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# HANDOUTS

## **PUBLIC MANAGEMENT -NON ATTENDING-**

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# Public Management

## Chapter 1 - An Era of Change

### Introduction

Since the 1980s, the public sector has undergone continuous and profound transformation. One change has led to another, in a process that has gradually discredited the traditional model of public administration. In its place, a more managerial approach has emerged: one that emphasizes results, efficiency, and personal accountability. In this shift, **management has come to be seen as superior to administration**, though the field itself is still evolving and far from settled. According to Massey (2015), this transformation shows no signs of slowing down.

For most of the twentieth century, the traditional model of public management dominated. Under this model, a public administrator was someone who followed the rules precisely and executed instructions received from political leaders. They were **indirectly responsible for the delivery of results**, but **directly responsible for adhering to procedure** and ensuring that administrative tasks were carried out as prescribed.

In contrast, today's public managers, who are **personally responsible for the delivery of results**, must often draw upon a diverse range of theories, from management science to behavioral psychology and sociology, in order to perform their roles effectively. This transition has gone hand-in-hand with a growing emphasis on **performance measurement** as a key component of public sector governance.

### Dissatisfaction with the Government

Over the past decades, governments have faced mounting challenges that have made public management increasingly difficult. The Global Financial Crisis of September 2008 (triggered by the collapse of Lehman Brothers, the largest bankruptcy in US history) brought about financial and societal instability that echoed the crises of the 1970s and even the 1930s. The result was a surge in unemployment and underemployment, rising public debt, increasing protectionist sentiment, and fears about the collapse of post-World War II trade frameworks.

These developments led to widespread **dissatisfaction and disillusionment** with government institutions. Even a decade later, societies continue to face the consequences of the GFC. At the same time, the crisis prompted a reassessment of **how public management is approached**, which has now become a small but essential part of a broader effort to reform the public sector in response to global shifts.

In 2016, several **political shocks** (Brexit, the rise of right-wing populism in Eastern Europe, and the election of Donald Trump) highlighted this broader dissatisfaction. Although it is still too early to draw firm conclusions from these events, they signaled growing frustration with globalization, austerity, and elite-dominated institutions. Many citizens, especially those living outside major metropolitan areas such as London, felt excluded from the benefits of global economic integration, contributing to a rise in anti-government sentiment.

Although government operations and management have arguably improved over time, **public perception has not caught up**, and many continue to believe that government is inefficient or unresponsive.

### From Public Administration to Public Management

This shift in thinking has also been reflected in language. The distinction between **"administration" and "management"** is not trivial. Etymologically, "administration" derives from *ministrare*, meaning "to serve," and implies the carrying out of tasks based on instructions from others. It suggests **obedience and process orientation**. "Management," on the other hand, comes from *manus*, meaning "hand", and refers to taking control, being proactive, and **assuming responsibility for results**.

According to Mullins, **management includes administration**, but also extends beyond it: it involves organizing activities efficiently, setting objectives, and taking responsibility for outcomes.

- **Public administration** focuses on **process**, procedures, and property management.
- **Public management**, by contrast, emphasizes **accountability and result-orientation**.



These differences matter. The language used to describe someone's role (manager vs. administrator) shapes both how individuals perceive their jobs and what their superiors expect from them. Over time, the title "manager" has become more common and is now associated with responsibility, initiative, and results.

In the 1980s and 1990s, governments began **reassessing their bureaucratic systems**, especially in the UK, Australia, and New Zealand, as they faced economic pressures. Pollitt and Bouckaert noted that this process aimed to improve efficiency and reduce costs. Caiden, in turn, referred to the "dead hand of bureaucracy" to describe the stifling rigidity of the old model.

## Public Management as a Field of Study

One challenge in understanding public management is that it overlaps with, but is also distinct from, **public administration** and **public policy**, and the academic communities around these fields often have little interaction.

- **Public administration** refers to the traditional approach to running the public sector, and also to the academic study of these practices.
- **Public management** emerged as an approach that treats government work as a management problem, concerned with performance, accountability, and effectiveness rather than just compliance and procedure.
- The term **New Public Management**, coined by Hood, aimed to capture this shift, but it quickly lost clarity. Its vague and inconsistent use, even among its critics, rendered it ineffective as a category.

Meanwhile, **public policy** refers to both the **outputs of government** and to the field of **policy analysis**, which emphasizes empirical and evidence-based methods.

**Governance** adds another layer, referring to the **structures and institutional arrangements** that enable organizations to function. Crucially, governance is broader than government, as it includes **non-state actors and informal mechanisms** that shape public decision-making.

Finally, the term **public value**, introduced by Moore, identifies the purpose of public agencies as creating value for society, similar to how private firms generate value for shareholders.

Alternative frameworks have emerged in recent decades, including:

- **Digital Era Governance** (Dunleavy)
- **New Public Service** (Denhardt and Denhardt)
- **New Public Governance** (Osborne)
- **Public Value Pragmatism** (Alford and Hughes)

Despite these developments, there may be no need for a new overarching model. The term "**public management**" now serves as a broad umbrella, encompassing a pragmatic approach focused on effectiveness and adaptability.

Alford and Hughes argue that today's public management reflects a **pragmatic mindset**, where **ideological debates have given way to practical problem-solving**, and the main priority is to use whatever method works to deliver results.

## Public and Private Management

The shift toward managerialism in the public sector has faced criticism, particularly because many of its methods are drawn from the **private sector**. This raises a fundamental question: are the two sectors so different that the public sector requires its own management strategies, or can private-sector practices be transferred effectively?

The answer is contested. Allison famously stated that "**they are as different as they are similar**," highlighting the complexity of the relationship. Boyne went further, arguing that **private-sector techniques cannot be effectively transferred** to the public context.

There are several key distinctions between public and private management:

- **Coercion**: Public sector decisions often carry the force of law and derive from state authority, while private firms operate with more flexibility and fewer formal constraints.



- **Accountability:** Public managers answer to elected officials and the public at large, whereas private managers are primarily accountable to shareholders or owners.
- **Politics:** Public managers must navigate agendas set by political leadership, which may shift frequently and unpredictably.
- **Outputs:** Measuring performance and efficiency in the public sector is much more difficult, especially when outcomes are intangible or long-term.
- **Diversity:** The public sector encompasses a broader range of services and functions, often spanning health, education, security, infrastructure, and regulation, which are harder to coordinate effectively.

Despite these differences, the **traditional administrative model is no longer seen as the only viable option**. Managerial reform has become widely accepted, and the **older generation of public servants accustomed to rigid bureaucracy is being replaced** by a new class of performance-focused professionals.

## Imperatives for Public Sector Change

The transformation of public sector governance that began in the 1980s can be traced to three interconnected imperatives: **Weight, Economics, and Technology**.

### Society

Friedman and Friedman were vocal critics of the **size and inefficiency** of the public sector. Following the elections of Reagan in the US and Thatcher in the UK, significant reforms were implemented to **scale back government activity**.

There were three primary attacks on the public sector in the late 1970s and early 1980s:

- **Scale:** The public sector was seen as too large, with excessive resource consumption. As a result, expansion was slowed, and the public spending-to-GDP ratio decreased.
- **Scope:** Governments were involved in too many areas. **Privatization** of state-owned enterprises became a popular strategy, along with **deregulation**.
- **Methods:** Bureaucratic procedures were criticized for promoting inefficiency and mediocrity, rather than excellence.

By the 1990s, however, there was a **renewed appreciation** for the role of the state, particularly following the GFC, which underscored that without government intervention, the crisis would have been far more devastating.

### Economy

In the 1970s, economists like **Stigler and the Friedmans** argued that government was the **main barrier to economic growth**, and that markets were superior in all respects. Neoclassical economics began to **displace Keynesian ideas**, which had favored a strong role for the state.

Several influential theories emerged:

- **Public choice theory** (Walsh): Applied microeconomics to politics, arguing for minimal government and maximum market involvement.
- **Principal-agent theory** (Boston): Analyzed how to align the interests of agents (e.g., managers) and principals (e.g., voters or political leaders), though identifying the "principal" in the public sector is more complex.
- **Transaction cost theory** (Williamson): Focused on whether to contract out or provide services in-house, depending on the costs involved in each case.

Although **neoclassical thought dominated in the 1980s and 1990s**, the **GFC discredited many of its assumptions**. Governments had to step in to **save financial institutions**, incurring massive debt. This marked a temporary return to Keynesian-style interventionism. By 2016, there was also a growing **intellectual backlash** against the overreach of economic orthodoxy.

The trajectory can be summarized as follows:

- 1970s: rise of **neoclassical economics**.



- 1980s: **privatization** and **Thatcherite neoliberalism**.
- Post-2008: **partial return to Keynesianism**.

## Technology

Technology has radically altered how organizations operate. New tools have compressed hierarchies, making information available to **senior and junior managers simultaneously**. This transformation made the traditional administrative model, designed for slower, top-down communication, outdated and inadequate for the digital era.

## An Interesting Time

Despite some shared ground, such as agreement that government can improve lives and that decisions should be made rationally, administration and management differ in tone and emphasis. A new wave of **anti-government sentiment**, particularly after 2016, is less based on evidence and more driven by **ideology**.

In the 1970s and 1980s, debates over privatization were largely grounded in **fact-based analysis**. By contrast, the post-2016 world increasingly reflects a **post-truth dynamic**, where **ideological narratives often displace empirical reasoning**.

## Conclusions

The traditional model of **public administration has been largely supplanted by public management**. The key shift is one of **accountability**: administrators were expected to follow rules and procedures, while managers are now expected to actively engage, take initiative, and be responsible for results.

The rise of Trump-era politics, marked by admiration for figures like President Andrew Jackson, whose era was associated with **nepotism and corruption**, reflects a broader skepticism of the bureaucratic state.

Nonetheless, the role of **public managers remains crucial**. They are not just rule-followers; they are essential actors in delivering public value and navigating a complex, dynamic, and often skeptical environment.

# Chapter 2 - The Role of Government

## Introduction

In mixed economies, it is essential to distinguish between the roles of the private and public sectors. Starting in the 1980s, many OECD countries began reassessing the scope and responsibilities of their public sectors. Central to this reassessment was the question: *What services should the government provide, and how are these services perceived by the general public?* In that decade, this debate was not only functional but also ideological, shaped by the lingering influence of socialism.

Several events over the following decades further shaped the role and perception of government:

- The **2001 terrorist attacks** in New York restored public trust in government institutions, reinforcing the idea that only the state could respond to such large-scale crises.
- The **corporate scandals** involving Enron and WorldCom, on the other hand, undermined trust in both the private and public sectors, triggering a demand for more robust governmental oversight.
- The **Global Financial Crisis (GFC)** revealed significant regulatory failures in the financial sector, prompting a partial return to Keynesian policies, though this was short-lived and largely reversed by 2009 with the rise of the Tea Party.

The Tea Party movement, originally fiscally conservative, was overtaken by more extreme, almost anarchic political forces. It influenced President Trump's agenda, which embraced a **new form of isolationism**. The Trump administration characterized the public sector as a burden, advocating for its reduction and deconstruction. The administrative state was framed as a mechanism used by the left to impose its political agenda: a narrative that was echoed by political parties across Eastern Europe, and in parts of both Western Europe and Asia.

The earlier critiques from the 1980s and 1990s, attacking the **scope, scale, and methods (SMS)** of the public sector, helped legitimize initiatives to shrink government operations and reconfigure public management.



## The Need for the Public Sector

Modern economies are divided between public and private sectors. However, the way they operate is fundamentally different. The **private sector** provides goods and services according to market demand. In contrast, the **public sector** operates based on political decisions made by elected representatives of the people.

Unlike the private sector, the public sector can enforce compliance through its legal and institutional authority. Yet, the distinction between the two is not as sharp as it may seem. The interaction between them is intense: **private enterprises pay taxes, produce goods, and actively lobby governments** to steer public spending in their favor. As such, portraying the two sectors as wholly distinct would be misleading.

## Functions of Government

According to the **World Bank**, the essential functions of government include:

- Establishing a foundation of law.
- Maintaining a non-distortionary policy environment.
- Investing in basic social services and infrastructure.
- Protecting the vulnerable.
- Safeguarding the environment.

Additionally, **Anderson** identifies key areas of government responsibility:

- **Economic infrastructure** necessary for capitalism (through policy).
- **Collective goods and services** such as education and health.
- **Conflict resolution and adjustment** mechanisms for group tensions (protecting the vulnerable).
- **Competition policy** to prevent monopolies and cartels.
- **Environmental protection.**
- **Access:** ensuring minimum access for all to basic services.
- **Stabilization** of the economy.

## Market Failure as the Basis for Public Policy

Public policy is often justified by **market failures**, which are situations where markets fail to deliver desirable outcomes for society. Musgrave and Musgrave argued that public action is required to guide, correct, and supplement market forces. There are four main types of market failure: public goods, externalities, natural monopolies, and imperfect information.

### Public Goods

Public goods are **non-excludable** and **non-rivalrous**, meaning no one can be prevented from using them, and one person's use doesn't reduce availability to others. This differs from private goods, which are both **excludable** and **rivalrous**.

However, the distinction is not always clear. For example, public goods like roads may be partially excludable if fees are imposed for overuse (e.g. congestion charges for cars entering city centers). While some public goods could be provided by the market, they are often funded by general taxation.

A classic example is **national defense**, typically financed regardless of an individual's personal stance. Chile, for instance, funds defense through copper royalties, which is an unusual model.

Other examples include:

- **Merit goods:** services deemed socially beneficial but likely to be underprovided by the market (e.g. hospitals, education).
- **Demerit goods:** goods that have socially harmful effects (e.g. alcohol, tobacco), often overconsumed without regulation.



## Externalities

When market transactions affect third parties, either positively or negatively, these are called externalities. For example, pollution harms people who are not part of the original transaction. Such effects often require regulation to ensure fair outcomes.

## Natural Monopoly

Some services, such as electricity or water, exhibit **declining marginal costs**, where the more is produced, the cheaper it becomes. This creates a natural monopoly. In such cases, public provision or heavy regulation is often needed to prevent private exploitation of essential services.

## Imperfect Information

Markets also fail when there is **asymmetric information**, so when one party knows more than the other. This can lead to adverse selection (e.g. only sick individuals seeking health insurance) and moral hazard (e.g. people engaging in risky behavior because they are insured). Government intervention through labeling, advertising rules, or direct regulation is often used to mitigate these issues.

Public policy may also aim to **foster new industries**, particularly in emerging sectors with high entry barriers or uncertain profitability.

## Limitations of Market Failure

Despite its importance, the concept of market failure has been challenged. **Friedman, Friedman, and Stigler** argued that market failure is **not a sufficient justification** for government action. In their view, too much public intervention could harm efficiency, impose unnecessary burdens on consumers, and fail to deliver promised protections.

## Government Failure

Moreover, attempts to correct market failures can lead to **government failure**. This occurs when government actions introduce inefficiencies, are poorly implemented, or produce unintended consequences. As a result, relying solely on market failure as a justification for government intervention risks overlooking broader goals like equity, justice, and equality of opportunity.

## Instruments of Government Intervention

Governments use different instruments to intervene in the economy. These include:

- **Provision:** Direct delivery of goods and services by the state, funded by taxation. Examples include roads, education, and defense.
- **Subsidy:** Goods or services are provided by the private sector, but the government supports them financially. Examples include subsidies to farmers or public transport providers.
- **Production:** Government-owned entities produce goods or services, but users are charged directly, just as they would be in the private sector. This method declined in popularity in the 1980s and is now rare, except in special cases (e.g. bailouts).
- **Regulation:** The state uses its legislative power to allow or prohibit certain activities. Regulations may be **social** (protecting public safety or wellbeing) or **economic** (influencing pricing, competition, labor, and financial markets). Regulatory reform has been a key element of modernizing the public sector.

## Which Instrument to Use?

Different goals call for different tools, and governments often combine these instruments depending on the context. Among OECD countries, regulation has become the most preferred tool due to its cost-effectiveness and responsiveness compared to direct provision or production.

## Phases of Government Intervention

Governments have historically passed through different phases of involvement in economic and social life.



- **Mercantilism:** regulation.
- **Laissez-faire:** minimal intervention.
- **Welfare state:** high taxation and public provision.
- **Neo-classical:** rollback of the state.
- **GFC:** return of state intervention.

### The Laissez-Faire Society

In the late 18th century, following the decline of mercantilism, governments were still heavily involved in the economy, using **regulations** to promote growth. This era prompted **Adam Smith** to publish *The Wealth of Nations* in 1776, where he argued for:

- Free trade.
- A reduced role for government.
- A focus on:
  - **Defense.**
  - **A system of laws** to uphold contracts and protect citizens.
  - **Proto-public goods**, such as infrastructure and education.

Smith believed governments should largely **stay out of the market**, opposing the interventionist spirit of mercantilism.

### The Welfare State

In the 19th century, particularly in Britain, attempts to implement Smith's model revealed **social costs** (child labor, inadequate housing, and poor health). These issues led to the rise of welfare thinking, spearheaded by critics like Marx.

In the 1880s, **Otto von Bismarck** introduced welfare reforms in Germany to counter the socialist movement and gain electoral support. Although laissez-faire thinking remained dominant in Europe, welfare programs gradually emerged in the early 20th century, especially before WWI and in the late 1930s.

Friedman and Friedman labeled this era as one of "**Fabian socialism and New Deal liberalism**". The scope and size of government continued to expand until the 1970s and 1980s, driven largely by electoral pressures.

However, this growth triggered three main problems:

- **Sustainability and financing.**
- **Political support.**
- **Shifting intellectual tides**, as neoliberal theories gained traction.

