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M I C H A E L B A R Z E L A Y

THE
NEW
PUBLIC
MANAGEMENT

Improving
Research and
Policy Dialogue

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CHAPTER SIX

CONCLUSION

New Public Management is a field of discussion largely about policy interventions within executive government. The characteristic instruments of such policy interventions are institutional rules and organizational routines affecting expenditure planning and financial management, civil service and labor relations, procurement, organization and methods, and audit and evaluation. These instruments exercise pervasive influence over many kinds of decisions made within government. While they do not determine the scope or programmatic content of governmental activity, these government-wide institutional rules and organizational routines affect how government agencies are managed, operated, and overseen: they structure that part of the governmental process usefully described as public management.¹ In recent years, political executives, central agency leaders, and legislators in numerous settings have demonstrated a sustained interest in policies affecting public management, the best-known cases of which are the United Kingdom, New Zealand, and Australia.

NPM AND ITS PROBLEMS

New Public Management (NPM) is concerned with the systematic analysis and management of public management policy. This policy domain relates to all government-wide, centrally managed institutional rules and routines affecting the public management process. For this reason, the domain encompasses multiple organizations within government, including central agencies responsible for budgeting, accounting, civil service and labor relations, efficiency and quality, auditing, and evaluation. Systematic analysis involves clear argumentation about the relationship between context, goals, policy instruments, and choices. Systematic management is a process of decision making that is both informed by analysis and well adapted to the political and organizational forces that shape decisions and their downstream effects. NPM as a field of discussion is thus rooted in that of systematic management and policy analysis.

NPM's Twin Elements

If NPM is a field of discussion about public management policy, it is important to be clear about its elements. This book proposes two main elements, which policy-makers need to consider if public management policy is to be placed on a sound footing. The first element focuses on the political and organizational processes through which policy change takes place. These processes are influenced by a host of conditions, both institutional (such as the overall structure of the governmental system and the specific organization of central administrative responsibilities) and noninstitutional (such as policy spillover and interference effects). Policy dynamics can be analyzed in terms of

specific mechanisms and patterns through which policy-making processes operate. The key analytic issues linked to this element of NPM discussion include estimating the feasibility of policy change and crafting lines of action to satisfy the situation-specific requirements of policy entrepreneurship.

The focus of the second element is the substantive analysis of public management policy. This analysis concerns the advantages and disadvantages of various combinations of government-wide institutional rules and routines within specified contexts. Analysis is best regarded as a process of argumentation, for two reasons. First, policy conclusions—even retrospective, evaluative ones—are supported by beliefs about government that are plausible rather than definitively true. Second, analysis takes place in a dialectical context where disagreement arises because of the variety of beliefs, expertise, and interests that are relevant to the choice of management controls in government.

These broad categories—process and substance—give some structure to the abstract conception of NPM proposed here. Thinking of NPM in these terms helps to focus inquiry on each of two key issues of public policy analysis—feasibility and desirability—that are relevant for policy-makers. Focusing on these analytic issues also provides a more definitive context for discussing methods for conducting research and argumentation on public management policy. This conception of NPM is superior for learning from experience than was NPM's initial formulation.

NPM's Origins and Problems

To benefit fully from previous work on NPM, scholars and policy-makers need to be familiar with how this field of discussion

has evolved. In sketching the evolution of the NPM discussion, it is useful to distinguish scholarship from both professional commentary and actual policy-making activity. Discussion taking place within governments—for example, those taking place within the New Zealand Treasury in the 1980s and presented in its postelection briefing, *Government Management*—will be referred to as NPM₁. Professional commentary—exemplified by Osborne and Gaebler's (1992) *Reinventing Government* and illustrated by publications of the OECD Public Management Service—is denoted by NPM₂. Finally, academic scholarship—the category to which nearly all works cited in the present volume belong—is referred to as NPM₃.

At the risk of oversimplification, I present the following account of NPM's evolution:

1. The concept of New Public Management originated in NPM₃ (Hood and Jackson 1991; Hood 1991).
2. NPM was initially characterized as an international trend. The essence of the trend was distilled from an array of specific ideas about management and government drawn from NPM₁ and NPM₂ (Hood 1991). An influential account identified two paradigms of ideas: public choice and managerialism (Aucoin 1990).
3. The main empirical referents of the trend were the United Kingdom, Australia, and New Zealand in the 1980s.
4. The case of New Zealand (NPM₁) acquired special significance in both NPM₂ and NPM₃ for two main reasons. First, policy change took place across a wide range of distinct areas—expenditure planning, financial management, organization, civil service, and labor relations—within a single three-

year parliamentary mandate (Boston et al. 1991). The New Zealand case thereby demonstrated even more clearly than the United Kingdom under Margaret Thatcher that public management had become a policy domain. Second, the New Zealand Treasury's deliberations and policy arguments were framed in terms of economic theories of organization and government. This style of argumentation was highly unconventional in public management policy-making. The conjuncture of rapid comprehensive change in public management policies and an unconventional pattern of argumentation made the New Zealand case (NPM₁) especially noteworthy. Numerous scholars commented (NPM₃) that economic theories of organization and government (New Institutional Economics) constituted the intellectual foundations of New Public Management.²

5. In professional and academic discussion, countries where public management policy change has been less than comprehensive were labeled as "laggards" (Aucoin 1995).

