Chapter - 2

NEW PUBLIC MANAGEMENT
CONCEPT AND REVIEW OF LITERATURE

Introduction

In this chapter we discuss the evolution and meaning of New Public Management as well as review the literature on the subject relevant to this study. Public management has become an area of focus in the developed as well as developing countries from the late eighties onwards. It was been labeled variously by different authors, but the direction of these reforms is remarkably similar. The attribution of these reforms by different scholars is a matter of individual emphasis. To quote (Pollitt, 1994:1) ‘NPM has variously been defined as a vision, an ideology or (more prosaically) a bundle of particular management approaches and techniques (many of them borrowed from the private, for-profit sector)’. NPM is managerial thought (Ferlie et al., 1996:9) or based on ideas in the private sector and brought into the public sector (Hood, 1991, 1995). Many of these reforms have similarities with the modernization component of good governance (Grindle, 2004).

No one can claim monopoly on NPM ideas and no single work seems to capture them all. Some like Osborne and Gaebler (1992) focus on reform and innovation in the public sector. It was Hood(1991)who came up with this term listing its seven main points. Hood had the UK experience as his reference although many of these principles were adhered to in the old style of public administration and procurement practices. Pollitt (2001:473-74) summarized these elements by adding the market orientation and the idea of a value shift from concerns of equity and security to efficiency and individualism. NPM is not a well-defined idea (Wegrich, 2009). Van Thiel et al (2007) also admit that NPM is not a unified set of ideas that have yielded agreeable tools.NPM is hybrid in character (Christensen & Lægreid, 2002) and is an umbrella term used for a collection of trends. That is why different (alternative) terms are used to describe the public reforms that happened in Europe during 1980s and 1990s (Van de Walle & Hammerschmid, 2011).
The UK played an important role in developing the concept of New Public Management (NPM) and can claim to have been its ‘birth place’ (McLaughlin et. al, 2002). Indeed, the seminal paper which coined the term NPM was the product of the UK experience (Hood, 1991). The work done by Osborne & Gaebler (1992) also contributed considerably in the elaboration of the concept. It soon spread to the United Nations circles, Australia and New Zealand and then further to Scandinavia and Continental Europe. The financial institutions like the World Bank also have been spreading the principles of NPM after they found governance issues as key factors for economic development and investment expansion. The notion that policies that have worked in one political context can be transferred to others as well also seems to have worked here. This is known as policy transfer which has been defined by Dolowitz as ‘the process by which the policies and/or practices of one political system are fed into and utilized in the policy-making arena of another political system’ (Dolowitz, 2003: 101). Some have contested the notion that NPM is an altogether new practice (Hood & Jackson, 1991); others felt that NPM reforms were confined to a few nations rather than global in character (Flynn, 2002) and, yet others felt that NPM-inspired reforms did not imply substantial changes in the everyday functioning of the public sector (Pollitt, 2000).

NPM is a label that captures a range of reforms inspired by the idea that private sector management techniques and market mechanisms increase public sector efficiency. NPM type reforms include, for example, quantification, the introduction of performance management systems, the increase in the responsibility of public administrators, the introduction of market mechanisms into public sector, the introduction of quality management techniques, among others (Maesschalck, 2004). Due to the seeming success in the original countries, certain components of NPM have become the archetypal model for reforms projects worldwide (Haque, 2007), thereby establishing itself as a paradigm for the modernization of public administration.

Despite the use of the NPM model in many reforms, the term still lacks conceptual clarity. Originally it was a concept used to describe developments in public sector in New Zealand, Australia and United kingdom for improving the efficiency and effectiveness of the bureaucracy (Barzelay, 2002). NPM
has its theoretical foundations in two schools of thought, namely public choice theory and managerialism. The combination of both elements has potential contradictions in that public choice theorists advocate market forces and accountability, in contrast to the emphasis of managerialism on greater autonomy to managers. A key component of the New Public Governance model is Performance Management (PM) and it has become an issue central and critical to political leaders and public & private sector managers (Bouckaert & Halligan, 2008; Larbi, 2006; Mupazvirho, 2003; Radin, 2006).

With support from the international agencies and other advocates, by mid-1990s, NPM became a dominant paradigm in public management (Cejudo, 2008); but its applicability in the developing countries remained unproven. There was an apprehension that public sector reforms in developing countries can lead to unjust social outcomes (Bale & Dale, 1998; Batley, 1999; Kiggundu, 1998; Manning, 2001).

2.1 Public Management

Management of public organisations is referred to as Public Management. The successful management of departments and agencies is an important factor for success of public policies and programs, of policy making, implementation and evaluation. Originated from the private sector, Public Management is an evolution of public administration which applies managerial techniques to increase the efficiency and effectiveness of public services. The transformation of public administrator to public manager is the major change that occurred in the public organisations. This is mainly due to the changes in expectations of many stakeholders. The financial crisis that happened during the late seventies across the world is another reason. The reforms which started with the traditional administration to management and then to governance had a key goal of efficiency and effectiveness in the public sector. Different approaches were focussed and targeted on different topics for bringing effective changes. According to OECD (2005), technological changes, increase in cost,
financial crisis etc. are the reasons for reforms. The figure 2.1 below gives the areas and the institutional mechanisms adopted for reforms during 1990s.

**Figure. 2.1 The reforms of the 1990s and their institutional mechanisms**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Institutional Mechanisms</th>
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<tr>
<td>Fiscal adjustment</td>
<td>· Control/reduction of public expenditure</td>
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<td>· Privatization of public functions</td>
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<td>· Tax reforms</td>
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<td>Management efficiency</td>
<td>· Decentralization</td>
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<td></td>
<td>· Creating Performance Based Organizations (PBOs)</td>
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<td></td>
<td>· Introducing market mechanisms</td>
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<td>· Outsourcing public services</td>
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<td>Capacity building</td>
<td>· Capacity-building of human resources</td>
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<td></td>
<td>· Creating career and salary structures</td>
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<td>· Evaluation and monitoring of management</td>
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<td>Accountability</td>
<td>· Greater interface with users of services</td>
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<td></td>
<td>· Quality of service rendered</td>
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<td>· Reform of legal structures</td>
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<td></td>
<td>· Development of a management bureaucratic culture targeting</td>
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<td>results when rendering services to the citizen-consumer</td>
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Source: Bangura, 2000

**2.2 Objectives of Public Management reforms**

According to Pollitt & Bouckaert (2011), earlier reforms were treated as technical or legal. They were confined to national boundaries and did not have any spread effect on other countries. However, a considerable body of ideas in the form of comparative development administration emerged that tried to present the western models as the ideal ones for the developing world to follow. The first wave took place mainly in USA and UK who were the front runners of public reforms (Premchand, 1983).
The second wave emerged during the global economic crisis of 1970s and it was based on the notion that the governments, particularly the welfare states, had become ‘overloaded’, unaffordable, ineffective and overly constraining on employees and citizens alike (eg. O’connor, 1973). There was an exhortation to make government more business-like, to save money, to increase efficiency and simultaneously oblige public bureaucracies to act more responsively towards their clients. The wave provided the background conditions for the emergence of New Public Management.

