

---

**GLOBALIZATION: VIII**  
**ISSUES IN PUBLIC**  
**MANAGEMENT**

---



## ***Chapter 40***

---

# **New Public Management: Theory, Ideology, and Practice**

---

**Naim Kapucu**

### **CONTENTS**

Introduction .....	886
What is New Public Management?.....	887
Cross-National Communications and NPM .....	888
NPM: The Need for Managerial Reforms.....	889
Major Characteristics of NPM Reforms .....	890
National NPM Programs .....	892
Conclusions .....	895
References.....	896

## Introduction

Reform of public administration is now a worldwide phenomenon, as governments grapple with rapid social, economic, and technological change, including the effects of globalization. Several countries have implemented radical and comprehensive public-sector reforms since the mid-1980s. These reforms have established objectives and set incentives for productive performance and involve greater transparency. The opening of government agencies to competition, greater privatization, and accountability standards contributed to improved government performance. These reforms have reduced the governments' market involvement relative to the total economy.

This chapter briefly discusses new public management (NPM) in terms of its theory, ideology, and practice. In this chapter, NPM and its reforms are conceived as deliberate policies and actions to alter organizational structures, process, and behavior to improve administrative capacity for efficient and effective public-sector performance. The advantage of this definition is its operational thrust compared with the view of administrative reform as "artificial inducement of administrative transformation against resistance" (Caiden, 1969, p. 8). The legitimate authority of the system usually sanctions substantive reforms whether induced by internal organizational influences (pull factors) or external environmental forces (push factors). There have been too many changes in the structure of governments and relations that the states have with society since the 1970s and early 1990s. "New right" Reagan revolution and Thatcherism in the United Kingdom are well-known examples. Also there have been serious administrative reforms mostly known in centralized governments like France and Sweden (Peters, 1996).

A number of countries have been putting the NPM into practice. The implementation of the NPM not only is restricted to develop countries, but also has extended to developing and transitional societies in Asia, Latin America, and Africa. Some academics and practitioners believe that there is a new global paradigm in public management and that the rise of NPM is inevitable (Osborne & Geabler, 1992). Aucoin (1990, p. 134) observes that "an internationalization of public management is taking place in every government of developed countries. A good deal of comparative learning is thus attempted, this internationalization of public management parallels the internationalization of public and private-sector economies." Nevertheless, another school of thought treats the universal application of NPM and the administrative reform movement with skepticism and reservation. Hood (1995, p. 109) points out that "the movement away from progressive public administration in the 1980s was in fact far from universal," and that "it does not necessarily follow that administrative reforms were undertaken for the same reasons or will automatically have the same results in different

---

*New Public Management: Theory, Ideology, and Practice* ■ 887

---

countries.” Even though Hood (1991, p. 8) denies the universality of NPM, he does not reject the applicability of NPM to a number of countries. According to Hood, “like many other philosophies, NPM was presented as a framework of general applicability of ‘a public management for all seasons’.”

The 1980s and 1990s have seen a plethora of reinventing, rationalizing, reengineering, and reforming initiatives designed to improve the organizational efficiency and effectiveness of the public service. Collectively, these initiatives represent a substantial shift away from the traditional bureaucratic paradigm toward a postbureaucratic paradigm. Although clearly offering a number of benefits to the public service, these reforms have also contributed to an environment of turmoil, a largely disillusioned and cynical public service, and almost pervasive strain between competing values and goals (Aucoin, 1990; Boston et al., 1996). The need to move toward a value-driven public administration that incorporates improved management but more fundamentally addresses the right and entitlement of clients, taxpayers, and citizens is clear. Given the challenge ahead, this will require the development of strong policy community that works together horizontally to gather, share, and process information, as well as coordinate solutions (March & Olsen, 1995; Moore, 1995).

