

THE NEW PUBLIC MANAGEMENT AND PUBLIC VALUE

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Abstract: *.PRACTITIONERS AND THEORETICIANS ARE MORE AND MORE INTERESTED IN THE IDEA OF PUBLIC VALUE THE NEW PUBLIC MANAGEMENT AS A WAY OF UNDERSTANDING GOVERNMENT ACTIVITY, INFORMING POLICY-MAKING AND CONSTRUCTING SERVICE DELIVERY. THIS COULD BE SEEN AS A RESPONSE TO THE CONCERNS ABOUT „NEW PUBLIC MANAGEMENT”, BUT IT ALSO PROVIDES AN INTERESTING WAY OF VIEWING WHAT PUBLIC SECTOR ORGANISATIONS AND PUBLIC MANAGERS ACTUALLY DO. THE PURPOSE OF THIS ARTICLE IS TO EXAMINE THIS EMERGING APPROACH BY REVIEWING NEW PUBLIC MANAGEMENT AND CONTRASTING THIS WITH A PUBLIC VALUE PARADIGM. THIS PROVIDES THE BASIS FOR A CONCEPTUAL DISCUSSION OF DIFFERENCES IN APPROACH, BUT ALSO FOR POINTING TO SOME PRACTICAL IMPLICATIONS FOR BOTH PUBLIC SECTOR MANAGEMENT AND PUBLIC SECTOR MANAGERS.*

Keywords: *PUBLIC VALUE, CHANGE, MANAGEMENT, PUBLIC MANAGEMENT, PUBLICSECTOR.*

INTRODUCTION

At the end of the 20th century, a postbureaucratic paradigm of public management was firmly embedded in many countries reflecting the outcome of the suite of reforms intended to enact a break from the traditional model of public administration underpinned by Weber's (1946) bureaucracy,¹ Wilson's (1887) policy-administration divide,² and Taylor's (1911)³ scientific management model of work organisation. In part at least, NPM was a reaction to perceived weaknesses of the traditional bureaucratic paradigm of public administration, and it encompassed

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¹ M., Weber, 1946, „*Bureaucracy*”, from Max Weber Essays in Sociology.” Reprinted in *Public Administration Concepts & Cases*, 1988, eds. R.Stillman. Boston : Houghton Mifflin Company, 41–49. in O'Flynn, J. (2007), From New Public Management to Public Value: Paradigmatic Change and Managerial Implications. Australian Journal of Public Administration, 66: 353–366.

² W., Wilson, „The Study of Administration. *Political Science Quarterly* 2: 197–222. In O'Flynn, J. (2007), From New Public Management to Public Value: Paradigmatic Change and Managerial Implications. Australian Journal of Public Administration, 66, 1887, pp. 353–366.

³ F.W , Taylor,. . *The Principles of Scientific Management*. New York : Harper.in O'Flynn, J. (2007), From New Public Management to Public Value: Paradigmatic Change and Managerial Implications. Australian Journal of Public Administration, 66, 1911, pp. 353–366.

a „critique of monopolistic forms of service provision and an argument for a wider range of service providers and a more market-oriented approach to management”.⁴

In articulating this NPM paradigm in the early 1990s, Hood set out its key doctrinal components:⁵

- 9 Hands-on professional management;
- 10 Explicit standards and measures of performance;
- 11 Greater emphasis on output controls;
- Disaggregation of units in the public sector;
- 4. Greater competition in the public sector;
- 5. Private sector styles of management practice;
- 6. Greater discipline and parsimony in resource use.

Within this new paradigm, the doctrinal components sat alongside four reinforcing megatrends: slowing down or reversing government growth; privatisation and quasi-privatisation; automation in the production⁶ and distribution of public services; and, an international agenda in public sector reforms. Fifteen years after Hood (1991), Hughes in his paper on the „new pragmatism” articulated four grand themes which characterised NPM: management (i.e. results and managerial responsibility) is a higher order function than administration (i.e. following instructions); economic principles (i.e. drawn from public choice theory, principal-agent theory, contracting, competition, and the theory of the firm) can assist public management; modern management theory and practices (i.e. flexibility in staffing and organisation) can improve public management; and service delivery is important to citizens.

As Stoker noted, NPM meant . . . to dismantle the bureaucratic pillar of the Weberian model of traditional public administration. Out with the large, multipurpose hierarchical bureaucracies, [NPM] proclaims, and in with the lean, flat, autonomous organizations drawn from the public and private spheres and steered by a tight central leadership corps.

