

Practice of New Public Management in Public services

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Abstract

Performance management system has gained a considerable importance in the recent past. This research paper covers the practice of performance management in the public service. The paper depicts the nature and concept of New Public Management (NPM) and different reasons, which entailed in the ostensible managerialism in the public services. It will explore key features of performance management in the context of NPM which puts extensive importance on well-defined performance indicators for managers in order to achieve results. The paper sheds ample light on similarities and differences of public and private sector management and associated applicability. It concludes that though performance management system intends to improve public service delivery has not been fully able to achieve desired outcomes and complete solutions to public service organizations. The analysis and recommendations presented in the paper emphasis upon coherent and holistic management approach through the Digital Era Governance (DEG) that could be useful to the improvement of performance management in the public service.

Key words: Performance Management, New Public Management, Public Sector, Private Sector, Digital Era Governance (DEG).

Introduction:

Over the past few decades, performance management in the public services has taken a very significant importance due to the emergence of New Public Management (NPM) ideas. Consequently, the element of performance is considered very fundamental for governments as it helps establish legitimacy

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and achieve service delivery objectives in an efficient and effective manner (Burnham and Horton, 2013). The basic philosophy of NPM approach places a great deal of emphasis on clear targets for managers and performance indicator mechanism, to ensure how targets are achieved (Pollitt, 2003). This paper will attempt to ‘critically evaluate the use of performance management in the public services’. To begin with, the nature and concept of NPM and various reasons, which resulted in the purported managerialism in public services, will be discussed. Second, the paper will seek to explore characteristics of performance management in the context of NPM. For this, similarities and differences of these two sectors will be looked at and issues related to the applicability of private sector practices in the public sector management highlighted. The next part will present an analysis of the use of performance management in the public services. The final part of the paper will present recommendations that could contribute to the improvement of performance in public services. It will be argued that Performance management systems have not been fully successful to provide complete solutions to public service organizations to move forward and progress and there is a need to a coherent and holistic management approach that contribute to the improvement of performance in public services. In particular, it is recommended that the Digital Era Governance (DEG) of management approach has the potential to contribute towards improving performance in the public services by ensuring participation of all stake stakeholders leading towards “a more genuinely integrated, agile and holistic government” (Dunleavy et al, 2005:489).

The New Public Management:

During the 1980s, a number of reforms started taking place mostly in many developed countries in public services (Pollitt, 1990; Hughes, 2012). These reforms in the arena of public sector are known as NPM. The NPM draws on business models emphasizing on the application of market principles in the public sector organizations to improve performance (Hughes, 2012; Haynes, 2003). According to Pollitt (2003:38), the NPM is also stresses on “cost consciousness-the need to use resources efficiently so as to obtain the maximum output for any given level of input”. The main thrust of these reforms were on how public sector organizations are designed, organized and managed to bring about economy, efficiency and effectiveness leading to

improved public service delivery. According to Lawton and Rose (1994: 155-156), the concept of economy pertains to the reduction of the cost of inputs(resources) whereas efficiency is about “doing more for less”. It is about achieving targets with minimum resources. The effectiveness pertains to achieving objectives at desired level or getting intended results. It is also about performing in an optimal way with minimum wastage of resources.

The main driving force behind the emergence of NPM was the belief that public sector organizations are driven by large and inherently inefficient bureaucracies making it difficult to deliver efficient and effective services (Andrew and Walle, 2012). The large scale and huge scope of activities involved in public services resulted in heavy drain of resources leading to fiscal deficit and restriction of effectiveness of governments. (Hughes, 2012; Minogue et al, 1998). Hood (1991) also discusses various trends behind the emergence of NPM in the arena of public sector which include poor growth due to increased expenditure and higher staffing, tilt towards privatization, influence of information technology and ‘international agenda’ for greater cooperation and decision making. This shows the various imperatives behind emergence of these reforms. He also terms the NPM origin “as a marriage of two different streams of ideas”. In this context, he talks about ‘new institutional economics’ and ‘managerialism’ in public services (Ibid, 1991:5). The key feature of these two theoretical approaches is related to the application of techniques meant for private sector to the public sector organization (Eagle, 2005). According to these approaches, market principles are given priorities in the overall sphere of government for policy formulation and service delivery (Kettle, 2002).

