyer, leveraging the various producers in ways that will accomplish its policy objectives.

Freeing policy managers to shop around for the most effective and efficient service providers helps them squeeze “more bang out of every buck”. It allows them to use competition between service providers. It preserves maximum flexibility to respond to changing circumstances. And it helps them insist on accountability for quality performance: contractors know they can be let go if their quality sags; civil servants know they cannot.

3. Community-Owned Government

Public Management describes efforts to improve government performance by including communities in the process of service delivery and giving them more control, sometimes even turning responsibility for service delivery over to communities themselves. Osborn and Gaebler (1992), in their examples, show how bringing communities into the picture empowers the people

who are the intended recipients of services and results in better performance. For example, community-oriented policing, through which police collaborate with neighbourhoods to address their most pressing concerns, has been very effective in many places. Involvement of parents, community leaders, churches, and volunteers has led to improvements in services ranging from recycling to public schools. Osborne and Gaebler also discuss how community members can add special knowledge and experience that professionals and bureaucrats do not have.

McKnight (2010) believes that by pulling services out of communities into centralised bureaucracies, we have weakened communities and undermined the people in them. McKnight feels that since communities are closer to their problems than government professionals, they are better able to understand and address them; they are also more committed, flexible, and creative, and can often accomplish tasks more cheaply than service professionals. Public agencies can nurture community control by removing existing barriers; encouraging communities to take control of services; providing seed money, training, and technical assistance; and creating citizen advisory boards.

Advantages of Community-owned Government

- **Communities understand their problems better than service professionals** - No bureaucrat could know more about problems in a public housing development than the people who live there. No state employee can understand the problems of unemployed workers better than their co-workers.
- **Professionals and bureaucracies deliver services; communities solve problem** - When the effort yielded few results, the organisation gradually began to look “not at more professional service, but instead at the question of what brought their people to the hospital in the first place”. The answers were predictable: automobile accidents, interpersonal violence, accidents, alcoholism, and dog bites.
- **Institutions and professionals offer “service”; communities offer “care”** - Care is different from service. Care is the human warmth of a genuine companion; care is the support of loved ones as a family cope with tragedy; care is the gentle hand of a helper when one is bedridden.
- **Communities focus on capacities; service systems focus on deficiencies** - Communities depend on the capacities of their members to get things done. They want a contribution from their members, in time, talent, or treasure. Hence their entire attention is on their capacities — on what they can bring to the task. In contrast, job training programmes, social work agencies, police departments, and welfare programmes focus on their deficiencies: what they do not know, what they cannot do, how they have been victimised.

At the same time communities are more flexible and creative than large service bureaucracies, they are cheaper than service professionals, they enforce standards of behaviour more effectively than bureaucracies or service professionals, and of course communities have more commitment to their members than service delivery systems have to their clients.

4. Competitive Government

The most obvious advantage of competition is greater efficiency. Competition forces public (or private) monopolies to respond to the needs of their customers. Competition rewards innovation; monopoly stifles it. Competition boosts the pride and morale of public employees.

Most people assume that public employees suffer when they have to compete. They certainly lose a degree of security, and for that reason their unions often oppose any threat to their monopoly status. Governments can easily guarantee their employees a job, without guaranteeing the job they currently hold. But also, once public employees find themselves in competition - if their job security is not at stake - they enjoy it.

The varieties of competition

- **Private versus Private Competition:** This is by far the most common approach: governments ask private firms to compete to produce some public service.
- **Public versus Public Competition:** Contracting is difficult enough that governments sometimes prefer to pursue the same results by stimulating competition between their own organisations. Public organisations in competitive environments often perform just as well as private organisations.

5. Mission-Driven Government

Most public organisations are driven not by their missions, but by their rules and their budgets. They have a rule for everything that could conceivably go wrong and a line item for every sub-category of spending in every unit of every department. The glue that holds public bureaucracies together, in other words, is like epoxy: it comes in two separate tubes. One holds rules, the other line items. Mix them together and you get cement. Entrepreneurial governments dispense with both tubes. They get rid of the old rule books and dissolve the line items. They define their fundamental missions, then develop budget systems and rules that free their employees to pursue those missions.

Advantages of mission-driven government

1. Mission-driven organisations turn their employees free to pursue the organisation's mission with the most effective methods they can find. This has obvious advantages:
 - Mission-driven organisations are more efficient than rule-driven organisations;
 - Mission-driven organisations are also more effective than rule-driven organisations: they produce better results;
 - Mission-driven organisations are more innovative than rule-driven organisations. Rule-driven organisations stifle innovation because there is always some rule that stands in the way.
2. Mission-driven organisations are more flexible than rule-driven organisations. If an agency performs a function that is simple, patterned, and repetitive, its operations can effectively be structured by rules.
3. Mission-driven organisations have higher morale than rule driven organisations.