### Neoclassicism

By the mid-1970s, **neo-classical economists** began promoting a shift away from collectivist, government-led approaches. Their model emphasized:

- **Rational individual behavior:** People know what they want and act accordingly.
- **Empirical modeling:** Rational choice theory and economic modeling gained prominence.
- **Maximized market role:** Markets were deemed more efficient than governments in delivering services.
- **Minimized government role:** State intervention was considered disruptive and inefficient.

These ideas influenced **Thatcher and Reagan**, who pursued "**small government**" policies. The neo-classical phase was seen as a **correction** to the welfare era. However, despite ideological support, the actual role of government did not shrink significantly, and private sector outcomes were often disappointing.

Contracting out public services found theoretical support in **principal-agent theory**, which focuses on aligning the incentives of agents (contractors) with those of principals (governments). Traditional administrative principles came under fire for being poorly theorized, sparking a **small managerial revolution**.



## The Next Revolution

During the 1970s, a new wave of economists inspired by Milton Friedman advocated for a significant reduction in the role of government. These **Friedmanite theorists** argued that public intervention had become excessive and inefficient, and that the market should be trusted to regulate itself. Their influence grew throughout the 1980s and 1990s, during which many countries made deliberate efforts to **downsize the public sector** and **privatize state functions**.

However, in the early 2000s, there was a noticeable **return to more moderate approaches**. After the hardline reforms of the Thatcher and Reagan years, subsequent leaders in many democracies adopted **less extreme positions**, focusing on balancing efficiency with basic state responsibilities.

This relative moderation was shaken by the **Global Financial Crisis (GFC)** in 2008. The crisis exposed the vulnerability of financial markets and demonstrated that **markets are not self-correcting**, especially in the absence of regulatory oversight. As financial institutions around the world faced collapse, governments were forced to intervene decisively, most notably by **rescuing the financial sector**, which was at the epicenter of the crisis.

These massive public interventions, while necessary to prevent systemic failure, led to a **sharp increase in government debt**. As a result, governments faced **renewed pressure** to make the public sector more efficient and fiscally disciplined in the years that followed.

It is important to note that the **perception of these interventions varied by region**. In Europe, government involvement in response to the crisis was largely viewed positively, and state action was considered legitimate and necessary. In contrast, in the United States, large-scale interventions triggered strong political backlash, contributing to the rise of movements like the Tea Party and calls for renewed austerity.

## The Size of Government

In the 1970s, fears emerged that governments, particularly in the US and UK, could go bankrupt as budgets approached **50% of GDP**. Today, the debate has shifted from the **size** of government to its **scope**.

OECD countries now average **about 40% of GDP in public spending**. However, the most common measure (government spending as a share of GDP) can be misleading. It includes **transfers**, which do not reflect actual state activity.

A more accurate metric is **government final expenditure**, which captures spending on operations, not on transfers. In this sense, differences between countries are smaller than GDP share might suggest.

**Contracting out** public services is often promoted for its supposed cost savings, but in practice, **the savings are usually minor**.

## Conclusion

There is no universally correct size or scope for government. What matters is not how much governments do, but **how well they fulfill their public responsibilities**. Increasingly, governments are stepping back from direct service provision and focusing on managing relationships with external actors. The ongoing debates about public sector reform, legitimacy, and effectiveness remain central to public life, and entirely justified.

# Chapter 3 - The Traditional Model of Public Administration

## Introduction

The traditional model of public administration, despite being critiqued today, was once a revolutionary change in itself. It marked the institutionalization of public service as a **merit-based and professional job**, where serving the public was considered a noble calling. The idea was that politicians would come and go, but the administrative apparatus would remain stable and reliable.

This traditional model was defined as **administration in the strict dictionary sense**: it operated under the formal control of political leadership, was grounded in a **strong hierarchical structure**, and refrained from crafting policies. Instead, its sole responsibility was to implement the decisions made by politicians.



## The Seven Verities of Traditional Public Administration

These core principles defined the traditional model:

- **Bureaucracy:** Following Max Weber's hierarchical and bureaucratic model.
- **Management science:** Emphasis on "one best way" of working based on Taylor's scientific management.
- **Bureaucratic delivery:** Once the government became involved in an area, it directly provided goods and services through its bureaucratic machinery.
- **Politics-administration dichotomy:** Based on Wilson's idea that administration should remain separate from politics.
- **Public interest:** The motivation behind a public servant's job was the broader good of society.
- **Neutrality and anonymity:** Civil servants were not publicly visible, served all citizens equally, and had job security (lifetime employment).
- **Administrative tasks only:** Public servants were not expected to take personal responsibility for results, only to administer processes.

These principles were first challenged in the early 1980s. It became evident that bureaucracy, while powerful, was not suitable for all situations. It could become obstructive and inefficient rather than automatically effective. The notion of a single "best way" of doing things often failed in practice and introduced rigidity. It also became clear that direct bureaucratic delivery was not the only mode of service provision; **governments could also operate indirectly through subsidies, contracts, and regulation.**

The assumed dichotomy between politics and administration proved to be a myth. Public servants increasingly took on political roles, driven by personal advancement, and became **political players in their own right.** Lifetime job guarantees and the perception of public tasks as purely administrative also became harder to justify.

## Early Administration

As Finer notes, one of the defining features of a state is that it is served by **specialized personnel.** This concept dates back to ancient Egypt, Sumeria, the Roman Empire, and, most prominently, Imperial China, where **men were selected based on ability,** not birthright.

During the Middle Ages, administrative structures developed alongside **bureaucracies.** This process intensified with the rise of the 16th-century empires (Spanish, Dutch, French, and British) all of which had strong administrative components.

However, these early systems were deeply **personal,** built on **loyalty,** often resulting in the misuse of office for private gain. **Nepotism, patronage, and even the buying of offices** were normal. Public positions were often just one of several activities held by individuals.

In the US, the **spoils system** meant that every election triggered a replacement of public officials by the incoming political party's nominees. This caused a lack of continuity and clearly demonstrated that **public servants were mere executors of political will.**

While some argued that this system produced greater loyalty and gave voters a visible sense of change, it also led to:

- Periodic administrative chaos.
- A direct association of public service with political favor.
- High demand from office-seekers.

## The Reforms of the Nineteenth Century

**Progressive Era reforms** moved away from this system and toward a merit-based model. Still, remnants of the spoils system remain today; for example, the US president can still appoint over 1,500 people without Senate approval.

In Britain, the **Northcote-Trevelyan Report** (mid-19th century) was foundational. It introduced **merit-based recruitment through competitive exams** and sought to end patronage.



In the US, these ideas gained traction after President Garfield was assassinated by a disappointed office-seeker. The **Pendleton Act (Civil Service Act)** followed, which:

- Required competitive exams for appointments.
- Instituted probation periods before permanent appointments.
- Apportioned appointments geographically.
- Focused on efficiency and merit.

The traditional model of administration was heavily influenced by Weber (bureaucracy), Taylor (scientific management), and Wilson (political-administrative separation), who were close contemporaries.

## Weber's Theory of Bureaucracy

Weber outlined **three types of authority**:

1. **Traditional**: based on customs or tribal leadership.
2. **Charismatic**: based on a leader's personal qualities.
3. **Rational-legal**: based on formal rules and laws, exercised by modern civil servants.

He believed rational-legal authority was best suited to modern administration, where public officials would follow impersonal rules within a formal hierarchy.

He defined **six principles of bureaucracy**:

- **Jurisdictional areas** defined by laws and rules.
- **Hierarchy** of authority with supervision at all levels.
- **Written records** preserved to ensure institutional memory.
- **Expert training** for officials, making it a specialized occupation.
- **Full working capacity** expected of public servants.
- **Rules** governing procedures and decisions.

Weber's model replaced personal loyalty with an **impersonal, rule-based system**. He was influenced by both the Chinese bureaucratic literati and the Prussian administrative tradition.

## The Position of the Official

Weber also identified six characteristics of the official's position:

- Esteemed social position.
- Appointment by superiors.
- Normally a lifetime job.
- Legal protection from arbitrary dismissal or transfer.
- Fixed salary and pension.
- Clear career path.

The model emphasized **certainty, impersonality, and efficiency** and was believed to be optimal for both public and private sectors.

## Wilson and Political Control

Wilson promoted a **strict division between politics and administration**, believing policy-making lay with elected officials and execution with the bureaucracy. He criticized the spoils system and admired the British merit-based model.

He defined three pillars of political control:

- Public servants are accountable to ministers and the public, but **not for achieving results**.



- Policy and administration are to remain separate.
- Administration must remain anonymous and neutral.

Weber aligned with this view, explicitly excluding leadership roles for civil servants.

## Taylor and Public Administration

With bureaucracy and political control in place, Taylor introduced **organizational efficiency through scientific management**. He proposed:

- Standardized tasks (“one best way”).
- Time and motion studies to measure productivity.
- Wage incentive systems aligned with productivity.
- Functional organization adjustments.

Taylor’s ideas were applied to both factories and governments. The public sector embraced standardization, stopwatch-based task performance, and measurable efficiency through O&M (Organization and Method) units.

Stillman noted that if scientific management principles were respected, politics kept its distance, and **efficiency became a public goal**, a strong administrative system would emerge.

## Human Relations and the Debate on Motivation

In the 1930s, Elton Mayo’s **Hawthorne experiments** introduced the **human relations** movement. His findings emphasized that **social factors and worker well-being** increased productivity more than just financial incentives.

This challenged Taylorism, which treated workers as machines. The public sector, especially in the 1960s and 1970s, adopted human relations principles more fully, given the absence of direct competition.

Still, scientific management and human relations were **not mutually exclusive**. Both aimed at improving productivity and cooperation and could coexist.

## The Golden Age of Public Administration

During this period, public administration was seen as a **worthy, satisfying field**, capable of improving society. It was responsible for implementing the New Deal and building welfare systems.

**POSDCORB**, developed by Gulick and Urwick, identified the core tasks of administrators:

- Planning.
- Organizing.
- Staffing.
- Directing.
- Coordinating.
- Reporting.
- Budgeting.

While POSDCORB was attacked in the 1940s for ignoring human relations, it created an efficient, **impersonal system of accountability**, ideal for a stable environment. But as complexity and expectations increased, this model began to fall short.

## Problems with the Traditional Model

The inadequacies of bureaucratic administration became increasingly evident in the 1970s and 1980s. Although bureaucracy was considered ideal for maintaining control and order, it became clear that it was not suited for effective management in more dynamic and complex environments. Its processes tended to be slow, rigid, and resistant to innovation.

## The Problem of Political Control



The traditional separation between politics and administration, advocated by Wilson to counter the spoils system, was never fully applicable in practice. Real-world relationships between elected officials and public servants did not reflect the clean divide imagined by Wilson. In reality, politics and administration are deeply intertwined. Public servants frequently take on managerial tasks that go beyond simple administrative execution, which requires them to exercise discretion and judgment, thereby undermining the impersonality that the traditional model had championed.

### The Problem of "One Best Way"

Scientific management and bureaucratic models promoted the idea that there could be a "one best way" to carry out any administrative task. This approach involved analyzing every step of a process, quantifying it, and standardizing it into strict procedures. As a result, public officials were often limited to following prescribed methods without room for flexibility or adaptation. However, when public managers began being held accountable for results and given more discretion, it became evident that rigid procedures were insufficient. A case-by-case approach often yielded better outcomes, and the idea of a universal "best solution" proved unrealistic.

### The Problem of Bureaucracy

The reliance on Weberian bureaucracy introduced significant challenges that required reform. Instead of encouraging initiative and responsiveness, bureaucracy often fostered risk-averse behavior, rewarded seniority over merit, and prioritized adherence to rules over achieving results. Administrators became focused on maintaining processes rather than delivering real outcomes.

This system created two major problems:

1. **The problematic relationship between bureaucracy and democracy:** Bureaucratic systems are inherently rigid, hierarchical, and opaque. These qualities are at odds with democratic values such as transparency, accountability, and responsiveness. Weber himself expressed concerns about the secrecy embedded in bureaucratic structures.
2. **Inefficiency and limited applicability:** Bureaucracy is no longer considered the most efficient form of organization in many circumstances. It imposes substantial costs alongside its benefits. What actually happens in bureaucracies often deviates significantly from the rational-legal models that supposedly guide them.

Behavioral theories have shown that bureaucracies tend to rely on **fixed operating procedures**. As a result, **achieving results can become secondary** to the act of following the procedures themselves. Administrators focus more on perfecting internal processes than on the broader public goals those processes are meant to serve. Michel Crozier observed that bureaucratic organizations are inefficient by design and that "a bureaucratic organization cannot learn from its mistakes."

Additionally, **measuring effectiveness in the public sector has proven difficult**. Programs to evaluate employees' contributions have been rare and inconsistent. In the absence of reliable assessment methods, the seniority system often became the fallback mechanism for career advancement, implicitly acknowledging the failure to define and measure true competence.

### Lack of Leadership

Another critical issue with the traditional model is its avoidance of leadership. Given the human-centered mission of public organizations, it is impractical to disregard the need for human interaction, initiative, and participation. Leadership is essential for motivating personnel, setting direction, and adapting to change.

In contrast, the bureaucratic model imagined the organization as a machine, functioning efficiently without needing personal initiative. However, in practice, **an avoidance of leadership also means an avoidance of personal responsibility**. When no one leads, no one is truly accountable, and this undermines effectiveness.

### Bureaucracy as a Power Structure

Bureaucracy is particularly ineffective in contexts that demand creativity and adaptability. Its structure, designed for consistency and control, inherently limits experimentation and responsiveness. As a result, the **private sector has increasingly distanced itself from rigid bureaucratic models**, especially in areas like innovation and customer service.



There is an open question as to whether recent changes in public administration have been revolutionary or merely evolutionary. Meier and Hill argue that **the six principles of Weberian bureaucracy still generally apply**, with the exception of written files, which have become less central in the digital age. Bureaucracy has not disappeared; rather, it has become **just one of several tools** available to public managers, who now apply it selectively based on context.

Thus, while bureaucracy is no longer dominant, it is not obsolete. **Public servants no longer possess all six classical characteristics**, and although they may still use bureaucratic procedures, these are no longer the exclusive mode of governance.

Blau and Meyer offer three important conclusions:

1. **Bureaucratic principles are effective for coordination and control** in administrative systems.
2. **Bureaucracy can be efficient**, and when it fails, alternatives should not automatically be assumed to perform better.
3. **Bureaucratic organizing principles can serve multiple purposes**, even when those purposes are contradictory.

Their conclusions suggest that, although bureaucracy may no longer suit the private sector, it can still be valuable in the public sector. Modern governance now emphasizes **achieving goals** rather than strictly adhering to specific organizational forms.

According to Olsen, bureaucracy today still represents:

- A **distinct organizational setting**
- A **professional full-time staff**
- A broader **normative and institutional structure**, where government is grounded in legitimacy and authority

These features remain relevant, particularly in roles where formality, impartiality, and continuity are needed.

## The Public Choice Critique

Public choice theory introduced a major critique of the traditional model by applying microeconomic analysis to public institutions. It argues that maximizing individual choice is essential for promoting freedom and efficiency. When this logic is applied to bureaucracies, it reveals uncomfortable dynamics.

Rational behavior theory suggests that **bureaucrats are self-interested** actors who will try to maximize their own utility through increased power, larger budgets, or higher salaries. They may use bureaucratic hierarchies to their advantage and expand their agencies, regardless of whether this benefits the public.

In contrast to Weber's idealistic portrayal of civil servants as self-sacrificing patriots, public choice theory sees bureaucrats as **strategic, utility-maximizing individuals**. Ostrom further argues that bureaucracies are inherently inefficient and stand in opposition to markets, which are based on competition and consumer choice.

Ultimately, bureaucracy is recognized as an **instrument of power**. In areas of government that involve coercion or authoritative decision-making, bureaucratic methods remain intact. However, in sectors focused on **public service and interaction with citizens**, where **rigid processes reduce responsiveness**, bureaucracy has faced substantial criticism.

## Conclusion

The traditional model of public administration has fulfilled a historic and essential function. It established meritocratic principles, created systems of rule-based accountability, and provided stable governance frameworks that were emulated worldwide. Yet, over time, it has become clear that this model, while still useful in some contexts, cannot meet all the demands of contemporary governance.

While the Weberian framework has not been entirely abandoned, it is no longer the default structure. Public servants today operate within **hybrid models**, drawing from bureaucratic, managerial, and behavioral approaches, depending on the task at hand. The focus has shifted from following procedures to **achieving meaningful outcomes** for the public. The traditional model remains a foundational reference point, but it no longer defines the practice of public administration.



## Chapter 4 - Public Management

### Introduction

Starting from the mid-1980s, scholars and practitioners began to notice serious inadequacies in the traditional method of public administration, which had been based on principles of bureaucracy, scientific management, and strict political control. There emerged a growing desire to move toward more flexible, adaptive forms of governance better suited to modern public service delivery.

The concept of **New Public Management (NPM)** was coined by Christopher Hood, though notably he was not an advocate of the approach. A key issue with NPM is the lack of agreed-upon content or definition, and the absence of a clear intellectual or institutional champion. In fact, some question whether there ever was a true "NPM era", as many of its features have since evolved or been partially abandoned.

Even so, **public management** has now officially and effectively begun to supplant the traditional model of public administration in many systems. While it has not fully taken over in all countries or sectors, it is likely to continue moving further away from classical bureaucratic approaches in the future.

### The Meaning of Management

A fundamental shift lies in the distinction between **administration** and **management**. Administration implies following instructions and applying predetermined rules, whereas management is about achieving results and assuming personal responsibility for those outcomes.

