Public Management

Introduction

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 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' (2000, p. 251).

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. First, whatever the model is called, it represents a major shift from traditional public administration with far greater attention now being paid to the achievement of results and the personal responsibility of managers. Secondly, there is an expressed intention to move away from classic bureaucracy to make organizations, personnel, and employment terms and conditions more flexible. Thirdly, organizational and personal objectives are to be set clearly and this enables measurement of their achievement through performance indicators. Similarly, there is more systematic evaluation of programmes, in more rigorous attempts than before, to find out whether or not government programmes are achieving their goals. Fourthly, senior staff are more likely to be politically committed to the government of the day rather than being non-partisan or neutral. Fifthly, government functions are more likely to face market tests; in separating the purchaser of government services from the provider, in other words separation of ‘steering from rowing’ (Savas, 1987). Government involvement need not always mean government provision through bureaucratic means. Sixthly, there is also a trend towards reducing government functions through privatization and other forms of market testing and contracting, in some cases quite radically. All these points are linked in that, once the focus changes from process to results, each successive step seems necessary.
However, the managerial model is still controversial. Advocates view public management as offering a new way of looking at and carrying out management functions within the public sector. As an alternative to traditional administration, public management may offer a more realistic approach given the manifest problems of the earlier model. Critics, however, regard it as simply an unquestioning adoption of the worst features of private management which pays no regard to the fundamental differences in the public sector environment. Managerialism is seen by them as somehow against the traditions of public service, inimical to service delivery and undemocratic, even with dubious theoretical backing. Some writers, particularly from a public administration tradition, argue that the good parts of the old model – high ethical standards, service to the state – are being cast aside in the headlong rush to adopt the new theory.

The argument here is that public management is sufficiently different from public administration to be regarded as a new paradigm. 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 recognizes that the work being done by public servants is now managerial rather than administrative.

The meaning of management

It was argued earlier (Chapter 1) that management is different from administration in meaning. Essentially, administration means following instructions and management means the achievement of results and taking personal responsibility for doing so. As Rainey argues, public management ‘has semantic origins that imply taking things in hand’ and this ‘suggests a firmness and efficiency of the sort attributed in stereotype to business management’ (1990, p. 158). How management is different from administration can be considered by looking at what Allison (1982) refers to as ‘functions of general management’.

Functions of general management

STRATEGY

1. Establishing objectives and priorities for the organization (on the basis of forecasts of the external environment and the organization’s capacities).
2. Devising operational plans to achieve these objectives.
MANAGING INTERNAL COMPONENTS

3. **Organizing and staffing:** in organizing, the manager establishes structure (units and positions with assigned authority and responsibilities) and procedures for coordinating activity and taking action. In staffing, he tries to fit the right persons in the key jobs.

4. **Directing personnel and the personnel management system:** the capacity of the organization is embodied primarily in its members and their skills and knowledge. The personnel management system recruits, selects, socializes, trains, rewards, punishes, and exits the organization’s human capital, which constitutes the organization’s capacity to act to achieve its goals and to respond to specific directions from management.

5. **Controlling performance:** various management information systems – including operating and capital budgets, accounts, reports, and statistical systems, performance appraisals, and product evaluation – assist management in making decisions and in measuring progress towards objectives.

MANAGING EXTERNAL CONSTITUENCIES

6. **Dealing with ‘external’ units of the organization subject to some common authority:** most general managers must deal with general managers of other units within the larger organization above, laterally and below to achieve their unit’s objectives.

7. **Dealing with independent organizations:** agencies from other branches or levels of government, interest groups, and private enterprises that can affect the organization’s ability to achieve its objectives.

8. **Dealing with the press and public** whose action or approval or acquiescence is required.


Allison’s model does capture the main points about management. In addition, although not his purpose in the original article, Allison’s framework can be used to compare a model of management with a model of administration in the public sector.

The first main function of general management is that of strategy. This involves the very future of the organization, establishing objectives and priorities and making plans to achieve these. Bozeman and Strausssman (1990, p. 214) argue that successful public management ‘inevitably requires a feel for strategy’; it is broader, more integrative, and less defined by functional expertise than is public administration. Where public management ‘is, to a large extent, management of the external environment of the organization’, public administration is ‘within the context of the organization’ (Bozeman and Strausssman, 1990, p. 214). Public administration once required little conception of strategy, as it was presumed to be ‘given’. Public servants ‘administered’ in the dictionary sense, simply carrying out the instructions of the politicians who were presumed to develop and be responsible for policy and strategy. However, if organizations focus on the day-to-day tasks they face, there are dangers of losing sight of longer-term goals. Traditional public administration tended to consider short-term goals within the organization. Public management aims at the longer term and at the relationship between the organization and the external environment.
Agencies themselves develop objectives and priorities rather than assuming that policy derives from politicians. Politicians now demand that agencies and public servants under their nominal control involve themselves in matters of strategy.

The second main function is managing internal components. This involves staffing, setting up structures and systems to help achieve the objectives identified by strategy. Traditional public administration did require the expenditure of effort on the ‘managing internal components’ function of general management, although there are some significant ways in which this was not carried out to its fullest. Certainly public administrators had to organize the bureau, hire staff, train and promote them and all the other aspects of the personnel system, but the controlling of performance was always rather weak. This has also changed substantially with various attempts made to measure performance of agencies and individuals (see Chapter 8). In addition, the financial systems available in traditional administration were unable to provide information in a form to enable the monitoring of performance; this too has changed as part of the public management reforms (see Chapter 9).

The third function considers the organization in its external context and the task of managing external constituencies. Under the traditional model, the concepts of public service anonymity and neutrality meant that this function was also assumed to be carried out by politicians and not by managers. Any dealings with the press, the public, or other organizations were not matters involving the public service. There are now marked changes in the external environment functions with the greater external focus of new public management, through both strategy and the managing of external constituencies, than was ever the case with the traditional model of public administration. Public service anonymity has certainly declined, and in a generally welcome way. Public servants are now much more free to speak out in public, to appear at professional forums, to write articles for journals and generally to be visible and public figures.