6. Results-Oriented Government

The term “results-oriented government” came into fashion in the 1990s when trust in government was significantly diminished and when criticism of government spending and concerns over the lack of government accountability were rampant. In broad terms, results-oriented government means having the capability to demonstrate whether constituents are getting value for their tax dollar. It means being able to demonstrate whether the investment in a particular programme has a positive impact on an individual's quality of life (Callahan 2007). According to the National Performance Review (NPR)², managing for results means:

- Setting broad goals or outcomes that your customers care about.
- Establishing measures of performance toward those broad goals.
- Benchmarking your progress against yourself and against others.
- Surveying customers as part of your measurement system to find out if they are satisfied.
- Including stakeholders through performance partnerships.

² The National Partnership for Reinventing Government (NPR), originally the National Performance Review, was an interagency task force created under the Clinton administration to reform the way the United States federal government works. The NPR was created on March 3, 1993 and was the eleventh federal reform effort in the 20th century. In early 1998, the National Performance Review was renamed to the National Partnership for Reinventing Government.

- Asking for funds based on results through performance-based budgeting.
- Allocating resources based on results through performance grants and performance contacts.
- Tying personnel systems to results through performance agreements and pay for performance.
- Evaluating programmes with performance audits.
- Reporting results through report cards, data maps, and other methods.
- Using results to make continuous improvements, that is, to manage.

The four key principles of the NPR were cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics. More specifically:

1. Effective, entrepreneurial governments cast aside red tape, shifting from systems in which people are accountable for following the rules to systems in which they are accountable for achieving results.
2. Effective, entrepreneurial governments insist on customer satisfaction. They listen to their customers — using surveys, focus groups, and the like.
3. Effective, entrepreneurial governments transform their cultures by decentralising authority. They empower those who work on the front lines to make more of their own decisions and solve more of their own problems.
4. Effective, entrepreneurial governments constantly find ways to make government work better and cost less — reengineering how they do their work and re-examining programmes and processes.

These are the bedrock principles on which the reinvention of the federal bureaucracy must build.

7. Customer-Driven Government

Few people in government ever use the word customer. Most public organisations do not even know who their customers are. Why is it this way? Simple. Most public agencies do not get their funds from their customers. Businesses do. If a business pleases its customers, sales increase; if someone else pleases its customers more, sales decline. So, businesses in competitive environments learn to pay enormous attention to their customers.

Democratic governments exist to serve their citizens. Businesses exist to make profits. And yet it is business that searches obsessively for new ways to please the citizens. Public agencies get most of their funding from legislatures, city councils, and elected boards. And most of their “customers” are captive: not having some other choice because of the government monopoly, and thus they have few alternatives to the services their governments provide. So, managers in the public sector learn to ignore them. The customers public managers aim to please are the executive and the legislature because that is where they get their funding. Elected officials, in turn, are driven by their constituents in most cases, by organised interest groups. So, while businesses strive to please customers, government agencies strive to please interest groups.

The greatest irritant most people experience in their dealings with government is the arrogance of the bureaucracy. People today expect to be valued as customers — even by government. To make their public institutions as customer driven as businesses, entrepreneurial governments have learned to finance them like businesses.

Listening to the voice of the customer

There are dozens of different ways to listen to the voice of the customer:

- **Customer Surveys** - Customer surveys can be defined as a method of soliciting customer feedback so organisations can measure customer satisfaction, understand their expectations, and conduct market research.
- **Customer Follow-up** - It should be used to check in and ensure customer satisfaction.

Following up and showing continued interest informs the customer that the purchase was in his or her best interest.

- **Community Surveys** - These are even more common than customer surveys. This is when the organisations survey their residents to see what they like and dislike about their services and their government.
- **Customer Contact** - Public organisations urge managers to sit in the service areas of their offices to talk with customers, and to ask frontline employees what they hear from customers and how service could be improved.
- **Customer Contact Reports** - Gives customer feedback directly to the employee who served the customer.
- **Customer Councils** - Public institutions use resident councils to stay in touch with their customers.
- **Focus Groups** - Common in industry and in political campaigns, focus groups bring customers together to discuss a product, service, or issue.
- **Customer Interviews** - Customer interviews are a common mechanism for gathering the voice of the customer (VOC). Customer interviews are usually conducted one-on-one with an individual customer or with a small number of people from the same business or family unit. They provide an opportunity to get in-depth information from a single customer.
- **Customer Service Training** - Many governments offer customer service training to their employees. Customer service training is the process of improving the skills and knowledge of your customer service employees so that they are better equipped to handle customers. The goal is to prepare them to enhance the support experience and customer satisfaction.
- **Test Marketing** - Customer-oriented governments test new services to see if people like them before imposing them on everyone.
- **Quality Guarantees** - A quality guarantee is an assurance of quality and customer satisfaction issued by a company and offered primarily to pay customers who have purchased products or services from the company.