According to **Allison**, general management involves three primary functional domains:

- **Strategy**
  - Establishing organizational objectives and setting priorities.
  - Developing operational plans to achieve these objectives.

Unlike the older model in which politicians defined goals and bureaucrats implemented them, in the management model, **agencies themselves are expected to define their own goals**, without waiting for direct political direction.

- **Managing Internal Components**
  - Organizing and staffing the organization.
  - Directing personnel and managing HR systems.
  - Controlling performance within the organization.

Historically, these tasks were not always executed to their full potential. Administrators typically focused on staffing and organizing departments without active involvement in performance or personnel development.

- **Managing External Constituencies**
  - Coordinating with other units of government.
  - Engaging with independent organizations.
  - Interacting with the press and the general public.

Under traditional administrative models, such external relationships were generally outside the scope of a public servant's responsibilities.

### The Beginnings of a Management Approach

Initially, there was little conceptual difference between public and private management. The shift occurred when it became evident that **bureaucracy was no longer working** and there was an increasing need for leadership and personal responsibility in achieving results.

The **Fulton Report**, though British, was closely observed in the United States. It raised concerns about the management capacity of the UK civil service and introduced a modern understanding of what "management" should entail.



In the United States, the **Civil Service Reform Act** introduced performance-based merit pay for middle managers and established a Senior Executive Service to enhance leadership.

During the late 1970s and early 1980s, **Anglo-American democracies** underwent a clear **managerial turn**, while changes in other countries followed more slowly. These shifts were driven by **resource constraints** from falling tax revenues and were **initiated by political elites**, rather than by public servants. Governments began to favor hiring **economists and management-trained professionals**, replacing the previous dominance of generalist administrators. Management techniques were borrowed from the private sector and adapted to the public context.

This new model of public sector governance appeared under various names:

- Managerialism.
- New Public Management.
- Market-based public administration.
- Post-bureaucratic paradigm.
- Entrepreneurial government.

Among these, **NPM became the most commonly used term**, even if it remained ambiguous.

In the **1980s**, both the United States and New Zealand implemented significant public management reforms. The **Thatcher administration** in the UK began privatization efforts, while in **New Zealand**, changes were triggered by a deep financial crisis that led to the **collapse of industry protections and state-owned enterprises**. Unlike the UK, where reforms were ideologically driven, New Zealand's reforms aimed to **solve practical economic problems**.

The influential book "**Reinventing Government**" by Osborne and Gaebler became a bestseller, promoting public sector reform ideas. Then Vice President **Al Gore's National Performance Review** was shaped by this book and cited UK and NZ progress as positive examples. Around the same time, **international institutions** such as the OECD, IMF, and World Bank began to show interest in **improving public sector performance**. An OECD report called for a **cultural shift** in governance to increase effectiveness.

## Theoretical Bases of Management

Traditional public administration rests on three core theoretical pillars:

- Political neutrality and the separation of administration from politics.
- Bureaucracy as a stable, rule-based structure.
- Scientific management and the belief in "one best way" to do things.

However, the managerial approach contrasts with these ideas. It is supported by economic theory, particularly **public choice theory**. Scholars like **Elinor Ostrom** proposed two contrasting organizational forms: bureaucracy and market-based systems. She argued that **bureaucracy was inherently inefficient**, while **markets encouraged competition, consumer choice, and sovereignty**, leading to lower costs and improved outcomes.

Public management draws extensively from economics, including:

- Public choice theory.
- Principal-agent theory.
- Transaction cost economics.

In contrast with rigid **Weberian bureaucracy**, private sector practices allow for **greater organizational flexibility**, which has revealed the **obsolescence of many traditional public administration structures**.

While public administration must uphold principles of **equal treatment**, this doesn't mean public employees cannot hold political beliefs. Nor does the difficulty of performance measurement justify not attempting it. The **political nature of the public sector** makes it distinct, but not every action is inherently political.

The **main lesson from private sector practices** is the emphasis on achieving results and focusing on clear objectives.



## Reforming the Public Sector

According to **Kettl**, the core components of public sector reform can be summarized as:

- **Productivity**: improving efficiency in resource use.
- **Marketization**: using market-style incentives and mechanisms.
- **Service orientation**: enhancing responsiveness to citizens.
- **Decentralization**: devolving responsibilities to local governments.
- **Policy**: linking managerial decisions with broader policy outcomes.
- **Accountability**: shifting focus from process to **measurable outputs**.

Kettl emphasizes that there is no universal or unitary approach to these reforms. Countries implement them based on their own institutional and political contexts.

Nine features help characterize the shift from public administration to public management. They are not universally applied in all countries, but they offer a general framework:

1. **Management, Not Administration**: Public managers must achieve results and take personal responsibility. Unlike traditional administrators, they are directly involved in policy and implementation. High-profile managers often come from managerial backgrounds, hired on short-term contracts with performance mandates. There has been a move from technical specialists to **generalist managers** with leadership skills.
2. **Leadership**: The bureaucratic model left no room for leadership. All actors followed set procedures under strict political oversight. In contrast, the management approach **embraces personality-driven leadership** for positive organizational outcomes.
3. **Focus on Results**: The emphasis has shifted from procedures to outcomes. Agencies are now expected to measure the performance of their staff. With limited public resources, it is vital to determine whether public spending achieves its intended results.
4. **Strategic Thinking**: Public organizations now adopt **strategic planning and management**, focusing on long-term objectives.
5. **Financial Management**: Improved accounting practices, especially **accrual accounting**, allow better tracking of government activity and results. This has been one of the most successful areas of reform.
6. **Flexible Staffing**: The need to be results-oriented has led to changes in staffing. The traditional system promoted based on seniority and offered lifetime tenure, often leading to inefficiency. The reformed system enables quicker dismissal of underperforming staff.
7. **Competition and Contractualism**: Contracting out government services through competitive bidding is one of the major changes. The rationale is that competition leads to cost savings. **Tendering** is now a common tool for achieving performance goals.
8. **Realistic Relationship with Politicians**: The traditional "master-servant" model of bureaucrat-politician relations is no longer viable. Managers today must act as "**bureaucratic politicians**," engaging with elected officials while maintaining operational independence. This reflects a more nuanced and pragmatic relationship between politics and administration.
9. **Relationship with the Public**: There is now **direct accountability between managers and the public**, with a greater focus on citizens as clients.

These reforms vary by country and sector, depending on institutional needs and political culture.

## New Public Management (NPM)

The managerial reform that transformed public administration into public management during the 1980s and 1990s is often referred to as **New Public Management**. While the term was initially used to describe the shift toward economic logic and managerial practices in the public sector, it has since become a general label for that period of reform.

Christopher **Hood** identified **seven key features** of New Public Management:



1. **Hands-on professional management:** Public organizations are expected to be actively managed by competent professionals rather than simply administered.
2. **Explicit standards and measures of performance:** Clear targets and performance metrics are introduced to assess success.
3. **Output controls:** Emphasis is placed on results and outcomes rather than adherence to procedures. While measuring outputs in the public sector is more difficult than in the private sector, the focus remains on what is achieved.
4. **Disaggregation of public sector units:** Large bureaucracies are broken down into smaller, more manageable units to increase efficiency.
5. **Competition:** Introducing competitive mechanisms, such as contracting out services, is seen as a way to reduce costs and improve performance.
6. **Private sector management styles:** The public sector is encouraged to adopt techniques and practices from the private sector, including customer service orientation and performance incentives.
7. **Discipline and parsimony in resource use:** Public services must be cost-effective, minimizing waste and resisting excessive demands from public employee unions.

It's important to note that Hood **never promoted the implementation** of this model. He simply described the emerging trends. No single government or institution ever adopted all seven elements in a systematic way.

Nonetheless, some of these principles, such as **drawing inspiration from the private sector** and **ensuring cost-consciousness**, remain cornerstones of modern public management.

Christopher **Pollitt** offered further refinements to our understanding of NPM, describing it as a shift:

- From a focus on **inputs** to **outputs and outcomes**.
- Toward a culture of **measurement**, reflected in performance indicators and standards.
- From unified bureaucracies to **specialized and autonomous organizational units**.
- From **hierarchical command structures** to **contracts or contract-like mechanisms**.
- Toward a **blurring of boundaries** between public and private sector activities.
- Away from universalism, equity, and collective security, and toward **efficiency and individualism**.

The language used by Pollitt is particularly useful in capturing the **value shifts** underpinning these reforms.

## An International Movement?

The extent to which New Public Management constitutes a **global phenomenon** remains controversial. While Anglo-Saxon countries (such as the United Kingdom, the United States, Australia, and New Zealand) have embraced many aspects of NPM, **continental European countries** have often been more resistant.

Among these, **New Zealand** stands out as the country that went furthest in implementing NPM-style reforms, in part because its **constitutional constraints were fewer** and its financial crisis more severe.

## Criticisms of Managerial Reform

From the outset, the managerial reform agenda has faced **sustained academic criticism**. These critiques address its ideological, economic, democratic, and practical foundations.

### Ideological Basis

Pollitt suggests that **managerialism** represents the acceptable face of **New Right ideology**, with clear **neo-Taylorist overtones**. Others argue that reforms were politically neutral in theory, but in practice often aligned with right-wing policies promoting **efficiency over equity**. Some scholars note that, regardless of ideology, the reforms started by targeting **areas previously considered sacrosanct**, such as civil servant entitlements.

### Economic Basis



Many critics attack the **economic foundation** of managerialism. Since it draws heavily from economics, particularly public choice theory and neo-classical models, it inherits their limitations. Two key criticisms emerge:

1. **Economics is a flawed social science**, and its abstract models are ill-suited for managing complex public systems.
2. The **application of economic principles to government** is conceptually mistaken. The traditional consumer-provider relationship is **not easily replicated** in the public sphere, where citizens are both consumers and owners of the system.

### Impact on Democracy

Critics claim that public sector reforms have **undermined democracy** by prioritizing efficiency over equity and representation. In the United States, some even argue that managerialism has **weakened American democracy**, although this critique does not necessarily apply to other countries.

It can also be argued, however, that some reforms, such as increased **transparency** and better **accountability mechanisms**, have actually strengthened democratic governance.

### Basis in Private Management

Another critique centers on the **importation of private sector practices** into public management. Detractors argue that the public and private sectors are **too fundamentally different** for such a transfer to be meaningful. For reforms to be successful, they must be **adapted to the public context**, not blindly copied. Moreover, not all public management reforms derive directly from private management: many are **inspired by it**, but developed independently.

### Neo-Taylorism

Some view managerial reform as a form of **neo-Taylorism**, a revival of Frederick Taylor's scientific management. For example, the development of **performance indicators** recalls Taylor's emphasis on identifying the most productive individuals. However, this analogy is misleading. NPM emphasizes **flexibility**, which contrasts sharply with Taylorism's rigid standardization. While measurement is central to both, the **intent and application** differ significantly.

### Derivation from Manufacturing Management

Closely related to the Neo-Taylorist critique is the objection that public management borrows too heavily from **manufacturing models**. However, this ignores the fact that the public sector does produce both **tangible products and intangible services**. Effective delivery requires **logistical and managerial efficiency**, regardless of the nature of the output. Osborne, for instance, claims the public sector produces only services, but this is not entirely accurate. Many government functions deliver outcomes that can be treated as **products** and exchanged or evaluated.

### Politicization

The reforms are also said to contribute to the **politicization** of the public service. There are two sides to this argument:

- On one hand, the public sector is inherently political. Efforts to completely separate politics from administration are unrealistic. **Political appointments** can be acceptable if they don't extend too far down the administrative hierarchy.
- On the other hand, increased emphasis on results and responsibility may lead to a **deep politicization** of public management, raising concerns similar to those warned against by **Woodrow Wilson**, such as patronage and loss of neutrality.

### Reduced Accountability

Some argue that making public servants more **managerially accountable** can **weaken the accountability of elected political leaders**. However, this critique assumes that the older system had stronger accountability mechanisms, which is questionable. The traditional model's **dichotomy between politics and administration** was largely unrealistic and often ineffective.



## Contracting-Out Difficulties

One of the most promoted tools of managerial reform is **contracting out** services to the private sector. While it is tempting to assume this always results in improved efficiency, the reality is more complex. **Managing contracts** is difficult, and **transaction costs** can often outweigh the expected benefits. Contracting out should be considered **a useful tool**, not a universal solution.

## Disaggregation

As noted by Hood, another common NPM feature is the **disaggregation** of large bureaucracies into smaller, more efficient units. While useful in many cases, such as in the UK and New Zealand, it is **not essential to the reform process** and should be applied selectively.

## Ethical Issues

The shift toward managerialism has raised concerns about **ethical behavior** in public service. Yet some reforms, such as **increased transparency** and greater access to information, can also support ethical governance. Certain managerial practices can be effective in **fighting political corruption** and promoting accountability.

## Implementation and Morale Issues

Many challenges to reform arise from poor **implementation**, often driven from the top down, without sufficient buy-in from front-line staff. These issues can lead to **reduced morale** among public employees and resistance to change.

## The Critique in Sum

While the criticisms of managerial reform are numerous and often valid, **none of them offer a fully convincing rebuttal** to the shift from public administration to public management. The **traditional bureaucratic model** suffered from deep flaws, and the reforms, despite their imperfections, have **offered practical tools** for improving public service delivery in an increasingly complex and demanding environment.

# Chapter 5 - Public Policy

## Introduction

For several decades, public policy has increasingly positioned itself as a distinct field within the broader area of public administration. This separation, however, raises a central question: is it truly worth treating public policy as an independent practice? In reality, public policy influences both public administration and management.

Public policy can be viewed either as a critique of the traditional public administration model or as a long-overdue adoption of formal analytical techniques. It is also commonly used by applied economists to refer to the application of economic tools and methods to governmental problems. In this sense, public policy refers to the course of action taken by a government or legislature with regard to a particular issue.

One of the main distinctions between public management and administration lies in the **openness to economic applications**. Whereas traditional administration avoided such tools, modern public policy increasingly integrates them.

There are different approaches to public policy, each with its own focus:

- **Policy analysis**, which tends to be abstract and relies on inductive reasoning through statistical and mathematical modeling
- **Economic public policy**, which applies deductive logic and economic assumptions
- **Political public policy**, which prioritizes outcomes over empirical techniques
- **Evidence-based policy**, which emphasizes the use of data in decision-making

Policy analysis may be understood either as a standalone field or as a set of techniques applicable to both administration and management.



## Public Policy, Administration, and Management

The function of policy research is to improve the policy-making process by providing accurate and useful information for decisions. According to Quade, this means conducting applied research to gain deeper understanding of socio-technical issues and enable better solutions. His emphasis reflects the formal and analytical tradition of policy analysis.

Lynn offers a broader view, describing public policy as the **output of a diffuse process** involving individuals who interact in small groups within a structure dominated by formal organizations. This view also acknowledges the **constraints** imposed by societal interests and cultural influences.

Public policy, public administration, and public management are often difficult to separate, as all are concerned with government operations. However, some differences remain:

- Compared to **administration**, public policy recognizes the active role of civil servants, rather than assuming that policy solely stems from elected leaders.
- Compared to **political science**, public policy applies concepts from political science to real-world issues like healthcare and welfare.
- Compared to **management**, policy analysts may use economics as one tool among many, while managers tend to rely more consistently on economic models.

## Policy Analysis

Public policy as a discipline began with the attempt to use **systematic analysis** to guide government decisions. Early policy analysis focused on producing the most rational and efficient solutions to problems using empirical data. Over time, the goal shifted. In its third stage, policy analysis was no longer expected to produce solutions, but rather to **provide insight and information** that would support informed decision-making.

Policy research does not aim to replace politics. Instead, it supports political actors by providing data and statistics they can use to justify decisions.

## Empirical Methods

Effective policy analysis requires a mix of scientific and facilitative skills. These include:

- Structuring, collecting, and analyzing information.
- Planning and managerial abilities.
- The capacity for training and adaptation.

Some key empirical methods used in policy analysis are:

- Cost-benefit analysis.
- Decision theory.
- Optimum level analysis.
- Allocation theory.
- Time-optimization models.

These tools are not ends in themselves, but they help frame and refine policy options.

## Policy Process Models

Numerous scholars have developed models to understand the policy process:

**Anderson** proposed a five-stage model:

1. Problem identification and agenda formation.
2. Formulation.
3. Adoption.
4. Implementation.



5. Evaluation.

**Quade** outlined five elements:

1. Problem formulation.
2. Identification of alternatives.
3. Forecasting the future environment.
4. Modeling the impacts of alternatives.
5. Evaluation.

**Stokey and Zeckhauser** emphasized identifying policy goals, outlining alternatives, predicting their consequences, selecting evaluation criteria, and identifying the preferred choice.

**Patton and Sawicki** offered a six-step model for analysts:

1. Define the problem.
2. Establish criteria.
3. Identify policy alternatives.
4. Evaluate these alternatives.
5. Select among them.
6. Monitor outcomes.

### **Bardach's Eightfold Path**

**Bardach**, in his "Eightfold Path," introduced a more realistic and politically grounded framework. He viewed policy analysis as a blend of **art and social activity**. His eight steps are:

1. Define the problem: Often difficult in the public sector, given multiple missions and mandates.
2. Assemble evidence : Recognizing that no evidence is absolute.
3. Construct alternatives: Different strategies or interventions.
4. Select evaluation criteria: Such as efficiency or social justice.
5. Project outcomes.
6. Confront trade-offs.
7. Decide.
8. Tell your story: Framing and communicating the decision.

While these models offer valuable frameworks, policy making in practice remains messy and nonlinear. There is a risk in treating models as rigid formulas rather than adaptable guides.

### **Economic Public Policy**

Economic methods have deeply influenced public policy. While not concerned with high theory, economic public policy focuses on applying tools like utility maximization and cost-efficiency to solve public problems.