In a climate where fiscal consolidation is a high priority, administrative improvements can impact positively on the efficiency of government, for the administrations to deliver high-quality services and become well positioned to achieve government’s immediate and long-term objectives. Public Management reforms typically aim at creating:

· New strengths and capacities in government;
· More integrated, coherent decision-making processes; and
· Redefining the relationships between government, markets and citizens.

In market economies it is accepted that governments alone cannot achieve their objectives through their administrative machinery. The introduction, through reform, of sound economic and social frameworks can assist governments in pursuing their objectives through markets and the community. Ultimately, reforms are intended to achieve better outcomes for the public, at least possible cost, without compromising core values of equity, probity and effectiveness.

2.3 Reasons for Public Management Reforms

According to OECD (1999), the most important factors that have influenced reforms in public sector were: over extended and unaffordable government; the mounting fiscal pressures on governments; the new shift in the role of government; questions raised by citizens and stakeholders about the optimum size of government; the global influences and the international environment; the increasing levels of citizen’s expectation; international and internal pressures and the research and learning from research institutes,
academicians and researchers. This was also a time when trust in government was found to be declining. Factors such as privatization, development of information technology, urbanization, a rapidly growing culture of self-interest, individualism, socio-economic inequalities, deteriorating environmental situations, and most importantly, the threats and opportunities brought by globalization have all forced governments to make changes in their traditional administration.

According to OECD (1998:9), mounting public debt arising from budget deficits, cost-intensity and ineffectiveness of many government programmes, lack of responsiveness to the clients on the part of the administrative machinery and the rise of big and intrusive government were also additional factors that contributed to the emergence of NPM. Every country has its own peculiar reasons for public reforms. Thus, the spread of NPM is a complex process, going through different stages in different countries and is not an integrated and coherent set of reforms (Wright, 1994).

The Public Service Reform Act 1984 and the Public Service Act 1999 are major legislations in Australia for making its administration efficient and effective. In Britain, it was the Thatcher administration that started the macro-economic reform with the aim of increasing productivity and encouraging economic growth (Ray, 1999). In New Zealand, the fiscal problems were the most dominant factors for the reforms. In US, the main objective behind the reforms was to improve the services. The National Performance Review program launched in 1993 and the Government Performance and Results Act (GPRA) provided the immediate context for reforms in the 1990s during the Clinton era. The Bush administration also intended to make the government citizen-centered, result-oriented and market-based (Breul, 2001).

In developing countries, the budget deficit and increasing public debt are the two most important catalysts of reform. The international aid agencies such as the International Monetary Fund (IMF) and the World Bank introduced some reform programs by withholding aid funds, setting ‘conditions’ to aid and loan programs or by providing finance to support reform-related projects.
2.4 Conceptual Landscape of New Public Management (NPM)

Most of the reforms in the public sector are based on theories of new institutional economics and managerialism. In the 1970s, conservative economists argued that the government’s overarching presence was a hurdle to economic growth and freedom (Hughes, 1998) and advocated that government should have a lesser role and the space vacated by the governments should be occupied by markets which alone can bring in economic efficiency. The managerialists urged that the adoption of principles of private sector management would solve the bureaucratic problems of the public sector. The privatization of the public sector practices and services will change the culture, values and skills of the public manager. This would improve the performance in government. In this process of finding a government model that works best, scholars have come up with the NPM model (Hood, 1991).

NPM reform has covered a wide range of subjects; common agenda for all authors has been to make government effective and responsive to citizens’ demands. Basically, it involves disaggregation of large bureaucratic organizations into smaller compact organizations, focus on outputs rather than inputs, value for taxpayers’ money, authority devolved at the point of service delivery, flexibility, customer responsiveness, introduction of competition in public service, and strengthened accountability and transparency.

According to Hood (1991), NPM has seven interrelated elements such as hands-on professional management, explicit standards and measure of performance, output controls, a shift to disaggregation, a shift to greater competition, a stress on private sector styles of management practice, and discipline and parsimony in resource use. According to Dunleavy (1997:17) “new public management is the domesticated, depoliticalized version of ‘new right’ or ‘market liberal’ policy analysis made somewhat technical, consensual and generic” with its emphasis on competition, disaggregation and incentivization. Competition means an effort to establish multiple competing sources of supply. Disaggregation implies the creation of a deconcentrated or decentralized public service bureaucracy. Incentivization introduces quasi-pecuniary motivations at an individual level, or revenue-maximization incentives at an organizational level, to supplement or to replace a previous ‘public service’ ethic focused on professional or organizational/bureaucratic motivations.
According to the Public Management Committee of the OECD (1995) the NPM is aimed at fostering a performance-oriented culture in a decentralized public sector having the following features:

a. Attention to results in terms of efficiency, effectiveness, and quality of service;

b. Replacement of highly centralized, hierarchical structures by decentralized management whereby service organization can be made closer to the point of delivery enabling quicker feedback;

c. Flexibility to explore alternatives to direct public provision and regulation that are cost effective;

d. Insistence on efficiency in the services provided directly by the public sector, and

e. Strengthening of strategic capacities at the center to guide the entire process in a cost effective way.

According to Pollitt (1995) NPM is made up of eight main elements of New Public Management:

1. Cost cutting; capping budgets and greater transparency in resource allocation;

2. Disaggregating traditional bureaucratic organizations into separate agencies;

3. Decentralized management within public agencies;

4. Separating the function of providing for public services from their purchase;

5. Establishing market and quasi-market mechanisms;

6. Emphasizing performance management targets, indicators and output objectives;

7. Introducing term contracts, performance-related pay and local determination of pay and conditions; and

8. Increasing emphasis on service quality, standard setting and customer responsiveness.

Osborne and Gaebler (1992) in their work ‘Reinventing Government’ emphasizes the principles for making government entrepreneurial. They are: The Catalytic Government: The government should concentrate on catalyzing the public sector, private sector and voluntary/non-governmental sector into action to solve the societal problems and not just providing services. Thus, the
government should engage itself in steering than rowing. **Community Owned Government**: The government should strengthen and empower the citizens, families and communities to solve their own problems. Hence the government should take out various services from the control of bureaucracy. **Competitive Government**: Competition should be injected between different service providers. This increases performance and reduces cost. **Mission driven Government**: Government should be driven by goals and not by its rules and regulations. It involves the transformation of the rule-oriented government into goal-oriented government. **Results-oriented Government**: The government should find outcomes by encouraging target achievement and mission directive efforts. **Customer-Driven Government**: the government should regard the clients as customers. It should work towards customer satisfaction and not bureaucracy. It involves offering them choices, surveying their attitudes, making services convenient and allowing them to make suggestions. **Enterprising government**: The government should lay emphasis on earning money rather than spending. It should put its energy into resource mobilization by using fees, savings enterprise funds and so on. **Anticipatory Government**: The government should identify the problem rather than cure them after they occur. **Decentralized Government**: The government should decentralize authority from higher to lower levels. This encourages anticipatory management and team work. **Market oriented Government**: The government should opt for market mechanism rather than bureaucratic mechanism. It should achieve goals not only by control and command but also by restructuring markets. It should leverage change through the market forces.