Putting customers in the driver seat

The single best way to make public service providers respond to the needs of their customers is to put resources in the customers' hands and let them choose. All the listening to the voice of the customer techniques listed above are important, but if the customers do not have a choice of providers — schools, training programmes, motor vehicle offices, etc — they remain dependent on the goodwill of the provider. The providers are in the driver's seat, and customers can only hope they drive where the customer wants to go. When the customers control the resources, on the other hand, they choose the destination and the route.

Most customers know what is important to them. For one it might be a school with a good national reputation. For another it might be a school whose graduates get well-paid jobs. For a third it might be a school close to home. If the customers have access to all the relevant information and they vote with their feet by deserting one school, no one can argue that this school is providing quality education (Schneider et al. 2000).

Putting customers in the driver seat has many advantages:

- *First*, customer-driven systems force service providers to be accountable to their customers. Because customers can take their business elsewhere, providers must constantly seek feedback on their needs and then do what is necessary to meet them.
- *Second*, customer-driven systems depoliticise the choice-of-provider decision. Even in competitive service delivery systems, public agencies usually contract with various providers (e.g., for training) or allocate budgets between various providers (e.g., between public colleges). Too often, politics interferes with these decisions. The

providers with the largest constituencies get the most money, simply because they can bring the most political pressure to bear during budget time. Every college, every real estate developer, every large human service provider, has its constituency, many of which include heavyweight campaign contributors and workers. Few politicians get elected because service providers do a good job, but many politicians get defeated because a constituency rebels — so the politicians usually listen. But when the customers control the resources, no legislature can protect inferior providers from the verdicts rendered by those customers.

- *Third*, customer-driven systems stimulate more innovation. When providers have to compete, they constantly look for ways to cut their costs and increase their quality. But when they get their funds from their customers, rather than from a legislature, they also have far greater incentives to invest in innovation.
- *Fourth*, customer-driven systems give people choices between different kinds of services.
- *Fifth*, customer-driven systems waste less, because they match supply to demand. The type and volume of most public services are determined not by what customers want by their demand, but by law. And legislatures create laws in response to the demands not of individuals, but of constituencies. Consequently, those laws tend to dictate impartial treatment and equal service to all members of the targeted group. This is a natural impulse, and it often ensures a basic fairness in public systems. But it has perverse side effects. Some customers may not want the standardised service; many may need other things far more. But if the law exists, the money is spent.
- *Sixth*, customer-driven systems empower customers to make choices, and empowered customers are more committed customers.
- *Finally*, customer-driven systems create greater opportunities for equity. Customer-driven systems will not promote equity if information about the cost and quality of different providers is not accessible to all customers. Even public schools, for instance, will act like businesses when forced to compete for their students and money; they will manipulate test scores, produce slick brochures, and put on the best marketing campaign they can muster. Government's responsibility is to make sure all families, no matter what their income or education levels, have accurate information about the quality of the schools and the satisfaction levels of their customers, and to police the marketplace for fraud.

8. Enterprising Government

In most governments, few people outside of the finance and revenue departments even think about revenues. No one thinks about profits. The typical public employee, in fact, resents the fact that he or she occasionally have to worry about revenues, because budgets fall short or taxpayers' revolt. The police, the librarians, the social workers mostly believe they are doing God's work, and the public should be grateful. They are often justified in this opinion. But can you imagine the creativity they would turn loose if they thought as much about how to make money as they do about how to spend it?

Making profits through development deals is one of the more aggressive methods used by enterprising governments. It is also riskier than many of the alternatives. Perhaps, the safest way to raise non-tax revenues is simply to charge fees to those who use public services. User fees have become ever more popular as resistance to tax increases has mounted. They are particularly common for garbage collection, water and sewer services, recreation facilities, parking, health services, police services at special events, building inspections, and zoning services.

And why not? What is fairer than a system in which those who benefit from a service and can afford to pay for it do so, while those who do not benefit do not have to pay? User fees are not always appropriate, of course. They work under three conditions: (i) when the service is primarily a "private good," benefiting the individuals who use it; (ii) when those who do not pay for it can

be excluded from enjoying its benefits; and (iii) when fees can be collected efficiently. Collective good is a good that is both non-excludable and non-rivalrous. For such goods, users cannot be barred from accessing or using them for failing to pay for them. Thus, “collective goods,” which benefit society at large, should not be charged in full to paying customers.

Spending money to save money: Investing for a return

Another characteristic of enterprising governments is an “investment” perspective, a habit of gauging the return on their spending as if it were an investment. This is not a way to make money; it is a way to save money. By measuring their return on investment, they understand when spending money will save them money.