6. The notion that the NPM is a widely applicable blueprint for the organizational design of the public sector is commonplace in professional discussion (NPM₂).

7. Some scholars in continental Europe argue that NPM is an Anglo-American model whose relevance outside its core cases is highly questionable.³

While points 4 through 7 are all worrisome, the last two points evince the most severe present limitations of the NPM field of discussion. A blueprint approach to policy design is highly questionable: the functioning of a given system of formal arrangements, such as management controls, depends on the context in which it operates. On the other hand, the equation of

NPM with an Anglo-American approach to public management policy is hardly a recipe for policy analysis and learning on an international scale. While these two extreme views about NPM are equally unsatisfactory, they grow out of the history of this field of discourse. In particular, these limitations can be attributed to the initial conception of NPM as a trend, centered on three similar cases.

AN EMERGING POLICY APPROACH TO PUBLIC MANAGEMENT

If the NPM field of discourse is to be more useful for practitioners, a decisive turn away from its initial contours is required. Adopting a public policy approach to this subject constitutes such a turn. The policy approach directs attention toward explaining change in public management policy on a comparative basis; it would also place a high value on rigorously argued evaluative discussions of policy choices.

The policy approach can build on the accumulated strengths of the NPM₃ literature. As shown in chapter 2, scholars have explored policy-making episodes and sequences in a number of cases. This literature provides a starting point for explaining similarities and differences in public management policy change across cases. To accelerate research progress, it is advantageous to apply well-honed explanatory frameworks to such case evidence, as shown in chapter 3. Processual models of agenda setting and alternative generation explain, for instance, how ideas from economics and management contributed to policy change in the benchmark cases of NPM. Processual models also explain the effects of interventions in the policy-making process by ex-

ecutive authorities, such as prime ministers and top officers of central agencies.

A policy approach can build on the evaluative literature discussed in chapters 4 and 5 as well. These works provide commentary on policy choices, such as output budgets, accrual accounting systems, performance agreements with chief executives, and division of executive government into myriad single-purpose organizational units. This recent development moves beyond the initial conception of NPM as a trend by engaging in argumentation about the desirability of specific public management policies (institutional rules and organizational routines). Notably, this literature is yielding controversy over public management policies. For instance, Schick (1996) expresses strong reservations about specific aspects of New Zealand's institutional rules and organizational routines in the public management domain. In contrast, Aucoin (1995) offers few doubts about the desirability of public management policies in the United Kingdom, Australia, and New Zealand. The basis for such disagreements can be traced to the analytic frameworks employed. One major difference lies in the specific strands of managerial thought that the authors rely upon to evaluate public management practices.

The Policy Approach Exemplified

Schick's study of New Zealand's reforms serves as an exemplar of policy-oriented, academically rigorous analysis within the New Public Management. In analyzing policy choices, the study penetrates through the fog of NPM themes (such as an output orientation) and buzzwords (such as performance contracting).

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The object of evaluation is the system of management controls—broadly defined—operating throughout the departments of government. These controls are described in terms of their routine—as opposed to hypothetical—operation. Moreover, the description of the system of controls illuminates how organizational factors—such as the cultures of central agencies—influence the evolving operationalization of public management policies at the level of routines and transactions.

The standpoint from which Schick evaluated the observed system of controls is another facet of the study deserving serious consideration by practitioners and scholars alike. By standpoint, I mean general ideas that serve as a plausible basis for evaluating or designing public management policies in particular settings.⁴ The ideas are drawn from bodies of thought and knowledge related to both government and management. The thesis that government is potentially an effective instrument of collective problem solving, which plays a role in Schick's critique of the pattern of attention allocation at high levels of government and administration, is embedded within the public philosophy of governance sometimes referred to as Progressive Public Administration (PPA). A contemporary statement of this public philosophy is contained in Moore's *Creating Public Value: Strategic Management in Government* (1995).

Schick draws ideas from two major schools of thought on management: strategic management and management accounting and control. These schools of thought are neither scientific theories in the usual sense nor simply professional wisdom. They are well-developed traditions of argumentation about how complex organizations should be managed. Each school of thought is expressed in a substantial professional literature, much of it

written by academics. Indeed, it could be argued that each school of thought is a discipline within the field of management.