Economic thinking contributed to several landmark policy ideas, such as **free trade**. The approach follows a deductive model: theory leads to predictions, which are then supported by empirical observation. If the data confirms the theory's predictions, the policy is validated.

### **Political Public Policy**

A less technical, more politically grounded view of policy comes from authors like Lynn and John. Lynn sees public policy as a **political process**, not merely an analytical exercise. Policy is shaped by people and organizations acting within broader social and institutional constraints.

Because of this, **public policy managers** are expected to:

- Set clear premises for their organization's actions.



- Understand key strategic issues.
- Recognize and seize opportunities.
- Use their personal leadership qualities.
- Manage their energy and time effectively.

According to Hogwood and Gunn, policy making unfolds in nine stages:

1. Deciding to decide.
2. Deciding how to decide.
3. Defining the issue.
4. Forecasting.
5. Setting objectives and priorities.
6. Analyzing options.
7. Implementation, monitoring, and control.
8. Evaluation.
9. Maintenance, succession, or termination.

Today, policy making blends technical methods and political negotiation, with **microeconomics** playing an increasingly central role.

### Evidence-Based Policy

While it may seem obvious that policy should be grounded in evidence, this is not always the case. Bardach's eightfold path underscores the need for evidence, especially in areas like healthcare.

The movement for evidence-based policy took root in the UK health sector. However, several obstacles limit the use of evidence:

- Other priorities override clinical effectiveness.
- Evidence from other sectors is dismissed.
- Disagreement about what constitutes valid evidence.
- Preference for personal or local knowledge.
- Social environments may resist policy change.
- The quality of knowledge providers may be poor.

The rise of "alternative facts" and "post-truth" politics has made the use of evidence in policy more complicated but also more urgent.

### Implementation

By the 1970s, the study of **implementation** emerged as a response to poorly executed programs. Scholars like Pressman and Wildavsky noted how inadequate implementation eroded public trust and created frustration.

Implementation became recognized as a stage separate from policy formulation. This perspective was especially applicable in the US, where decentralization, judicial intervention, and separation of powers created a more fragmented policy environment.

### Limitations of Policy Analysis

Policy analysis faces several key limitations:

- It tends to overemphasize formal decisions, while in reality, many managerial tasks are routine and not suited to analytical methods.
- Analysts often get caught in administrative duties instead of designing ideal policies.



- There is rarely a single optimal solution; trade-offs and multiple perspectives are the norm.
- Personality and politics often matter more than models.
- Quantitative methods, while useful, are often overused.
- The rational model of decision-making is demanding and sometimes unrealistic, especially when political irrationality prevails.

Ultimately, following the rational model strictly may even become **undemocratic**, as it risks imposing technically sound policies that conflict with public values.

### Policy Success and Failure

What defines a successful policy remains contested. Success may be judged in two ways:

- By **Program** Standards: Whether it delivers a good outcome.
- By **Political** Standards: Whether it solves a political problem.

In the end, success is subjective and often depends on the perspective of the observer.

### Public Policy as a Discipline

Initially, public policy distanced itself from public administration. However, in practice, the two are intertwined, and the boundary between policy making and implementation is blurry. This has led economists and managers to marginalize both disciplines in favor of more measurable frameworks.

**Nagel** identifies three Es and three Ps in evaluating policy:

- **Effectiveness** (did it work?).
- **Efficiency** (was it cost-effective?).
- **Equity** (was it fair?).
- Balanced by:
  - **Public participation.**
  - **Predictability.**
  - **Procedural due process.**

These factors help counter criticisms that policy analysis ignores the political and social impact of its findings.

## Conclusion

Even when a final decision contradicts the most rigorous analysis, it may still be rational in a broader political or social sense. Public policy and analysis have paved the way for empirical and economic approaches in the public sector. While they improved on the traditional administrative model, their influence is now increasingly shared with **economics and modern management**, which dominate current approaches to governance.

## Chapter 6 - Governance

### Introduction

Since the mid-1990s, there has been a re-emergence of concepts of governance, both in public and private management. In the private sector, corporate governance has gained increasing importance. In the public sector, however, it would be a stretch to claim that governance is simply what public administration used to be. Government concerns the exercise of authority, whereas governance is more about inclusion, and can even include the establishment of government frameworks themselves. The concept of governance underscores the distance between public management and traditional administrative theory.

### The Meaning of Governance



Pierre and Peters note that the concept of governance is notoriously slippery. The word itself comes from the root "govern," tracing back to the Latin *gubernare* and the Greek *kubernan*. The standard meaning of governance relates to institutional arrangements, to the act of steering, and to the way an organization is organized and managed procedurally.

At the societal and political level, governance involves thinking about how to steer the economy and society and how to reach collective goals. Some definitions fall short in capturing this, such as that offered by Newbold and Terry, who define governance as the foundation that allows governments to exist. This is misleading, since much of modern governance has little to do with the state alone. Governance is not only about governments: several other entities participate in it, including NGOs, private firms, and international organizations.

It is equally relevant to speak of the governance arrangements of a company or NGO as it is for the governance of an entire society. Kooiman introduces the concept of social-political governance, which he defines as all those interactive arrangements in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities. Social-political governance is then a specific subcategory that focuses on society and politics.

## Government and Governance

The meanings of government and governance differ. According to an OECD paper, governance refers to the formal and informal arrangements that determine how public decisions are made and how public actions are carried out. This perspective emphasizes the need to maintain a country's constitutional values amid changing problems, actors, and environments. However, this definition only captures public governance and is therefore a specification of the broader idea of social-political governance.

Government can impose its will on society through the state-sanctioned use of force. This capacity to resort to force is what ultimately defines government. Governance, on the other hand, refers to the ability to make and enforce rules and deliver services, regardless of whether the government is democratic. This adds another layer to the concept: even a non-democratic state still needs to be governed.

With globalization, governance has become more diffuse. Instead of governments holding a monopoly over governance, multiple actors now share in rulemaking and rule interpretation. Governments remain sovereign, but their influence is reduced. The traditional model of public administration was based on the untrammelled exercise of authority, but today, more interest lies in governance ideas.

Governance is broader in scope than government. While governments have indeed lost power to some extent, governance has gained relevance.

## Governance in Public Management: Bevir and Rhodes

Bevir and Rhodes identify seven distinct definitions of governance:

1. Governance as corporate governance.
2. Governance as the New Public Management (NPM).
3. Governance as good governance.
4. Governance as a socio-cybernetic system.
5. Governance as international interdependence.
6. Governance as the new political economy.
7. Governance as self-organizing networks.

International agencies such as the IMF and World Bank have actively promoted better governance in developing countries, recommending specific structures that define "good governance." This concept often seeks to blend NPM with the principles of liberal democracy.

## Corporate Governance

Corporate governance refers to the rules governing companies, both internally and in terms of their regulation by governments. It is essentially about how power is exercised over corporate entities. It includes the responsibility



of directors and overall accountability. Interest in corporate governance has grown, particularly after scandals like Theranos and Enron. In response, the Sarbanes–Oxley Act was enacted in the US in 2002, imposing more stringent corporate responsibilities and financial disclosure requirements.

Importantly, the role of government is not necessarily dominant in corporate governance. Corporate and social-political governance are similar in that they are both subcategories of the broader governance concept.

## Governance as the NPM

The NPM reform movement required a specific governance definition. In fact, NPM was largely about governance. Its use of the term was so pervasive and unique that it justified considering NPM itself a new definition of governance.

Bevir and Rhodes refer to Osborne and Gaebler as theorists of the NPM. They distinguish between policy decision-making (steering) and service delivery (rowing), arguing that governments should focus more on steering and less on rowing. However, Osborne and Gaebler never actually mention NPM by name. Their usage of governance remains standard, and they claim it cannot be contracted out.

## Governance and Networks

Rhodes argues that governance has too many meanings to be useful, but suggests that it can be salvaged by defining it as self-organizing, inter-organizational networks. According to him, this is the only relevant definition of governance.

Governance networks are more or less stable patterns of social relationships between mutually dependent actors that form around complex policy issues or programs. The self-organizing aspect is a significant departure from mere consultation. Whereas public policy used to be a matter of bureaucracies and markets, networks have emerged as a third organizational form. These networks exist independently from government, making and implementing policies themselves. Governments bring about results by engaging with these networks, rather than commanding or contracting them directly.

A government can issue an edict or engage in a contract, but networks offer a third mechanism. Networks capture the dynamics of politics, including the interactions of individuals and interest groups that shape decision-making. Although governments still play a role, they are increasingly dependent on non-governmental players. This does not imply a loss of power, but rather a new way to achieve the same objectives.

Pollitt critiques the network-centric approach, arguing that networks are not new and questioning how they interact with traditional systems of accountability. Over-reliance on networks can lead to unpunished misconduct and excessive influence.

In the Netherlands, where political coalitions frequently shift, bureaucracy and networks can serve as useful alternatives. In contrast, Anglo-American countries tend to have more stable political systems.

Ultimately, defining governance strictly as networks, NPM, or corporate governance is too narrow. Governance is about how to run organizations and how to set up processes that allow them to function.

## Tight Governance and Loose Governance

Tight governance is characterized by steering methods based on clearly defined objectives, rigorous instructions, and meticulous follow-up. Examples include military organizations, totalitarian political systems, and industries following Taylorism or scientific management. Old-style public administration and NPM managerialism fall into this category.

Loose governance, on the other hand, is associated with trust, empiricism, and cooperative environments. It promotes innovation, adaptability, and learning. It avoids rigid rules and instead relies on subtle signals and shared confidence.

However, both models carry risks. Tight governance can lead to complaints about overregulation, red tape, and government failure. Loose governance may foster gullibility, laxity, waste, and corruption.

## The Usefulness of Governance



Despite its many definitions, governance remains a useful concept. At its core, governance is about running organizations and establishing the structures needed to do so. Good governance principles are essential across organizations and government agencies. According to IFAC and CIPFA, good governance ensures that entities achieve intended outcomes while acting in the public interest. This involves:

- Behaving with integrity and respecting the rule of law.
- Ensuring openness and stakeholder engagement.
- Defining outcomes in terms of sustainable benefits.
- Optimizing interventions for goal achievement.
- Assessing organizational capacity and leadership.
- Managing risks and performance through control and financial management.
- Implementing good practices in transparency and accountability.

These principles rest on five key points:

1. Agreement among participants and stakeholders on the organization's purpose.
2. Agreement on rules for how the organization is to be run.
3. General commitment to behaving within those rules.
4. Clear separation between governance and management.
5. Accountability mechanisms flowing from management to governance.

## Conclusion

The term governance is sometimes so overburdened with meaning that its original definition is obscured. But at its core, governance is about running organizations, both public and private. It involves steering, solving societal problems, and building structures that are not necessarily political.

Governance acknowledges the contributions of non-governmental actors and reflects the reality that governments no longer have a monopoly on influence. That said, governments are not disappearing, and the extent of their power reduction may be overstated.

Governance provides a valuable lens through which to understand how rules, processes, and institutions enable organizations to operate. It is not limited to the public sector or to democratic contexts. Most importantly, it signals a departure from traditional administrative models.

## Chapter 7 - Accountability

### Introduction

Accountability is required so that the government can affirm it is operating in the interest of the community it governs. Government organizations are created by the public, for the public, and therefore need to be accountable to the public. There can be no accountable governance without proper accountability arrangements in place.

Bovens identifies two distinct conceptions of accountability. The first is **accountability as a virtue**, meaning a set of standards for the behaviour of actors and a desirable state of affairs. The second is **accountability as a mechanism**, referring to a specific social relationship involving an obligation to explain and justify conduct. These two ideas are interconnected: to achieve compliance with desirable standards, mechanisms must be implemented.

### The Idea of Accountability

The government holds coercive powers, backed by the police and armed forces, and its actions must always be grounded in law. Every action of the government must be traceable to an individual within the governing



apparatus. Without these principles, the government risks becoming omnipresent and omnipotent. Accountability is therefore fundamental to any society that seeks to be democratic, that is, responsive to the people.

According to Bovens, accountability is a relationship between an actor and a forum. The actor has an obligation to explain and justify their conduct. The forum can ask questions, pass judgement, and the actor may face consequences. The actor can be an individual or an organization, and the forum can likewise be an individual, an institution, an agency or a body, including private sector entities.

Accountability is fundamentally about **justification and explanation**. It should not be confused with responsibility.

- **Accountability** means that someone in the organization, at every level, can be praised or blamed for a decision or action. Accountability flows upward.
- **Responsibility**, on the other hand, typically flows downward. A higher-level official is responsible for the actions of subordinates, but is not necessarily personally accountable for them. Responsibility is a less precise concept.

## Accountability in the Private Sector

Accountability is a core feature of the private sector, built primarily on **contracts** and **ownership**.

Contracts require that parties demonstrate compliance with agreed terms. Both rights and responsibilities are defined, and legal systems provide enforcement. In this context, accountability is central to **agency relationships**, where one or more individuals (principals) engage another (agent) to perform a service and delegate some decision-making authority. The agent is expected to act in the shareholders' interests. This gives rise to potential **agency problems**, which can be mitigated through layered accountability.

Some accountability mechanisms in the private sector include:

- Continuous performance measurement through share price fluctuations.
- Competitive capital markets.
- Threat of takeovers, mergers, or insolvency.
- Consumer discipline in case of poor service or product quality.

Private organizations face strong performance incentives at all levels. No one's position is guaranteed. This environment fosters a well-understood system of incentives, as argued by Friedman and Friedman. These mechanisms have inspired similar reforms in the public sector, as seen in Hood's work on the New Public Management (NPM).

Privatization of government functions has often been justified as a means to improve accountability. The idea is that private managers are more accountable and face fewer agency problems.

Yet, private sector accountability is not perfect. Credit ratings may be flawed, managers can override boards, and incentives need continual refinement. Still, private companies often display stronger accountability than public enterprises performing similar tasks. Allowing the private sector to provide certain services may leverage its stronger accountability mechanisms.

In contrast, the public sector lacks clear bottom-line performance indicators, making accountability more complex.

## Political Accountability

Unlike the private sector, which lacks political accountability, government involves the whole of political society. The traditional administrative model sought to **depoliticize** the public service, leading some public servants to feel unaccountable for outcomes. However, accountability should link administration to political leadership and ultimately to the public.

Woodrow Wilson's vision of a clear separation between political leadership and bureaucracy is now seen as unrealistic. Moreover, elections are no longer viewed as the ultimate tool for accountability. Electoral impacts of political scandals or public service failures are often minimal. Accountability exists and is needed beyond electoral systems, in all forms of government.

Two key principles underpin political accountability in developed countries:



1. Someone is always accountable.
2. Actions must be based in law.

In **parliamentary systems**, a minister heads each department, and accountability flows through a clear bureaucratic hierarchy. Every government act is ultimately considered an expression of the voters' will, as the executive and legislative branches are fused.

In **presidential systems**, the separation of powers creates a different accountability framework. Written constitutions require judicial interpretation, increasing the role of courts. Though formal fusion is absent, informal links often exist. Federalism introduces further complexity, as constitutional powers are divided between federal and state governments. In the US, bureaucracies are theoretically accountable to the executive, but in practice, a clear separation is difficult.

Both systems have struggled with the enduring myth of a strict division between bureaucracy and political leadership. This has enabled bureaucrats to avoid accountability under the guise of anonymity. Furthermore, accountability tends to focus on **errors**, not **achievements**, which discourages innovation and risk-taking.

## Bureaucratic Accountability

In the traditional model, bureaucratic accountability was mostly equated with political accountability. Behn identifies three types of accountability, often referred to as **PFF**:

1. **Accountability for finances**: "Accounting" in its original sense.
2. **Accountability for fairness**: Avoiding abuse of power and ensuring equitable treatment of citizens.
3. **Accountability for performance**: Achieving public goals, which requires defined objectives, performance benchmarks, and measurement tools.

The third type is especially controversial, as traditional public administration emphasized procedures over results. In practice, these three forms of accountability may conflict. For instance, strict financial compliance could hinder performance effectiveness.

Romzek offers a more nuanced framework with four types of accountability:

- **Hierarchical**: Based on supervisory authority and organizational rules.
- **Legal**: Based on adherence to external standards and regulations.
- **Political**: Based on responsiveness to external stakeholders and clients.
- **Professional**: Based on expert norms and personal responsibility.

These types may coexist within the same organization, and a single actor may navigate multiple accountability relationships. Romzek also notes that managerial reform shifts emphasis from legal and hierarchical forms toward political and professional ones.

## Managerial Accountability

In the traditional model, accountability flowed strictly through formal hierarchies. The managerial model introduces a more **flexible** and often **more political** concept of accountability.

Traditional administration was not client-responsive and focused inward. Managerial reform altered this, encouraging interaction with external actors and greater responsiveness. Public management allows, and even requires, openness to stakeholders.

## Accountable Management

Managerialism emphasizes **achieving goals**, not merely complying with procedures. This includes improving client responsiveness and using resources effectively.

Key features of **accountable management** include:

- A clearer specification of what organizations do, making achievements (or failures) more visible.
- The introduction of personal accountability mechanisms, possibly through contracts, and assigning senior figures responsibility for systemic issues.



- A model of **retrospective accountability** (trusting agents while verifying outcomes later). Rather than just imposing more rules, as in the traditional model, managers are judged on results. Trust is not eliminated but complemented by verification.

## The Problem of Corruption

Corruption refers to using public office for private gain. It involves diverting public funds or privileges for personal enrichment and breaks the link between the governing and the governed. It occurs in all societies and stems from self-interest.