Since the implementation of various reforms that began in the 1980s, all three of Allison’s functions of general management are now routinely carried out by public servants, which is itself suggestive that the actual work done is now more managerial than administrative. In other words, the functions which are carried out by public servants now include all those set out in Allison’s general management function.

Outlining the functions of general management does not necessarily mean management is generic – a criticism often made of public management – or that there is no difference between public and private management. It is rather that there are certain functions which characterize a general management function. Whether the public management task is different from the private management task remains a moot point. Perhaps there is only one form of management that takes place in different environments and within the constraints of those environments. The public sector is a different environment, but it is possible
that the methods need differ only to the extent that the environment itself differs. Perhaps the public sector is so different that it needs its own theories and methods, distinct from private management or Allison's general management function. But, in any case, Allison's list does fit the managerial model in the sense that all the points in it are things public managers now do routinely in the course of their work, many of which they did not do as public administrators.

**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 realization 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.

It is hard to delineate exactly when management as a word began to take over from administration in the public sector. The apparent success of managers in the private sector led to concerns being expressed that the public sector had fallen behind. According to Pross (1986, p. 73):

> Since the 1950s, there has been a steady deterioration in the potency of ... sources of legitimacy and thus in the status of the bureaucracy ... Flaws in the merit system were the first to cause concern. It was accepted that the public service was scrupulously non-partisan and highly competent, but in the eyes of many these advantages were offset by a system of management that undermined efficiency and effectiveness.

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 services, when compared to the private sector, and began making changes as a result. Somewhere between these times is when a managerial approach began.

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. According to Keeling (1972), it was not overly certain what Fulton actually meant by management. In one place, the report described management in a business sense as Keeling notes (1972, p. 22):

> Management, as we understand it, consists of the formulation and operation of the policy of the enterprise. This can be seen as a continuum ranging from first line supervision through
a hierarchy of the managers to the board of directors. At each level assets – whether human, financial or material – have to be deployed in the manner best calculated to achieve particular objectives which contribute to the overall policy objectives formulated by the Board.

As Keeling describes it, here the Fulton Report expresses a modern, results-based, view of management similar to the dictionary meanings discussed earlier. However, later in the report it is argued ‘four aspects ... make up the total management task of the Civil Service: (a) formulation of policy under political direction; (b) creating the “machinery” for implementation of policy; (c) operation of the administrative machine; (d) accountability to Parliament and the Public’. As Keeling pointed out (1972, p. 23), this is really saying that management is what the public service does, which is not particularly helpful. Fulton could be described as a start, rather than as a thorough attempt to infuse management principles into an administrative system. Moreover, Fulton’s recommendations were not implemented at the time; they were deferred until a more conducive time. As Flynn argues, ‘no government had much enthusiasm for the task until the Thatcher administration’ (1997, p. 31). However, it is interesting that even in 1972 Keeling saw management – defined as ‘the search for the best use of resources in pursuit of objectives subject to change’ – as the coming thing (Keeling, 1972; Pollitt, 1993).

In the United States there was also a demand for improved management in the public sector, at least from the Carter administration onwards. The Civil Service Reform Act of 1978 aimed at giving managers greater responsibility for results. It included merit pay for middle management and the establishment of a Senior Executive Service to form an elite group at the top. Although focused on personnel, it was an attempt to improve management in the public sector, which seemed to lag behind the private sector.

On setting up the Reid Inquiry into the Australian public service in 1982, then Prime Minister Malcolm Fraser noted: ‘the government believes there is a question whether the public service, as presently organized, has the management tools, the flexibility and the capacities to meet the challenges that presently exist and that lie ahead’ (Australia, 1983, p. 131). A number of recommendations were made by the inquiry with many of them implemented by the incoming Hawke Labor government. Despite being from the other side of the political spectrum, its views on the managerial capacities of the public service were the same as its predecessor.

There were several reasons for this seeming disenchantment with the skills and capabilities of public services. First, following the first oil shock of the 1970s, governments experienced severe resource constraints as tax revenues declined in a relative sense. Practical politics dictated that no cuts be made in actual service delivery to the public. That in turn meant a squeeze on the public service in an attempt to manage the same, or even increased functions, with less money and fewer staff. Secondly, the 1980s saw new governments in Britain (1979), Canada (1984), New Zealand (1984), Australia (1983), to name but
a few, which brought with them quite detailed ideas on how to change the management of the public service. One of the most significant features of the drive towards managerialism is that the impetus has largely come from the political leadership, rather than the public service itself. Thirdly, there is an explicit link between improving public sector management and re-structuring the national economy. In difficult economic times governments exhort the business community to improve its competitive position and improve its management. For consistency, they could hardly leave their own apparatus unchanged. Finally, some of the arguments about the growth of government had their effect, so that there was an intellectual climate conducive to reducing the public sector or, at the very least, making it work harder (see Chapter 4).

The reforms have been almost universal. There are major changes in most countries, but, more significantly, the direction of change has been the same wherever reforms have been implemented, as have a surprising amount of the details. This view is disputed (Hood, 1995; Pollitt and Bouckaert, 2000) as discussed later (Chapter 14). The primary focus of reforms, for both organizations and the individuals within them, has been to achieve results and to take responsibility for them, in other words, to be managers instead of administrators.

The public management reforms

The advent of public management marks a shift from earlier reforms. It is clearer both in theory and in programme details than earlier reforms which aimed at tinkering to cut costs. Instead of being a technical specialization within public administration, as was ‘old’ public management, public management now aims at the replacement of the traditional model altogether. Instead of there being reforms to the public sector, new public management represents a transformation of the public sector and its relationship with government and society.