Incorporating Managerial Schools of Thought

Strategic management is centered on the executive function as a whole. This function includes the formation of strategies for organizations at the business and corporate levels. In the private sector context, a strategy is often conceived as a plan for achieving sustainable competitive advantage. In government, a strategy is sometimes conceived as a pattern of decisions geared to creating public value. Some strands of strategic management thought argue that strategies should be consciously formulated and visibly endorsed by top decision makers. This approach also accepts the presumption that the effect of any given policy choice depends on other choices; in other words, policies are potentially complements. The executive function, to be well performed, requires that a wide array of choices—for example, overall objectives, measures of merit for business processes, management control systems, and improvement plans—should be aligned.

Management accounting and control encompasses a large proportion of the executive function—all but the making of fundamental strategic decisions, on the one hand, and production management, in the narrowest sense of the term, on the other (Anthony 1965). Core interests of management accounting and control include the systematic generation of nonfinancial accounting information, to be used internally for purposes of attention directing, decision making, and score keeping (Simon 1954). A closely related interest is in the design and operation of

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management control systems, especially in the context of complex, decentralized organizations. Such control systems include budgeting, cost accounting, reporting, and performance appraisal processes. Both scientific and practical developments have produced significant change in the field of management accounting and control over recent decades (Emmanuel and Otley 1996; Kaplan and Cooper 1998).

Learning from Experience

From Schick's theoretical standpoint, the first wave of reforms in New Zealand earned a clean—if qualified—bill of health. Changes in public management policies provided a basis for improved performance planning, including requirements that ministers and chief executives of government departments together formulate annual performance objectives for chief executives. The revamped budgetary process also provided several tools to support improved performance planning. These tools included describing organizational activity in terms of “outputs” and adopting accrual accounting methods so that budgetary charges would reflect the rate of consumption of fixed assets. With these practices, budgets authorized the consumption of a given value of resources to produce a certain type of output within a specified time frame, and in this sense, budgets constituted performance plans.

Although these measures provided a platform for performance planning on a large scale, Schick identified two main limitations to the technique. First, performance plans encoded in budgets were typically formulated without the benefit of cost accounting infor-

mation, which concerns the value of resources consumed in performing activities and/or producing outputs. Output budgeting and cost analysis, in other words, are not equivalent practices. Schick argued that output budgets are somewhat arbitrary performance plans, since they are not necessarily informed by systematic measurement and analysis of the cost of government's business processes. This argument was rooted in the discipline of management accounting and control. Second, by focusing on outputs, ministers and top officials paid insufficient attention to outcomes—that is, planning for policy accomplishments. This concern was primarily rooted in the PPA thesis that government is potentially an instrument of collective betterment, reinforced by the strategic management thesis that all organizational activity is ideally geared to achieving strategic, corporate goals. Schick went on to argue that the unbalanced attention to outputs was being partially redressed by the launching of a government-wide strategic planning process in the early 1990s.

TAKING NPM FORWARD

Schick's study of New Zealand demonstrates that rigorous arguments about public management policies can be made on the basis of what economists often refer to as the traditional management literature. In this way, Schick casts doubt on the claim that the New Institutional Economics (NIE) should be regarded as the intellectual foundation of New Public Management (see point 4, above). However, the question remains whether rigorous argumentation about public management policy can take place on a large scale without the benefit of a "paradigm" such as the NIE.

From Paradigmatic Coherence to Interdisciplinary Dialogue

The crucial property of the economic approach is that it provides a basis for a coherent discussion of the full range of management controls in government, including organizational structure. The unifying force of the economic approach is attributable to the paradigmatic coherence of economics, generally, and to the specific practice of modeling organizations as collections of individuals whose choices are determined by the incentives they face. This conceptual framework ignores fields of discourse that grew up around specific administrative functions, such as budgeting, personnel management, and evaluation. After all, management controls generate incentives irrespective of the specific administrative function to which they primarily relate. This framework helped formulate the policy question of how to optimize the whole system of incentives and controls operating in government—a different question from how to improve budgeting, personnel management, and evaluation as isolated elements. The same framework provided a basis for answering this policy question as well.

The vitality of NPM as a field of policy research depends crucially on broadening its intellectual foundations beyond economic theories of organization while safeguarding the advantages of the economics approach. As a practical matter, this challenge falls to specialists in public management based in the distinct fields of public administration, management, and accounting. However, they face the inherent problems of conducting an interdisciplinary policy dialogue. Such difficulties have been redressed to some extent in other policy fields where policy knowledge is drawn from several different academic disciplines

and professional communities; they should not be insuperable in the public management policy field, as I suggested in chapters 4 and 5. If the challenge of interdisciplinary dialogue is not met, the economics approach to public management policy is likely to predominate.