Businesses focus on both sides of the balance sheet, spending and earning, debits and credits. They do not care as much about the spending side as the earning side: they will spend whatever is necessary to maximise their returns. But governments look only at the spending side of the ledger. Ignoring returns, they concentrate only on minimising costs. Frequently they refuse even to consider significant investments that would generate significant returns — simply because of the cost.

9. Anticipatory Government

Traditional bureaucratic governments focus on supplying services to combat problems. To deal with illness, they fund health care services. To deal with crime, they fund more police. To combat fires, they buy more fire trucks. However, there was a time when our governments focused more on prevention: on building water and sewer systems, to prevent disease; on enacting building codes, to prevent fire; on inspecting milk, meat, and restaurants, to prevent illness; on research that would lead to vaccines and other medical cures, to stamp out disease.

But as they developed more capacity to deliver services, their attention shifted. As fire departments professionalised, they developed the art of fire suppression, not prevention. As police departments professionalised, they concentrated on chasing down criminals, not helping communities prevent crime. Even environmental agencies, while quick to acknowledge the superiority of prevention, somehow found themselves spending most of their money cleaning up pollution.

Anticipatory governments do two fundamental things: they use an ounce of prevention, rather than a pound of cure; and they do everything possible to build foresight into their decision making. Thus, in a political environment, in which interest groups are constantly pressing public leaders to make short-term decisions, neither is easy. Hence anticipatory governments have been forced to change the incentives that drive their leaders. They have developed budget systems that force politicians to look at the 10-year implications of all spending decisions. They have developed accounting methods that force politicians to maintain the programmes and infrastructure they build. And they have begun to attack the electoral process with its political action committees, campaign contributions, and 30-second sound bites that produces future-blind politicians.

To paraphrase the late economist Ernst Schumacher, the smart person solves problems, the genius avoids them. Preventing disease is easier and cheaper than treating it. Preventing crime is easier and cheaper than treating it.

10. Decentralised Government

Fifty years ago, centralised institutions were indispensable. Information technologies were primitive, communication between different locations was slow, and the public work force was relatively uneducated. We had little alternative but to bring all our public health employees together in one hospital, all our public works employees together in one organisation, all our bank regulators together in one or two huge institutions, so information could be gathered, and orders dispensed efficiently. There was plenty of time for information to flow up the chain of command and decisions to flow back down.

But today information is virtually limitless, communication between remote locations is instantaneous, many public employees are well educated, and conditions change with blinding speed. There is no time to wait for information to go up the chain of command and decisions to come down. In today's world, things simply work better if those working in public organisations schools, public housing developments, parks, training programmes have the authority to make many of their own decisions.

Entrepreneurial leaders instinctively reach for the decentralised approach. They move many decisions to “the periphery”, as we have already described into the hands of customers, communities, and non-governmental organisations. They push others “down below,” by flattening their hierarchies and giving authority to their employees, because decentralised institutions have a number of advantages:

- *First*, they are far more flexible than centralised institutions; they can respond quickly to changing circumstances and customers' needs. The only way to serve businesses in a rapidly changing marketplace is by decentralising authority.
- *Second*, decentralised institutions are more effective than centralised institutions. Frontline workers are closest to most problems and opportunities: they know what actually happens, hour by hour and day by day. Often, they can craft the best solutions if they have the support of those who run the organisation. This gives participatory organisations a tremendous advantage.
- *Third*, decentralised institutions are far more innovative than centralised institutions. Their biggest surprise, they testify, is the discovery that innovation does not usually happen because someone at the top has a good blueprint. Often, it happens because good ideas bubble up from employees who actually do the work and deal with the customers.
- *Fourth*, decentralised institutions generate higher morale, more commitment, and greater productivity. When managers entrust employees with important decisions, they signal their respect for those employees. This is particularly important in organisations of knowledge workers. If we are to tap the skills and commitment of development specialists, teachers, and environmental protection officers, we cannot treat them like industrial workers on an assembly line. Employers of all kinds have learned the same thing: to make effective use of knowledge workers, they must give them authority to make decisions. Management fads come and go, as all public employees know. But participation is not a fad; it is all around us, in virtually every industry.

Flattening the Organisational Hierarchy

The most serious resistance to teamwork and participatory management often comes from middle managers, not unions. If employees are making decisions and solving problems, middle managers become superfluous. Too often they stand in the way of action because their instinct, to justify their existence, is to intervene. Middle management acts as a sponge. It stops ideas on their way down and stops ideas on their way up.

With today's computerised systems, managers also have so much information at their fingertips that they can supervise far more people than they once could. Their span of control is broader. If organisations keep all their layers of management and all the middle managers continue to play their traditional roles overcontrol quickly sets in. Hence participatory organisations find that they must eliminate layers and flatten their hierarchies.