There are various explanations concerning why the new theory appeared when it did. Hood – a well-known critic of the public management reforms – argues ‘there is no single accepted explanation or interpretation of why NPM coalesced and why it “caught on”’ (1991, pp. 6–8). He does mention four possibilities: first, as a ‘whim of fashion’; secondly, as a ‘cargo cult’ – the endless rebirth, in spite of repeated failures, of the idea that substantive success (‘cargo’) can be gained by the practice of particular kinds of (managerial) ritual; thirdly, as ‘an attraction of opposites’ and fourth, as ‘a response to a set of special social conditions’ which itself includes ‘changes in income and distribution, post-industrialism, post-Fordism, new machine politics and a shift to a more white-collar population’. Although none of these is argued by him as working very well as an explanation, except the last, which he regarded as only suggestive, Hood neglects a far simpler explanation.

The main reason for the eclipse of the old traditional model of administration is simply that it did not work any more, and was widely perceived as not working. Governments realized this first and began to challenge some of the
most basic beliefs of the traditional model. They began to hire economists or people trained in management instead of generalist administrators, borrowed management techniques from the private sector, pushed back the dividing line between public and private sector activity with the aim of cutting costs, and set out to change working conditions inside the system which were no longer required. Governments were faced with declining real revenue, but with political demands to maintain services at the same levels. In these circumstances, the only avenue was to improve productivity. When theories suggest that bureaucratic provision is inherently inefficient, when economic studies show the same thing, it is little wonder that politicians began to ask awkward questions. Why should public servants have permanent, lifetime employment when no one else does; why should they not be hired by contracts? If someone is employed to do a job, what is so wrong in seeing if it is being carried out? The public services had lost public support to such an extent that governments found little resistance to changes that would have once been regarded as destroying the very notion of a public service. And, once change began, the various aspects of the traditional model of administration were taken apart.

The managerial programme

There are various ideas of what is involved in the public management reforms. However, as the process has continued there has been convergence as to what is involved in the reforms. This can be seen by looking at several views of them.

The first of these was formulated by the OECD, which claimed in 1991, that most countries are following ‘two broad avenues’ to improve production and delivery of publicly provided goods and services (OECD, 1991, p. 11). The first was:

Raise the production performance of public organizations [to] improve the management of human resources including staff, development, recruitment of qualified talent and pay-for-performance; involve staff more in decision-making and management; relax administrative controls while imposing strict performance targets; use information technology; improve feedback from clients and stress service quality; bring supply and demand decisions together (e.g. through charging users).

This ‘avenue’ is aimed mainly inside the organization to improve incentives for individuals, measure performance and the like, as well as improve the relationship with clients. It is concerned with how the public organization is managed. The second ‘avenue’ is:

Make greater use of the private sector [to] promote a dependable, efficient, competitive and open public procurement system for contracting out production of publicly provided goods and services and contracting in intermediate goods and services; and, end monopoly or other protection for suppliers.
The second perspective, in another early view, is that of Hood who considers the managerial programme, or what he calls ‘new public management’ as comprising seven main points (1991, pp. 4–5):

- **Hands-on professional management** in the public sector. This means letting the managers manage, or as Hood puts it ‘active, visible, discretionary control of organizations from named persons at the top’. The typical justification for this is that ‘accountability requires clear assignment of responsibility for action’.

- **Explicit standards and measures of performance.** This requires goals to be defined and performance targets to be set, and is justified by proponents as ‘accountability requires [a] clear statement of goals; efficiency requires a “hard look” at objectives’.

- **Greater emphasis on output controls.** Resources are directed to areas according to measured performance, because of the ‘need to stress results rather than procedures’.

- A shift to **disaggregation** of units in the public sector. This involves the breaking up of large entities into ‘corporatized units around products’, funded separately and ‘dealing with one another on an “arm’s-length” basis’. This is justified by the need to create manageable units and ‘to gain the efficiency advantages of franchise arrangements inside as well as outside the public sector’.

- A shift to greater **competition** in [the] public sector. This involves ‘the move to term contracts and public tendering procedures’ and is justified as using ‘rivalry as the key to lower costs and better standards’.

- **A stress on private sector styles of management practice.** This involves a ‘move away from military-style “public service ethic”’ and ‘flexibility in hiring and rewards’, and is justified by the ‘need to use “proven” private sector management tools in the public sector’.

- A stress on greater **discipline** and **parsimony** in resource use. Hood sees this as ‘cutting direct costs, raising labour discipline, resisting union demands, limiting “compliance costs” to business’ and is typically justified by the ‘need to check resource demands of public sector and “do more with less”’.

Hood may differ from the OECD in his opinion as to the desirability of the managerial changes, but there is substantial agreement between them as to the kinds of change involved, especially in the early stages of the reform process.

A third formulation, in some ways the most useful, is that of Holmes and Shand (1995, p. 555), who write from the perspective of two self-described practitioners, from the World Bank and OECD respectively, international institutions where the managerial reforms were in some ways led. They regard the
new public management paradigm – what they regard as a ‘good managerial approach’ – as:

- a more strategic or results-oriented (efficiency, effectiveness and service quality) approach to decision-making;
- the replacement of highly centralized hierarchical organizational structures with decentralized management environments where decisions on resource allocation and service delivery are taken closer to the point of delivery, where greater relevant information is available and which provide scope for feedback from clients and other interest groups;
- flexibility to explore alternatives to direct public provision which might provide more cost-effective policy outcomes;
- focusing attention on the matching of authority and responsibility as a key to improving performance, including through such mechanisms as explicit performance contracting;
- the creation of competitive environments within and between public sector organizations;
- the strengthening of strategic capacities at the centre to ‘steer’ government to respond to external changes and diverse interests quickly, flexibly and at least cost;
- greater accountability and transparency through requirements to report on results and their full costs; and
- service-wide budgeting and management systems to support and encourage these changes.

These are rather more precise than some of the early views.