Two key strategies are used to combat corruption:

1. **Enforcement:** Punishing wrongdoers to deter misconduct.
2. **Transparency:** Creating institutional designs that promote accountability and reduce opportunities for corruption.

Manion adds a third component: **education**, to cultivate ethical standards and awareness. She also argues that organizational structures should be designed assuming managers may act opportunistically. Tasks should be evaluated by multiple actors to prevent abuse.

Hong Kong provides an example where an anti-corruption bureau contributed actively to program design and institutional checks. A multidisciplinary team including engineers and accountants worked to reduce risk. In the end, **better management** remains the most effective strategy against corruption.

## Managerial Reform and Accountability

The shift to managerial accountability raises some concerns. When public managers are made responsible for specific objectives, political accountability may weaken. Accountability becomes market-based rather than grounded in democratic institutions. Yet, performance reporting can enhance transparency.

The emergence of **self-organizing networks** complicates accountability further. These networks may craft public policy without any governmental involvement. If networks govern without being accountable to the public, democratic legitimacy is threatened.

The managerial model borrows heavily from the private sector. However, the superiority of private practices should not be assumed. A case-by-case evaluation is necessary. Bureaucracies might gain effective power through managerialism, and large administrative structures are hard to challenge, with citizens rarely achieving victories.

While traditional accountability structures may have been unrealistic or inadequate, their displacement has not led to clearly superior replacements. The public sector has not become **unaccountable**, but perhaps has simply traded one flawed system for another.

# Chapter 8 - Stakeholders and External Constituencies

## Introduction

One of the key aspects marking the transition from administration to management is the increased attention to agencies and actors outside the traditional bureaucratic system and beyond the immediate control of public organizations. The management of stakeholders in this new context differs significantly from the traditional administrative approach.

There is both a real and perceived need inside bureaucracies to actively manage external relations. Interest groups, in particular, are now seen as playing a far greater and often positive role in the policy and administrative process. As managerial reforms have advanced, there have been more occasions to cohesively involve these groups in the achievement of public goals.

## The Need for an External Focus

Every organization must be aware of the world outside its walls. This includes understanding the broader context in which it operates, identifying opportunities and threats, and responding accordingly. This necessity is even



more pressing in public organizations, which are deeply influenced by external bodies and actors. Unlike the private sector, the public sector's work has a direct effect on the general public. Taxpayers feel a sense of ownership over public sector institutions, and as a result, public organizations face greater scrutiny and media coverage. They are also subjected to public accountability: bureaucracies are accountable to the public.

Additionally, public sector organizations do not possess control over their own goals or resources. The goals are assigned, not chosen by the organization. The financial resources are not for internal enrichment, and factors of production cannot be allocated based on internal priorities.

According to Allison, public sector organizations must manage three types of external relationships:

1. Coordination with other units within the same organization or department.
2. Interaction with independent organizations, such as other parts of government, businesses, and interest groups.
3. Engagement with the press and the general public.

Managerial procedures are required to coordinate multiple bureaus and to work with organizations that are not under the agency's control but can still influence its operations. Public relations also play an important role. Failure to adequately consider external relations can hinder an agency's ability to meet its objectives.

## External Relations in the Traditional Model

In the traditional model of public administration, the organization's attention was directed inward. The strict separation between policy (the realm of politicians) and administration (the realm of bureaucrats) meant that external engagement was seen as the responsibility of elected officials. A strong commitment to political neutrality further discouraged public servants from interacting with external stakeholders.

In the United States, this strict separation was not applied to the same extent as in parliamentary systems. However, a similar division of labor existed between political appointees and career administrators. While US agencies were relatively open, and many external contacts were managed by political appointees, career administrators usually did not engage with outside actors.

Using Allison's categories as a reference:

- Coordination was either poorly handled or entirely neglected.
- Relationships with independent organizations were considered a political responsibility. Interest groups were barely tolerated by public servants and interaction with them was left to elected officials, often under the assumption that these groups were simply lobbying for funding.
- The press and media were viewed negatively by bureaucrats and, once again, left to politicians.

The strict bureaucratic model emphasized internal self-sufficiency and assumed no need for outside help. As a result, it was not designed to permit meaningful participation by external actors.

## External Relations as a Management Function

A significant change brought by the managerial model is the belief that bureaucracies themselves should manage their external constituencies. Public servants now pay much greater attention to all the aspects previously outlined by Allison.

- **Coordination** has improved due to strategic management practices that clarify each department's roles. Financial resources are now directed toward priority areas. There is a growing push for "whole-of-government" solutions to problems that were once confined to individual departments.
- **Dealings with independent organizations** are now recognized as political processes involving public servants. These relationships involve compromise, negotiation, and even diplomacy, turning public servants into active players rather than passive administrators.
- **Engagement with the press and the public** is now considered a core function of public management. Agencies have come to understand the press can be an ally if approached strategically. Dedicated press offices and publicity teams have become common features.



The anonymity of public servants has diminished. Many are now publicly recognized figures associated with their agencies and known for their viewpoints. They are free to speak publicly and contribute to public discourse.

## Interest Groups and Policy Communities

Interest groups are defined as organizations that are independent from the government but often work closely with it, aiming to influence public policy. They serve as institutionalized links between the state and major sectors of society. Although they were seen in a negative light for most of the 20th century, their role has shifted dramatically.

Today, managing relationships with interest groups is considered an essential part of stakeholder management. These groups perform systemic functions: they facilitate communication between their members and the state, and they lend legitimacy to the demands their members make.

In the 1960s and 1970s, the activities of interest groups exposed the inadequacies of the traditional administrative model. Nowadays, a manager's job includes dealing with these organizations, and bureaucracies often rely on them for policy formulation.

Policy is no longer simply made by politicians or in collaboration between politicians and bureaucrats. It increasingly results from interaction between the public sector and interest groups. PROSS describes a policy community as being composed of government agencies, pressure groups, media, and individuals such as academics who share an interest in a specific policy area. These communities make the policy system more dynamic and inclusive. Some bureaucracies are so closely aligned with particular groups that they serve as their institutional representatives. The policy community theory, developed in the 1970s and 1980s, highlighted weaknesses in the traditional model's policy-making process.

## Networks

Particular interest groups are not only involved in making policy, but also in its implementation. Networks are deliberate initiatives by governments to pursue public goals, where all partners have measurable responsibilities and where collaboration produces greater public value than isolated action.

Rhodes goes further by claiming that networks are a third mode of coordinating and allocating resources, alongside markets and bureaucracies. While policy community theory envisions dialogue between many actors including the government, Rhodes' network theory sees self-organizing entities as the sole players in policymaking, with the government playing a passive role.

SALAMON describes this as a system of third-party government, where essential elements of public authority are shared with a range of non-governmental or inter-governmental actors. These systems are often so complex that they challenge both comprehension and effective control.

Relying on third parties does not diminish the government's role. Rather, it reflects an acknowledgment of the limitations of an inward-focused traditional model and the necessity of external partnerships.

## Collaboration and Co-Production

In the traditional public administration model, the delivery of services was primarily one-way: the government provided services directly, often on bureaucratic terms. Clients had no role in shaping or contributing to the services they received.

Early managerial reforms attempted to involve citizens through consultation and participation. However, modern views recognize that better outcomes can be achieved when clients and external actors are genuinely included in the process.

**Collaboration** occurs when multiple parties work together to solve a problem that affects them all. Bardach defines it as any joint activity by two or more agencies that increases public value through cooperation rather than isolated action. Limiting this concept to agencies is too narrow.

**Collaborative governance** involves all parties having a hand in defining not only the means to achieve a goal but the goal itself. This model emphasizes values like equality, adaptability, and discretion, which conflict with the hierarchy and procedural rigidity of traditional bureaucracy.



**Co-production** refers to outcomes that require active participation from citizens. Citizens contribute time, effort, information, or compliance to achieve organizational purposes. Co-production is:

- Conjoint with agency action or prompted by it.
- At least partially voluntary.
- Capable of producing private or public value in the form of outputs or outcomes.

Examples of low-level co-production include citizens filling out tax forms or providing witness statements for police investigations. Many people assist the government in its mission in informal but impactful ways. Managers must now acquire new skills to engage clients and foster meaningful co-production. There is no universal method for doing so.

## Accountability Issues

Increased focus on external actors can challenge political neutrality and accountability. Unlike the traditional model, public managers now engage directly with the public and are held accountable for both successes and failures. They carry the benefits of visibility but also the risks of politicization, being seen as advocates for particular policies in a partisan sense.

Kettl describes this phenomenon as “pluralism on steroids,” particularly within networks. While these arrangements can generate great results, they require someone to be clearly accountable.

In the US, the “iron triangle” consists of:

- Interest groups.
- Bureaucracies.
- Relevant congressional committees.

This arrangement can marginalize citizens and taxpayers. While some overstate the power of these groups, hierarchical structures still play a final role.

## Over-Reliance on Groups

From a theoretical perspective, the role of interest groups in policymaking has been debated.

**Pluralist theory**, developed in the US in the 1950s and 1960s, argues that competition between groups enhances policymaking. Government serves as a neutral umpire between groups. According to this theory, no single group dominates, and public decisions are shaped by inter-group rivalry.

Although pluralist tendencies exist, this theory oversimplifies reality. It is unrealistic to claim that interest group involvement automatically ensures democracy or that governments are mere bystanders. Not all groups are equal, and their combined influence can overlook marginalized interests like consumers.

An opposing theory highlights that smaller groups may be more willing to fight for their interests due to having less to lose, which can give them outsized power.

**Stigler’s capture theory** contends that interest group involvement typically leads to negative outcomes. According to this view, regulatory agencies become co-opted by the industries they are supposed to oversee. Deregulation results, and government oversight weakens.

# Chapter 9 - Regulation, Contracting and Public Enterprise

## Introduction

Governments interact with businesses in various ways, primarily through taxation and regulation. In some cases, entire companies owe their existence to government contracts. As a result, lobbying efforts by businesses are often directed at achieving commercial advantages through public sector involvement.

There are three major aspects that define the relationship between governments and businesses:

- **Regulation.**



- **Contracting out.**
- **Public enterprise.**

Each of these dimensions has experienced major transformations in recent decades, driven by the broader trend of managerial reform. There has been a general shift away from public enterprise through privatization, while regulation and contracting out have become increasingly central. Regulations today are generally **pro-competition**, and **contracting out** includes a specific subset: **public-private partnerships (PPPs)**, where the private sector, especially in infrastructure, plays a key role via long-term contracts with the government.

The ability of governments to intervene in the private sector re-emerged briefly after the Global Financial Crisis (GFC), but this was not a lasting shift.

## Regulation

Regulations can be classified as either **economic** or **social**. Social regulations are aimed at protecting citizens, including environmental laws or rules regarding employment. However, economic regulations often overlap with social ones, such as employment laws that serve both economic and social goals.

At the core of all regulation is the **monopoly on the lawful use of compulsion and force** that governments hold. Regulation allows governments to impose rules that are necessary to make markets function efficiently, **antitrust laws** being a primary example.

To support the functioning of markets, several basic regulatory elements are required:

Contract enforcement is essential. If contractual commitments could be broken freely without consequences, trust in the market system would erode. For markets to function, institutional mechanisms must exist to ensure contracts are upheld.

Although markets could theoretically exist without secure property rights, their performance would be poor. Secure property rights encourage greater care, responsibility, and engagement from economic actors.

Other institutions, such as **private banks, rating agencies, and stock markets**, also enhance market functioning but are not regulatory in nature per se.

Despite their necessity, **regulations are often controversial**. In many contexts, efforts have been made to **deregulate** markets, removing regulatory constraints deemed excessive or counterproductive.

## Financial Regulation

This includes oversight of:

- Interest rates.
- Banking and financial institutions.
- Exchange rates.
- Foreign investments.
- Company registration and director disclosure requirements.
- **Accounting standards.**

Investors must be able to make informed decisions. To facilitate this, information must often be provided in a standardized and prescribed form.

The **Sarbanes-Oxley Act (2002)** was introduced in response to accounting scandals and is a key example of regulatory reaction to market failure. However, the **GFC revealed even greater failures** that were often caused by **inadequate regulation**.

## Restrictions on the Supply of Goods and Services

Regulations can allow or prohibit activities in the private sector by setting limits on:

- Price.
- Quantity.
- Quality.



- Product and service standards.

Sectors commonly affected include transportation (taxis, airlines, trains), media (radio and TV broadcasting), and gambling. These regulatory regimes often form part of wider public sector reforms.

## Occupational Licensure

Many professions require a **state-issued license**. While some view this as a restriction of individual economic freedom, this argument is generally considered too extreme to be taken seriously.

## Standards

Standards can either be **industry-defined** or **government-mandated**. While not all standards are enforced via regulation, many, such as safety or food standards, are. Globalization has also led to the creation of **international standards** to ensure compatibility and quality across borders.

## Competition Policy

This branch of regulation ensures that firms compete fairly. Without such regulations, **collusion, cartels, price fixing**, or **mergers with competitors** could occur unchecked, undermining fair market dynamics.

Critics of government regulation argue the following:

- Monopolies are rare, and therefore government intervention is not justified.
- Markets are **resilient**, and monopolistic distortions are uncommon.
- Government interference violates the principles of **liberty and justice**.

## Environmental Regulation

Environmental problems often involve **externalities**, which are effects not captured in the economic transaction itself. Only through government intervention can the public interest in environmental protection be preserved. Environmental regulations have grown in scope since the 1960s. Instruments like **tradable permits** have been developed to address pollution and emissions.

## Responsive Regulation

The debate between “more regulation” and “less regulation” has led to a new regulatory approach: **responsive regulation**.

Rather than simply reacting to breaches of the law, modern regulation focuses on **achieving outcomes**. This includes the **regulatory pyramid** concept: mild responses are used initially, and more severe penalties are introduced only if necessary. According to Sparrow, there's no need for a pendulum swing between strict and lenient regulation, as responsiveness is the middle path.

## Contracting Out

One of the defining characteristics of the **New Public Management (NPM)** movement is the emphasis on **competition**. Hood listed it as one of the central features of NPM, which also includes management by results, performance focus, disaggregation, parsimony, and private sector styles.

**Contracting out**, or outsourcing, is based on the assumption that introducing competition leads to **lower prices** and **better quality**. The practice itself wasn't new, but the scale and scope expanded dramatically.

Governments contract out supplies and services to private companies. **Transaction cost theory** suggests that in some cases, outsourcing is more efficient than internal provision. Although private firms require profit margins, they can often operate more efficiently than government agencies.

However, **ensuring compliance** and monitoring contracts demands highly skilled public servants, so contracting out does not always reduce bureaucratic complexity.

Introduced in 1988 in the UK, **CCT (Compulsory Competitive Tendering)** required local authorities to subject certain services to competitive tendering at fixed intervals, following national guidelines. However, this reform clashed with the principle that **managers should decide whether to outsource**. It quickly became unpopular.



## Public-Private Partnerships (PPPs)

PPPs have become increasingly popular in recent decades. They aim to combine public and private resources to achieve societal goals. Typically used in **infrastructure**, these partnerships involve long-term contractual arrangements in which **risk, cost, and benefit** are shared.

PPPs are a **special kind of contract**. Notable examples include:

- **BOOT** (Build, Own, Operate, Transfer).
- **LBO** (Lease, Buy, Operate).

These agreements can speed up project delivery, especially in areas like **toll roads** or **urban development**.

In the UK, **PFI (Private Finance Initiative)** introduced PPPs as a mainstream tool, supported by both sides of Parliament. However, over time, it became apparent that PFIs were being used to **bypass government borrowing limits**, and accounting changes later made these schemes less attractive.

Five distinct categories of public-private partnerships:

1. **Institutional cooperation** for joint production and risk sharing.
2. **Public policy networks**.
3. **Civil society and community development projects**.
4. **Urban renewal** and local economic revitalization.
5. **Long-term infrastructure contracts** (LTICs).

PPPs, while preferred in the early 21st century, were never dominant. In the UK, they accounted for only **11% of government investment**.

Their main challenges include:

- Contract length (often **30 years**), which raises issues around **changing conditions** and **successor accountability**.
- Difficulty in **performance measurement**.
- High **transaction costs** in managing complex contracts.

## Public Enterprise: Government as Producer

Starting in the 1980s, particularly under Thatcher in the UK, many countries pursued **privatization**, reducing the scope of government by selling state-owned enterprises and contracting out services.

Public enterprises operate on the boundary between public and private sectors. Between 1979 and 1993, the UK reduced public enterprise from **11% to 2%** of its economy. Over 7,000 enterprises were privatized during this period.

During the **GFC**, public ownership briefly returned as governments bailed out key industries to prevent collapse.

### Reasons for Establishing Public Enterprise

There are multiple reasons for establishing public enterprises:

- **Correcting market failures**, such as natural monopolies, externalities, or the provision of public goods.
- **Shaping economic outcomes**, such as redistributing benefits or centralizing long-term planning.
- **Transforming the economic system**, for example from capitalism to socialism.

The goal is **not profit**, but achieving public objectives.

### Kinds of Public Enterprises

- **Statutory authorities** that sell goods/services at scale, keeping revenue for their own operations.
- **Public utilities**, such as water, electricity, and sewerage providers.
- **Postal services**, in some cases still publicly owned despite competition.

- **Enterprises using government coercive power**, such as compulsory commodity acquisition or government insurance.
- **Government-owned corporations** competing in markets (banks, airlines), which have been the main targets of privatization.

## The Privatization Debate

Privatization includes both selling enterprises and contracting out services. The broader aim is reducing the role of government across **production, provision, subsidies, and regulation**.

### Economic Arguments for Privatization

- Market exposure increases efficiency.
- Government spending and taxes can be reduced.
- **Deregulation + asset sales** can boost competition, but only if the enterprise operates in a competitive market.