The doctrines of public sector management encompassed by NPM have been variously described by different commentators and some have identified different phases in the development of NPM. However, there is still a good deal of overlap among the different accounts of what NPM entailed. For example, the idea of a shift in emphasis from policy making to management skills, from a stress on process to a stress on output, from orderly hierarchies to an intendedly more competitive basis for providing public services, from fixed to variable pay and from a uniform and inclusive public service to a variant structure with more emphasis on contract provision, are themes which appear in most accounts. Most commentators have

4. O'Flynn, *From New Public Management to Public Value: Paradigmatic Change and Managerial Implications*. Australian Journal of Public Administration, 66, 2007, pp.353–366.

5. C., Hood, „A Public Management for All Seasons” *Public Administration* 69(1) 1991, pp. 3–19.

6. O., Hughes, „The New Pragmatism: Moving beyond the Debate over NPM. Presented at the 10th Annual International Research Symposium on Public Management, 10–12 April 2006. Glasgow Caledonian University, Scotland.

7. G., Stoker, „Public Value Management: A New Narrative for Networked Governance” *American Review of Public Administration* 36(1): 41–57. In O'Flynn, J. (2007), *From New Public Management to Public Value: Paradigmatic Change and Managerial Implications*. Australian Journal of Public Administration, 66, 2006, pp.353–366.

associated NPM with approximately seven dimensions of change, which are presented below. The seven elements are as follows.⁸

(1) A shift towards greater disaggregation of public organizations into separately managed corporatized units for each public sector product. The corporatized style contrasts with the progressive public administration (PPA) style of providing all public services through “semianonymized” organizations within a single aggregated unit, with detailed service-wide rules, common service provision in key areas of operation, detailed central control of pay bargaining and staffing levels.

d) A shift towards greater competition both between public sector organizations and between public sector organizations and the private sector. The aim for a more competitive style contrasts with the PPA style of ascribing semipermanent “ascribed” roles to public sector organizations; that is, captive markets which are indefinitely assigned to particular “prestige” producers.

e) A move towards greater use within the public sector of management practices which are broadly drawn from the private corporate sector, rather than PPA-style public-sector specific methods of doing business. Examples of the latter include “model employer” aspirations to set an example to, rather than to follow the lead of, private-sector employers in matters of pay and conditions of employment (for example, in equal opportunity or employment of disabled persons) and the traditional “double imbalance” pay structure of public administration, in which lower-level staff tend to be relatively highly paid compared to their private-sector counterparts and top-level staff are relatively low-paid (cf. Sjolund, 1989). (4) A move towards greater stress on discipline and parsimony in resource use and on active search for finding alternative, less costly ways to deliver public services, instead of laying the emphasis on institutional continuity, the maintenance of public services which are stable in “volume terms” and on policy development.

(5) A move towards more “hands-on management” (that is, more active control of public organizations by visible top managers wielding discretionary power) as against the traditional PPA style of “hands off management in the public sector, involving relatively anonymous bureaucrats at the top of public-sector organizations, carefully fenced in by personnel management rules designed to prevent favouritism and harassment.

b) A move towards more explicit and measurable (or at least checkable) standards of performance for public sector organizations, in terms of the range, level and content of services to be provided, as against trust in professional standards and expertise across the public sector. The old PPA style involved low trust in politicians and managers but relatively high trust in professional expertise, both in a “vertical” sense (that is, up and down the organizational ladder, or between “principals” and “agents” in the new legal-economic language of the economic rationalists) and in a “lateral” sense (that is, across different units of the public sector;).

8 Attempts to control public organizations in a more “homeostatic” style according to preset output measures (particularly in pay based on job performance rather than rank or educational attainment), rather than by the traditional style of “orders of the day” coming on an ad hoc basis from the top, or by the subtle balancing of incompatible desiderata in the

⁸ Christopher, Hood, "The “New Public Management” in the 1980s: variations on a theme." *Accounting, organizations and society* 20.2 (1995): 93-109.