11. Market Oriented Government

In a city, or state, or nation, managers cannot make up “the schedule” or “control” the decisions. They can manage administrative programmes, which control specific activities. They could even manage a railroad. But to manage the entire polity, they must learn how to steer as was stressed earlier. And perhaps the most powerful method of steering is structuring the marketplace: creating

incentives that move people in the direction the community wants to go, while letting them make most of the decisions themselves.

Our governments must consciously use their immense leverage to structure the market, so that millions of businesses and individuals have incentives to meet our health care, childcare, job training, and environmental needs. The most effective way for government to meet the public needs of this local 'marketplace' is not through central control, but by steering the decisions and activities of its players through restructuring the marketplace. Government can use policy to leverage the decisions and behaviour of individuals, instead of attempting to directly control them through administrative programmes.

Many scholars believe government does not have the resources to fulfil all of the public's needs. However, by intervention in the market, government can create incentives for the public to find alternative ways to meet these needs.

12. The Size of Government³

In many nations one of the goals of the reform movement was to reduce the size of the public sector. But it is difficult to assess the success of public management reform in cutting government because government size, at least as measured by government spending as a share of the total economy, varies so greatly among the world's industrialised nations. Countries like Sweden, Denmark, France, and Finland have relatively large public sectors, with government accounting for more than half of their gross domestic product (GDP). Ireland, Australia, and the United States, by contrast, have far smaller governments, accounting for just over one-third of GDP.

Making government smaller is thus a highly relative goal. The New Zealand government, which underwent perhaps the most radical transformation, remained much larger than other governments that also underwent reform (including the United States, Australia, and Ireland). Moreover, it remained larger than that of another major nation — Japan — which largely escaped the government reform movement.

The reform movement brought dramatic change to some countries in particular. Spending among the members of the Organisation for Economic Cooperation and Development (OECD), the world's leading organisation of industrialised nations, inched up slightly from 1987 to 2006, by just over 0.1% (OECD 2004).⁴

Some nations used the reform process to make major reductions in government spending, including Ireland (34%), New Zealand (27%), the Netherlands (18%), and Canada (16%). Spending in some nations — notably those that had not undergone major reforms — increased: Finland (4%), France (4%), and Japan (19%). Government spending in the United Kingdom increased, by almost 4%, despite the reforms, although there were substantial reductions in the government workforce. In the United States, government spending at all levels shrank by 3.4%.

In some nations, reforms brought even more fundamental changes in government employment. In the United Kingdom government employment (measured as a share of all employees) shrank dramatically, by 42%. Ireland cut its employment by 28%. In the United States, overall government employment fell by 2%. In France, which did not undertake major reforms, government employment rose 4% (OECD 2001).⁵

³ Government size can be measured in terms of expenditure, revenue, or employment. However, the expenditure measure is the most used indicator. This expenditure is derived from the national accounts. On an aggregate basis, total government expenditure is often used to signify the size of the government

⁴ Compiled from data from the Organisation for Economic Cooperation and Development (OECD), Economic Outlook Database (2004).

⁵ Compiled from data from the Organisation for Economic Cooperation and Development (OECD), Public Management Service (2001).

In general, aggressive government reforms did indeed bring about a smaller government. The correlation, however, is sometimes weak. In the United Kingdom, where government employment fell significantly, government spending did not. In Sweden, which launched some of the world's most comprehensive budget reforms, spending shrank only slightly in the 1990s, by 1%. However, the government's reforms were not aimed at shrinking government but at reducing costs to maintain the nation's welfare state. Sweden leads the industrialised world in government spending.

Nevertheless, it is important to emphasise the fact that management reform is not associated with any particular size of government. The impetus toward reform did not come from the largest governments, and governments after reform did not tend toward any particular size. What is remarkable is that the government downsizing movement hit so many countries simultaneously, regardless of the comparative size of their government. The reform movement grew out of a larger need to respond to the rising taxpayer rebellion at the size of government and to retool government to work more effectively in an era of economic globalisation.

V. THE NEO-WEBERIAN STATE

During the past decades, marketisation reforms have pushed the public sector closer towards the private sector and its working practices. Some changes have followed directly from the marketisation reforms. Other changes have come as indirect consequences. Changes reach from the governance level to the micro level of public organisations; from policy making to the values, practices and working conditions of the street-level bureaucrat. Marketisation, as well as many other changes implemented during the past decades, are commonly referred to as New Public Management (NPM) reforms (Hood 1991).

Today, the opposite trend is also gradually unfolding, meaning a trend towards stability. With this trend, the public sector is described as something distinct from private sector organisations. One of the cornerstones of this new tale of our time is the idea of stability as a fundamental feature of the bureaucracy. This idea connects back to classic Weberian theory, where central ideals for the public sector are, for example, consistency, legality, and transparency (Udy 1959).

