

New Public Management, a Key Paradigm for Reforming Public Management in Romanian Administration

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Introduction

Three OECD countries: the United Kingdom, Australia and New Zealand have become leaders in implementing major reforms in public management, starting with different political perspectives and responding in their turn to crises. The new paradigm is referred to in the literature as new public management and this terminology is maintained in this paper.

1. Conceptualizing the New Public Management

New public management has become convenient shorthand for a set of broadly similar administrative doctrines which dominated the public administration reform agenda of most OECD countries from the late 1970s (Hood, 1991; Pollitt, 1993; Ridley, 1996). It captures most of the structural, organizational and managerial changes taking place in the public services of these countries. To quote Pollitt, NPM has variously been defined as a vision, an ideology or (more prosaically) a bundle of particular management approaches and techniques (many of them borrowed from the private for-profit sector). (1994:1). NPM is thus seen as a body of managerial thought (Ferlie et al., 1996:9) or as an ideological thought system based on ideas generated in the private sector and imported into the public sector (Hood, 1991, 1995).

NPM shifts the emphasis from traditional public administration to public management (Lane, 1994). As the title of Clarke and Newman's (1997) book, **The Managerial State**, reflects, NPM is pushing the state toward managerialism. The traditional model of organization and delivery of public services, based on the principles of bureaucratic hierarchy, planning, centralization, direct control and self-sufficiency, is apparently being replaced by a *market-based public service management* (Stewart and Walsh, 1992; Walsh, 1995; Flynn, 1993), or enterprise culture. (Mascarenhas, 1993).

A review of the literature suggests that NPM is not a homogenous whole but rather has several, sometimes overlapping, elements representing trends in public management reforms in OECD countries. Its components and features have been identified by a number of writers, including Hood (1991, 1995), Dunleavy and Hood (1994), Flynn (1993), Pollitt (1993;1994) and Summa (1997) and Borins (1994).

A clear view about the conceptions of NPM held by some key writers on this subject, is presented in Table 1. It is apparent that there are several parallels and overlaps, but also important differences in the way NPM is perceived. It is worth noting, for example, that Hood's original conception of NPM did not explicitly feature the issue of consumers rights. Another idea is the issue of consumers to prominence and has since become a key feature of most NPM discussions.

Osborne and Gaebler's approach also contains some important differences in emphasis from the general NPM approach, and especially from the more ideological politics associated with it. Unlike the ideologically driven NPM underpinned by the public bad, private good, ethos in the United Kingdom (Talbot, 1994:11), Osborne and Gaebler assert their belief in government. They also assert that privatization is not the only, or often the most appropriate, solution and that in some cases, bureaucracies work better (e.g., in social security). Beyond these differences, there is much in common with the different views on NPM.

Following the authors view, we can identify what may be regarded as the key components of NPM. A look at the components suggests that the ideas and themes may be put in two broad strands. On the one hand are ideas and themes that emphasize managerial improvement and organizational restructuring, i.e., managerialism in the public sector. These clusters of ideas tend to emphasize management devolution or decentralization within public services. On the other hand are ideas and themes that emphasize markets and competition. It should be pointed out, however, that these categories overlap in practice. They should therefore be seen as a continuum ranging from more managerialism at one end (e.g., decentralization and hands-on professional management) to more marketization and competition at the other (e.g., contracting out).

As Hood (1991) has noted, the two broad orientations of NPM are explained by the marriage of two different streams of ideas (see also Mellon, 1993). The first stresses business-type managerialism in the public sector and freedom to manage, and comes from the tradition of the scientific management movement (Hood, 1991:6-7; Ferlie et al., 1996:11).

Conception of New Public Management by Different Authors

Table 1

(Source: Van Mierlo, Maastricht, 2005)

New Public Management, a Key Paradigm for Reforming Public Management in Romanian Administration