According to Gruening (2001), there are certain unequivocal characteristics of NPM along with few other characteristics. These are pointed out below.
2.5 Principles of New Public Management

a. Managerialism

Managerialism can be defined as management styles that were adopted in private sector to re-invent the private sector organizations. It is believed that government can also work like a business enterprise using the practices of private sector. Thus ‘management’ becomes the key factor affecting the success of an organization. It also assumes that ‘management’ is a distinct and separate activity, and one that plays the crucial integrative role in bringing together plans, people, and technology to achieve desired results (Pollitt, 1998).

According to him, managerialism must be evaluated from three distinct aspects: first as an ideology, second as rhetoric and third as a set of practices.
Uhr (1990: 22), defined managerialism as “the pursuit of result-oriented systems of government management through streamlined processes of decision making designed to allow greater autonomy but also greater responsibility for the field or program manager”.
Dixon et al. (1998: 166) argue that managerialism:

- places emphasis on policy management and implementation rather than on policy development and design in public administration;
- stresses efficiency, effectiveness, as against process and equity, in the management of public resources (involving goal setting, performance benchmarking, performance measurement, performance feedback);
- advocates the use of private-sector management practices in the public sector;
- seeks to diffuse responsibility and to devolve authority, with the establishment of corresponding management responsibility and public accountability structures;
- shifts the public accountability focus from inputs and process to outputs and outcomes; and
- prefers to create a competitive public administration.

Managerialism gained its acceptance in the public sector due to the financial crisis faced by a number of governments that operated in the traditional way. It was assumed that the private sector ‘values’ and business practices support governments in the strategies of making them cost-effective. “Managerialism expects public managers to improve efficiency, reduce burdensome costs and enhance organizational performance in a competitive stake-holding situation” (Dixon et al., 1998: 164). Advocates of managerialism do believe that there should not be distinction between public and private sector.

b. Public Choice theory

Public choice theory was the earlier theory applied to bureaucratic organizations against debate over managerialism (Hughes, 2003). Mueller (1989) argued that public choice theory is a sub-branch of economic thought concerned with the application of microeconomics to political and social areas.
Public choice theorist regarded the traditional public service as a rent seeking source for bureaucrats and politicians (Lane, 2000).

Many arguments were made in support of public choice theory. Minimizing the role of the government, and making it only as a facilitator, enabler, promoter and regulator can yield better results. If the role of the bureaucratic organizations is minimum, then market mechanisms shall grow wider. One argument is that, there will be bureaucratic capture if the policy and operational functions are combined together.

Strategic policy making, setting objectives and evaluating the implementation of those polices must be the politician’s concern. (Armstrong, 1998; Dunleavy, 1997; Lane, 1997; Minogue, 1998).

Thus many of the arguments supported the public choice theory as a remedy for large, inefficient and bureaucratic organizations.

c. Agency Theory

Agency theory came from the Chicago school based on the economic theory that advocate separation of principals from the agents (Trosa, 1997). This theory is also known as principal/agent theory. The accountability concerns were the main focus for the application of principal/agent theory in public sector (Hughes, 2003). In the public sector, there is a difficulty to determine who the owners are and what their goals. Hence principal/agent concept is unlikely to be effective. It is difficult for the agents to find out what each principal needs or wants. Agents are less likely to perform in a situation like this. Private sector also faces similar problems but to a lesser degree. One of the initiatives governments had started based on this theory is creation of agencies to deliver services and give more autonomy to them (OECD, 1995). Another development based on this theory was ‘contractual arrangement’.

d. Transaction Cost Theory

The other key economic theory in the managerial changes has been that of transaction costs; this theory is concerned with the transactional costs in the public organizations. This theory focused on the reduction of transaction cost
by applying contractual systems in the public service provision in contrast to the traditional hierarchical co-ordination and decision-making process.

According to Gruening (2001), NPM has been inspired by several theoretical perspectives: public-choice theory, management theory, classical public administration, neoclassical public administration, policy analysis, principal-agent theory, property-rights theory, the neo-Austrian school, transaction-cost economics, and NPA and its following approaches. The characteristics of NPM in different theoretical perspectives is given below.

**Figure 2.4 Characteristics of NPM and theoretical approaches**

| Budget Cuts | X | X | X | X | X | X | X | X |
| Privatization | X | X | X | X | X | X | X | X |
| Sep. Prov./Prod. | X | X | X | X | X | X | X | X |
| Contracting Out | X | X | X | X | X | X | X | X |
| User Charges & vouchers | X | X | X | X | X | X | X | X |
| Customer Concept | X | X | X | X | X | X | X | X |
| Competition | X | X | X | X | X | X | X | X |
| Flexibility for Management | X | X | X | X | X | X | X | X |
| Sep. of Pol. & Admin. | X | X | X | X | X | X | X | X |
| Acc. for performance | X | X | X | X | X | X | X | X |
| Decentralisation | X | X | X | X | X | X | X | X |
| Performance Measurement | X | X | X | X | X | X | X | X |
| Impr. ACC. & Financial Mt. | X | X | X | X | X | X | X | X |
| Performance Auditing | X | X | X | X | X | X | X | X |
| Strategic Planning & Mt. | X | X | X | X | X | X | X | X |
| Management Style | X | X | X | X | X | X | X | X |
| Personnel Management | X | X | X | X | X | X | X | X |
| Use of IT | X | X | X | X | X | X | X | X |
| Legal spending Constraints | X | X | X | X | X | X | X | X |
| Improved regulation | X | X | X | X | X | X | X | X |
| Rationalultz of Jurisdictions | X | X | X | X | X | X | X | X |
| Rationalultz .adm. structures | X | X | X | X | X | X | X | X |
| Analysis and Evaluation | X | X | X | X | X | X | X | X |
| Democratization & Particip. | X | X | X | X | X | X | X | X |

2.6 Elements of NPM

This study chose the Pollitt (1995) model of NPM as a framework because it contained most of the elements described by other practitioners. The following section, therefore, discusses the elements of NPM as suggested by Pollitt (1995) and how some countries have used these elements.

2.6.1 Cost cutting, capping budgets

New public management draws together a set of cost cutting and management concepts from the private sector including downsizing, rightsizing, entrepreneurialism, reinvention, enterprise operations, quality management and customer service (Ferlie & Steane, 2002). In applying these concepts, the goal has been to create a smaller, more entrepreneurial, responsive, economical and effective public sector (Pollitt, 2003; Romzek, 2000; Armstrong, 1998; Hood, 1991). Doing more with fewer employees was a guideline. Surprisingly, no evidence for such a connection can be identified at the level of empirical observation. Tanzi & Ludger (2000) show that only ¼ of jobs have been reduced by 11 percent of the reform programs. No significant change was observed in 70 percent of cases. The management reforms were not effective in higher-income countries to reduce salary expenditure. However, cost cutting or reducing the expenditure of the government was one of the important reform agenda in many developed countries. According to Mutahaba et al. (1993), financial institutions pressure for the reforms, and equally donor agencies are responsible for the Structural Adjustment Programmes (SAP). There is also the pressure created for change due to political pluralism, and emulation of other developed countries (Olowu, 2002; Oyelaran-Oyeyinka, 2006).