“collibration” style of control identified by Dunsire (1978, 1990)⁹ as central to orthodox bureaucratic functioning. These doctrines of NPM link to recurrent debates about how public administration should be conducted, which stretch back at least as far as the major disputes between “legalists” and “Confucians” in the Chinese mandarin state over 2000 years ago. How far the public sector should be insulated and clearly separated from the private sector in matters of handling business and staff, and how far business should be conducted by professional discretion rather than by pre-set rules or standards, are issues which go to the heart of most doctrinal disputes in public administration, including such major waves of classic public administration thought as the ideas of the German cameralists from the mid-sixteenth century, the nineteenth-century British utilitarians and the turn-of-the-century American progressives. Such doctrines also have profound implications for how public sector accounting is conceived, in the sense of what records are kept, how they are used, and what is costed and measured. This summary list of course oversimplifies, and there are many interesting counter-trends. Examples of such counter-trends include: the unfashionability of the traditional public enterprise model in conventional market sectors of the economy, coupled with the vigorous adoption of that model for non-marketed public services in several countries; the weakening of older doctrines of metaphysical competition as against doctrines of market testing by franchising; the weakening of trust in professionals while strengthening the hand of managers. Certainly, there is no logical necessity for a public management system to change in all of these seven respects at once. Many variations are possible¹⁰.

Given the problems and challenges of experiments with NPM, especially during the 1990s, there is increasing interest in what can be termed a public value approach which draws heavily on the work of Moore¹¹, and signals a shift away from strong ideological positions of market versus state provision. In part, this may reflect a growing recognition that the social values inherent in public services may not be adequately addressed by the economic efficiency calculus of markets. Further, it may underpin what has been referred to as the new pragmatism „... where [t]he old ideological debates are largely disappearing”¹². A new „post-competitive” paradigm then could signal a shift away from the primary focus on results and efficiency toward the achievement of the broader governmental goal of public value creation. Discussing public value has become increasingly popular, however, a clear definition remains elusive. Public value has been described as a multi-dimensional construct – a reflection of collectively expressed, politically mediated preferences consumed by the citizenry – created not just through „outcomes”

9. A., Dunsire, *Control in a Bureaucracy* (Oxford: Martin Robertson, 1978). In Hood, Christopher. "The "New Public Management" in the 1980s: variations on a theme." *Accounting, organizations and society* 20.2 (1995): 93-109.

10. A., Dunsire, *Holistic Governance, Public Policy and Administration* (1990) pp. 3-18. In Hood, Christopher. "The "New Public Management" in the 1980s: variations on a theme." *Accounting, organizations and society* 20.2 (1995): 93-109.

11. M., Moore, „Public Value as the Focus of Strategy." *Australian Journal of Public Administration* 53(3), 1994, pp. 296–303.

12. O., Hughes, „The New Pragmatism: Moving beyond the Debate over NPM. Presented at the 10th Annual International Research Symposium on Public Management, 10–12 April 2006. Glasgow Caledonian University, Scotland, 2006.

but also through processes which may generate trust or fairness¹³. Others have defined public value as „the value created by government through services, laws regulation and other actions”¹⁴ and from here it could be used as a „rough yardstick” against which performance can be gauged, resource allocation decisions made, and appropriate systems of delivery determined. Stoker describes public value as „more than a summation of individual preferences of the users or producers of public services ... [it] is collectively built through deliberation involving elected and appointed government officials and key stakeholders”. Horner and Hazel¹⁵ with perhaps more clarity, define public value as the correlate of private value or shareholder return: Think of citizens as shareholders in how their tax is spent. The value may be created through economic prosperity, social cohesion or cultural development. Ultimately, the value – such as better services, enhanced trust or social capital, or social problems diminished or avoided – is decided by the citizen. Citizens do this through the democratic process, not just through the ballot box, but through taking part in ... consultations and surveys, for example. This links well with some of the points advanced by Moore (who argues that the creation of public value is the central activity of public managers, just as the creation of private value is at the core of private sector managers” action. Such a distinction is supported by Hefetz and Warner who argue that unlike their private sector counterparts, „... public managers do more than steer a market process; they balance technical and political concerns to secure public value”. The role of the public manager, then, is central to this approach.

The notion of public management is becoming more and more important for practitioners and also for academics. The purpose of this article was to set out a new public value paradigm and compare and contrast it to NPM. It can be argued that under NPM, broader notions of public value were marginalised in the quest for efficiency and, consequently, the adoption of a public value perspective will represent a further paradigmatic change. Such change, however, would redefine the role of managers within the public sphere and present a series of challenges to the existing capabilities which have developed with the NPM paradigm. Considerable attention will be required to be devoted to the development of new skills if managers are to effectively navigate the complexities that come with paradigmatic change.

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