

New Public Management: Emergence and Principles

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Abstract

As a new paradigm of public administration, New Public Management (NPM) points to the failures and inadequacies of public sector performance over time and the problems lying squarely in the nature and processes of public sector activity and traditional public administration. It has been developed as a handy shorthand and summary description of the way of reorganizing public sector bodies to bring their management approaches closer to business methods. Size of the government, centralized bureaucracies, inadequate mechanisms of accountability, waste and inefficiency in resource use etc are all problems which the new public management sought to address. However, there are few criticisms of the doctrines of NPM from the political perspective and few of the developing countries have become successful in public sector reform. This paper, based on general review of literature such as relevant books, journals, articles and newspapers, attempts to pinpoint the emergence, principles and criticisms of NPM considering its theoretical aspects.

Introduction

New Public Management (NPM) is conceived as 'administrative argument' and 'administrative philosophy' (Hood, 1991) where these two concepts were fraternal rather than identical twins. The concept of administrative argument and administrative philosophy encompasses same concepts of doctrines and organizational design that are Siamese twins (Barzelay, 2001). Administrative arguments are 'nested systems' (Simon, 1983) of ideas concerned with organizational design that can be fragmented with a set of sub-argument. Each administrative argument is generally concerned with a broad range of organizational design issue and each sub-argument is concerned with a single issue of organizational design. Administrative doctrines and justifications are the two components that structured a sub-argument where administrative doctrine is a view of how a single organizational design issue should be

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determined, whereas a justification is a rationale for that view. From this concept, NPM has been seen as an instance of an administrative argument. It is a point of view about organization design in government composed of sub-argument originated from administrative values (Hood, 1991).

The administrative values relates three different cluster of values for example, one cluster of values gives priority to efficiency, another prioritizes honesty and fairness and the last one gives priority to robustness and adaptability of systems. Based on the model of administrative arguments Hood and Jackson conclude that NPM as a point of view of organizational design in government that is not utterly lacking in substances and a reasonable person might reject NPM on the grounds of honesty and fairness, for instance, it should give priority over values of efficient task performance (Barzelay, 2001). On the other hand, New Public Management (NPM) is an administrative philosophy concerning organizational design in government. An administrative philosophy is a part of a framework that intended to explain the government agenda and authoritative decisions in a given place and time. Hence, the concept of administrative philosophy is a tool of political and historical analysis. The acceptance of NPM is an event which established a climate of opinion in favor of its various doctrines. Both concepts refer to a set of doctrinal arguments despite administrative arguments suggest these arguments share similar types of justifications. Thus, in order to change in organizational design government need to incorporate a satisfying analysis of process of doctrinal change (Kalimullah and Khan, 2011).

New public management is also defined based on two fields of discourse or paradigm for example, public choice and managerialism. Here public choice is a contemporary field of discourse about government with wider concern than management, whereas managerialism is a field of discourse initially meant to apply to organizations in the private sector. Despite a common disagreement about the specific illustration of NPM (Dunleavy, 1994) however, the classic formation of NPM has seven directions (Hood, 1991). It focuses on hands-on and entrepreneurial management that is opposite to the traditional bureaucratic focus of public administration. NPM explicitly sets the standards and measures performances. Another direction is it emphasizes on output control. Alongside, it focuses on the importance of disaggregation and decentralization of public services. Moreover, there is a shift to the promotion of competition in the effective delivery of public services (Kalimullah and Khan, 2011).

NPM is a modern management practice with the logic of economics retaining core public values (Samaratunge, Alam and Teicher, 2008) which are not a static phenomenon but evolving one. The traditional concepts of public administration have been transformed to cope with the emerging geo-political

and economic challenges. Indeed, the greater role of the government until the 1960s in socio-economic transformation, market oriented reforms, production, provision and regulatory activities came under severe criticism as there were fiscal crisis, imperious bureaucracy, poor performance and lack of accountability in public organizations, wide spread corruption, changes in public expectation and emergence of better alternative forms of service delivery (Minogue, 1998) that have given rise to the emergence of NPM (Sarker, 2006). After appearance, NPM becomes a leverage of managing public sector organizations with two key features for example, one is the separation of policy formulation from operation and secondly, the importance of management inspired by private sector management. This new approach to public management founded a sharp critique of bureaucracy as the organization principle within public administration and promised a small but better government, emphasized on decentralization and empowerment, focused on customer satisfaction, promoted better mechanism of public accountability and institutional development. It is also concerned with the ability of public administration to secure the economic, efficient and effective provision of public services, and concern for professional power within public services and consequent disempowerment of service users.