Reducing the deficits and attaining a good budget was one of the focuses of many countries. For example, Canada introduced financial management initiatives in 1979; in the same path UK introduced the financial management initiative in 1982. In Australia, it was the financial management Improvement program (FMIP) to control or reduce the government expenditure. Application of user’s fee and cut in the expenditure of the major departments were the stringent conditions taken up by New Zealand government to control the government expenditure (Boston et al. 1996). Cost cutting was the key focus of all these measures.
Downsizing was another activity adopted by many governments in the developed countries to reduce public expenditure. Downsizing is the “conscious use of permanent personnel reductions in an attempt to improve efficiency and/or effectiveness” (Budros, 1999: 70). The motivation behind downsizing is to reduce the costs of public administration. Indeed, research on downsizing in the US (Baumol et al., 2003), UK (Sahdev et al., 1999), and Japan (Ahmakjian & Robinson, 2001) reveals that downsizing is the most favorite route taken by management as one of the preferred ways to improve the organizational performance by reducing the costs in the declining organization (Mellahi & Wilkinson, 2004).

According to Schacter (2000), various strategies used for downsizing includes, reduction in work force size through:

1. Mechanisms like voluntary retirement, recruitment freezes, and strict enforcement of the retirement age

2. Compensation schemes, including lump-sum severance payments and job re-training, aimed at easing the transition of laid-off workers into the private sector;

3. wage policy reforms such as wage-bill caps, wage freezes and monetization of non-cash allowances and benefits, all aimed at containing wage expenditures.

**Reforms in the financial management system**

The financial management in many of public organizations is based on the compliance of expenditure to the budgeted amount. As a part of the reform initiatives, many western countries moved to performance.

One of the areas of concern relates to auditing. Some of the traditional methods of auditing would be seen as dysfunctional. Instead, what is often suggested is performance audit or Value for Money (VFM) audit. VFM audit also seeks to achieve economy, efficiency and effectiveness. NPM reform implementations and outcomes could be evaluated by the VFM audit (Leeuw, 1996: 94). Leeuw has concluded that there is no inherent conflict between improving accountability and improving performance in the public sector.
Performance budgeting

“This type of budgeting drew on a long term concern with efficiency of government and attempted to integrate information about government activities into the budget process so that the budget decisions could be based to a greater degree on the relationship between what government did and how much it cost. The specific form, known as “performance budgeting” was designed to allow managers to develop measures of work load and unit cost. Performance budget indicated a shift from budgeting based on expenditure control to budgeting based increasingly on management concerns. Performance budgeting was rarely adopted as a government-wide budgetary process, but is significant because it emphasized the integration of activity information and budgeting” (World Bank, 1998: 12). This method had gained wide recognition in the OECD countries.

Reforms in ensuring transparency and accountability

The theme, ensuring accountability and transparency in the public sector, is important to all countries. According to OECD, accountability means the possibility to identify and hold public officials to account for their actions. Transparency means that reliable, relevant and timely information about the activities of government is available to the public. Transparency is a mechanism to make government accountable.

Thus we can see, in many developed countries, financial management is made efficient using tools like auditing, performance budgeting and increasing transparency in operations.

2.6.2 Formation of service agencies

The concept of ‘agencification’ or distributed governance is a core element of NPM. Pollitt et al (2001:271) point to ‘an apparent global convergence’ in adoption of the agency form. Talbot (2004 : 6), consistent with other definitions (Pollitt et al. 2001 : 274 – 75; OECD, 2002 : 4), offers three basic criteria that characterize the NPM version of agencies:

1. Structural disaggregation and/or the creation of ‘task specific’ organizations;
2. Performance ‘contracting’ – some form of performance target setting, monitoring and reporting;
3. Deregulation (or more properly reregulation) of controls over personnel, finance and other management matters.

One element of NPM – explicit standards and measures of performance (Hood, 1991) was the basis of setting up of the UK’s Financial management Initiative (FMI) and the ‘Next steps’ agencies. In November 1986, the report of the efficiency unit “Improving Management in Government: The Next Steps” (Jenkins et al., 1988) on UK Civil Service, the Executive agencies were formed to enable executive functions of government in a well defined business unit focusing on specified outputs with accountability to ministers. By the mid-1990s the agency model had become the principal organizational type for public service. The initiative has been further developed with the publication of the report of the Agency Policy review “Better government services: Executive agencies in the 21st Century.” In August 1988, the first agencies came into being. By March 2002 there were 127 executive agencies in the UK of which 92 reported to Whitehall departments (HM Treasury report, 2002). All executive agencies irrespective of size and nature of functions have some common features such as:

1. Clearly defined tasks, aims and objectives.
2. Key performance targets covering financial performance, efficiency and service.
3. A chief executive who was directly accountable to ministers.
4. The emphasis on customer service.

The large organizations may not be able to respond quickly to the changing demands of the society. The quick decision-making process as well as the flexibility of the modern organic organizations are absent in many of the large bureaucratic organizations. According to Osborne & Gaebler (1992) the service agencies make organizations more entrepreneurial. The principal – agent relationship is the basis of the agencification of public bureaucratic structures through contractual agreements. In many OECD countries, agencies were established, with the aim of retaining the policy functions with the core public services and implementation by the agencies. The main attraction of such an arrangement is that, if agencies failed to perform, they can be easily removed.
Despite the wide adoption of agencification, there are great gaps in understanding why it is undertaken and how it works; gaps which become more dramatic as it is applied in markedly different contexts. The OECD puts it succinctly: ‘Overall, it is poorly defined territory … there is no general overview of agency creation in developing countries or transitional economies comparable to the OECD [country] work’ (OECD, 2002: 4).

According to OECD (2004), the government has used three main methods to distance these bodies from core ministries. The first method is to go for a different governance structure and hierarchy from the traditional ministry. The second is the different control environment, and third is a degree of management autonomy. In the absence of commonly agreed term for this phenomenon the OECD has coined the label “distributed governance”. In some countries, these bodies are a separate legal entity; in others, they are just institutionally separate. Some are created for political reasons while others are for managerial purposes. Some function purely under public law, while others are operated under private law.