Finally, putting together various perspectives, Pollitt argued there were a number of general elements of the new model accepted by most commentators (2001, pp. 473–4):

- A shift in the focus of management systems and management effort from inputs and processes to outputs and outcomes.
- A shift towards more measurement, manifesting itself in the appearance of batteries of performance indicators and standards.
- A preference for more specialized, ‘lean’, ‘flat’ and autonomous organizational forms rather than large, multi-purpose, hierarchical bureaucracies.
- A widespread substitution of contract or contract-like relationships for hierarchical relationships.
- A much wider than hitherto use of market or market-like mechanisms for the delivery of public services (including privatization, contracting out, the development of internal markets, and so forth).
- A broadening and blurring of the ‘frontier’ between the public and private sectors (characterized by the growth of public/private partnerships of various kinds and the apparent proliferation of ‘hybrid’ organizations).
- A shift in value priorities away from universalism, equity, security and resilience and towards efficiency and individualism.

There is substantial overlap in these views of public management. It can no longer be claimed that the reforms are not clearly specified. They are. The following
looks at the main points involved in the public management reforms including those emerging from the various formulations.

A strategic approach

Governments have aimed to develop better methods for long-term planning and strategic management. This means deciding the organization’s mission, looking ahead to achievement of goals and objectives, including how the organization fits its environment, and the strengths, weaknesses, opportunities and threats in that environment. These techniques offer better utilization of resources, by tying outcomes to resources, especially when combined with programme budgeting. Only by knowing what government organizations do, what they aim to do in the future and how they have progressed towards declared objectives, can the political leadership decide which programmes or even agencies or departments are worth retaining.

Management not administration

It was argued earlier that management is different from administration. Public management now requires professional management where administration did not. Public organizations do things: governments now want to know what they do; how well they do it; who is in charge and taking responsibility for results. 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. They are, in other words, responsible for achieving results.

Political leaders increasingly choose managers with good records who are sympathetic to their goals. High-profile managers are often appointed to head departments or agencies. These are often appointed on short-term contracts, have management backgrounds and are employed to get results. They are also public figures in a way not previously considered normal for a public servant. Frequently they seem to prefer working for one political party. Another change in senior management is the move away from specialist heads, such as engineers or scientists in technical areas, or doctors in health departments, to managerial heads of agencies. Management is seen more as a function requiring its own skills rather than something which specialists can simply ‘pick up’.

A focus on results

The organization must focus on outcomes or outputs, instead of inputs. Managerial reforms have stressed performance by individuals and by agencies.
Agencies are expected to develop performance indicators as a way of measuring the progress made towards achieving declared objectives. The performance appraisal system aims to measure the performance of individual staff, even to the extent of defining the key contributions expected over the year, which are then compared with actual achievement at the end of the year. This can extend to rewarding or sanctioning staff according to progress towards objectives. Informal methods of appraisal are considered to be ineffective and lead to inferior organizational outcomes. There is a general aim to monitor and improve the progress of staff and agencies towards achieving objectives.

Performance involves more than indicators. Holmes and Shand argue that ‘a performance orientation is only marginally influenced by the existence of performance information’ rather ‘the need is for much greater attention to be given to changing the incentives in the institutional framework – the budget and personnel systems, the approach to control and risk management, etc. so that performance is encouraged, rewarded and required’ (1995, p. 563).

Improved financial management

Financial management has been one of the more successful of the public management reforms. The most important change in this area has been performance and programme budgeting systems to replace the older line-item budget and accounting systems. The focus was formerly on inputs rather than outputs, or on what the agency actually does. A programme budget allocates money according to specific programmes of the agency with all costs listed at programme, sub-programme and even lower levels. Instead of staffing being determined by a separate, independent central agency for personnel, it becomes part of the programme budget. The line-item system of budgeting was precise in a control sense but, in practice, governments had little information on actual programme delivery. To take account of changes in the value of assets and to be more like private sector practice, accrual accounting has replaced cash accounting in some countries. This is hard to implement but potentially much more accurate than traditional budgeting practices. It is more common for responsibility for a budget to be devolved to lower levels, where it is part of the management task.

Public management requires increased attention on the best use of resources. This includes cutting costs but also involves directing resources to emphasize those programmes which most assist the attainment of strategic objectives. Governments have been able to control spending far more by having better information.

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. The device of a Senior Executive Service (SES) has become a commonplace since the late 1970s in the US. The SES concept aimed at developing a pool of senior managers who can be transferred readily between positions and departments, who are trained for senior management, and who can develop an SES identity rather than a departmental one. 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.

Flexibility in organization

One aspect of organizational 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 number of countries such as the United Kingdom, New Zealand and the Netherlands and has been established in the Scandinavian countries for decades (Peters, 1996, p. 31). 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.

However, despite appearing in Hood’s list, disaggregation is not required by the public management reform process. In other countries, as Holmes and Shand argue, ‘such organizations have been established on a case-by-case basis reflecting some focus on disentangling service provision, funding and regulation’ (1995, p. 569). Given the overall policy goal of flexibility and allowing managers to design their own organization, within limits, the requirement for Next Steps agencies in the UK goes against this. Holmes and Shand are critical of the UK structural reforms, arguing there needs to be a system-wide assessment of the policies themselves and whether they are achieving their goals. Structural changes, ‘such as imposing service-delivery agencies separate from policy departments, or even the compulsory tendering of local government services, do not do this by themselves’ (1995, p. 566).

A shift to 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 refers to ‘provision for client choice through the creation of competitive environments within and between public sector organizations and non-government competitors’ (1998, p. 13). Widespread privatization 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.

The new 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. This follows from competition and is related to it, but competition could occur without a contract. Compulsory competitive tendering was adopted in local government in the UK in the early 1980s and in other parts of the government later (Flynn, 1997, pp. 114–15; Walsh, 1995, pp. 110–37).

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. These changes have moved at a rapid rate, as Davis argues (1997, p. 226):

In many countries contracting is moving beyond provision of limited goods or services within governments to embrace the overall design and approach of public services. Governments increasingly appear a transparent universe of subcontractors, organised around statements of goals and strategic plans, concerned not with some nebulous public good but with meeting performance indicators set out in an agency agreement. Contracting can replace traditional bureaucratic hierarchy and command with networks of providers loosely clustered around government funding agencies, delivering services once the exclusive domain of the state.