Public Administration and New Public Management: Difference and Relationship

The paradigm shift from public administration to new public management involves a move in the basic design co-ordinates of public sector organizations that become less distinctive from the private sector and the degree of discretionary power (particularly over staff, contracts and money) enjoyed by public managers is increased, as the procedural rules emanating from the centre are relaxed. Government reworks budgets to be transparent in accounting terms, with costs attributed to outputs not inputs, and outputs measured by quantitative performance indicators. Public sector organizations should be viewed as a chain of low-trust principal/agent relationships (rather than fiduciary or trustee-beneficiary ones) and a network of contracts linking incentives to performance. Government disaggregates separable functions into quasi-contractual or quasi-market forms, particularly by introducing purchaser/provider distinctions; opens up provider roles to competition between agencies or between public agencies, firms and not-for-profit bodies; and deconcentrates provider roles to the minimum-feasible sized agency, allowing users more scope for 'exit' from one provider to another, rather than relying on 'voice' options to influence how public service provision affects them (Dunleavy and Hood, 1994).

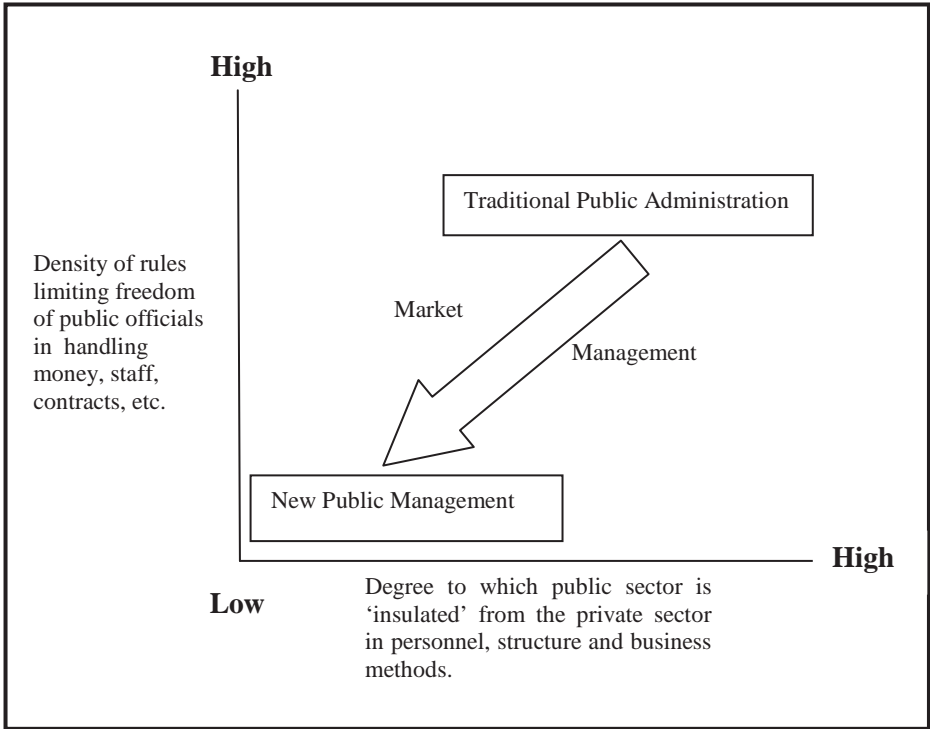


Figure 1: From Public Administration to New Public Management (Dunleavy and Hood, 1994)