**Contestable market theory** argues that monopolies are restrained not by regulation but by the potential threat of new entrants.

### Managerial Efficiency

Private sector is believed to be more efficient due to better **incentives** and **accountability structures**. However, real-world data often show **no systematic difference** in performance. The context and **regulatory environment** matter more than ownership.

### Ideological Arguments

While some support privatization as a philosophical preference for markets over state control, there is no irrefutable evidence that the private sector is always more efficient. Most now agree that **running public enterprises is not a core government duty**, and cost-benefit analysis should guide decisions.

### Accountability

Accountability is a common issue across regulation, contracting out, and public enterprise.

- **Regulation** is generally less problematic but can suffer from overly complex rules.
- **Contracting out** raises issues when contracts are secret or excessively long.
- **Public enterprises** face accountability challenges due to:
  - Public ownership.
  - Commercial sales to the public.
  - The need to balance revenue with cost, without focusing solely on profit.

Privatization and accountability are intertwined. While public ownership offers transparency, it also creates blurred lines regarding who is ultimately responsible.

## Chapter 10 - Strategic Management

### Introduction

Strategy is fundamentally about setting directions for the future. Concerns with strategy distinguish management from administration. In the traditional model of public administration, strategy was often regarded as a political matter and therefore left to elected political leaders. This model overlooked the importance of a long-term perspective and, being excessively focused on processes, often neglected the broader purpose or overarching goals of the public sector.

Public management, instead, asks how day-to-day results can be integrated into the larger objectives of the public sector. Without a defined strategy, any organization lacks direction and is likely to behave reactively rather than proactively. Strategy provides the potential for long-term improvement.



## Strategy

The term "strategy" derives from the military, where it referred to winning a war, as opposed to "tactic," which referred to winning a battle. Strategy has also been associated with **game theory**, a theoretical framework that began gaining traction in the 1960s when it was combined with international politics.

In managerial contexts, strategy focuses on the question: "**What do we do next?**" It entails a longer-term view and involves several conceptual dimensions. Across these perspectives, four common elements are usually present:

- **Goals that are simple, consistent, and long-term.**
- **An understanding of the competitive environment.**
- **An objective appraisal of resources.**
- **Effective implementation.**

Strategic decisions tend to share three main characteristics:

- They are **important**.
- They require a **commitment of resources**.
- They are **not easily reversible**.

A general model of strategy typically includes five key aspects:

1. **Purpose:** What is the organization trying to achieve?
2. **Capability:** What internal resources are available, such as human resources, physical assets, and infrastructure?
3. **Will and leadership:** Is there the commitment and leadership to pursue the purpose?
4. **Terrain:** What is the competitive or environmental context?
5. **Tactics:** What are the specific actions taken at a lower level to support the strategy?

## Strategy in the Private Sector

Businesspeople and military leaders alike rely on **plans** to use their available resources in order to meet their objectives. In business, strategy is a critical component, as it enables firms to pursue long-term initiatives and gain a competitive edge by responding to and anticipating changes in the external environment.

The evolution of planning in the private sector can be broken down into five stages:

1. **Budgeting and financial control:** This stage emphasizes the importance of thinking beyond short-term revenue and focusing on **long-term cash flows**.
2. **Long-range planning:** It involves multi-year forecasts of future sales and performance. However, this approach is only effective in **stable environments** with few competitors and low rivalry. It does not perform well under changing conditions.
3. **Business strategic planning:** This is the first approach that is truly strategic. It introduces the concept of an organization's **mission, environmental scans** (such as SWOT and PESTLE analyses), and the identification of specific objectives.
4. **Corporate strategic planning:** This form is more concerned with **higher organizational levels** and offers a **more detailed specification** of strategy, going beyond the scope of business unit plans.
5. **Strategic management:** The most widely used form today, strategic management goes further than strategic planning. While planning focuses on decision-making, **management emphasizes results**. Strategic management seeks to develop **corporate values, managerial capabilities, organizational responsibilities, and administrative systems** that link strategic and operational decision-making. It also stresses the need for **cohesion** between planning, management, and organizational structures, and gives attention to organizational culture.



## Strategy in the Public Sector

Given that strategy originated in the military domain, it naturally applies to the public sector. While administration may not require strategy, **management does**. The public sector tends to follow the private sector in adopting strategic reforms, often with a time lag.

Strategic planning in the public sector is defined as a **disciplined effort** to produce **fundamental decisions** that shape the **nature and direction** of government activities, all within constitutional constraints. It focuses on:

- **High-level decisions**, not operational details.
- Decisions that determine the **nature and direction** of public actions.
- Acknowledging the **limitations** of applying strategic planning directly from the private sector.

## Strategic Planning Models

Olsen and Eadie argued that strategic planning has a legitimate place in public administration. Their model includes:

- **Mission and goal statements**, formulated by executive management, providing a framework for decisions.
- **Environmental scanning or analysis**.
- **Internal profiling and resource auditing**, evaluating strengths and weaknesses of the organization.
- **Formulation, evaluation, and selection of strategies**.
- **Implementation and control** of the strategic plan.

John Bryson proposed a strategic planning framework tailored for the public sector:

1. Initiate and agree on a strategic planning process.
2. Identify organizational mandates (i.e. the legal and operational limits).
3. Clarify mission and values (which can be difficult in the public sector).
4. Assess external and internal environments to identify SWOT factors (traditionally, public administration was criticized for focusing only internally).
5. Identify strategic issues (arise from internal/external analysis).
6. Formulate strategies in response to those issues and in line with mission and values.
7. Review and adopt strategies through formal decision-making.
8. Establish an effective organizational vision (What will the organization look like if the strategy is successful?).
9. Develop an implementation process.
10. Reassess the strategies and planning process periodically.

It was better to encourage strategic thought, action, and learning, rather than rigid adherence. Strategic planning does not remove politics from decision-making. Rather, it helps public decision-makers **navigate** complex environments through the use of structured tools, procedures, and concepts. However, if used too rigidly or with excessive formality, it may become counterproductive.

Strategic planning is not universally suitable at all times, but it is certainly **preferable to relying solely on budgeting or forecasting**.

## Strategic Management

Strategic management has also been adopted in the public sector, but it would be simplistic to say that it **replaces** strategic planning. Instead, it **incorporates** the planning task into a **broader managerial framework**.

Whereas strategic planning may be a standalone exercise, **strategic management** implies:

- A **concern with the long-term**.
- **Integration of goals and objectives**.



- Recognition that strategy is **not self-implementing**.
- An effort not just to adapt to the environment, but to **anticipate and shape it**.
- Awareness of the **political dimension** of strategy.

Nutt and Backoff propose six key steps for public sector strategic management:

1. Understand the **historical context** and environmental trends that affect the organization's direction.
2. Examine the **immediate situation**, including SWOT analysis.
3. Set the **agenda**.
4. Develop **strategic options** to manage priority issues.
5. Evaluate **stakeholder implications** and **resources required** for each option.
6. **Implement** priority strategies by mobilizing resources and managing stakeholders effectively.

### Implementing Strategic Management

Implementing strategic management, or any strategic plan, requires more than assigning the task to a specialized planning branch. Isolating planning from the rest of the organization weakens its impact. Instead, strategic management aims to **embed** the planning mindset throughout all stages of the managerial process, ensuring that strategy is part of daily operations rather than an abstract exercise.

### Public Value and Strategy

The idea of **public value** provides an alternative framework for understanding strategy in the public sector. Mark Moore introduced this concept, suggesting that the primary goal of public management should be the **creation and maintenance of public value**, similar to how the private sector creates private value.

Moore developed a strategic triangle, according to which, public managers operate within a triangle of:

- **Legitimacy and support** (the authorizing environment).
- **Operational capacity**.
- **Public value**.

Creating public value involves balancing all three components. This framework gives public managers a renewed sense of purpose.

However, this approach raises **accountability concerns**. Critics argue that public servants might bypass traditional democratic checks by relying on their own sense of the public interest. Moore acknowledges this tension and argues that drawing a rigid line between policy and administration is both **theoretically flawed** and **practically unworkable**. A more refined definition of public value, he claims, could help transform necessity into virtue.

### Issues for Strategy

Several issues can limit the effectiveness of strategic planning and management in the public sector:

1. **Simplistic models:** Tools like SWOT can be too simplistic and superficial, particularly for internal analysis. Yet, such analysis is essential for effective planning.
2. **Slow response times:** Strategic plans may not adapt quickly enough to a changing environment. This can be addressed through **regular updates**.
3. **Public sector differences:** Applying private sector models directly may lead to strategic plans that are ornamental rather than functional.
4. **Accountability concerns:** Planning does not replace political decision-making but complements it. Successful implementation requires engagement from both line managers and policymakers.
5. **Difficulty in setting objectives:** Public agencies often struggle to define their goals. There are two potential responses:



- The **imprecision** of objectives might not be unique to the public sector. Business ethics debates also challenge the primacy of profit, sometimes favoring stakeholder responsibility or long-term survival.
  - The use of **ideals** may help shape objectives, even if they are not precise.
6. **Short time horizons:** The public sector often operates within short-term cycles that hinder long-term planning.
- Planning should be **flexible**, involve stakeholders, and serve as a management aid rather than an end in itself.
  - Overly rigid planning is ineffective, but **too little planning** leads to chaos and inefficiency.

## Conclusion

Strategic planning and strategic management should not be treated as one-off tasks. What truly matters is not the existence of a plan, but the **planning process and strategic thinking** behind it. These approaches offer **direction and purpose**, which are essential in the transition from traditional public administration to **modern public management**.

## Chapter 11 - Managing People and Leadership

### Introduction

Public sector reforms have significantly reshaped how government operates, including changes in office organization, staffing procedures, and leadership dynamics. One of the most affected areas has been personnel and human resources management.

In the era of **administration**, it was extremely difficult to dismiss poorly performing staff. Jobs were effectively for life, and recruitment happened only at the base grade. There was a trade-off in place: strong job security and generous benefits were counterbalanced by slow promotions and relatively low salaries.

With the transition to **management**, individual responsibility for the achievement of results became central. Leadership became a valued component of public administration, and leaders began to be actively recruited. Performance took on a much more prominent role. The shift from traditional personnel administration to **human resource management (HRM)** also reflected this evolution, placing employees at the center of organizational strategy. They were now considered as "resources," occupying roles of strategic importance.

As HR managers began moving across sectors and public employees were no longer viewed as a special or isolated category, the reforms became more visible. Nonetheless, the initial changes (reduction of retirement benefits, introduction of short-term contracts, and merit-based pay systems) were highly controversial. Over time, a new generation of public servants emerged, and these transformations were gradually normalized.

### Staffing in the Traditional Model

The **Weberian model of bureaucracy** placed strong emphasis on staffing. Employees pursued public sector employment to access specific benefits: appointment by superior authority, job stability for life, promotion pathways, and guaranteed pensions. These employees were considered a distinctive elite within society. Even when the elite vision faded, many structural privileges remained intact.

Until the 1970s, most new public workers entered via competitive examinations administered by separate governmental agencies. Positions were assigned at the base level, and promotions followed in a regular, seniority-based manner. The ultimate goal was to become department heads. However, such a rigid hierarchical system was increasingly inadequate in rapidly changing environments. The core aim of personnel management (**selecting, appointing, and developing the best workers for the required tasks**) was poorly achieved in this model.

### Features of a Typical Career Service Model

- **Recruitment based on merit.**
- **Unified public service.**



- **Non-political and independent control** of recruitment and employment conditions.
- **Regulations that discourage external recruitment** above base grade.
- **Legal protection** against arbitrary dismissal.
- **Hierarchical organizational structure.**
- **Salary classification by position.**
- **Merit-based promotion.**
- **Right to appeal promotion decisions.**
- **Structured retirement and pension systems.**

Originally, recruitment only at the base grade was intended to prepare individuals for a lifetime career in public service. In practice, the extremely slow progression caused talented individuals to leave while retaining less competent staff. This system effectively guaranteed **mediocrity**, discouraged performance measurement, and prioritized **rules and procedures** over outcomes. As a result, capable managers were not drawn to the public sector, but only decent administrators.

## Managing Human Resources

Reforms introduced major changes to personnel systems in order to achieve better performance. Hiring the right people became easier, with the introduction of **shorter contract durations**. At higher levels, it became common for managers to appoint their own staff, following a model inspired by the American system.

**Performance-based pay** became more widespread. Removing underperforming staff also became easier, and seniority nearly disappeared as a determinant of progression.

In the 1960s, the **Fulton Report in Britain** advocated the creation of **accountable units within agencies**, promoted the hiring of outsiders at all levels, and recommended dismantling rigid hierarchical structures. The **Civil Service Reform Act (1970s)** followed similar logic, underlining the need for better management across public institutions.

These changes represented a clear move toward increased **flexibility** and away from traditional rigidity. Between 1995 and 2005, public sector employment was reduced in 9 out of 11 OECD countries.

Despite being controversial and facing resistance from employees and unions, the reforms were part of a broader trend: as the private sector embraced performance measurement and flexibility, it became difficult for the public sector to maintain outdated methods.

Public service began attracting better-educated individuals. The **proportion of women** employed in the public sector rose significantly, often exceeding that in the general workforce. Public organizations in many countries became model employers for women, offering more **flexible hours, generous leave, merit-based recognition**, and greater opportunities for **career advancement**.

Public service plays two primary roles:

1. **Providing assistance and advice** to political leadership.
2. **Delivering services and implementing legislation.**

These two functions, while occasionally connected, are **conceptually distinct**. Organizational strategy is now directly influenced by the **competence of key staff**, and the role of a public manager has become more **complex** than ever before.

## Leadership

In traditional public administration, leadership was largely absent. Only politicians were viewed as leaders, while public servants remained **impersonal and anonymous followers**. Public management changed this paradigm, emphasizing the importance of **individual leadership**. Organizations are made up of people, and those people inevitably **interact** and **influence** one another.

Leadership involves **personal and relational attributes**, not just execution. A manager must **deliver results**, but also **inspire subordinates**, align them with the organization's purpose, and **motivate** them to achieve results.

Leadership thus has two dimensions:



1. **As a personal attribute:** Leadership stems from intrinsic qualities. Some people are born leaders, others are not. Characteristics like **vision, passion, integrity, trust, curiosity, and courage** are essential. Ancient Greek philosophy and Max Weber both explored these ideas. Weber defined **charismatic authority** as one of three types of authority (alongside rational-legal and traditional). Charismatic leaders inspire obedience through personality alone.

However, Weber argued that charismatic leadership is **pre-modern** and should give way to rational-legal authority. Bureaucracies were built to **eliminate charismatic dominance**, replacing it with **career structures, salaries, and expert training**. Despite this, **charisma has made a comeback** in modern leadership thinking, especially in the private sector. Still, Weber's concerns about charisma being **irrational, inefficient, and temporary** remain relevant.

2. **As a positional attribute:** In this view, leadership is tied to the **role** rather than the person. Anyone in a leadership **position** is expected to lead, regardless of innate qualities. Leadership becomes a **job requirement**. But this approach has been criticized as **bankrupt**, especially if it assumes leadership can be centralized in just a few hands. Managerial reforms have also **democratized the workplace**, reducing the validity of autocratic models where everyone feared the boss.

Today, leadership must exist across **all levels** of an organization. The traditional leader who made decisions based on authority and demanded compliance is outdated. Organizations now need **commitment, not just compliance**. Leadership should also emerge **without formal authority**, as part of a **participative culture**. In this model, **collective leadership** is essential to fulfilling the organization's mission.

An OECD report on leadership acknowledges both views: that leadership is at once **personal and positional**.

## Leadership and Management

The relationship between leadership and management is often debated. Is leadership a higher-order function than management?

**John Kotter**, in a private sector context, sees leadership and management as **distinct but complementary** systems. Each has its own function and activities:

- **Management** is about dealing with **complexity**: budgeting, planning, organizing.
- **Leadership** is about dealing with **change**: setting direction, aligning people, motivating.

**Fairholm**, writing about the public sector, supports Kotter's distinction. He views **management** as focused on organizational structures, while **leadership** is about transformation and empowerment.

However, the clear separation between leadership and management may be less meaningful in the **public sector**. Kotter's description of public management sounds much like the old model of public administration (POSDCORB: Planning, Organizing, Staffing, Directing, Coordinating, Reporting, Budgeting). Modern public management includes both **administrative tasks** and **strategic functions**.

Leadership in the public sector is bounded by **legal mandates** and constitutional parameters. Unlike the private sector, it is **more constrained**. Public leaders are expected to innovate and push forward, but within the **legal and political boundaries** of the public service. The higher one rises in the public hierarchy, the more leadership is exercised in place of routine bureaucratic activity.

## Bringing About Change

The personnel system in public administration has undergone profound change. Key components of the **career service** model, such as lifetime employment, protection from dismissal, rigid hierarchies, have **disappeared**.

### Requirements for Leadership

While public managers are increasingly expected to act as leaders, **not everyone is suited to this role**. Some individuals struggle with the expectations that leadership entails.

### Reduced Conditions of Service

There is an inherent contradiction between motivating public employees and simultaneously **reducing the conditions** under which they work. Today, working in the public sector is **less different from private sector**



**employment**, which affects how strongly employees identify with public service ideals.

### Performance Management Systems

These systems are now more **formalized** than before. Though performance was reviewed even in the past, it was done in an **ad hoc** and unsystematic way. The public sector has always emphasized **fairness, transparency, and clear procedures**. Now, performance reviews also function as **instruments of control**. As managers gain greater autonomy, they are simultaneously subject to **greater scrutiny**.