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.

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 organizations 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’ (Holmes and Shand, 1995, p. 560). It is, rather, good practice in any kind of management.

**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 politician and manager 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 organization. This may be open to criticism as being politicization, but to achieve political goals is the main function of any public service worthy of the name. The traditional model tried to de-politicize what was essentially political. Public management recognizes 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 policy-making from administration has been finally discarded.

**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.

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, as the OECD argues (1998, p. 40):

In effect, governments are distinguishing between the role of the state as a purchaser and as a provider. Increasingly, it is becoming recognised that as a purchaser, the state could at least potentially continue to fulfil its present responsibilities without necessarily directly providing all the services for which it is presently responsible. Indeed, the state’s principal responsibilities are typically better defined by decisions about what assistance should be made available, for whom and how much.

It is even possible to separate the purchaser from provider within government, even within the same agency.

Re-examining what government does

A key aspect of the reform process has been to look in great 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 privatization, 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 government should not do.

One important part of the public management reform process has been to examine and reexamine 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. As Borins argues, the rationale for every federal government programme in Canada was considered in terms of the following six tests (1997, p. 63):

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 program?
Whole programmes were cut as a result of these tests including such politically sensitive ones as transportation and agricultural subsidies. Other countries have had similar requirements. In Australia there is almost constant review of the worth of every programme. It appears that once government is involved in an area, it does not necessarily stay there as it once did. Constant review and constant justification of the worth of everything that government does has been one of the results of financial stringency.

These thirteen points cover most of the changes involved in the transformation of public sector management. They do not cover all of them and there are many more second-order changes discussed in the chapters that follow. However, the most important change is a change in the underlying theory.

### Theoretical bases of 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 criticized in the previous chapter. 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.

That economics and private management are the two main theoretical bases for new public management is not really a matter of controversy. Pollitt, for example, argues that management is ‘clearly an activity which is intimately concerned with directing flows of resources so as to achieve defined objectives’ and these objectives ‘are defined predominantly in the language of economics – “output” and “value for money”’ (1993, p. 5). The OECD argues the old paradigm of public sector management ‘is replaced by a new paradigm which attempts to combine modern management practices with the logic of economics, while still retaining core public service values’ (OECD, 1998, p. 5). The two theoretical influences are important, although it could be argued that private management is itself based on economics.

The economic basis to managerialism allows it to draw on what can be argued to be the most powerful of social science theories. There are two key assumptions in economics. First, there is the assumption of individual rationality, that individuals can be assumed to prefer more of something rather than less. Secondly, the individual rationality assumption allows the elaboration of models that can extend to high levels of abstraction. Such models can be predictive, providing people can be assumed, in aggregate, to act as if they were rational. Economics in these senses has been relatively settled in methodology, at least since the application of empirical models in the late nineteenth century by Alfred Marshall and others. Economics aims to be deductive, something that sets it apart from other social science theories that usually draw their scientific
Economics is, or can be, as mathematical as formal methods of policy analysis (Chapter 6), but is more directed in that it has assumptions of rational behaviour that can be operationalized. Theory comes first in deductive work. Events are predicted to occur following the assumption for which data are then sought.

Economists and economic thinking became more influential in government from the 1960s and 1970s (Carter, Klein and Day, 1992). In the 1980s, a more rigorous kind of economics began to be used, one deriving from neoclassical economics and public choice theory in particular (Chapters 1 and 2). This gave theoretical backing to the attack on bureaucracy, reducing government in general, and gave a methodology for designing market-based public policies. Economists and economic thinking became dominant in government and bureaucracy in both theory and practice. It is easy to see why. Compared with the rather vague public interest theories of public administration, economics offered precision, prediction and empiricism, backed by a motivational theory of how people acted. Economics also had direct relevance to governing. The public sector does things: it provides goods and services and should do so in the most efficient way possible. The focus of management models on results, efficiency and measurement owes much to economics.

The key theorist with regard to public administration was Ostrom. In the early 1970s, he argued that there were two opposing forms of organization: bureaucracy and markets, and that bureaucracy had major problems compared to markets. Bureaucratic organization was to Ostrom less efficient or effective than allowing choice through markets; competition, consumer sovereignty and choice provide incentives to lower costs, which are argued to be absent in the bureaucratic model of administration. He argued that 'alternative forms of organization may be available for the performance of those functions apart from an extension and perfection of bureaucratic structures' (Ostrom, 1989, p. 16) and also that the work of contemporary political economists, based upon a paradigm derived from economic theory, 'challenges many of the basic assumptions in the traditional theory of public administration' (1989, p. 64).

The way that new public management has developed bears out much of what Ostrom advocated, even if the ideas took some time to be adopted. There are two main principles of new public management, both of which can be seen in the work of Ostrom. First, it is market-based – derived from economics – using such theories as public choice, principal–agent theory and transaction cost theory (Walsh, 1995; Boston et al., 1996; Kaboolian, 1998, p. 190) and, secondly, it aims to move away from bureaucracy as an organizing principle.

The second theoretical basis for public management can be found in private management. There are several managerial changes with antecedents in the private sector. In the private setting, there is greater flexibility in tailoring the organization to circumstance, instead of necessarily following a rigid Weberian model. Though the private sector was once as bureaucratic as any government, it moved earlier towards more flexible forms of management and the managerial changes
in the public sector follow these. The focus on results could be said to derive from economics, but is also present in private management, as without results a company would be out of business. The greater attention now paid to strategic planning and management in the public sector also derives from the private sector (Chapter 7). Private sector personnel practices have been adopted to some degree, including the greater use of incentives and disincentives throughout the organization, such as paying more for good performance, or less for poor performance, or terminating staff relatively easily. To a lesser extent, the adoption of more formal means of evaluation has private sector roots, as does the improvement in information systems to provide accounting or other data. These could all be said to derive from the private sector, but none could be seen as exclusively being a private sector technique.