Each country should address the specifics of the problems it has encountered, and not import a set of reforms designed initially for one country and adopted by another one. In fact, NPM has been implemented selectively, some countries have adopted some parts and not others, or adopted and then adapted the reforms in a variety of ways, while others such as China have focused on their immediate needs, such as providing agencies a single estimate of revenue for the year, and South Africa, which is focusing intensively on accountability issues as part of the effort of nation building. Those who considered NPM as a consistent and ready-to-use concept to reform the public-sector never understood that there is no NPM that has been used as a single concept in any country. Most NPM-related contributions have been made out of an Anglo-Saxon, in the beginning, mostly British perspective (which is, in fact, closer to a U.S. perspective than it is to Continental Europe, Scandinavia, or developing countries) (Kosecik & Kapucu, 2003).

## **What is New Public Management?**

Is NPM just another management fad, a fashion, another thing promising everything? NPM is nothing more than a set of almost every management tool found to be suitable for the public-sector. NPM is the practical result of the 1980s normative idea of “private is better than public.” The basic idea was that instrument used in the private sector must be successful in the

public-sector. And the opponents of the past, as well as those of today, usually evaluate any change in public-sector with a highly normative and idealistic view of public-sector. NPM is by far more than management systems or performance measurement. Excessive customer orientation also raised concerns about democratic accountability and control.

Several people have considered NPM as a set of tools, but some have seen it as a political theory. NPM tries to realign the relationship between expert managers and their political superiors. Particularly, it seeks to set the relationship closer to parallel, allowing the expert manager to have greater discretion than in the immediately preceding paradigm. The curious fact about the bureaucratic paradigm is that it, too, expanded the expert manager's discretion through the political theory of the politics-administration dichotomy. NPM looks more like an echo than a rejection of the bureaucratic paradigm.

## **Cross-National Communications and NPM**

The cluster of reform ideas dominant in international discourse during the 1980s provided a global diagnosis and a standard medicine for the ills of the public-sector around the globe. It was suggested that the medicine would have beneficial effects whether used in established democracies, in the former Warsaw Pact countries or in third world, less-developed countries. Trust of market and NPM were the key aspects of the doctrine (Olsen & Peters, 1996). The old public administration emphasizing due process and rules was declared old-fashioned and dysfunctional. Reformers advocated replacing old public administration with NPM focusing on goals and results and getting lessons from private-sector techniques in public-sector reform. These ideas are primarily developed in the Anglo-American context, and diffused by international organizations such as Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), and World Bank. As Peters explains:

The ideas of reform have served as a relatively common stimulus to which the countries have responded, and the responses provide valuable insight into their administrative and political systems. Most of the examples of reforms provided in text books are derived from the Anglo-American parts of the world, but similar changes are being implemented in other developed, developing, and less-developed countries. The Anglo-American countries have been home to much of the advocacy of free enterprise and the market while the continental Europe has opted for a more restrained form of mixed-economy welfare state even when conservative political parties have been in power. Governments in Anglo-American countries have been more subject to influence from private-management consultants

---

*New Public Management: Theory, Ideology, and Practice* ■ 889

---

and other purveyors of reform ideas. Many of the reform techniques, such as TQM and strategic planning, have been imported directly from the private sector into government.

Peters (1996, p. 115)

The ideas of NPM have become the gold standard for administrative reforms around the world (Hood, 1991). Most of these ideas for reform are based implicitly on the assumption that government will function better if it is managed more as if it were a private-sector organization guided by the market, instead of by the hierarchy (Peters, 1996). To achieve better results in the public-sector, governments should run like business. Although the influence of NPM varies across Western democratic regimes, everywhere there is recognition of the need to reduce the micromanagement of government operations by legislatures, the executives, and central administrative agencies (OECD, 1993). “It is difficult to find any country including there have not been some efforts to promote significant change in the public-sector. This is even true for countries of the third world who are being required to implement administrative reform as a condition of receiving assistance from organizations like the World Bank or IMF” (Peters, 1997, p. 251).