### Performance Pay

Incentive systems such as performance pay aim to reward achievement. However, implementing them in a **fair and transparent** way is challenging. There is a risk they could be used to **reward favorites**, fostering resentment among other employees.

### Problems of Morale

Public administration, once seen as a **noble profession**, is now at risk of demoralizing its workforce. Demoralized staff are naturally **less effective**. As job permanence disappears, public servants may feel **less obligation** to maintain standards or long-term commitment.

## Chapter 12 - Service Delivery

### Introduction

For most members of a society, the main experience of government is as recipients of services provided by that government. Another experience may be participation in the political process. It is generally agreed that public services should provide good service to their clients. However, in reality, many public services still have a long way to go before they can be seen as models of good service provision.

Too often, clients are provided with mediocre services by the public sector, which is far from ideal. Unlike the private sector, governmental agencies cannot choose their clientele. They are bound by rules and subject to public scrutiny. This makes it more difficult for them to offer services in the same way as private organizations. Nevertheless, poor service has a cost, not only in terms of reputation but also in terms of public value.

### Service in Government

Providing good service in government is not straightforward. The word "service" itself can have multiple meanings. In this context, it refers to the act of helping and benefiting others. Service delivery means the production of outputs, which includes the provision of services both to government agencies and to their clients. Transactions are most often between the government and individuals. Service delivery is about transactions and outputs.

There is a distinction between functional quality and technical quality:

- **Functional quality** refers to the expressive performance of a service, what the customer gets.
- **Technical quality** refers to how the customer gets the service.

### Traditional Service Delivery

Before the nineteenth century, the public sector did not deliver services directly. It relied on the private sector to carry out most of its functions. When the state began delivering services, customer service was not a priority, and the quality of government services was generally poor. A central part of the Weberian model of bureaucracy was the concept of the office as a physical place where people worked and where the public interacted with officials. These offices reinforced the superiority of bureaucratic power over individuals, often through elevated desks and other symbolic separations.

Clients were not seen as valued members of society, but as supplicants. This created a clear power imbalance. Visiting a public office became an ordeal rather than a service interaction. Service was unsatisfactory.



## Service Transformation

Over the last two decades, significant transformation has occurred. More effort has been put into improving services to achieve competitive advantage. Emulating the best private sector practices in public services has become a priority.

Improving service delivery was a key element for advocates of New Public Management. Kettl identifies "service orientation" as one of the six big challenges of public management. However, he does not offer a specific roadmap for how this orientation should be achieved, relying instead on vague suggestions about customer focus.

Fundamental change is required. Information technology capabilities and service delivery should interact. Expertise is now held within computers, and services can be delivered from a wide range of unlike government agencies. The transaction is more complex, and client needs and wants should be prioritized over agency convenience.

## Public Service-Dominant Logic

Osborne introduced the concept of public service-dominant logic. Since public services involve delivering services (rather than goods), the principles of service delivery management and service marketing should be applied instead of management principles derived from the manufacturing of goods.

### Goods and Services

There are fundamental differences between services and goods. Public sector activity focuses on services, which are:

- Intangible.
- Based on a different production logic.
- Characterized by a qualitatively different role for the user compared to goods.

In early marketing theory, services were distinguished from goods by four characteristics:

- Intangibility.
- Variability.
- Inseparability.
- Perishability.

However, these differences are not always strict. With the rise of the Internet economy, some features are shared between goods and services, except intangibility, which remains at the core of the service concept. Even tangibility is becoming less relevant. For example, the perceived value of renting a car can be similar to that of buying one. Osborne recognizes that the Internet challenges traditional distinctions between goods and services. Public service delivery needs to focus on the broader concept of "service," rather than on "services" in a narrow sense.

### Co-Production

According to Osborne, as in the private sector, the consumption of public services involves co-production. The consumer plays a role as a shaper, co-producer, and evaluator of the service experience. However, this notion is sometimes overstated. Turning on a light switch, for example, does not imply co-production.

Co-production is not limited to services – it can apply to goods as well. Police and fire services challenge the relevance of the goods/services distinction. In the context of welfare agencies, there are often significant power disparities between the agency and the client, making co-production difficult. Despite its limitations, the concept of co-production remains a useful trend in public management.

## Service Principles

Principles of good customer service include responsiveness, speed of service, access to information, simplicity, respect, empathy, accessibility, and fairness. These features help reduce both tangible and intangible costs.

Customers have expectations based on commitments made by service providers. The OECD developed a framework for measuring public services to citizens based on key principles:



- **Access:** Affordability and geographical proximity.
- **Responsiveness:** Citizen-centered approach.
- **Reliability/Quality.**

More specifically, the California Department of Managed Health Care outlined five service principles (A C T M F):

1. **Access:** Services should be relevant, current, easy to find, and simple to use. They should be geographically dispersed and affordable. 24/7 phone lines and online services can replace old, intimidating offices.
2. **Timeliness:** Agencies must respect clients' time, which has value. Waiting in long lines imposes a cost. Many services no longer require physical attendance. Apps can show waiting times, reducing frustration.
3. **Certainty:** Clients expect staff to be able to resolve their issues without being passed around. This includes making realistic commitments, getting things right the first time, having knowledgeable staff, requiring personal info only once, empowering staff to make decisions, and being transparent.
4. **Manner:** Staff should be friendly and professional. Courtesy, respect, empathy, flexibility, and clear communication are essential. Poor treatment is immediately noticed and generates complaints.
5. **Continuous Feedback:** Customers must be able to provide feedback and see that it is taken seriously. This includes involving staff in planning changes, securing regular feedback, measuring performance, and using appropriate technology.

## Private Service or Public Service

Final service delivery can come from a public organization or from a private provider contracted by an agency. This contracting-out practice has been controversial. There is no guarantee that service quality is better when delivered by either public or private entities. Poor service exists in both sectors.

**Service failure** occurs when consumers feel the service they receive is significantly below expectations. This can involve both the process and the delivery.

## Service Problems at Centrelink

Centrelink is an Australian service provider for federal government payments such as pensions and unemployment benefits. It deals with vulnerable people, so customer service and reliability are essential. The problems lie in the service, not in policy. Communication failures and overloaded channels have hindered service quality.

Although Centrelink later developed online services, these did not fully resolve the problems. Clients often find it difficult or impossible to comply with rules due to service shortcomings. The reputation of the public sector suffers, and the government is increasingly seen as an adversary rather than an ally.

## Service Issues

The differences between the public and private sectors in service delivery are significant.

- **Private vs Public Services:** While there are some parallels, the public sector offers vital services like welfare checks. The private sector offers choice and can be arbitrary. Government cannot. Coercion is a fundamental difference, as the public sector must serve everyone.
- **Asymmetry of Power:** Suggesting that clients are co-producers in an unequal relationship is unrealistic and patronizing.
- **Accountability for Service Performance:** In the private sector, poor service leads customers to go elsewhere. In the public sector, there is often no alternative provider.
- **Resourcing:** Good service is expensive. Providing it requires sufficient staffing and other resources. The private sector risks losing customers, while the public sector must serve all, regardless of cost.
- **Service Delivery Channels:** The public sector must consider equity and accessibility. Clients should not be forced to use ineffective channels, unlike in the private sector where companies can make arbitrary choices.

## Chapter 13 - Managing with Technology

### Introduction

The information and communication technology (ICT) revolution has brought about a transformation of modern economies. It created new industries while making others obsolete and led to an overall increase in productivity. However, it also caused many unsettling effects for a large number of workers. Concepts such as e-commerce, e-business and e-government became central to this transformation.

The ICT revolution coincided with public sector reform, and many perceived a correlation between the two. Nevertheless, several issues emerged:

- Serious design and implementation problems were observed in various jurisdictions.
- According to *The Economist*, many of the failures were not due to the internet itself but rather the poor management of this new resource.

This raises the question: is it even necessary to refer to e-government as something separate from traditional government?

### Technology and the Traditional Model of Administration

Public organizations have always been eager adopters of new technologies, even during the era of traditional administration. Tools like the telegram and the telephone were integrated early.

In the Weberian concept of bureaucracy, the idea of the *office* is crucial. Offices served as repositories for files, which are fundamental to bureaucracy. These files stored information and expertise. Technologies like the telegram and telegraph facilitated the circulation of these files within the hierarchy, enabling approvals to move more efficiently. Before these tools, even making a single copy of a file was a complex task.

### The Beginnings of ICT in Government

Governments were among the first users of computers, notably for decoding messages during World War II and calculating ballistic charts. Since the 1960s, computers were gradually integrated into organizational structures in a non-threatening way. Later, as interlinked computers became widespread within government, a further revolution took place.

The old bureaucratic structures, designed for nineteenth-century technologies, became increasingly outdated. Despite this, e-government changes often occurred within existing organizational boundaries, rather than through a holistic rethinking of how technology could serve the government as a whole.

### The Transition to E-Government

Initially, e-government consisted of simply placing information about the government online. Later, limited interaction became possible, such as placing orders via the internet.

Private firms quickly changed their business models. While B2C (business-to-consumer) transactions were slow to take off, platforms like Amazon proved retailing could be profitable online. B2B (business-to-business) links expanded rapidly. Start-ups often found it harder to adapt.

As the private sector led this transformation, pressure mounted on governments to implement similar innovations.

There are three stages in the development of ICT in government:

1. **Automation:** Using machines to reduce the cost of paper-based work.
2. **Informatization:** Emphasis on liberating information, increasing organizational intelligence, and enhancing flexibility.
3. **Transformation:** Business process re-engineering to reorganize functions across boundaries and enable data sharing.

This brought about new delivery mechanisms, such as digital portals to manage taxation, business registration, and licence fees. Still, many governments remain in low levels of interaction, offering information rather than integrated transactions. Yet the digital future appears unavoidable.



In the late 1990s, technology began to seriously affect how governments were organized. Osborne and Gaebler had previously discussed service and co-production, concepts that gained new relevance.

### **G2C Links – Government to Citizen Links**

- Citizens could access information online and perform transactions like booking travel or renewing licenses.
- Previously, information was centrally held and released reluctantly through hard-to-read printed reports.
- Unlike private firms, governments cannot ignore G2C services. Paper and telephone channels must remain functional to serve those without internet access.

### **G2G Links – Government to Government Links**

- Electronic links between agencies improve service delivery both internally and across different branches and levels of government.

### **E-Government and Service**

E-government can deliver services more efficiently, but too often changes were made within existing organizational boundaries rather than redefining them. Initially, the goal was to reduce costs without altering structures. The next step should be to design services around client experiences, with technology as the facilitator.

## **From E-Government to Digital Governance**

E-government enabled management and service delivery within traditional structures. Digital governance promises more: improving internal processes, reducing costs and inefficiencies.

As the private sector improved efficiency with the internet, the traditional bureaucratic model seemed increasingly outdated.

Technological change also reduced the need for middle managers, whose main role had been information relay and staff supervision. Hierarchy persisted but with fewer levels. Lower-level staff could perform high-level tasks, and electronic tools replaced close performance monitoring.

Local branches became less necessary, though this reduced social interaction.

Thus, while hierarchy and bureaucracy still exist, they have transformed significantly.

### **Digital Era Governance (DEG)**

Digital governance has overtaken e-government as the dominant term for government use of technology. It includes both e-government and electronic democracy.

It is argued that e-government represents a new post-NPM stage in government management. According to Dunleavy, digital era governance has replaced NPM, which was built on:

- Disaggregation.**
- Competition.**
- Incentivization.**

He claims these failed, marking the end of NPM.

In contrast, DEG emphasizes:

### **G2B Links – Government to Business Links**

- Businesses are required to function as e-businesses to work with the government.
- Government contracts make up a significant portion of private sector business in many countries.
- E-procurement simplifies tendering processes, though it imposes compliance requirements on businesses.

### **G2E Links – Government to Employee Links**

- Internal operations are streamlined via computer systems, increasing efficiency. This can be seen as internal organizational change rather than a distinct form of e-government.



- a. **Reintegration:** Reversing NPM's fragmentation, promoting joined-up governance.
- b. **Holism:** Reorganizing around client needs.
- c. **Digitalization:** Automating services and introducing new digital processes.

Dunleavy sees e-government leading to centralization and reintegration.

Digitalization is now the most far-reaching and structurally distinctive influence on governance in developed countries. However, it remains unclear how bureaucracy would be reasserted under this model. It is assumed that ICT will enhance efficiency and that centralized computer systems will reinforce bureaucratic control.

Though it's debatable whether DEG has truly replaced NPM, there's growing agreement that **digital governance** is now the prevailing model. Just as "e-commerce" and "e-business" have faded into general business vocabulary, so will "e-government." Eventually, it will be impossible to imagine government functioning in any other way.

## Problems of Digital Governance

### The Digital Divide

Not everyone is connected, and many never will be. This is less of a problem in the private sector, which can choose to exclude clients, but it's critical for democratic e-government to be inclusive.

Though 77% of the world has access to a phone network, internet penetration remains uneven (only 2% in Niger). Therefore, old channels must remain in place alongside digital ones.

### Privacy and Security

ICT can be used for surveillance and control. Internet and email activities are easily traceable. Governments can now monitor many more people with the same resources.

Keeping sensitive data secure is a growing challenge. The internet enables tracking via GPS, face recognition, and data mining. Many IT services are outsourced, creating concerns about information ownership and usage.

### Digital Politics

Digital governance may change both internal operations and the political system. Online voting and big data analytics are now part of political processes. However, digital literacy has not necessarily created a better-informed public. Problems like misinformation, disinformation, and ill-information persist.

### Difficulties with Implementation

Despite the inevitability of change, implementation remains difficult. Staff may resist, and IT strategies are often expensive and poorly executed. Much public money has been wasted.

Governments often struggle to agree on standards. Bellamy and Taylor caution against exaggerated promises: ICT alone will not solve management problems.

## Conclusion

E-government and digital governance are better understood as extensions of earlier managerial reforms rather than standalone revolutions. Though initially viewed as radical, they are now recognized as essential innovations, tools to make managerial reforms more effective. Technology is indispensable for modern public administration, especially for tasks like monitoring, budgeting, and accounting. However, they are means, not ends, of reform.

## Chapter 14 - Financial and Performance Management

### Introduction

Financial management is central to the very existence of government, as any government activity requires money to operate. The ability to use resources efficiently is crucial. A party or group elected to govern has access to taxation revenues to spend, while an opposition does not.



Budgeting has become increasingly linked to agency and programme performance. In the traditional administration model, performance measurement was unsystematic, while in managerial approaches it is used systematically. Budget allocations now come with expectations regarding performance, along with the risk of future repercussions, such as budget cuts or performance-related pay.

Reforms to financial management have been one of the key aspects of overall public sector reform.

## The Government Budget

The budget is the centrepiece of government financial management and the locus of activity for the entire bureaucracy. It includes estimates, revenues, and expenditures for the government's budget sector. Its functions are both economic and financial. The budget helps determine the health of the overall economy, guides budget allocations, reflects political priorities, and shapes society itself. Some groups or sectors are inevitably favored. It is an inherently political procedure, aiming to reconcile diverse and often conflicting political demands.

### Economic Functions of the Budget

Through the budget, the government influences the entire economy. However, this influence always represents a compromise between conflicting aims. The three main economic policy areas reflected in the budget are:

#### Allocation Policy

This concerns the relative size and scope of the public and private sectors, and determines which activities should be carried out publicly versus privately. Both government expenditure and taxation policies influence how resources are allocated and distributed in the private sector. For instance, deciding to invest in a toll road or to apply a tax or subsidy will have immediate effects on private actors.

#### Distribution Policy

The government seeks to address, to some extent, inequalities in wealth and income among citizens. This involves providing assistance to lower-income individuals through payments and benefits. However, not everyone can be helped, and not everyone will be happy. Decisions around redistribution are shaped by political inclination. There is no universal agreement on what constitutes a desirable distribution of wealth, and fairness is inherently controversial.

#### Stabilization Policy

This is the most complex of the economic functions. After 1945, Keynesian policies and strong government intervention became widespread. Governments promoted full employment, price stability, economic growth, and a stable balance of payments, relying heavily on fiscal policy. Budget deficits or surpluses became significant indicators.

The reliance on the government budget to manage the economy was revolutionary. It challenged the notion that budgets must always be balanced. Keynesianism remained dominant until the 1970s, when it failed to address the issue of stagflation. Neo-classical approaches emphasizing government reduction followed, up until the global financial crisis (GFC), when state intervention once again became vital, resulting in large deficits.

### Financial Functions of the Budget

These include accounting for revenues and expenditures and preparing government-wide balance sheets, similar to private-sector accounting. The budget evaluates total public expenditures and receipts within the budget sector. It also serves as a key instrument for legislative accountability and control over the government's financial conduct.

The financial segment of the budget is where accounts are reconciled, and revenue and expenditure items are detailed for public scrutiny. The process includes four key steps, summarized as:

1. **Formulation.**
2. **Authorization.**
3. **Execution.**
4. **Appraisal.**

In the UK, the government maintains control over the first three steps. In contrast, in the US, the separation of powers means that a president's proposed budget may not necessarily be accepted by Congress.

## Traditional Financial Management

The traditional model is referred to as the line-item or input budget. Its main features include:

- Allocation of money to specific expenditure items such as staff, equipment, postage.
- Budget planning based on comparison between income and expenditure from the previous financial year.
- A strong reliance on previous records for projecting the new budget year, known as incremental budgeting (typically adjusted for inflation).

### Strengths of Line-Item Budgeting

- It is a good control mechanism.
- Though transferring funds between items is difficult, it helps limit spending to allocated amounts.
- Mid-year macroeconomic adjustments are easier via across-the-board cuts.
- The system is easy to manage and can be applied under various economic conditions.
- It allows meticulous financial supervision, ensuring money is spent as allocated.
- It fits well within an annual budget cycle.