Where private management is particularly helpful for managerialism is in deconstructing parts of the public system once considered to be fundamental. Of course, the public sector must be fair and impartial in dealing with clients, but this does not mean that public servants need be neutral or have a job for life. It may be difficult to measure performance in the public sector, but this should not mean that no attempt should be made. The political nature of the public sector does make it different from the private sector, but this does not mean that all acts are political, or that all policy actions need be undertaken by politicians. This is particularly the case with the input factors identified before, such as the generous staffing conditions once thought necessary for public servants. It is hard to see how service delivery is necessarily damaged by employment by contract or on a part-time basis, or if staff are initially hired at higher levels than the base-grade. However, all these are against what was once thought necessary for all public employment. If much work in the public sector is the same as the private sector, other than at the highest levels, it is hard to justify unusual employment practices.

Perhaps the most important point imported from the private sector is the focus on objectives. Making results the primary aim, with everything else secondary, is a major change of mind-set. Also, bureaucratic organizations are not axiomatically efficient, as discussed earlier. The private sector has experimented with other organizational frameworks – profit centres, decentralization, staff flexibility – all of which have public sector parallels. The movement in the private sector towards flexibility is now being emulated by the public sector as well.

Economics and private management are the main theoretical supports for new public management. Whether these are satisfactory supports or as good as those of the traditional model will be discussed later.

**Criticisms of managerialism**

It is argued here that following the implementation of the comprehensive reform programme, the work now done by public servants deserves the name
'management'. The focus is definitely on the achievement of results and taking individual responsibility for their achievement. However, from the beginnings of the reform process in the late 1980s there have been sustained criticisms. Managerialism or new public management have become derogatory terms in some quarters, particularly in Britain, with overt hostility between those in favour of managerialist reform, and those opposing it. The various criticisms need to be discussed at some length. Some particular points will be examined briefly here, while some key criticisms of the entire programme will be considered later (Chapter 14).

The economic basis of managerialism

The foundation in economics is the basis for one of the criticisms of managerialist thinking. Other social scientists are often troubled by economics as a social science, criticizing its assumptions and supposed ideological basis. Of course, no theory is immune from criticism, and economics is often attacked for its unrealistic assumptions. In the real world, all individuals do not behave rationally and not all governmental problems will be amenable to economic techniques. It could be argued that there are limitations to the use of economic methods in the essentially political environment of the public sector.

There are two main criticisms of the economic basis of managerialism. The first is that economics is a flawed social science and its application to government is similarly flawed. This is not a new criticism and has been made ever since economics and the capitalist system matured. Such a view of economics in government is in reality a much bigger criticism of economics and economists in general and need not be dealt with here. More to the point in a general criticism of economics is that neoclassical economics is only one strand and, if dominant at the present time, there are other economic theories that allow a greater role for government.

The second, and more common, criticism is that, while economics has some validity as the basis for the economic system and the private sector, its application to government is ill-conceived. Pollitt argues that public services are more distinctive than any generic model of the consumer would allow, for two reasons. First, the ‘provider/consumer transactions in the public services tend to be notably more complex’ than those faced by the consumer in a normal market, and second, public service consumers ‘are never merely “consumers”, they are always citizens too, and this has a set of unique implications for the transaction’ (Pollitt, 1993, pp. 125–6). Both points have some validity. Public service transactions are indeed more complex and the consumer being a citizen does make for some complications. It has always been paradoxical that particular citizens could, on the one hand, demand more government services and, on the other, complain about taxation levels.

However, it is then necessary to explain why the supply and demand of governmental goods or services do not behave in the same way as firms or consumers.
In most circumstances supply and demand work in the same way as in the private sector. If governments wish to reduce the consumption of oil, the easiest way is to increase its price through increasing its level of taxation. Increasing farm subsidies will increase farm production as the European Union's agricultural policy demonstrates. For most of these goods and services functions, governmental consumers behave in the same way as in the ordinary market. Where there may be difficulties is at the edges of market behaviour. Does increasing the monetary support for sole parents increase their number as some conservatives might claim? Along with other policy issues this would have to be studied, but where economics, even public choice economics, can be helpful is in giving a framework for that study. It should be seen as a tool rather than a programme.

Pollitt's argument rests on the uniqueness of the public sector in that consumer behaviour laws do not apply there. This is only the case for some limited, if important, parts of what governments do.

The basis in private management

The derivation of managerialism from a private business model is a source of criticism. The public sector might be so different that generic or private sector models of management become irrelevant to its operations. For example, altering the focus of organizations from inputs to outputs has several, linked steps — determining strategy and setting objectives, devising programmes to meet objectives, setting structure and funding by programme, measuring performance and evaluating achievements. The steps all follow each other in logical progression, in that, once objectives and results can be specified, the other points also become necessary. However, this means that if objectives are difficult to set in practice, the other points become irrelevant as they rely on the existence of clear objectives. In the government environment, it is difficult to specify objectives and even if they are set out there are frequent changes. Does this by itself mean that changing to an outcome or output focus is doomed to fail?

It is more difficult to determine objectives or to measure results in the public sector and this may be one of the key differences between the public and private sectors. It is also difficult in much of the private sector as well, with profit not being the only objective or measure of performance. Nevertheless, surely some attempt needs to be made to set objectives, as without objectives why have a particular agency or government function at all?

The fact that management techniques derive from the private sector is the cause of some criticism. It is possible there are some inherent differences between the sectors that may impose limitations as to what is adopted and its eventual success. The public sector has always borrowed from the private sector. Many of public administration's organizing principles over the century derived from the private sector, notably from nineteenth-century railroad companies (Blau and Meyer, 1987). The traditional model of administration drew
on Taylor’s scientific management theories (Taylor, 1911) even though there is little consideration in such work of the public sector. Of course, uncritical acceptance of private sector theories would be bound to fail in the public sector, but that does not mean the public sector should be managed by traditional, time-honoured means. Any technique needs to be modified to fit its new environment. For example, it is doubtful whether strategic management will be an unqualified success in all parts of the public sector. But the comparison needs to be made with what went before, instead of simply arguing that because it came from the private sector it will not work. The point is that there are benefits in identifying, sometimes for the first time, what the activities and objectives of agencies are, as this provides a chance to assess the achievement of goals.