2.6.3 Separating purchaser and provider

The aim of the purchaser/provider model is to bring market incentives to public entities by assigning demand and supply functions to distinct institutions (Street, 1994). The revenue for the providers is dependent on the contracts they made with the purchasers. The purchasers are not consumers, but authorities assigned to buy the services through a process of competitive tendering or contracting among providers. By the adoption of NPM principles, scholars in public management referred the moving focus of the Government to “steering” (policy decisions) and less on “rowing” (service delivery). (Osborne & Gaebler, 1992). In other words, it is suggested that the “role” of government shifts from “a concern to do, toward a concern to ensure that things are done” through collaboration with other actors (Kaul, 1997:15). These other actors could include public agencies, private entities, or community actors. Many countries like Australia, New Zealand, UK and Sweden introduced such a model of separation. According to Armstrong (1998) this split reduces the size of the public sector and prevent ‘bureaucratic capture’ of government resources by interest groups. Purchaser/provider arrangements in
Britain were introduced by the 1989 White Paper `Working for Patients’ which contained more far-reaching proposals than any previous suggestions regarding reorganisation of the National Health Service (Department of Health, UK 1989).

### 2.6.4 Decentralization of Management Authority

New public management is regarded by many scholars and practitioners as essentially about delegation, devolution or decentralization of management authority, so managers get more freedom. This goes beyond the traditional notion in so far as it assumes that managers have discretion in managing resources and operations. It also assumes emphasis is given to the manager’s accountability as an incentive to secure required levels of management performance (Aucion & Heintzman, 2000; Aucion & Jarvis, 2005).

Decentralization was one of the influential procedures for public sector reform for decades (Loffler, 2003). In the developed countries decentralization was an answer to public dissatisfaction with inefficient and unresponsive government bureaucracy (Burns et al, 1994). Decentralization brings flexibility for operational managers. It focuses on ‘letting manager manage’ so that manager becomes more accountable. With decentralization people get more decision-making power. A number of other features accompany decentralization. They are:

**Diversification**: There is an increase in the tendency towards organizational diversity. Some governments view that as long as the output is controlled, it matters less what kind of organization does the production.

**Specialization**: There is a need for specialization as society and government become more and more complex and the government is expected to provide variegated services to citizens.

**Incentives**: incentives of different kinds influence people’s behavior and this is one of the ways by which we can attempt to change the public service culture.

**Confidence building**: New organizations and structures will be created by governments that will be stable and will instill confidence in the structure and the policies enunciated by the governments.
Accountability: the trend away from the “faceless bureaucrat” towards more personal accountability, which in turn requires organizational structures that facilitate such accountability.

2.6.5 Introducing market and quasi market type mechanisms

According to Blondal (2005), prime market mechanisms of service provisions include outsourcing (contracting out), public-private partnerships (PPPs) and vouchers. Other examples are user charges and the use of transferable permits for allocating and managing limited supply “public” goods. The motivation behind such a phenomenon is to secure increased value for money in the public operations, (public sector).

According to Larbi (1999), the NPM elements and practices that emphasize markets and competition include:

• Contracting out service provision or management responsibility to private providers. Service providers competitively bid to provide services. It is also known as outsourcing.

• Internal markets - splitting providers into agencies of feasible size in order to allow for competition among alternative providers; this will allow users more scope to ‘exit’ from one provider to another.

• Vouchers or their equivalents used to purchase services by service users, instead of providing direct funding to service providers. The best service providers will attract more service users and thus receive more vouchers and claim the money from government.

• User charges or a fee, e.g. in health and education services where partial or full cost recovery may be applied. The idea is to put a price on public services, though this need not be at market rates. Apart from providing needed funding for the provision of services, sharing the cost of service provision with users is seen to make them more responsible in the use of such services.

Outsourcing is another method of introducing market type mechanisms in public sector. Different types of services can be outsourced. Those services which are not critical to the core functions are mostly outsourced. Cleaning of buildings, facilities management, waste disposal, services which are auxiliary to the core functions like information technology, and in extreme cases,
outsourcing of prisons (Australia, Canada, United Kingdom, United States),
emergency rescue and fire services (Denmark), food inspection (Iceland) and
audit office (New Zealand) are few examples of outsourcing.

There is only little evidence that outsourcing increases efficiency and
lowers the cost. A study of over 2000 outsourcing initiatives in the United
States federal government found an average cost saving of 33% (Clark et al.,
2001). The market type mechanisms especially outsourcing can also generate
governance concerns in terms of accountability. The public sector has developed
elaborate redress instruments such as, Ombudsman and freedom of information.
In general, the jurisdiction of such instruments does not extend to private sector
providers (Blondal, 2005).

‘Public-private partnerships (PPPs) refer to arrangements whereby the
private sector finances, designs, builds, maintains, and operates infrastructure
assets traditionally provided by the public sector.’ (IMF, 2004). The objective
of PPPs is to achieve efficiency gains through competition by private sector
providers, transferring risks from the government, and taking advantage of
private sector expertise. PPPs can also involve the private sector purchasing
already existing infrastructure assets, redeveloping them and then providing it
to the citizens for a charge footed either by the citizen or by government or a
combination of both for a prolonged period.

Privatization refers to the transfer of the ownership or control over assets
or activities from the government to the private sector. The main rationale of
privatization is that the consumer will benefit from the extension of market,
which gives more choice, competition, innovation and greater efficiency. In
many countries, privatization has come as part of structural adjustment program
in order to promote efficiency and growth. In the 1980s, British Prime Minister,
Margaret Thatcher, introduced privatization by divesting the coal, steel, oil
and electricity industries in Britain, which helped to invigorate the British
economy (Reason Foundation, 2006). In developing countries the public sector
enterprises are often overstuffed and serve as sites for political appeasement.
Production and productivity is lower and they often survive on state subsidies,
which often lead to budget deficits (Christensen, 1998; Gupta et al., 1999;
Khabusi, 1997). The methods of privatization include liquidation and sales of
assets, management, and contract leasing & employee buyouts.
2.6.6 Introducing performance management

The term performance management is a range of managerial activities designed to monitor, measure and adjust aspects of individual and organizational performance (Mackie, 2008). Performance management within the public sector is seen as a means to ensure best use of limited resources. Performance management is a planning process whereby the performance standards are established and evaluation and reporting is made against the set goals and targets.

Performance management is not an easy task to implement in the public sector. The traditional culture of the public sector has to be converted into a result oriented one. There are multiple structures and techniques employed for public sector performance measurement (Boyne, 2002; Mackie, 2008). Different models are employed for the performance measurement; most of them share common features including: links between goals, resources, strategies and results; explaining the public purpose served; and focusing on critical aspects of performance (Boyne, 2002; Mackie, 2008). Boyne (2002) notes, the most measurement frameworks are based on one of two models:

1. The economy-efficiency-effectiveness model (termed the 3Es model)
2. The input-outputs-outcomes (IOO) model.

Other common frameworks coined more recently, and which build on these models, are the ‘Best value’ model and the ‘Balanced scorecard’ approach (Kaplan & Norton, 1992; Mackie, 2008).

The establishment of the quantifiable performance indicators as well as measurement of the same is difficult in public sector. The measurement of quality standards in public services is another problem.