The method used in chapters 4 and 5 to discuss arguments on NPM is a potentially valuable tool. In some ways, the method is elementary. One requirement is to be clear about the subject, nature, and scope of claims (see chapter 4). Do the claims relate to public management policy or to the exercise of executive leadership in government? Are the claims theoretical, or are they particular evaluations? Are theoretical claims meant to apply to all types of governmental systems, or just some? Another guideline is borrowed from economics (as well as political theory): for purposes of effective communication, outline the structure of the arguments in a general way before specifying the details. A third guideline is to debug arguments that would otherwise founder on unacknowledged paradigm conflicts; this guideline applies forcefully to ambitious arguments that draw together multiple fields of discourse, as demonstrated in chapters 4 and 5. By following these guidelines, it may be possible for the NPM field of discourse to (NPM₂, NPM₃) draw on a suitably wide range of ideas about government and management while sustaining the sort of coherent discussion of public management policy that was achieved in practice in New Zealand (NPM₁).

Beyond the Anglo-American Model

This method for discussion has the additional advantage of addressing the complaint, mentioned earlier, that NPM is the

Anglo-American model of public management. If NPM is defined as a field of discussion, its essence lies in a commitment to serious argumentation, not to particular substantive foundations or conclusions. The broad structure of a serious argument might be expressed as follows:

$$(1) \quad P_i = A(E_i, F_i)$$

$$(2) \quad E_i = A(S_i, T_i)$$

$$(3) \quad T_i = A(\bullet), \text{ where}$$

P_i means policy proposals for a given country i

E_i means the evaluation of current policy in country i

F_i means the feasibility of policy change in country i

S_i means a survey of current policy in country i

T_i means the theoretical basis for assessing policy in country i

(\bullet) means the bodies of thought on which T_i draws

The complaint that NPM is an Anglo-American model might be interpreted as an assumption that (\bullet) in expression (3) must be specified in a particular way—for example, in terms of a particular public philosophy of governance. However, an abstract conception of NPM means that a policy analyst simply needs to be clear about the basis for T_i .

The unit of argument represented by expression (3) resembles the broad approach taken in chapter 5 if (\bullet) is specified as follows:

$$(3') \quad T_i = A(PPG, MAN, K_G), \text{ where}$$

PPG means a public philosophy of governance

MAN means schools of thought about management

K_G means empirical knowledge about governmental processes, including policy implementation

All three terms can be specified or “customized” to fit the analyst’s view about the context in which public management policies are to be evaluated and devised. The term *knowledge of government* (K_G), for instance, allows account to be taken of specificities in the structure of the governmental system under analysis. Differences in governmental systems are pronounced, even within the so-called Anglo-American context (as between the Westminster-type parliamentary and the U.S. separation-of-powers systems). The term *PPG* allows consideration of national traditions of thought about government. For example, public philosophies of governance may differ substantially between institutional states, sovereign states, and corporate-bargaining states (March and Olsen 1989). Differences in the specification of *MAN*, on the other hand, may be relatively modest, although it is well known that the specific content of management thought varies among national settings (Guillén 1994). Therefore, the objection that NPM is an Anglo-American model can be laid to rest provided that NPM is conceptualized abstractly as a field of discussion about policy interventions within government and provided that high standards of argumentation are routinely practiced.

From Isolated Case Studies to Comparative Research

A critical factor for enriching policy debates about NPM is to develop and assimilate high-grade knowledge about the policy-making dynamics that drive the public management policy innovation. This knowledge can be developed through the comparative study of public management policy change. The immediate task of such studies is to explain similarities and differences

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among cases. A logical way forward is for individual studies to compare one or more cases with the NPM Benchmark Case—the composite of the United Kingdom, Australia, and New Zealand cases developed in chapter 3. The specific results of research along these lines are limited historical generalizations, arrived at through comparative research methods. The field of NPM will then possess an understanding of the causal effects of such factors as policy images (such as systemic organizational inefficiency), policy spillover and interference effects, policy subsystems, and policy entrepreneurship. Such an understanding can enlighten analysis of the feasibility of policy change in particular settings.

The major obstacle to policy research along these lines is perhaps the relative lack of interest in the subject of public management policy displayed by political scientists (for notable exceptions, see Campbell and Halligan 1992; Schwartz 1994a, 1994b; Zifcak 1994; Hood 1996; and Kettl 1998). For their part, public administrationists have not dedicated themselves to explaining policy change in as systematic a manner as is required of a practicing political scientist in the field of comparative politics/public policy. I hope that both political scientists and public administrationists will be drawn to this line of research.

In sum, the fundamental limitation of scholarship on the New Public Management is that it has yet to become a vital area of policy research. This book has sought to demonstrate that making a decisive turn toward a policy approach is desirable *and* feasible, at least in the area of public management policy. To adopt the policy approach is a way for scholars to contribute to the policy-making process while also strengthening the intellectual tradition that Aaron Wildavsky did so much to shape.