Thus, it is becoming increasingly obvious that the public sector should not embrace every opportunity to change, but also make sure to preserve stability which builds legitimacy and confidence in the administration over time. The concept New Weberian State (NWS) has been suggested to describe the current revival of classic bureaucratic values as a reaction against NPM, which rather connects to market values (Pollitt & Bouckaert 2011).

1. Neo-Weberian Theories of Organisations and States

The term Neo-Weberian has been used in the literature of political science, sociology, and public administration since at least 1970. Often it is used without definition and refers to an analysis that features variants of the Weberian model and employs Weberian comparative methods of analysis. Neo-Weberian analysis often emphasises the machinery of government or power relationships in administrative systems or instrumental rationality.

In their highly cited comparative work on public management reform, Pollitt and Bouckaert (2004) elaborate and propose the idea of the Neo-Weberian State (NWS) as an emerging model of reform of the public sector in continental European countries. In essence, this was an attempt to modernise traditional bureaucracy by making it more professional, efficient, and citizen friendly. It was particularly characteristic of the stable, prosperous, Western European democracies which had sizeable welfare states — including Germany, France, and the Nordic group. It was therefore not a universal model, but one limited to particular kinds of state. It reflected a more optimistic and trusting attitude towards the state apparatus than the NPM.

According to Pollitt and Bouckaert, there are continuing broad differences between different groups of countries. These groups are the maintainers, the modernizers, and the marketizers. But there are really only two groups of great interest in the context of reform: the core, Anglo-American NPM

marketizers and the continental European modernisers. The reform model of this latter group is what Pollitt and Bouckaert classify as the Neo-Weberian State.

The prophets of the core NPM states envisaged an entrepreneurial, market-oriented society, with a light icing of government on top. The northern variant of the NWS foresaw a citizens' state, with extensive participation facilitated by a modernised system of public law that would guarantee rights and duties. Proponents of the central European variant of the NWS favoured a professional state — modern, efficient, and flexible, yet still uniquely identified with the 'higher purposes' of the general interest.

Pollitt described the process how the concept of NSW was born, when analysing Continental reform efforts in the late 1990s and early 2000s, it becomes clear that these activities could not be placed on a simple more NPM – less NPM scale. Instead, the Continental reforms, while varying to a significant degree between countries, were based on three fundamental premises according to Bouckaert; to: (i) keep the state as the primary framework; (ii) use the law as the steering instrument of the framework; and (iii) not experiment with state, administration, and other such important issues.

The Continental states, more or less, accept a strong state and seek to modernise it, rather than to minimise it (in contrast to the Anglo-American countries). Thus, looking at the empirical aspects of the NWS concept, one can conclude with Pollitt that the NWS is a political response to some of the forces of globalisation that attempts to preserve the European social model directly threatened by the processes of globalisation. The “neo” elements preserve the main part of the traditional Weberian model and modernise it; which, again, can take various context- and country-specific forms anchored in the 3E principles made popular by the NPM model.

However, the NWS does not say whether it works but brings out the political mood and the incremental changes specific to the context of Continental Europe. Thus, it would not be correct to call the NWS a strategy (since the changes have been incremental) but a political orientation. Empirically, the basis of the NWS remains the Weberian structure to which some of the NPM elements have been added (rather than Weberian elements added to NPM).

2. The essence of the NWS

The ideas of political power and modernisation convey the two deepest dimensions of the original NWS concept. First, the state remains a strong steering and regulating presence within society. Thus, the objective is not the minimal state praised by some Anglo-American politicians. The state is not seen principally as a burden on economy and society, or as a necessary evil. Rather it is the guarantor and partner of both a strong economy and a civilised, socially cohesive society. Second, the state is steadily modernising, professionalising and seeking improved efficiency. But there is no assumption that aping the private sector – or using the private sector – is the only way to achieve efficiency and professionalism. Private sector methods may be chosen on some occasions and for some policies, but they have no automatic priority or superiority. The public service remains distinct, ethically, motivationally and in terms of labour law, and it is regarded as fully capable of developing its own solutions to its own challenges. To be a public servant is not 'just a job'. Thus, from this perspective, the modern European state is seen as being capable of responding to the pressures of globalisation without unduly fragmenting and/or marketizing itself. To put it another way, there is still a central role for representative politics, alongside international markets, in addressing the need for social and economic change.

3. What is the “Neo-Weberian State”?

Compared with its much better-known cousin, the NPM, the NWS bears the following emphases:

'Weberian' elements

- Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalisation, technological change, shifting demographics, and environmental threat;

- Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus;
- Reaffirmation of the role of administrative law — suitably modernised — in preserving the basic principles pertaining to the citizen–state relationship, including equality before the law, privacy, legal security, and the availability of specialized legal scrutiny of state actions;
- Preservation of the idea of a public service with a distinctive status, culture, and — to some extent, though perhaps not as much as in the past — terms and conditions.