AQ5

AQ1

The bureaucratic model of management worked exceedingly well for its time, but times have changed and a new approach to management, emphasizing teams and customer service, has emerged to challenge the traditional model of public administration. Peters (1996) mentions some of the major characteristics of the old or traditional public administration as follows: an apolitical civil service, the job at the civil service was to “implement the decision made by the political masters and to do without questioning the sagacity of the decision,” hierarchy and rules, permanence and stability, an institutionalized civil service, and political control over public bureaucracy. There were several reasons to think “reinventing governments.” First, “significant shifts in economy forced governments to respond” (Peters, 1996, p. 13). Then there is a need for more efficient government that “works better costs less.” Second, demographic change (increasing social political heterogeneity among population) and decline in government’s capacity to regulate society effectively is another reason that causes rethinking of governance (Peters, 1996, p. 15). The market models of reforms take places against the traditional models of public administration as alternative models.

## **NPM: The Need for Managerial Reforms**

The economic recession after the 1970s resulted in an unaffordable budget deficit for the Western states. There were three ways to deal with deficit.

First is by restricting public expenditures and terminating some public tasks, and second is by raising taxes. These two ways seem to be unrealistic alternatives from a political perspective. That leaves us with “a third way,” according to the subtitle of the National Performance Review (Gore, 1993) “work better cost less.” Therefore the “third way almost logically forces the public-sector to move towards public management that the golden age of administrative reform apparently resulted particularly in managerial reforms, this logically follows from cause and effect” (Kickert, 1997, p. 17). The universal administrative reform movements in public management of past years have been driven in large part by the government’s response to the fiscal crises brought by changes in the international economic crises and by the demands for government services and regulations in national political systems. These financial crises have led to budgetary restraint and downsizing of public employees, as well as attempts to privatize government operations and to deregulate private economic initiatives (Aucoin, 1990; Peters, 1996).

There has been a discussion about “making government work better and cost less” in almost every government around the world. What is especially remarkable about the contemporary NPM movement is the similarity of the changes implemented, and the similarity of the discourse about change in the public-sector occurring in many of those settings. The expectations from NPM are the same for all the governments: more efficient, more effective, small, transparent, and less expensive government (Peters, 1997; World Bank, 1997). According to Kickert, “public sector reform is in fashion and no self-respecting government can afford to ignore it. How a fashion is established is one of the most intriguing questions of public policy. Part of the answer lies in policy diffusion brought about by the activities of international officials, by meetings of public administrators, and so-called policy entrepreneurs” (Kickert, 1997, p. 15).

## **Major Characteristics of NPM Reforms**

In all the leading Western democracies, the reforms of the 1980s and early 1990s drew upon previous dissatisfaction with government and upon the work of previous commissions or groups that studied the problem. Britain’s Fulton Report in 1968 argued that members of the British higher service lacked management skills. Australia’s Coomb’s Commission Report argued that financial and management systems needed greater simplicity and more integration. Canada’s Glassco Commission argued for decentralization and greater managerial discretion. The Grace Commission in the United States simply argued that government should be operated like a business (Ingraham, 1997). In all these cases, the message was the same: NPM is an



---

*New Public Management: Theory, Ideology, and Practice* ■ 891

---

important policy tool in improved governmental performance; it is a subset of all policy performance, not a separable set of technical efforts. As a result, the reforms that eventually ensued emphasized not only significant downsizing, but also significantly improved management capabilities.

NPM is accepted as “gold standard for administrative reform” for almost all countries. The main idea for reforming government was if government guided private-sector principles rather than (Weberian) rigid hierarchical bureaucracy, it would work more efficiently and more effectively. Surveys conducted by the OECD (1993, 1990) attempted to categorize the most important initiatives in the various OECD countries. These surveys clearly demonstrate the extent and depth of recent administrative reform initiatives. The OECD surveys arrive at a number of trends that seem to be common to all countries, such as increased result and cost consciousness, service provision and customer orientation, performance budgeting, human resources management, performance control, and evaluation of results.

The shift from bureaucratic administration to business-like professional management with NPM was promoted as a strategy fitting for all levels, and branches of the public-sector, local as well as central governments, and every kind of administrative culture in any country whatsoever. NPM has been presented as a remedy to cure management ills in various organizational contexts, as well as in various areas of policy making, from education to healthcare.