Hood, 1991; Dunleavy and Hood, 1994	Pollitt, 1993 and 1994	Ferlie et al., 1996	Borins, 1994; Commonwealth, 1996	Osborne and Gaebler, 1992
– hands-on professional management	– decentralizing management authority within public services	– decentralization; organizational unbundling; new forms of corporate governance; move to board of directors mode	– increased autonomy, particularly from central agency controls	– decentralized government: promoting more flexible, less layered forms of organization
– shift to desegregation of units into quasi-contractual or quasi-market forms	– breaking up traditional monolithic bureaucracies into separate agencies	– split between strategic core and large operational periphery		– catalytic government: steering not rowing
– shift to greater competition and mixed provision, contracting relationship in the public sector; opening up provider roles to competition	– introducing market and quasi-market type mechanisms to foster competition	– elaborate and develop quasi-markets as mechanisms for allocating resources within the public sector	– receptiveness to competition and an open-minded attitude about which public activities should be performed by the public sector as opposed to the private sector	– competition within public services: may be intra-public or with a variety of alternative providers
– stress on private sector styles of management practice	– clearer separation between purchaser and provider function	– split between public funding and independent service provision	– creating synergy between the public and private sectors	– driven by mission not rules
– greater emphasis on output controls	– stress on quality, responsiveness to customers	– stress on provider responsiveness to consumers; major concern with service quality	– providing high-quality services that citizens value; service users as customers	– customer-driven
– explicit standards and measures of performance	– performance targets for managers	– more transparent methods to review performance	– organizations and individuals measured and rewarded on the performance targets met	– result-oriented government: funding outputs not inputs
– stress on greater discipline and parsimony in resource use; reworking budgets to be transparent in accounting terms	– capping/fixed budgets	– strong concern with value-for-money and efficiency gains	– provision of human and technological resources that managers need to meet their performance targets	– enterprising government: earning not spending
– changing employment relations	– downsizing	– market-oriented government: leveraging change through the market		
– deregulation of the labour market		– anticipatory government: prevention rather than cure		

This neo-Taylorist movement (Pollitt, 1993) was driven by the search for efficiency and, according to Hood:

“... generated a set of administrative doctrines based on the ideas of professional management expertise as portable, ... paramount over technical expertise, requiring high discretionary power to achieve results ... and central and indispensable to better organizational performance, through the

development of appropriate cultures ... and the active measurement and adjustment of organizational outputs” (1991:6). As was pointed out in the previous section, the proponents of NPM see the Weberian bureaucratic model as rigid, rule-bound, slow moving bureaucracies that are costly, inefficient and unresponsive to their users.

In short, NPM advocates argue that the dividing line between public and private sectors will diminish or be blurred and the same good management practices will be found in both sectors. As Turner and Hulme (1997:232) have pointed out, the proponents of the NPM paradigm have been successful in marketing its key features and .persuading potential patients of its curative powers., sometimes backing up their claims with empirical evidence of substantial savings in public expenditure and improved services (see, e.g., Miranda, 1994a, 1994b). As noted earlier, for adjusting and crisis states the NPM prescriptions have tended to be applied through powerful international donor agencies and the World Bank. What has been the experience of NPM in practice? The next section explores this question, using selected NPM practices that represent the managerialist and marketization trends in the new public management approach to reforms. These include several aspects. One which is very important from the perspective of NPM is management decentralization.

2. Public Management Decentralization

Decentralizing management, disaggregating and downsizing of public services are strands of NPM derived from managerialism (Mellon, 1993; Hood, 1991; Ferlie et al., 1996). The trend toward decentralized management in public services is part of the effort to debureaucratize the public services (Ingraham, 1996:255) as well as .delayer. the hierarchies within them. The key concern here is whether public managers are free to manage their units in order to achieve the most efficient output. (Mellon, 1993:26; see also Hood, 1991:5-6). This aspect of NPM has taken several forms, which are outlined here.

Most of them could represent ways for transforming the Romanian public administration in an effective one by stressing the role of public managers, their autonomy in managing this difficult process because a very complex and very low predictable environment.

2.1 Breaking up Monolithic Bureaucracies into Agencies

There are several related elements of management decentralization which one can distil from the NPM literature. The first and the key trend is that traditionally huge and monolithic public bureaucracies are downsizing, contracting out functions and breaking up internally into more autonomous business units or executive agencies (Pollitt, 1994; Pollitt and Summa, 1997; Kanter, 1989). This involves a split between a small strategic policy core and large operational arms of government with increased managerial autonomy (Phippard, 1994; Greer, 1994). Agencies are then required to conduct their relations with each other and with the central departments on a contractual basis rather than through the traditional hierarchy, i.e., they relate on an arms.-length basis. In practice, executive agencies have meant structural changes in the organization of government. In principle, these agencies have greater managerial flexibility in allocation of human resources in return for greater accountability for results. As Jervis and Richards have argued, the executive agency idea was born out of: ...the desire to remove the framework of governance for public services from the arena of contested democratic politics. Placing public services at arms, length from politicians was intended to give

public managers sufficient space to get on with management, within the broad framework laid for the public service (1995:10-11).

2.2 Devolving Budgets and Financial Control

This is the second element of decentralized public management and an important complement to the creation of executive agencies. This may take the form of creating **budget centres** or spending units. Devolving budgets and financial control involves giving managers increased control over budgets for which they are held responsible (Kaul, 1997; Walsh, 1995). This usually goes with the setting of explicit targets for decentralized units. For example, according to Flynn (1993:111), the British public expenditure planning process, in 1993, incorporated 2,500 performance and output measures in addition to the traditional approach of deciding how much money should be allocated to each function.