Hood (1991) also mentions seven doctrines of NPM. These include “Hands-on professional management in the public sector, explicit standards and measures of performance, greater emphasis on output controls, shift to disaggregation of units in the public sector, shift to greater competition in the public sector, stress on private sector styles of management practice, stress on greater discipline and parsimony on resource use”. (Ibid, 1991:4-5). This definition highlights the main thrust of NPM revolving around market oriented and entrepreneurial culture to achieve efficiency and effectiveness for improved performance in the public sector (Vigoda, 2003). However, Hughes (2012:86) observes that some of these points put forward by Hood have roots in public administration. For instance, he quotes “A stress on

greater discipline and parsimony in resource use". The judicious and proper utilization of resources have been pervasive in the context of public administration as well (Ibid).

Performance Management in the context of NPM:

Performance management is an important element of managerial reform (Walker et al., 2010). This reform puts huge emphasis on efficiency, economy and effectiveness to achieve objectives (Pollitt and Bouckaert, 2004). This necessitates the need to develop and implement performance management system to ascertain the achievement of desired results and ensure smooth service delivery. Consequently, more focus has been placed on performance management, measurement and evaluation. Hughes (2012) discusses in detail about the performance management. The key aspects of performance management involve setting goals and objectives of an organization. Organizations are now required to develop 'performance indicators' to measure progress. Special emphasis has also been made on the role of managers in the context of performance management (Joyce, 2000). Therefore, through the performance appraisal system all aspects of the performance of staff can also be measured viz a viz achievements during the course of a year.

Hughes (2012) talks about Financial Management Initiative (FMI) which was initiated in the United Kingdom which aimed at setting specifications regarding governmental policies and specific allocation of funds for various activities and programmes in order to assess progress towards achievement of objectives. According to Massey (2005), the FMI was a revolutionary step and rest of the reforms were either wholly or partially the result of FMI. The overall aim of the FMI was to bring improvement in the public services. This initiative made managers more responsible for their work and performance. Managers were also given authority to manage their finances which helped to perform their functions effectively within budgetary allocation. This clearly laid down the roles and responsibilities of managers to measure performance targets. Consequently, performance indicators gained momentum and emerged as an important tool for all kinds of activities in the public services in UK. This also helped the flow of information within the central government enabling it to manage policy decisions related to implementation in connection with various aspects of decentralization (Smith, 1989:53).

NPM also focuses on decentralization and devolution. After the 18th constitutional amendment in Pakistan the powers were devolved to the provinces to improve performance and ensure smooth public service delivery. The main idea behind the 'decentralized management' is that "all sorts of benefit will be gained if public sector activities are put at arm's length from the centre of political power, whether that be the ministry or municipality" (Pollitt,2009: 249). This entails to the redistribution of authority, responsibility and financial resources among different tiers of government. In Province of Balochistan, initially this devolved management was considered helpful in improving performance in many ways. Particularly It facilitates quick and better decision making because decision makers are close to ground realities and point of action near the user of services. Managers do not need to wait for approval of higher authorities for resources and allocation of funds. However, Pollitt (2009) points out that decentralization is not a panacea for all problems. He observes that "Participation of more local groups and consumers in the policy- making" takes longer to reach a decision due to "wider, deeper process of consultation..." (Ibid: 254).

Analysis of Performance Management in the Public Services

The key theme of managerialism centres on the improvement of performance through better management practices to achieve best value for money. Management has a very significant and vital role in planning, implementation and measuring performance. It also provides a sense of direction and purpose for the organization and helps optimize performance. This emphasis on quality and performance necessitated the need for changes in the overall culture and working environment in the public sector. The proponents of managerialism also argue that the lack of proper management is the main cause of the failure of public sector and this could be improved through benefitting from the techniques and practices of private sector (Hughes, 2012; Ferlie, et al., 2007; Boyne, 2004). However, the crucial question remains how to make performance management work and whether these managerialistic approaches are adoptable and implementable in the public sector.