‘Neo-Taylorism’

A particular theoretical criticism put forward by Pollitt is that managerialism represents a revival of the scientific management ideas of Frederick Taylor discussed earlier (Chapter 2). It is argued that going back to this theory ignores or bypasses the development of organizational behaviour since Taylor’s time. With its emphasis on the control of government spending and decentralizing management responsibilities with targets and performance measurement systems, Pollitt sees a management philosophy in the new model that he describes as ‘neo-Taylorian’ (1993, p. 56):

The central thrust, endlessly reiterated in official documents, is to set clear targets, to develop performance indicators to measure the achievement of those targets, and to single out, by means of merit awards, promotion or other rewards, those individuals who get ‘results’. The strengthening and incentivising of line management is a constant theme. There is far less (if any) official acknowledgment of the complexities of workplace norms, beliefs and aspirations ... or of the equally complex issues of cognitive and motivational biases in decision making ... and inter-institutional interdependencies.

In this comment Pollitt sees managerialism as the direct descendant of Taylor’s scientific management, which, in his view, is contrary to the wisdoms of the human relations school.

Managerialists do propose to measure performance and may have imitated the private sector in taking a more hard-nosed approach to the social–psychological side of organizational behaviour. There are ‘neo-Taylorian’ incentive structures in the managerial programme to reward those who perform and provide disincentives for those who do not, including easier avenues for dismissal. But, to refer to the managerial programme as completely Taylorian, and the structure being replaced as following the theory of human relations, is misleading.

As discussed earlier (Chapter 2), Taylor (1911) did believe in picking people for particular jobs, rewarding them according to performance and measuring what they did. Some parts of managerialism do all these things. According
to Pollitt, the chief features of Taylorism and managerialism were that 'they were, above all, concerned with control and that this control was to be achieved through an essentially administrative approach – the fixing of effort levels that were to be expressed in quantitative terms' (Pollitt, 1993, p. 188). In fact, there is far greater similarity with the traditional model of administration, which enthusiastically adopted Taylor's scientific management in the 1920s, than with public management. Measurement is emphasized in public management but is now to provide information on results, not to establish procedures to be followed in every case.

Taylor's system was perfectly attuned to a formalized bureaucracy and this was why it was adopted so enthusiastically by public services in the early part of the century. Taylor thought there was 'one best way' to carry out any task and this could be determined by measurement of the tasks involved. In its expressed aim to be more flexible, public management will be rather less Taylorian than traditional public administration was before. Pollitt's argument would have more force if it was established that Taylorism is a stronger influence under managerialism than it ever was under the traditional model of administration.

**Politicization**

Changes to the public service are said to involve 'politicizing' it; involving it directly in matters of party politics. It is true that political leaders are now more likely to select their agency head, and to require some sympathy with their political goals. This does cut across the traditional model's emphasis on a neutrality and non-partisan administration; to the extent these are valued, management does mean a derogation of time-honoured precepts. What is not clear is how much difference it makes in practice. There are two sides to the question of politicization.

On the one hand, it could be said that those making arguments about 'politicization' ignore the fact that the public service is fundamentally a political instrument. There is no public interest above and beyond that of the government of the day. What is happening now is that a problematical feature of the traditional model of administration – that public servants were not supposed to be 'political' – is being viewed in a more realistic way. As in the American system, even overtly political appointments may be of general benefit, providing they are recognized as such and do not go too far down the hierarchy.

On the other hand, politicization could lead to problems of the kind that Woodrow Wilson and the reform movement in the 1880s tried to repair. Wilson argued that separation between politics and administration would reform the spoils system and reduce the corruption that system engendered. If managers are to be made responsible for their own results, and the system becomes more political and personal, the same kinds of problems could recur. If this happened
because public servants were too political, there might be demands to reinstate the notion of neutrality.

However, politicization may not be that big a problem. One of the supposed strengths of the traditional model of administration was its refusal to acknowledge or be involved in politics. This was always naive and unrealistic, given that the administration of government is inevitably a political process in its own right. Public managers do involve themselves in politics, although not necessarily party politics, and this fact should be in the open. Instead of hiding behind a false neutrality, public managers should be clearer about the political costs and benefits of alternative courses of action. This might end up being ‘politicization’ of the worst kind, but could also be far more realistic and useful than was the case under the old system.

Reduced accountability

There is some concern as to whether the new managerial concepts and procedures fit in with the system of accountability (see Chapter 13). Conflicts may occur between the concepts of public management and public accountability. If the public servant is to be managerially accountable, this could be seen as detracting from the accountability of a responsible politician. And how can a citizen call a public servant to account? Accountability may become a real problem, although the old system was unrealistic and a very poor guarantor of accountability in any case. In addition, the managerial changes promise greater transparency, so that the achievements of particular programmes can be seen. This may actually improve accountability in that the public has a better idea of what governments are doing, while the greater external focus means its interests are more highly considered.

Difficulties with contracting-out

While it is easy to argue private markets are superior and efficiencies will result from privatizing government activities, implementation is not simple. To make contracting-out actually work is different from thinking it is a good idea; there are awkward details to be worked through. It is all very well to call for ‘entrepreneurial government’ (Osborne and Gaebler, 1992), but this should be tempered with the realization that market solutions do not necessarily work well under all circumstances (Donahue, 1989, p. 223). It is one thing to pass activities from the public to the private sector, but quite another for them to work well.

Simple ideological nostrums should be replaced by careful consideration of all the costs and benefits. Contracting out should be seen as another tool for public managers which may or may not be more efficient depending on the case. It is an alternative that the public manager may be able to adopt in a specific case
but ‘using it blindly and ideologically invites unnecessary controversy, while ignoring it reduces alternatives for improving services’ (Rehfuss, 1989, p. 228).