2.6.7 Changes in personnel policies

Weber’s bureaucratic structures were traditionally established in the public sector. The lower level staff are recruited on the merit principle, afterwards senior levels are filled by means of promotion. The positions are structured in hierarchical order. They are independent from politics and are controlled by rules and regulations. According to Cheung (2005:1), “The cross National public service reform agenda has to do with: streamlining the structure of the civil service; improvement in efficiency, especially in terms of human and financial management; decentralization and ultimately, the cultural
transformation of public organizations from their traditional hierarchical and bureaucratic modus operandi to one that is more in line with private sector principles of competition, performance rewards and customer satisfaction”.

The human resources modernization in public sector organization emerged due to the rigidity of the bureaucratic structures, which had proved to be inadequate to give quality of the services which citizen values and also to retain the talented staff in the public sectors.

The introduction of managerialism to the public service changed the environment. The educated citizens with much greater access to information than before have started to demand more from the public organizations. The accountability of each public servant has become crucial in delivery of efficient and effective public services. Some governments tried to improve their personnel systems through performance linked pay system, shift to contract services, appointment based on merit at all levels from within and outside the organization and fragmented public service (O’Neil & Hughes, 1998).

Another key structural change that has been common to the reforms, specifically in most of the OECD countries, is the initiative to make civil services more responsive by giving individual responsibility to top managers. This move to “individualize” public responsibility is being pursued through the introduction of mechanisms of objective targets, accountability, and performance linked bonuses. The loss of prestige in public sector jobs was among the problems faced by some of the OECD member countries that tried to introduce performance management measures (OECD, 2000).

2.6.8 Increasing emphasis on service “quality” standards and “customer responsiveness”

According to Pollitt (2002) the New Public Management reforms are characterized by improving the public services with focus on efficiency, effectiveness, and responsive services, which are close to their customers, commitment to continuous quality improvements and the empowerment of staff to innovate. High quality service is the main priority for public service providers worldwide (Borins, 2000) and service quality improvement has become crucial for new public management (Edvardsson & Enquist, 2006). Entwistle & Martin (2005: 236) propose that partnerships “designed to bring together competencies from different sectors” are the basis for transformational approaches to service quality improvement in public services.
From earlier discussions in the chapter, we can note that, governments engaged in public administration reform programs adopted a number of new mechanisms like internal competition, users charge, cost recovery, establishing operating agencies, market testing, competitive tendering, contracting out and commercialization for improving the quality and efficiency of service delivery. OECD (1996) noted that responsive service delivery should include the following:

- provision for client participation
- information on the type and quality of services
- provision for complaint redress mechanism
- establishment of service standards (quality)
- openness
- accountability, and
- performance reporting mechanisms

According to Gowan et al. (2001: 14), “public sector service delivery is more complex because it is more than simply meeting expressed needs, but also of finding out unexpressed needs, setting priorities, allocating resources and publicly justifying and accounting for what has been done”. In addition, Caron & Giauque (2006) pointed out that, in the era of new public management, public sector employees are confronted with new professional challenges. In today’s global competitive environment, the public sector organizations are also under increasing pressure to deliver quality services (Randall & Senior, 1994) and also to improve efficiencies (Robinson, 2003).

2.7 Strategy for implementing public management reforms

Many countries have started the reforms programs; some have achieved a faster rate of success, while others have not reached the same pace. The experience across OECD countries shows that some countries are undertaking grand programmes of public management reform, while others are introducing minimal or no change. Wide ranging change involves stepping outside institutional and personal “ease” zones. Deeply implanted administrative practices, systems and institutional arrangements can be at the heart of many governments’ failure to reform; but these difficulties are not insuperable. Reforms always create some winners as well as losers. If the political leaders
or the influential group in bureaucracy are the losers, then the task of implementing such reforms will be quite difficult. Schick (2000: 1) argued, “every successful public management reform is an amalgam of opportunity, strategy and tactics. Opportunities are country-specific conditions that facilitate some reforms and retard others; strategies are policies and actions that set goals for government and for the tasks to be undertaken in implementing wanted change, tactics are the methods used to mobilize support for and overcome obstacles to reform”.

The World Bank (1997: 144) says that radical reforms have been often undertaken in response to an external threat or economic crisis and that a right strategy and consensus is needed for them to be successful. Finally, reform should be driven by visionary leaders. All these suggest that the reforms should be initiated when there is an opportunity. The World Bank also reminded that a ‘political stability’, ‘political feasibility’ and ‘political credibility’ should be present for the success of any reform program (World Bank, 1995).

The United Kingdom and New Zealand, in both these countries, the reforms came in the wake of broader economic reforms. The support of the successive governments for the reforms is another important factor for the success of the reforms in any country.

The developed nations are relatively successful in the implementation of NPM strategies as they have reasonable level of economic development, efficient market mechanisms and well developed public management system. They have clinched on NPM type reforms as the requirement originated from their own context (Ferdousi & Qiu, 2012).

According to Schick (2000), reforms could assume any of the following approaches.

**Market-driven reforms model**: In this model market mechanisms are introduced into government to make services more efficient and responsive. The contract management in New Zealand, Compulsory Competitive Tendering (CCT) in United Kingdom etc are examples of market driven reforms model.
Managerial reforms model: This relies on managerial professionalism among the public service employees, gives greater discretionary power and authority to public servants to act efficiently devoid of the strict command and control system.

Program model of reform: Here public resources are optimally allocated and utilised to provide the prioritized services of the government.

Incremental model of reform: The objective of this type of reform model is to take the reform incrementally and implement them in a piecemeal fashion when there is an opportunity and urgency to do so.

Whatever may be the model adopted, Governments need to invest reform with sufficient institutional resources and political support, and should have some idea as to where they are heading (Schick, 2002). It is important to gain the ‘ownership’ of local people in reform efforts, so also that of the public servants.

2.8 Evaluation of public management reforms

The effectiveness of any program can be assessed by a proper evaluation of the program which provides us with a feedback on the program. This gives an opportunity to the reformers to review policies and take necessary actions. Governments have limited resources. Hence reliable and correct information are required to make best use of available resources. Evaluation is one of the important tools to gather correct information. The objective of conducting an evaluation is different for different countries/organizations. The important objectives set forth by the (OECD, 1999) are, improving the decision-making of policy makers, assisting in resource allocation of the program and better use of the funds, and finally to enhance the accountability of public policies.

Evaluation of the government reform program is a complex task because of the problems associated with defining the objectives of reforms, methodological constraints for measuring the results of reform and the problems associated with data collection and interpretation.

The objectives of the public reforms are mostly expressed in qualitative terms unlike the private sector reforms which mostly are expressed in quantitative terms. As discussed earlier, most of the public reforms create
winners and losers, hence the success of reforms are interpreted differently by
different stakeholders. Another problem in public reforms are that, we cannot
effectively establish cause - effect relationship because various variables are
involved together at a time in reforms(Boston,2000;OECD,1999;Pollitt, 1995,
the evaluation of public management reforms:

1. The multifaceted nature of NPM and other factors;
2. Absence of clear benchmarks and counterfactuals;
3. The contextual issues: reform intervention may be successful in one
country but a failure in another country;
4. The problem of defining the costs and benefits of public management reforms;
5. The problem with selecting the criteria for measuring public
management reforms.