According to its general applicability in various settings, the style of NPM obviously differs depending on the political and historical conditions of the administrative cultures under which it has to operate. Therefore, it should be obvious that NPM is not a monolithic administrative reform doctrine that operates similarly in all countries, governmental levels, and agencies (OECD, 1993). At the very least, differences in the state and administration need to be considered before an idea of public management is transferred to another country. According to specific (political) goals or national administrative cultures, NPM approaches differ in two main respects. First, there are substantial differences in the role the states take on in the reform process, and second, there are essential differences in the orientation of reforms: the targeted subject matters with which to improve efficiency and goal attainment in public service.

It is obvious that Anglo-American countries have tended to be the leaders in NPM reforms. “This is true for market reforms, but also true for some of the other styles of change as well. This appears to be a function of the approach to public administration taken in these regimes” (Peters, 1997, p. 81). As Kaboolian points out, “[c]ommon to reform movement in all countries is the use of the economic market as a model for political and administrative relationships. . . . While the reform movements vary in depth, scope, and success by country, they are remarkably similar in the goals they

pursue and technologies they utilize” (Kaboolian, 1998, p. 190). The core reform ideas and principles included in most national efforts of the past three decades are frequently put up with the term managerialism. Managerialism relies on an essentially private-sector set of techniques and practices, largely raised by public choice and market theories (Aucion, 1990; Peters, 1997; Flynn, 1999). Greater efficiency is a primary objective of managerialist reforms: decentralized, privatized, or otherwise off-loaded government services are also central to the managerialist strategy. In the Westminster systems, the separation of policy advising from service delivery was common. In virtually all cases, the senior civil service was a target of reform with the use of performance contracts, often in combination with greater authority and discretion in budgetary and personnel matters, as a common feature. “Governments around the globe adopted management reforms to squeeze extra efficiency out of the public-sector to produce more goods and services for lower taxes” (Kettl, 1997, p. 446).

Since the early- to mid-1980s, the search for smarter as well as smaller government has led numerous countries to launch major public-sector reforms. In Britain, the “Next Steps” initiative has radically overhauled the structure and operations of much of the civil service. In Australia, there have been important financial management reforms and machinery of government changes at the federal, state, and local government levels. And in the United States, the Clinton administration has made the quest for a government that “works better and costs less” one of its top priorities. Although the rhetoric might have varied around the world, most of the recent efforts at governmental reinvention, restructuring, and renewal have shared similar goals. The major goals are to improve the effectiveness and efficiency of the public-sector, enhance the responsiveness of public agencies to their clients and customers, reduce public expenditure, and improve managerial accountability (Halligan, 1995; Kettl, 1997). The choice of policy instruments has also been remarkably similar: commercialization, corporatization, and privatization; the devolution of management responsibilities; a shift from input controls to output and outcome measures; tighter performance specification; and more extensive contracting-out (Holmes, 1992; Boston et al., 1996).

## **National NPM Programs**

There are some trends in public-sector modernization (in terms of changing processes and structures) and in state modernization (in terms of institutional changes of the system, and nationwide policy changes). Usually, these trends have been named internal modernization, marketization, and democracy and participation. Most of the terms seem to be the smallest common ground of OECD reforms. These general categories are not

---

*New Public Management: Theory, Ideology, and Practice* ■ 893

---

cross-country trends that embrace all public-sector reforms. It can be found useful to form groups of countries. In addition, the composition of the trends is different in almost every country, and different emphasis is given to some elements even in so-called “coherent” countries like Scandinavia. Speed is also different, as well as the approaches. For example, in Britain — at least until the very early 2000s — democracy and participation were mostly a managerial driven customer orientation in public-sector modernization. It was not based on democracy. However, it would be wrong to conclude that British modernization efforts were only management based — at least after the Conservative era. Changes in the political structure — devolution in Scotland and Wales, the regional debate in England, the introduction of cabinets on the local level, etc. — should also not be regarded isolated (Kosecik & Kapucu, 2003).