Farnham and Horton (1993) describe in detail some key reasons for which the principles and practices adopted in private sector hardly find compatibility in public sector organizations. The differences in the management of both public and private organization mostly revolve around their purpose and

context. They point out that the fundamental aspect which discerns private from public is economic i.e. profit. The private sector organizations seek maximization of profit whereas public sector organizations operate in the public interests and well-being and are accountable to 'political representatives and the law'. Whereas the private organizations are created by shareholders so remain accountable to them. Secondly, Private sector organizations have very clear goals stipulated to make profit. This specific and clear-cut goal also set clear performance measurement criteria for the staff to perform their job to achieve desired level of tasks. Conversely, in public sector, "decisions are "a matter of political choice" (Rose,1999). The organizational goals are set by politicians and are not easy to calculate in terms of profit or loss as these goals are conflicting and vague.

Farnham and Horton (1993:42) go on to argue that, "In the market it is the price mechanism which arbitrates, in the public domain it is political choice". The managers working in the public sector environment, unlike private counterparts also faces political pressures to carry out functions according to changing priorities as the great level of political consideration is involved while assigning responsibilities among public sector organizations. The politicians have the final say in goal setting and decisionmaking regarding utilization of resources. Managers at individual level do not exercise control on resources to fulfil their assigned tasks. They rather depend on fixed allocation of budget approved at central level. This kind of situation hampers timely decision-making and causes delays in execution of activities, which negatively impact on the performance of public services. The distinctiveness of public sector organization also lies in its large size and scope. For this, policy makers do not exercise enough control over policy implementation. In addition to that, public organizations do not depend on market for funds instead they generate resources through taxation where as customers are the main source of business for the private sector organizations.

Rose (1999) also considers 'public service ethos' as one of the distinctive features of public services. The stress is on doing things properly and to ensure provision of services in a way which fulfils the needs of the people, not only to that of organization. According to Benington & Moore (2011), the 'public value thinking' is very useful and application of this approach is relevant to the complex circumstances and deep social, economic and political restructuring. Public value relate to overall well-being of society.

The role of a government is not only restricted to service provision but also the creation of public value. This also helps ensure 'public interest' leading towards smooth policy implementation and consequently improved performance. The previously mentioned features make management of public sector distinctive to that of private one. These factors hold back "managerial discretion, structures and styles in the public services" (Farnham and Horton, 1993: 51) and impact on performance in various ways.

In spite of these differences, Farnham and Horton argues that some of the practices and techniques of NPM are now being used in public organizations. They point out that public service managers are now progressively remain concerned about the marketing and for more focus on performance aspects of services for satisfaction of service users. Also, Rose (1999) mentions that despite of distinctiveness of public and private, the private sector ideas started taking place in public sector during 1980s in central government and various authorities. The element of competition was encouraged to bring efficiency. In addition to that, the emergence of academic work like 'system theory' also produced influence on organizations to make adjustments according to the environment (Ibid). System theory focuses on understanding customer demand and develop a system that fulfils it (Seddon, 2008). In addition, Osborn (1993) talks about similarities of two sectors and suggest that entrepreneurial practices in the public sector can bring about positive change. The "Entrepreneurial does not mean for profit" (Ibid, 1993:351). This approach applies to all sectors whether private, public or volunteer. It is all about appropriate and meaningful use of resources to those areas which are more useful and productive. Adding that new ways of working to improve performance while doing more with less could be useful. He emphasis that 'one size fits all' approach needs to be changed in the public sector due to economic constraints, huge spending, enormous social challenges including rapid technological advancement.

Equally and critically important to performance of public services is the smooth and undisrupted policy implementation. In the public sector, diversity of stakeholders and variety of activities make the public policy implementation more challenging as well. NPM model is mission specific, goal based and result oriented. For this to achieve, measureable goals are set by establishing performance indicators. The implementers translate those policy decisions into actions to achieve results. However, it can be argued

that managing public sector is a difficult task. The mandate of the government is the provision of goods and services and this is normally followed once the policy is announced (Hughes, 2012). It is not out of place to mention here that there are limitations in making public policy. Public policy process is never stable. Things are in dynamic state and one does not have full control over them. It could be argued that uniqueness of public sector organizations also lies in the managing completely different set of organizations and whole governance system instead of one organization (Pollitt and Bouckaert, 2004). These influences and constraints affect the whole policy process from identification of problem, agenda setting, policy formulation down to implementation and evaluation. There are circumstances that affect the management and subsequent policy implementation and delivery of services. The key constraints may include non-availability of resources, dependency of implementing agency on other agencies, lack of clarity of agreements and objectives and also communication and coordination (Hogwood and Gunn in Hill, 1997). It is difficult to achieve goals and objectives in a similar way and with same degree everywhere.