'Neo' elements

- Shift from an internal orientation towards bureaucratic rule-following towards an external orientation towards meeting citizens' needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally come in handy) but the creation of a professional culture of quality and service;
- Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and the direct representation of, citizens' views;
- In the management of resources within government, a modernisation of the relevant laws to encourage a greater orientation on the achievement of results, rather than merely the correct following of procedure. This is expressed partly in a shift in the balance from ex-ante to ex-post controls, but not a complete abandonment of the former. It may also take the form of a degree of performance management;
- A professionalisation of the public service, so that the 'bureaucrat' becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his/her citizens/users.

VI. RECOMMENDATIONS FOR THE 21ST CENTURY PUBLIC MANAGEMENT

In their reflections on twenty-first-century government, Kettl and Kelman (2007) lay out a core of concepts that they argue must be part of any new approach to government management:

- **A policy agenda that focuses more on *problems* than on *structures*** - Effective 21st century governments work to ensure seamless service delivery in which governments structure their service delivery systems according to the problems to be solved, not by focusing on the organisations charged with solving them. People want their problems solved; they do not fuss over who solves them.
- **Political accountability that works more through *results* than *processes*** - Effective 21st century government requires a high performing government whose accountability systems keep track with the evolution of the public sector's toolbox. Creating such integrated service systems demands a mechanism for holding managers accountable for their actions.
- **Public administration that functions more organically, through *heterarchy*, than *rigidly* through *hierarchy*** - Effective 21st century government requires new mechanisms for coordinating government agencies to ensure that they connect organically as they seek to solve the manifest problems they confront.
- **Political leadership that works more by *leveraging action* than simply by *making decisions*** - Effective 21st century government requires innovative approaches to leadership by elected officials approaches that stretch traditional roles and that, in some cases, may require courageous risk taking.
- **Citizenship that works more through *engagement* than *remoteness*** - Effective 21st century government requires a new role for citizens, one that requires them to rethink their connection to and involvement in the pursuit of the public interest.

VII. CONCLUSIONS

It has been argued that the traditional model had so many weaknesses that it no longer deserves to be the model describing and prescribing the relationship between governments, the public service,

and the public.

The administrative paradigm is in its terminal stages and is unlikely to be revived. Administration, as a system of production, has outlived its usefulness. There is a new paradigm of public management that puts forward a different relationship between governments, the public service, and the public. In recent years, there have been changes in the public sector; there have been reforms of an unprecedented kind. For a variety of reasons, the traditional model of public administration has been replaced by a new model of public management.

The change to new public management involves much more than mere public service reform. It means changes to the ways that the public service operates, changes to the scope of governmental activity, changes to time-honoured processes of accountability and changes to the academic study of the public sector. The main change is one of theory, sufficient, it is argued, to constitute a new paradigm. The process of managerial reform is not yet complete; the wider effects of it on, not only the public sector, but the entire political system, still has some distance to travel. The ideas are well grounded in theory and have attracted the support of the governments in most developed countries. The changes wrought by new public management are now probably irreversible.

New public management is an ideological perspective that aims to improve organisational performance. New public management reforms place emphasis on the need to make public organisations business-like. Public organisations have become competing entities with the private sector, hence there is a need for managerial skills and expertise. NPM plays a very significant role in the delivery of goods and services, as it made most organisations putting a clear distinction between Management and Administration. Here are the benefits and Importance of new public management in today's world.

Importance of New Public Management

The importance of new public management in today's companies and organisations, comes from the school of thought that combines economic perspective thinking with management to derive positive outcomes. NPM brought the introduction of performance management and management by objectives. It helps organisations to focus on outputs and not the inputs. Everyone becomes responsible for the delivery, monitoring, and evaluation. Another important feature of new public management is making administrators accountable for the actions and process delivery. It promotes individualism which leads to efficiency and effectiveness in the delivery of goods and services, and it improves product delivery. NPM makes bureaucratic systems more efficient and cost-benefit; it improves structures of the public sector, while reducing their cost and spending. Finally, the importance of New Public Management includes the aspect of putting customers first. Training employees to become better at their jobs in order to compete with the private sector. An important factor that led to the birth of New Public Management is a change in technology. Therefore, NPM ensures organisations keep up with the fast-changing technology and globalisation.

Stability and Change in the New Weberian State

Even though this is a new and underdeveloped concept, the NWS is described as "an attempt to modernise traditional bureaucracy by making it more professional, efficient, and citizen-friendly", reflecting "a more optimistic and trusting attitude towards the state apparatus than the NPM".