**Ethical issues**

According to Hood, the new public management ‘assumes a culture of public service honesty as given’ and ‘its recipes to some degree removed devices instituted to ensure honesty and neutrality in the public service in the past (fixed salaries, rules of procedure, permanence of tenure, restraints on the power of line management, clear lines of division between public and private sectors)’ and the extent to which the change ‘is likely to induce corrosion in terms of such traditional values remains to be tested’ (1991, p. 16). This possible erosion of ethical standards may be a real problem, especially as the reason for adopting many of the principles of the traditional model of administration was precisely to counter the corruption and inefficiency rife in early administration.

Are there ways of improving or maintaining ethical standards while gaining the benefits of a managerial approach? It is hard to find a way that is convincing. Perhaps the new managerialism offers greater transparency so that unethical or corrupt behaviour can be detected more easily; the greater stress on measurable performance may impose its own kind of behavioural standard. Perhaps managers can be inculcated with the ethical standards common in the old model. Further, as there is supposed to be no change to political accountability, politicians will be responsible for ethical lapses in agencies under their control. The fact that ethical problems are unsolved in the private sector should be a caution to public managers.

Corruption can be endemic and has serious consequences for the political system (deLeon, 1993). There are certainly opportunities for the unscrupulous in the managerial system, notably with contracting. Yet, as developing countries have shown, these also existed in the traditional model of administration in such areas as allocation of licences and permits, as well as government purchasing. Contracts are supposed to offer improvements in accountability, but contracts with government are often kept secret for commercial reasons so the transparency is not there in practice. As a result, ethical problems can be hidden. Whether greater ethical problems do occur as the result of managerialism will not be known for some time. However, if the benefit of the old system was its high standards of behaviour, its weakness was that results were only incidental. In current circumstances, governments will probably opt for the achievement of results and hope that greater transparency and freer availability of information will provide sufficient incentive devices for the maintenance of high ethical behaviour by managers.

**Implementation and morale problems**

Managerial changes have been instigated from the top, with insufficient attention paid to implementation. This has been a real problem, although in some
countries where time and resources have been devoted to the reform process, it has been carried out well. Better training should occur as part of the overall package, particularly management training for senior staff, but, when resources are cut, such activities are seen as expensive luxuries. In fact, following through with the details may make the eventual difference between the success or failure of reform.

Perhaps the reform process was carried out at such a pace that people in the system did not know where they stood. Morale suffered particularly in the early stages. Even where change is widely seen as necessary, questions arise as to whether it might be handled better.

*The critique in sum*

In the final analysis, the critique of the managerialist model has some valid points but is unconvincing, or at least unproven. Further criticisms of it will be addressed in subsequent chapters. It is possible to perceive some kind of threat in the adoption of results-based management, strategic management, programme budgeting, performance measures, and the like, as well as the supposed theoretical inadequacy. However, the real test is the performance of the new model as compared with the old model.

Instead of criticizing the theoretical basis of the new programme, it would seem necessary to compare the relative theoretical backing of the two. The theoretical basis of traditional public administration was discussed earlier as being Weberian bureaucracy, now widely regarded as old-fashioned within the field of organizational behaviour, and Wilson’s separation of politics from administration. Despite criticisms of a lack of theory, the managerial programme, which is based on economics and private management, has a theoretical pedigree at least as good as the traditional theory of administration.

The managerialist agenda is, in essence, quite simple. Governments provide scarce resources to public programmes and would like to know that public ends are being served in an efficient and effective manner. Corporate planning techniques can specify what departments are to do; programme budgeting and accrual accounting mean that scarce funds can be better targeted; performance indicators allow some measure of how well targets are being achieved; personnel changes increase flexibility so that the most able are rewarded and the inadequate can be removed. While no theory can be expected to apply perfectly, the important point is that the old system performed poorly on all these points.

**Conclusion**

The public services of developed countries should now be regarded as following the precepts of public management. They do, however, contain elements of
the traditional model of administration and public management in an uneasy coexistence; the formal power structure of bureaucracy remains, but conditions of employment and delivery of services are increasingly in accordance with the newer models of public management. The logic has been established, and managerialism is closer to what present governments actually want, which is the maximum of service delivery at the lowest administrative cost, without worrying inordinately about the means used.

The debate over public management and managerialism raises larger questions about the role of the public service, and even the role of government in society. The public service is there, in the final analysis, to manage public purposes as decided by the citizens expressing their wishes through the political process. How well it is managed has implications for the scale of public activity. Public management does not mean usurpation of government by technocrats, a reduction in accountability or a diminution of democracy. All the managerial changes do is allow for public purposes to be carried out in a more efficient, cost-effective way, by providing more and better information to those making decisions. In the final analysis, these decision-makers are politicians working with the public service in an interactive process justifiably called management.

What we are witnessing may be a new theory of management, but, thus far, it is a theory of public management and not generic management. The very nature of cost-effectiveness as a performance criterion makes ‘the adoption of a managerial approach necessary but the kind of management must be specific to the conditions of the public sector’ (OECD, 1991a, p. 10). Public management will not be derived merely by transferring private management techniques to the public sector, but rather by: consideration of what the general management function entails; understanding what the peculiar features of management in the public sector are; and derivation of a new system of management to suit that sector.

Despite criticisms, changes of government, misgivings from parts of the public, the model of public management has become established. The direction of future change is easy to see. Public servants will be responsible for the achievement of results; they will have to develop innovative ways of supplying goods and services; they will manage risk instead of avoiding it, as was a characteristic of administration. There will be further reduction of government provision through the bureaucracy, and more services will be provided through other means involving the private sector. This could be more creative, it will certainly be more dynamic, but it will mean a further transformation of the public sector in its turn. Once change is accepted, it is hard to stop. What remains to be seen is if the best parts of the old model – professionalism, impartiality, high ethical standards, the absence of corruption – can be maintained, along with the improved performance a managerial model promises.