### Weaknesses of Line-Item Budgeting

- It does not improve managerial efficiency. Managers focus on justifying their expenditures rather than on results.
- It emphasizes inputs instead of outputs. The system does not link spending to agency performance.
- Budget duration is short (one year).
- There is no critical reassessment of allocations. The process is rigid and discourages flexibility.
- There is a strong incentive to spend all allocated funds to avoid budget cuts in the following year.
- It provides limited data on the relationship between costs and outcomes.

Because of these weaknesses, reforms sought to create a link between inputs and performance.

- **Performance budgeting** was first introduced by the Hoover Commission but failed.
- **Planning, Programming, Budgeting (PPB)** was used until the Nixon administration but was ultimately discredited. A lack of understanding and commitment by leadership undermined its success.
- **Zero-based budgeting**, which required a full budget justification from scratch every year, was mandated by President Carter. However, it was never fully adopted and was later abandoned by President Reagan due to its time-consuming nature.

These early attempts often failed, leading some to question whether any comprehensive financial management system could succeed.

Newer reforms have aimed to improve financial reporting and management, including:

- Accrual-based financial statements following recognized accounting standards.
- Use of performance indicators and benchmarking.
- Introduction of market-based management systems, where pricing and provision of services follow commercial criteria.
- Devolution of budgets to operational units.
- More systematic and detailed auditing of past performance.

### Financial Reporting by Performance

Performance budgeting attempts to relate allocated funds to measurable outcomes. It was first tried in the form of PPB, which focused more on planning and programme analysis. In the 1990s, attention shifted to what organizations actually do and produce.

Government activities were divided into:

- Programmes.
- Sub-programmes.



- Activities.
- Components.

Funding was directed to identifiable programmes instead of inputs like wages or postage. Although this system is difficult and time-consuming to implement, it brings several benefits:

- Better resource allocation, overcoming past ignorance about goals.
- Improved forward planning.
- Enhanced management practices.
- Increased accountability to taxpayers, since budgets are public documents.

Another reform involved preparing budgets for multi-year planning, which has generally been successful.

### **Accounting Reforms (Accrual Accounting)**

Traditional budgeting relies on cash flows, which are revenues received and outlays paid in the same year. Accrual accounting, by contrast, is more sophisticated. It accounts for changes in asset value and compares economic benefits and costs, rather than just cash inflows and outflows. It includes depreciation and offers a more complete financial picture.

Countries like New Zealand, Australia, and the UK have implemented accrual accounting. The OECD outlines two necessary conditions for success:

1. Managers must be able to choose whether to incur costs.
2. Costs must directly impact the agency's available financial resources.

Despite its sophistication, accrual accounting is difficult to implement and requires more rigorous auditing.

### **Devolution of Budgets**

There has been a shift from detailed regulation and compliance toward granting individual managers more control over their budgets. Managers must decide independently, for example, whether to purchase supplies.

In the private sector, this autonomy motivates managers to serve their organization's goals. The same principle can be applied to government: managers should be accountable for producing results.

The ultimate aim of financial reform is to make the public sector resemble the private sector more closely. While the private sector is not without flaws, it is generally more rigorous than the traditional public sector model.

## **Performance Management**

Public managers are personally accountable for the achievement of results, which means that there must be some kind of assessment to determine whether those results have actually been achieved. Under the traditional model, performance management was inadequate both at the individual and organizational level. Very little effort was made to assess performance, and measuring output was often difficult. In many cases, there was no real idea of what was actually being done within an organization.

Reforms to performance management have been a particularly important part of broader managerial reform efforts. Agencies are now expected to develop "performance indicators"; these are statistical measures that can, in principle, be developed in any type of organization. Nevertheless, there are greater difficulties when it comes to output. Informal appraisal methods are increasingly considered to be ineffective.

One example of reform is the Financial Management Initiative (FMI) in the UK. This initiative, developed by the UK Treasury and the Civil Service Committee, aimed at promoting a system in which managers at all levels have goals, responsibility and expertise. It set out three core requirements:

- A clear view of their objectives, as well as the ability to assess and, wherever possible, measure outputs or performance in relation to those objectives
- Well-defined responsibility for making the best use of their resources, which includes critically evaluating outputs and ensuring value for money



- The necessary information, training and access to expert advice that they need to exercise their responsibilities effectively

Attaching performance indicators to activities became a new and widespread movement within public services. In some cases, this led to the development of far too many indicators, which diluted their usefulness.

The new model of performance management is often built around KPIs (Key Performance Indicators) and is based on four core elements:

- Clear, outcome-focused national goals, set by the government.
- Devolution of responsibility to public service providers themselves.
- Independent and effective arrangements for audit and inspection.
- Transparency.

However, performance indicators are subject to criticism, especially when they try to specify what may be unspecifiable. The difficulties of measuring public sector performance are well known. Still, without at least some attempt to measure performance, the other aspects of the managerial reform programme cannot function. Therefore, performance measures must be developed that are tailored to the specific and unique needs of public sector institutions.

Behn identifies eight primary purposes for measuring performance, which are:

- To evaluate.
- To control.
- To budget.
- To motivate.
- To promote.
- To celebrate.
- To learn.
- To improve.

The main goal of a public manager, according to this framework, is to improve performance. In fact, performance management is now more often considered to be a part of financial management rather than a completely separate process.

While some public servants might see performance indicators as a threat, they can also represent an opportunity by highlighting good practices and recognizing high-performing areas. These, in turn, can be rewarded.

In the current economic climate, when any public activity is potentially at risk of being cut or eliminated, functions or positions that cannot demonstrate adequate performance are especially vulnerable. Every agency, therefore, needs to be able to demonstrate that it produces public value.

It would make little sense to set clear objectives or to fund programmes accordingly if there were no way to monitor progress toward those objectives.

## Some Issues for Financial and Performance Management

The changes introduced in financial and performance management were initially controversial but are no longer seen as novel. Even with the adoption of programme budgeting, some still argue that the old-style budget system was preferable.

### Budget reform

Aaron Wildavsky famously claimed that programme budgeting has failed “everywhere and at all times.” He argued that programme budgeting is an attempt to impose rationality on what is essentially an irrational and highly political process. In the end, final budget decisions remain deeply political. That said, programme budgeting does offer politicians much more information, which could improve decision-making, even if those decisions still end up being irrational.

Evidence from parliamentary systems points to more effective results in budgetary reform.

Traditional budgeting was characterized by incrementalism, which some have argued is actually beneficial. To engage in fully rational budgeting, one would have to list all the possible ways in which funds could be spent, but that is not realistically feasible for two main reasons:



- Budgeting must remain political rather than becoming purely technical: a system like PPB (Planning, Programming, Budgeting) is too technical and thus prone to failure
- Budgeting is necessarily built on long-term commitments, such as social security entitlements, which cannot be quickly or easily altered. It is estimated that 90 to 95 percent of any government budget is composed of such ongoing commitments

In any case, the traditional budget gave political leaders only a minor role, as it denied them adequate information and offered no systematic record of what had been achieved with allocated funds.

### **The Accounting Changes**

The adoption of accrual accounting has been difficult to implement in government contexts, although it provides a more complete picture of financial performance. Accrual accounting is not simply a neutral or technical process: it can influence organizational direction, push institutions toward more market-based activities, and even shift the distribution of power within them.

When implemented correctly, accrual accounting provides more transparency, allows for a better connection between outcomes and inputs, and offers a more accurate sense of the value of public expenditures. Still, the task of putting an accrual system in place is extremely difficult. In practice, two sets of accounts are often needed: one on an accrual basis and another on a cash basis. The more often accrual accounting is used, the better it is understood.

### **Issues in Measuring Performance**

There are several problems related to the implementation of performance measurement in the public sector. The measures need to be both meaningful and parsimonious, and they must have a direct effect on how public agencies operate. There is always a risk that managers will focus too narrowly on the specific indicators being measured, potentially ignoring other important aspects of their performance. Moreover, it is difficult to develop KPIs that are both fair and representative.

Another major issue concerns the relationship with citizens. For example, even if statistics show that crime levels are falling and public safety is at an all-time high, many people may still believe that they are less safe than in the past. In such cases, statistics alone are insufficient to generate public trust or alter perception.

### **Dealing with Debt**

The global financial crisis (GFC) created major challenges for governments trying to manage their finances. In many countries, government debt re-emerged as a critical issue, especially for those states that already had high levels of debt before 2008. This has led to even greater pressure to make governments more efficient.

Eventually, taxes will need to increase in many developed countries. However, since taxes are already relatively high, further increases could suppress economic activity. That's why governments around the world have turned to austerity measures. At the same time, aging populations are placing an additional burden on healthcare systems and contributing less to tax revenues.

All of this reinforces the idea that government needs to become more efficient, not only for economic sustainability but also to maintain legitimacy and public trust.

## **Chapter 15 - Conclusion: Paradigms in Public Management**

### **Introduction**

The traditional model of administration is obsolete and has been replaced by public management. This change represents a paradigm shift. Regardless of the criticisms directed at the managerial reform, the changes made to the public sector have been substantial, and the public sector in the twenty-first century is significantly different from how it was in the 1970s and 1980s. NPM-style reforms can be criticized, but the overall managerial reform has gradually been accepted and has become mainstream. The idea of rationality has been under attack, along with government-sponsored science.

### **Paradigms in Public Management**



Are the changes sufficient to represent a paradigm shift? Some authors argue yes. For example, the OECD, Osborne and Gaebler, and Behn. Others argue no – such as Hood, Lynn, and Pollitt. Some writers are uncomfortable with the word “paradigm.” Behn refers to Webster's Collegiate Dictionary third definition. Frederickson identifies five definitions. Lynn argues that there is no new paradigm. Much of the modern usage of the word paradigm derives from Kuhn, although Kuhn himself does not clearly define it and uses it in various different ways.

## The Traditional Model of Public Administration

Can the traditional model of administration be considered a paradigm? Behn argues that it can, and bases this on the work of Wilson, Weber, and Taylor, who are key theorists in this area. Ostrom argues that the system is in crisis and calls for a new approach. He draws the idea of “crisis” from Kuhn, who stated that paradigm testing occurs after a sense of crisis has evoked an alternative candidate for the paradigm. In Kuhn's view, testing is a stage in the competition between two paradigms.

Pollitt and Bouckaert argue that the ancien régime is implausible. Lynn disagrees that there ever was such a thing as a traditional model. He is also against the idea of a post-bureaucratic paradigm, since this would imply a “fundamental transformation” in the historical role of the nation-state. If the post-bureaucratic paradigm is not rational/legal in the Weberian sense, then it must be founded on a different basis of legitimacy. Moving completely away from a rational-legal paradigm would indeed require a different form of legitimacy, but that has never been seriously considered. Managerial reform has been, most of all, about internal change: governments are still elected by the normal means and not through a totally different form of politics.

The problem with the traditional model of administration was that its underlying theories lost support and relevance. A paradigm based on formal bureaucracy, on the separation of politics from administration, and on “one best way” thinking, combined with unusual employment practices, now appears outdated and old-fashioned. However, it was still a paradigm, with a long and distinguished history.

## The Problem of New Public Management

It would be tempting to consider NPM a paradigm, opposing the traditional model. However, NPM is not sufficiently concrete. There is an almost total absence of identifiable advocates. NPM is too vague in content to be truly useful and is used almost exclusively by critics of public sector reform.

### An Absence of Advocates

A new approach or theory usually has some identifiable person or group who puts it forward. For example, New Public Administration is linked to the Minnowbrook Conference. In contrast, NPM has neither been theorized nor defended from the start. Hood's original description of NPM came from the perspective of an observer who noticed a series of consistent reforms.

Hood and Peters acknowledge that there has never been a general theoretical treatise encapsulating the NPM movement. In its early years, most ideas came from practitioners, particularly from the New Zealand Treasury. NPM became something mystical. The reforms in New Zealand were driven by economic crisis and were supported by politicians and officials responding to immediate problems. Ideas were drawn from economics and private sector management. It is a stretch to consider New Zealand the originator of NPM, since the reforms were a practical response to a specific issue, rather than a theoretical construction.

Neither Osborne nor Gaebler can be regarded as the originators of NPM. They do not even use the term. While there may be some similarities between their ideas and those associated with NPM, the connection is not strong enough to be definitive.

Who, then, advocated NPM? Gruening discusses its theoretical foundations, but does not identify a specific person responsible for developing the idea. What is missing is a coherent theorist who actively promoted and formalized the concept.

### Specifying NPM

There have been many varied attempts to define and specify what NPM actually is. Rhodes, for instance, identified the “Three Es”: economy, efficiency, and effectiveness. The term NPM is frequently used by its critics. Some extreme criticisms of NPM focus on the difficulty of clearly defining it. Argyriades argues that NPM goes



against social justice and human rights, even linking it to the aftermath of the 9/11 attacks and the collapse of Enron. He believes NPM discards the public and general interest.

### **The End of an NPM Era**

There was once something called NPM, and now it is gone. It began with Hood and was then exported around the world. Some theorists accepted it as if it had always existed, only to later declare that its time had passed. Lynn argued in 1998 that NPM would fade away and that the word "new" was used improperly. Hew argues that the fundamental differences among various reforms would eventually eclipse their superficial similarities, and this has, in fact, occurred: different reforms emerged, but all headed in the same underlying direction.

In sum, the public management discipline has moved away from NPM. It may be more accurate to view NPM as an invention of its critics, a concept that briefly had some currency but never had an advocate or a coherent body of content. With all of these elements missing, perhaps NPM never really existed. In any case, NPM is no longer a useful term, and it is not a paradigm.

## **Public management**

Any new paradigm must be based on premises that are significantly different from those of its predecessor. To assess whether a paradigm shift has occurred, it is necessary to examine the differences between public management and the traditional administration model. These differences must be substantial enough to support the case that a new paradigm exists.

Public management must be based on fundamentally different premises than traditional public administration to qualify as a new paradigm. OECD (1998a) describes it as a major cultural shift combining modern management with the logic of economics while retaining public service values. Key elements include value for money, objective-based management, market-style mechanisms, and enhanced accountability. These changes mark a clear departure from the traditional model, especially regarding decentralization, focus on client interests, flexibility, and results-oriented performance.

However, some, like Lynn, argue public management is not a full paradigm, since government legitimacy and core structures remain unchanged. Still, many of the practices, such as devolved budgets, goal-setting, and results accountability, represent a significant transformation in how the public sector is managed.

## **Governance**

Governance gained traction in the 1990s and is sometimes claimed to be a paradigm. It emphasizes horizontal relationships, coordination across organizational boundaries, and less central control. Governance contrasts with NPM, which focuses more on market mechanisms and accountability.

However, governance is often considered too broad or vague to be a paradigm on its own. It is better understood as an overarching concept or a lens through which to view changes in the organization of the public sector. "New Public Governance" (NPG) emphasizes relationships, co-production, and trust, but scholars like Osborne and Koppenjan suggest it is still evolving and not yet a full paradigm.

## **Public Value**

Public value, introduced by Moore (1995), is seen by many as a strong candidate for a new paradigm. It refocuses public management around the idea that public managers should aim to create value for society, analogous to private sector value creation. It links strategic purpose with legitimacy and operational capacity and shifts emphasis from rule-following to outcomes and long-term public benefit.

Unlike NPM, public value acknowledges the importance of relationships, negotiation, and responsiveness to citizens. It also provides a motivational frame grounded in humanistic values rather than narrow efficiency. Public value management incorporates the need for public managers to be accountable for both results and values, and many scholars argue that it represents a distinctive model with growing academic and practitioner support.

## **Seeking Paradigms**

The recognition of paradigms can be contentious. While the traditional model qualifies as a paradigm, NPM likely does not due to its vagueness and lack of a unified theory. Governance may be too encompassing, and public



value might still be developing. Nonetheless, these frameworks can still help practitioners understand and improve their work.

Paradigms are most useful when they offer clarity and direction to real-world actors. In practice, hybrid approaches that draw from multiple perspectives may be more effective than adhering to one rigid model.

## Public Management as a Practical Discipline

There is a widening gap between academic public administration and actual practice. Practitioners often dismiss academic critiques, particularly of NPM, as irrelevant. Meanwhile, real-world managers continue to reform systems to improve responsiveness and outcomes.

Academics face a credibility issue if their work does not align with managerial realities. While earlier reforms were top-down, newer changes are increasingly driven by practitioners. The practical field now incorporates diverse tools from various disciplines (law, economics, political science) depending on what works best. This shift reduces the centrality of public administration theory.

## The Public Sector Under Siege

Public administration is frequently attacked as inefficient and outdated compared to the private sector. These critiques have become more ideological, often tied to populism, anti-elitism, and distrust in expertise. Experts are under pressure, and scientific or evidence-based advice is sometimes disregarded.

Nonetheless, government remains vital for delivering collective goods and managing societal risk. The legitimacy of expert-based public management is being challenged, but its importance has not diminished. The risk lies in delegitimizing government capacity and replacing it with poorly understood populist alternatives.

## Conclusion

The book contrasts the traditional public administration model, dominant for most of the 20th century, with the managerial reforms that have shaped the last 30 years. The traditional model, while once effective, became outdated due to its inefficiency, rigidity, and lack of results orientation.

New public management introduced changes, but it is not a coherent paradigm. Public value and digital governance offer more promise but are still developing. Reform should be understood as an ongoing process, not a one-time shift.

The goal is not perfection but improvement. Governments must continue evolving to remain legitimate and effective. A return to traditional models is neither likely nor desirable. Instead, future reform must build on past lessons while addressing new challenges with a focus on accountability, service quality, and democratic values.

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