Boston (2000) identified the following four main areas of problems
associated with evaluating public management change.

(a) Choosing the appropriate criteria for assessment and defining what
constitutes ‘success’;
(b) Determining what to measure and securing the relevant evidence;
(c) Interpreting the Evidence;
(d) Arriving at an overall assessment.

Such problems in measuring the change brought by public management
reforms are particularly found at the macro level. Probably, because of these
problems, the focus is more on micro-evaluation. In Japan NPM principles
were introduced selectively in two areas, namely policy evaluation and
agencification, borrowing from the US and UK experience respectively. But
Japan is yet to come up with its own brand of NPM reforms (Yamamoto, 2003).
Recently, Pollitt & Sorin (2011) says that there are at least three reasons why
many governments chose to resist or only reluctantly or selectively embrace
the trend to NPM by bringing in categories like ‘reach’ ‘grip’ and ‘motivation’.
Powerful sub national forces may restrict the reach of these reforms as in
Germany and the USA. Grip refers to how firmly and effectively they are able to transmit their demands and instructions down their own vertical hierarchies. Minority governments face powerful public sector unions or strong professional groupings resisting reforms. Regarding motivation, some national governments have been more enthusiastic about NPM ideas while others have been particularly cautious. According to Pollitt, New Zealand (1984-93) and the UK (1979-2010) were countries where reach, grip and motivation all permitted, or encouraged NPM.

2.9 Emerging criticisms on NPM reforms

A number of criticisms of NPM reforms have emerged over the years. NPM is based on a concept of agencification, decentralization and clear assignment of roles to managers. This could lead to situations where decentralization has the effect of leading to a form of centralization by public managers (Kaboolian, 1998; Maor, 1999). Further, it takes a simplistic account of the nature of public sector which has more complex objectives, existence of layers of accountability and lower degree of freedom than the private sector. Another criticism relates to the use of private sector management principles in the public sector characterized by an altogether different context. Public sector has ethical, social, political and constitutional dimensions and such applications always involve risks (Pollitt, 1990; Armstrong, 1998; Painter, 1997; Cheung & Lee, 1995). There are also fears that increased autonomy exercised by managements can create greater space for rent seeking behavior (Minogue, 2001; Ormond & Loffler, 2006). Since its inception, NPM has been criticized by many public administration scholars who have argued that it is not a true theory and its theoretical underpinnings are incoherent (Vabø, 2009: 6; Haque, 2007:179). NPM is typically characterized by its detractors as a form of managerialism and a management fad (Lynn, 2006:107).

Critics have also expressed reservations about the degree of transparency that can be achieved in the contracts. Some even say that transferring ideas to developing countries even before certainty about their usefulness in the developed countries has been established a misplaced move. Further, developing countries lack the necessary capacity in their administration to carry out such reforms and the bureaucracy may not easily fall in line with the NPM
principles. The old models encourage favouritism and patronage which may remain in one form or the other even after the introduction of NPM principles. Further, public expectations from the government may be quite low and the citizens may not come forward to complain about the quality of services. Where a particular service itself is absent, how can one speak of quality of service (Manning, 2001; Turner & Hulme, 1997; Hughes, 2003). Pollitt & Dan (2011:14) say that “NPM literature is far more concerned with efficiency than with equity”.

NPM projects the individual as the counterpart of the administration as reflected in its language studded with terms such as customers, clients, users etc. rather than citizens with entitlements and obligations. It also overestimated the role of the market as a panacea particularly in the early stages of its inception. It also blamed the non-emergence of market culture to the entrenched character of state monopolies overlooking other cultural and institutional reasons. The NPM’s biggest flaws emerged when it divorced policy from management and broke down the managerial process into relatively unconnected elements.

After reaching a peak of prestige in the early 1990s, New Public Management (NPM) is now on decline. Major set back for NPM type reforms were its failure to carry out its proclaimed ideas (promises) (Ferlie et al., 1996; Maor, 1999). It was found wanting in an era of networked governance when “public services and public goods in general are delivered through collaborative networks involving state and non-state actors”(Evans, 2009:38-39).

Others have criticized the theoretical shallowness of NPM in as much as it was no more than “a collection of techniques”(Common, 1998). It has been dubbed as all hype without much substance. NPM, in many cases, has amounted to an ‘aggrandizement of management’ (Martin, 1983) and a rapid middle-level bureaucratization of new reporting systems. Hood (1991:9), noted that “In spite of its professed claims to promote the ‘public good’ (of cheaper and better public services for all), NPM is alleged to be a vehicle for particularistic advantage”. Others have called it a movement of self serving interests of an elite group of ‘new managerialists’ rather than the public or lower level staff. (Dunleavy, 1985; Yeatman, 1987; Kelleher, 1988; Pollitt, 1990: 134-7). Maor (1999) has alleged that politicians have lost their control over policy implementation due to the managerial reforms under NPM.
Public choice theory was also questioned. Boston, et al. (1996) noted that the claim adopted by the public choice theorists that all human behavior is dominated by self interest is questionable. He contests the a priori assumption of NPM that private sector organizations are better managed than public sector ones.

2.10 Results of NPM reforms

Many of the studies (due to lack of comparative data) had given a partial observation that, in most of the cases, the reforms were not able to achieve desired objective of improving or creating a responsive government. Many authors (Common, 1998; Halligan, 1997; Lindquist, 1997) have argued that the results of NPM movement showed the weaknesses inherent in it. While analyzing the Australian reform, Considine (1997) has said that managerial revolution in reality has produced small achievements; the costs are high and the means employed have been controversial. The reform techniques were expensive and have actually increased costs and attempts to save the cost actually damaged the quality of services and innovation. The reforms focused on the short-term benefits and missed the main reform needed. The result was “increased central control and greater homogeneity” (Considine, 1997: 109).

Halligan while evaluating the reforms in New Zealand and Australia, found unintended outcomes including high social costs, high employment, economic inequality, growing distrust towards political authority, among others. Halligan (1997: 43) concluded, “15 years of reform have not produced relief from change, but merely laid the foundation for more” in Australia. With respect to the Canadian reforms of the last fifteen years, Lindquist (1997) argued that the impact on civil society and on the quality of public discourse about governance as a result of the reforms is not satisfactory.

At the same time, one has to admit that NPM has not been a total failure. It has attempted, in varying degrees, to reduce expenditure in the government, pushed decentralization and devolution of power against central control, reaffirmed the right of citizens against the bureaucratic states and offered avenues for individual initiatives and experimentation.
The two important evaluation reports, one by Schick’s report on New Zealand reform in 1996 and the Task Force on Management improvement in Australia 1992 presented the strength and weakness of the NPM reforms. Task Force on Management Improvement (1992) concluded that the direction of the reforms has been correct and they have been well accepted and have had many positive effects. Schick (2000) noted that one can foresee government of the future organized along very different lines than it is done currently and was optimistic about the future of NPM. The literature dealing with outcomes of reforms even in the data-rich OECD countries is small. The exceptions are Propper et al., (2008) and Kelman & Friedman, (2009). They both deal with two most professionalized and scientifically-based public services – healthcare and education. They also come from those countries that maintain large performance databases, especially the UK and the US. There are more secondary studies which discuss NPM reforms in a general way, citing secondary data, but only few have gone out into the field to collect primary evidence concerning specific impacts on service users and the citizenry more generally (Pollitt & Dan, 2011).