This can be explained in terms of allocation of funds and preparation of budgets in the context of Balochistan province. For instance, funds are allocated and released by the authorities functioning at one end whereas implementation takes place at another end. This results in huge gap between decision-making and implementation. Secondly, as Pollitt and Bouckaert (2004) put it, the preparation of budget and setting priorities is not without political influence. The preparation of Public Sector Development Programme (PSDP) has always been challenging in Balochistan. In this regard Hughes (2012:250) points out that “there is always an internal political game for resources... which can be just as intense as party politics” This makes it difficult to achieve desired results or outcomes. Hence, Performance management systems have not been fully successful to provide complete solutions to public service organizations to move forward and progress. The NPM model has become outdated (Minogue, et al., 1998). There has been need to develop and apply effective performance management approach (Boyne, 2004) which could fulfil the needs of multiple and conflicting stakeholders within the context of public sector.

Recommendations to improve Performance Management:

Dunleavy et al (2005) talks about ‘Digital Era Governance’ (DEG) which could potentially replace NPM. They highlight the three key theme of DEG which include ‘Reintegration’, ‘need based holism’ and ‘digitization’. They argue that the “public management has shifted away from NPM approach stressing on fragmentation, competition and incentivizing towards DEG one, focussing on reintegration services, providing holistic services for citizens and implementing thoroughgoing digital changes in administration” (Ibid, 2005:). To them, NPM is an old phenomenon and have very little impact on the performance of government. They go on to argue that DEG can offer a replacement of NPM by putting in place advanced methods of management, restructuring of organization and optimal application of technology in public administration. This approach mainly focuses on the use of information technology and information systems regarding organization and delivery of public services. The increasing use of information technology has made a marked change in Public management. They further argue that this approach help “opening up government to others and to itself” through “simplicity and atomicity” in the functioning of government ensuring smooth service delivery (Ibid, 2005:489). The shift toward DEG will not only ensure efficiency but also voice and access to citizens through participation and involvement (Erick and Jaffery, 2012) It also makes possible to provide access about various services government provides to citizens who possesses the right to make their government accountable. Accountability is related to a mechanism where public officials and political leaders are made responsible for their actions and utilization of public resources leading towards transparency (Minogue et al, 1998). The role of a government is not limited to only ensure efficiency but also develop a strong and effective relationship of accountability where people are not considered only consumers or customers but as an active citizen. However, Bellamy (2009) observes that the issues like access and skill regarding IT services may possibly result in digital divide and further lead to a new kind of social exclusion. People do not have same level of access and skill everywhere. Further to that, the trust of citizens in Digital technologies regarding privacy and proper use of data on ‘public service information system’ is also equally important (Ibid). Reliability and right use of technologies are some of the challenges for the DEG paradigm.

Conclusion:

In this paper, an attempt has been made to evaluate performance management in public services. In this regard, an overview of NPM was provided to illustrate the purpose and context of these managerial reforms. The key theme of NPM revolves around cost reduction. It provides clear targets for managers and a mechanism of performance indicators on how to achieve these targets (Pollitt, 2003). The concept of performance management and its key aspects were also looked at in the light of available literature. In this regard, examples of Financial Management Initiative (FMI) in the United Kingdom and decentralization in Balochistan, Pakistan were also presented. The basic mandate of these initiatives were to improve performance in the public services. A detailed analysis of performance management in the context of public services was also presented. It was argued that the performance management practices based on private sector model are not fully compatible with the working of public sector due to its distinctive features. The introduction of these management practices have not been free from challenges to provide complete solutions to public service organizations to move forward. Consequently, the DEG paradigm was also discussed as an alternate approach. It has the potential to contribute towards improvement of performance in the public services. by ensuring participation of all stake holders leading towards “a more genuinely integrated, agile and holistic government” (Dunleavy et al, 2005:489). However, this may not be free from issues like ‘digital divide’, ‘privacy and security’, standardization and huge cost (Hughes, 2012). The success of DEG depends on addressing such key issues.

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