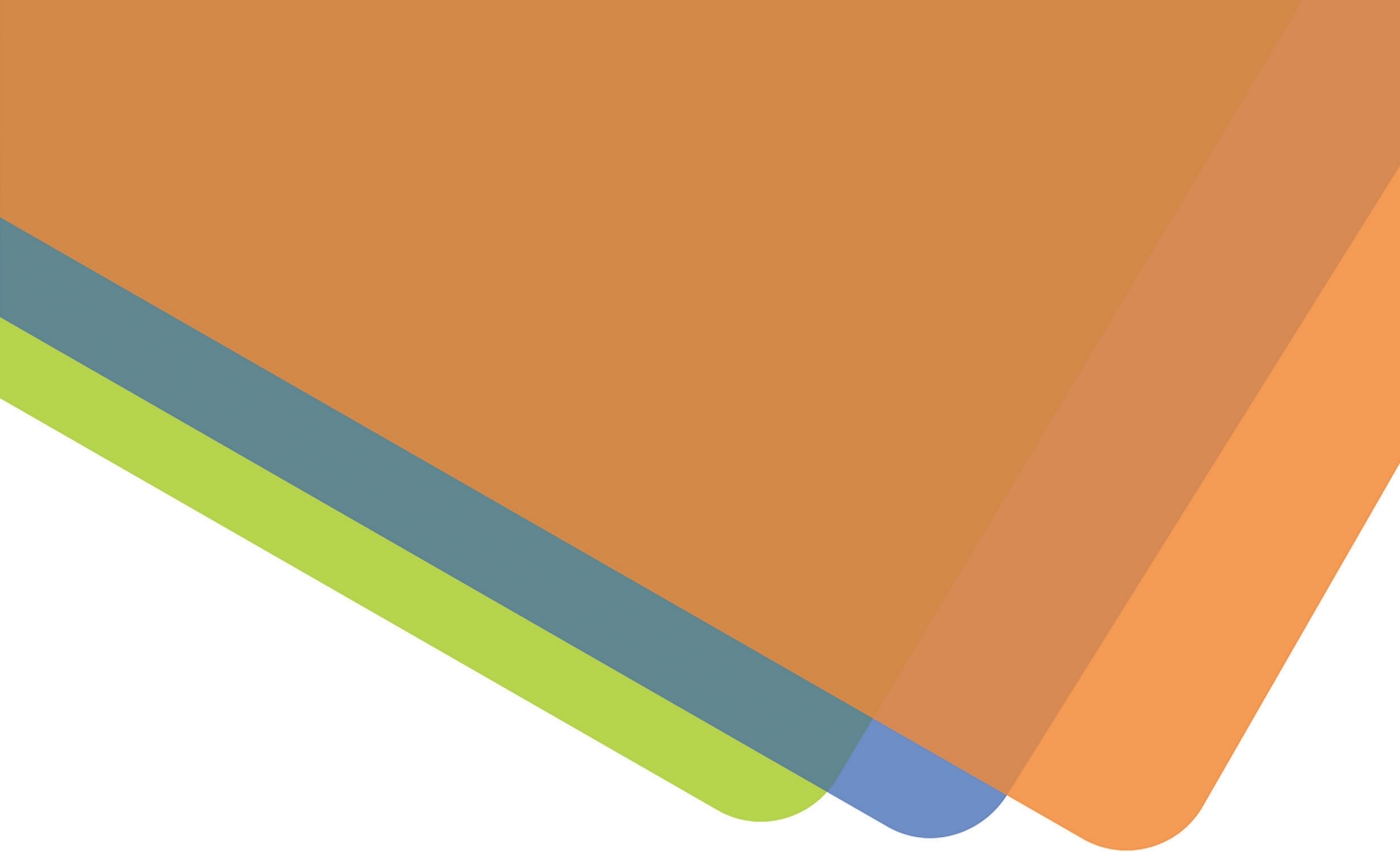
The primary aim with the NPM reforms is to increase efficiency and flexibility. With bureaucracy and the NWS, there is a stronger focus on quality issues, and in particular issues relating to legality and equal treatment. This is also why the NWS focuses more on the input and process aspects of organisation, whereas NPM is focused on the output aspects. Thus, there are three central mechanisms where the NWS has tried to improve the Public Sector: (1) recruitment, (2) standardisation of work, and (3) public sector values.

Recruitment has become increasingly recognised that not just anyone can be recruited as a public sector professional and then incentivised to perform according to plan. Instead, both the qualifications and the values of these individuals must be secured. With the NWS, the idea is that these officials

should be able to remain in office for a long period of time, perhaps even their whole lives. With the *standardisation* of work, the ambition is to secure the quality of the work of public officials, meaning that citizens are treated in a transparent, correct, and equal way. Equality before the law is central, as is transparency. Finally, the NWS interest in *public sector values* may be understood as a reaction against a development where this had become so blurred that the administration risked its democratic legitimacy. Against this background, there is a growing interest in defining public sector values and administrative culture. When public sector employees consistently act in accordance with public sector values, it strengthens the capacity of public sector organisations to operate effectively and achieve their objectives.

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