In public-sector reform in developing countries, the large donors relied heavily on deregulation, instruments, and promoted leadership. The context in which these necessary deregulations took place, the misunderstanding between “goal” and “instrument,” and the often missing civil society with subsequent fatal outcomes on leadership led to no better public service. This is especially true for sub-Saharan Africa, to some extent to South America, and to Asian countries as well. The structural adjustment programs had a severe impact on stability, and the failure in democratic terms encouraged large donor organizations to formulate joining programs. The missing success of NPM-related reforms in developing countries is a logical consequence of its missing institutional and path dependency perspective.

Although many ascribe the adoption of NPM-oriented methods as responses to economic and fiscal stress and global trends, drawing on research on Spain, Mexico, Brazil, Thailand, and the United States, Barzelay and his colleagues show that reform agenda setting is sensitive to a number of context-specific political and other variables. The influences of traveling ideas and economic policy over public management policy making are overdrawn. NPM ideas have created a distinctive legacy that prompts continuous adjustments. Public-sector managers now take for granted private-sector-like routines that are more the exception than the rule internationally. Effective public services stem ultimately from effective routines, the following are the really important legacies: decentralized authority for financial management (within central budget limits), backed by information about assets and liabilities, which put constant pressure on managers to consider the best mix of capital and staffing, and decentralized authority for human resource management, meaning that managers have considerable discretion over who they can hire and how they manage performance.

Routines of planning now place more emphasis on outcomes and “strategic intent” rather than tightly specified outputs. Although annual

**894** ■ *Handbook of Globalization*

planning at times has become ritualized, it ensures organizations keep focused on purpose and value creation — particularly given the potential for serious scrutiny through parliamentary select committees. Considerably more information is available for scrutiny than was the case prior to 1988, a healthy development for democratic debate. Of course managing by results is a very old idea, closely tied to managing by performance, which seemed new back in the Kennedy administration, but even then was just the upswing of an older cycle.

Performance has always been a significant concern of students of public administration (Downs & Larkey, 1986). That was as true of its founders in the progressive era as it is of the most dedicated contemporary managerialists. The main issue that divides students of public administration goes to this issue of administrative control. Conventional study of control treats control as technical process related to inputs (resources, including employee behavior) and desired outputs (specific organizational goals and economic efficiency generally) (Ouchi, 1977; Peterson, 1984). If there is anything consistent about NPM, it is the mantra — let the managers manage; make the managers manage, which is usually translated to say: give them the flexibility to acquire and deploy resources and then hold them accountable for results. Of course, the efficacy of this prescription depends not only on several variables, at a minimum the specification of organizational purpose, but also effective mechanisms for central handling of accounts payable and perhaps also an appropriate structure of accounts. Many if not most developing nations lack these minimum conditions. NPM should be and has been implemented as a reaction of (local, regional, national) problems perceived by decision makers — and its success should be measured by its ability to solve these problems. In many cases, severe existing problems have been solved by methods of the NPM.

New Zealand and Australia have acted as a testing ground for a set of reforms intended for widespread implementation. The rhetoric might differ in different countries, but emerging research suggests that the basic set of NPM reforms is essentially the same. This is suggested by OECD, Public Management and Governance (PUMA) documents, for example, which suggest that the underlying intent was always to “maintain the momentum” of privatization initiatives, but to do so through largely hidden budgeting and financial management process, thus avoiding political debate.

In many developing countries, the public-sector is an optimal place where the political class can situate its clientele and the bureaucratic class its relatives, and nobody wants to give it up. The managerial public teams possess almost absolute ignorance about managerial tools and the public administration personnel grows in number and inadequacy of profiles to duties to be performed despite the public rhetoric. Control is focused on procedures and not in results. There is always a way to elude restrictive

measures and controls. The managerial aspects of the reform are systematically put aside because they can drive to let the political and bureaucratic classes with less power and nobody has interest in such a scenario.