2.3 Organizational Unbundling

This is the third element of management decentralization. It involves delayering of vertically integrated organizations, i.e., replacing traditional tall hierarchies with flatter and more responsive structures formed around specific processes, such as paying of benefits as in the United Kingdom (Ferlie et al., 1996; Pollitt, 1994).

2.4 Downsizing

The fourth element of decentralized management is downsizing, i.e., rationalizing and trimming the public sector in order to achieve leaner (smaller or compact) and meaner (cost-effective) public service. This has taken different forms, such as hiving-off operational arms of government to form autonomous agencies and sub-contracting government activities to private providers. However, in crisis states, the most dominant form of downsizing has been retrenchment of staff in state agencies.

Downsizing the public services in crisis states has not, however, led to expected budget savings which could be used to improve the salary and incentives of those who remain. This was because of the high cost of compensating those retrenched. It must be added that delays in paying compensation and the poor management of retraining and redeployment programmes created enormous hardships for those retrenched, most of whom joined the ranks of the unemployed (Larbi, 1995). Furthermore, quantitative reductions in employment did not lead to qualitative improvement in services. This is because the initial wave of reforms did not pay much attention to staff morale, capacity building and other efficiency and productivity improvement measures.

2.5 Separating Production and Provision Functions

The fifth dimension of decentralized management is the divorce of provision from production of public services. This separation of provision from production implies making a clearer distinction (organizational and financial) between defining the need for and paying for public services (the indirect provider role) and actually producing those services (the direct provider role). This is clearly seen in the reform of the United Kingdom National Health Service (NHS) where autonomous hospitals (NHS Trusts) produce services for which the District Health Authorities provide finance by purchasing the services (Lacey, 1997).

2.6 New Forms of Corporate Governance and the Board of Directors Model

The sixth and final dimension of management decentralization is the adoption of new forms of corporate governance and a move to a board of directors model in the public services. This entails reducing the power of elected representatives and minimizing the influence of labour unions on management.

Lessons Learned from the UK Experiences

Drawing on the experience of the United Kingdom, Walsh (1995) has pointed out some of the constraints on the management of reforms in the public services, with particular reference to financial devolution under the Financial Management Initiative (FMI). These include the following:

- resistance from different levels of the civil service to the FMI and the treasury's reluctance to reduce centralized control;
- concern about the erosion of the traditional concept of the civil service as a unified body, and resistance from people who would like to preserve the traditional approaches; increased discretion of the line manager was seen as a challenge to the traditional dominance of the policy stream within the civil service;
- inadequacy of available technical systems, e.g., accounting information systems; the FMI was constrained by the relative failure of performance indicators which were subject to manipulation by managers. (Walsh, 1995:170);
- the FMI left the structure of control relatively unchanged, reflecting the difficulty of making fundamental changes in existing structures.

The United Kingdom experience with management devolution shows that unless devolved management and control involve a substantial change in power structure, devolution of control by itself will only have limited impact. As Walsh (1995) points out, there is the risk that autonomy would be subverted or eroded by ministers and top bureaucrats at the centre.

The Implications of Decentralized Management for Capacity

Walsh (1995) points out some capacity implications of management decentralization, including:

- the capacity to develop monitoring and inspection procedures to check whether public managers and devolved units are achieving their targets and working within defined strategies, as well as setting and monitoring performance;
- the capacity to develop an information system that would provide appropriate intelligence for managers at all levels, to develop a budgetary control system for administrative costs, and to develop performance indicators and measurements. In the United Kingdom experience, the FMI exposed the inadequacy of traditional information and control systems for management purposes;

- the capacity to manage relations between departments and a network of non-departmental bodies through which services are delivered. The capacity to manage programme expenditure efficiently and effectively depends on capacity to manage the inter-organizational networks through which services are delivered;
- the capacity to co-ordinate the activities of devolved units to ensure harmonization and improve accountability.

The experience of developing countries suggests that the introduction of executive agencies requires the existence of a credible system for monitoring before relaxing controls over finance and inputs. Where these controls are weak, or undeveloped and arbitrary, behaviour cannot be checked; introducing greater managerial flexibility may only increase arbitrary and corrupt behaviour (World Bank, 1997:20; Nunberg, 1995). The problem of capacity is thus not only limited to central agencies but is even more acute at the level of decentralized agencies. Planning, budgeting and management systems within decentralized units are often weak, while financial and human resources at these levels are often lacking (Larbi, 1998b:384).

If we look and think in terms of Romanian Public administration, there are several changes to be done by the public managers. This is a long and complex process of transforming public management, but it means a strong need to go ahead for all the Romanian public organizations.

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