2.11 Three Generations of NPM Reforms and the Rise of Post-NPM

Commentators often refer to three generations of NPM. Managerialism (Pollitt, 1993) focuses on management as the central concern. NPM as explained by Hood (1991) has the market element high on the agenda with disaggregation and privatization constituting its key elements. Integrated governance (IG) is concerned with “different modes of coordinating and control designed to confer greater coherence and capacity on the public sector.” (Halligan 2007 : 219). Australia experimented all the three models. New Zealand had a longer run of NPM before it moved to integrated governance. The fact that reforms embrace the whole-of-government has been particularly emphasized in Australia. It means ‘agencies working across portfolio boundaries to achieve a shared goal and an integrated governance response to particular issues’ (cited in Halligan, 2007 : 226). It is comparable to the joined up government in UK and horizontal government in Canada. Broadly all these fall under the post-NPM stage. “NPM reforms concern structural devolution, horizontal specialization, market and management principles, and efficiency, whereas post-NPM focuses more on central capacity
and control, coordination within and between sectors, and value-based management” (Christensen & Laegreid, 2011:127). Its elements may include “user participation, social outcomes, networks, systems and service co-production” (O’Reilly & Reed, 2011: 1094).

There are three main reasons for the emergence of post-NPM. NPM is understood to have led to fragmentation and loss of political control and central capacity. Post-NPM countered it through centralization, and more political, administrative and coordinative capacity at the center. Another was the challenge posed by terrorism, disasters, crises etc which needed coordinated response. Thirdly, NPM countries did not yield better macro-economic results matching the efforts made in this direction (Christensen, 2012: 644). Also, the resistance to post-NPM is no longer found from the leftists and East European countries who found the older version of NPM far too allied to neoliberal goals (Ibid: 648).

More recent accounts by Osborne (2010: 1) says that what needs to be focused is the governance of inter-organizational relationships and multi-actor policy-making processes. He adds that the theoretical premises of NPM drawn from the manufacturing sector cannot any longer be applied to the service sector, and thinks that the research community also should be blamed for ignoring the service management literature. For some the application of the business management principles in the public sector can undermine bureaucratic integrity and pose a threat to democracy (Terry, 1999). For others, it has contributed to the denial of social justice and human rights attributing NPM indirectly to the 9/11 attacks in the US or for putting aside the idea of public interest altogether (Argyriades, 2003). Authors like Dunleavy et al., (2006: 468) have proclaimed that the “key parts of the NPM reform message have been reversed because they lead to policy disasters, and other parts are stalled”.

2.12 From New Public Management to Public Value Creation

More recently, there have been claims that New Public Management has transformed itself into New Public Governance(NPG), according to Osborne (2006). Some others have even called it ‘embedded public
management’ to emphasize the role of domestic politics and institutions on reforms (eg. McCourt, 2008). O’Flynn (2007: 358) says there has been “a shift away from the primary focus on results and efficiency toward the achievement of the broader governmental goal of public value creation”. In it politics has a primacy that was played down both in public administration and new public management.

O’Flynn (2007: 360-361) elaborates:

In the NPM paradigm, the critical performance objectives were centred on efficiency and economy largely reflecting the economic framing of government activity and the reconstruction of citizens as customers. In the public value paradigm multiple objectives are pursued by public managers including narrower service objectives, broader outcomes, and the creation and maintenance of trust and legitimacy. Such changes necessitate a shift in models of accountability away from narrow performance contracts, for example, toward the use of more complex systems. The public value paradigm recognizes that a more pragmatic approach to selecting providers to deliver public services would create more space for the maximization of public value.

The difference between New Public Management and Public Value Management can be captured very succinctly in the following tabular format as provided by O’Flynn (2007: 361).
**Figure 2.5 Paradigms of Public Management**

<table>
<thead>
<tr>
<th></th>
<th><strong>New Public Management</strong></th>
<th><strong>Public Value Management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characterisation</strong></td>
<td>Post-Bureaucratic, Competitive Government</td>
<td>Post-Competitive</td>
</tr>
<tr>
<td><strong>Dominant focus</strong></td>
<td>Results</td>
<td>Relationships</td>
</tr>
<tr>
<td><strong>Managerial Goals</strong></td>
<td>Achieve agreed performance targets</td>
<td>Multiple goals including responding to citizen/user preferences, renewing mandate and trust through quality services, steering network.</td>
</tr>
<tr>
<td><strong>Definition of the Public Interest</strong></td>
<td>Individual preference are aggregated</td>
<td>Collective preferences are expressed</td>
</tr>
<tr>
<td><strong>Performance Objective</strong></td>
<td>Management of inputs and outputs to ensure economy and responsiveness to consumers.</td>
<td>Multiple objectives are pursued including service outputs, satisfaction, outcomes, trust and legitimacy.</td>
</tr>
<tr>
<td><strong>Dominant Model of Accountability</strong></td>
<td>Upward accountability via performance contracts, outwards to customers via market mechanisms</td>
<td>Multiple accountability systems including citizens as overseers of government, customers as users and taxpayers as funders.</td>
</tr>
<tr>
<td><strong>Preferred system of Delivery</strong></td>
<td>Private sector or tightly defined arms length public agency.</td>
<td>Menu of alternatives selected pragmentically.</td>
</tr>
</tbody>
</table>
**Summing up**

In the last quarter of the last century the traditional model of public administration has been subject to lot of criticisms particularly in the developed countries. This was mainly due to the high cost of the government operations (expenditure), ineffective and efficient quality of services provided etc. There was big pressure from the public as well as from the academic world to keep down the cost while improving quality of public services. But the best reform model for a country may not be the best option for another country. This is because each country has definite objectives for its reform agenda; hence different NPM strategies are selected to achieve the same. Some countries went on to adopt a comprehensive reform package, whereas others implemented incremental reforms.

NPM itself is in a state of transition and development and the more recent developments in public management have tried to salvage it by making it more holistic and people-friendly. There is always a two-rationalities problem that any scheme like NPM will have to come to grips with. In NPM the dominant rationality is a managerial one. It sits uneasily with political rationality. What may be good administrative practice in managerial terms may be bad in political terms, in terms of the political rewards that they can entail. How these two are bridged is crucial for the success of reforms.

This chapter made a review of the Public Management literature. It has explored the objectives, origin, theories, and elements of New Public Management. It reviewed the problems of the traditional Public Administration model. The issues related to the implementation of reforms were also included towards the end of the chapter. The concluding part of the chapter also discussed the weakness of the NPM model put forward by various authors. This chapter shall be the foundation for the following chapter, in which we shall be looking at public management in the context of the developing countries.