NPM is indeed a set of tools rather than a consistent program to be applied to all countries in all circumstances. It is a set of tools based on the use of markets instead of bureaucracy — i.e., choice rather than force, to use Ostrom's typology. The institutional frameworks of countries differ and this is what conditions the utility of using NPM or any other model to signal the failure of formal bureaucracy. So rather than saying NPM is all bad and formal bureaucracy all good, there needs to be some appreciation of the circumstances in which one, and not the other, might work and in which direction. It is patronizing to say that developing countries must stick to the bureaucratic model when they are developing markets and other institutions to assist their people.

AQ2

## Conclusions

NPM reforms, if they are to be effectively implemented, require a holistic approach, integrating the multiple human resources, financial, technical, and structural factors involved within a dynamic environment (OECD, 1995). Kaul (1996, p. 136) emphasizes the “importance of securing highest level of political authority to reform programs. Equally important is the institutionalization within the government machine of the skills necessary for the continuation and development of good management in government.” Kaul also points out another very important issue related to success of administrative reform in any country by drawing lesson from Commonwealth experience. “The Commonwealth experiences have demonstrated that most successful reforms are politically driven at the highest level. There should be sufficient political will to implement such reforms” (Kaul, 1996, p. 149).

Countries with no firmly established principles of the rule of law, “neutral” bureaucracy and political accountability should think twice before attempting implementation of “modern management practices.” Poorly thought out, rash, and mechanical application of approaches borrowed from the practices of the business sector may have a counterproductive effect. A country with huge pressing problems of corruption or lack of work ethic among public employees is probably not matured for more frontline empowerment reforms, and it probably needs to get its house in order before it can start in a serious way worrying about the quality of public-sector results. Conversely, we should not impose hypercontrol and rule boundedness on public-sector organizations where these are less serious issues, and where the costs of a lack of result-orientation are much greater (Kelman, 1990).

## 896 ■ Handbook of Globalization

Nations around the world have been and are continuing to apply different methods contingent upon the nature of their problems and contexts. It is useful to think of NPM not as a management reform ideology, movement or trend but rather as a set of tools, any of which may be applied (or not) in specific settings. With respect to application of these tools or methods in developing nations caution is advised. Without a sound infrastructure of governance and government, efforts to implement some methods probably will not produce the results desired.

The wider international experience of public-sector reform, suggests that the origins of ideas of public administrative reform and policies to which they give rise are multiple and diverse. Although other aspects of NPM such as privatization, the separation of policy and delivery agencies, and the creation of quasimarkets have been wound back since 1999, the core routines remain firmly in place. The result, in my assessment, is a public-sector that is more capable of continuous improvement than was previously the case.

Each new generation of theory accretes a new layer on the old rather than displacing it. If a theory (like NPM) lies around long enough, it gets accreted upon. In its new sedimentary environment, it just does not look the same. The wider international experience of public-sector reform suggests that the origins of ideas of public administrative reform and policies to which they give rise are multiple and diverse. It is rare for a set of reforms to be taken straight from a management textbook or transplanted directly from another country. The process is actually much more complex and dynamic. Ideas are continuously generated, rediscovered, refined, rejected, borrowed, and transferred across boundaries. Thus, no single formula would work for every country; rather the ideas should be tailored to specific countries and regions.

## References

- Aucoin, P. (1990). "Administrative reform in public management: paradigms, principles, paradoxes and pendulums," *Governance*, 3(2): 115–137.
- Boston, J., J. Martin, J. Pallot, and P. Walsh (1996). *Public Management: The New Zealand Model*. Auckland, New Zealand: Oxford University Press.
- Caiden, G. (1969). *Administrative Reform*. Chicago: Aldine.
- Downs, G. and P.D. Larkey (1986). *The Search for Governmental Efficiency: From Hubris to Helplessness*. New York: Random House.
- Flynn, R. (1999). "Managerialism, professionalism, and quasi-market," in M. Exworthy and S. Falford (eds.) *Professionals and the New Managerialism in the Public Sector*. Philadelphia, PA: Open University Press.
- Gore, A. (1993). Report of the national performance review: creating a government that works better and costs less, Washington, September 7, 1993.