Public administration is the organization and management of men and materials to achieve the purpose of the government. Its central idea is the co-operative rational action. It is concerned with the conduct of public affairs, the management of the public's business and the implementation of public policies. The management of public programs is known as public administration. It is the means of translating politics into reality that citizens see every day. According to Gerald E. Caiden (1982), "Public administration refers to the implementation of pronouncements made by recognized public authorities, the organization of enforcement machinery to ensure public conformity and relations between the public and public officials appointed to further collective interests. It includes the organization of public affairs, social purposes and collective decision-making, the management of public institutions, public offices and public property, and the administration of the public by officials, covering attitudes and behavior as well as actions." Public administration, as a process, consists of the actions involved in effecting the intent or desire of a government and public policy. It is thus the continuously active business part of government which is concerned with carrying out the

law as made by legislative bodies (or other authoritative agents) and interpreted by courts, through the process of organization and management. In the broadest sense, public administration denotes the work involved in the actual conduct of governmental affairs, regardless of the particular branch of government concerned. In its narrowest sense, it denotes the operations of the administrative (executive) branch only.

Table 1: Public Administration vs New Public Management (Araujo, 2001)

Sl. No.	Elements	New Public Management	Traditional Public Administration
1	Government organization	Break-up of traditional structures into quasi-autonomous units	Services provided on a uniform basis operating as a single aggregated unit
2	Control of public organizations	Hands-on professional management with clear statement of goals and performance measurement	Control from the head quarters through the hierarchy of unbroken supervision and checks and balances
3	Control of output measures	Stress results and output control rather than procedures	Control on inputs and procedures
4	Management practices	Using private sector management style	Standard established procedures throughout the service
5	Discipline in resources use	Check resources demand and 'do more with less'	Due process and political entitlements

New Public Management (NPM) is totally different in many ways from traditional public administration. Traditional public administration all over the world failed to take cognizance of some vital environmental forces in spite of its tremendous appeal. Accordingly, NPM emerged in response to a number of environmental forces which governments everywhere have faced in the last twenty years (Sarker and Pathak 2000: 57). First, large and expensive public sectors put pressures to cut programs and/or increase efficiency. Second, there have been massive technological innovations over the years, particularly, the

development of information technology. Third, the globalization of economy with increasing competition has become order of the day. Fourth, it has become inevitable to liberalize the economic sector following heavy burden being imposed upon the national exchequer as a result of mismanagement, corruption, inefficiency in resource management, bureaucratic bungling etc. More importantly, increasing efficiency in resource management is also expected as economic recession and competition simply demand it. Fifth, in the competitive world, the people are demanding quality goods and services. They are now keen to compare services of all organizations (Borins, 1995; Minogue et al. 1998; Hughes, 2003).

Emergence of New Public Management

New Public Management is a vision, an ideology or a bundle of particular management approaches and techniques. In the 1980s, the drivers of change, particularly financial pressures, pushed most Western countries towards a focus on making the public sector more competitive and public administrators more responsive to citizens by offering value for money, flexibility of choice and transparency. This movement was referred to later as New Public Management by academics. Some practitioners and academics created the science of public administration in the 1920s on the fundamentals of the progressive reform successes, particularly the presupposition of loyal bureaucrats, honest politicians, and the politics-administration dichotomy. These reformers, the new scientists of public administration, built a theory of organization that they supplemented with the concept of management. These principles were: the principle of division of work and specialization, the principle of homogeneity, the principle of unity of command, the principle of hierarchy with respect to the delegation of authority, the principle of accountability, the principle of span of control and the staff principle (Minogue et al. 1998). The reformers expected public managers, working within organizational structures built on these principles, to perform the following functions: Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting-or, in Luther Gulick's shorthand: POSDCORB (Gulick, 1937). The reformers also advocated reorganization to streamline and consolidate organizations and to standardize administrative procedures (Lee, 1995; Henry, 1975; Arnold, 1995). After World War II, academics began to reassess and question the principles of classical public administration. One of the most rigorous critics was Herbert Simon, whose work set the tone and direction for neoclassic public administration. His dissertation, with the title *Administrative Behavior: A Study of Decision-Making in Administrative Organization*, contained the buzzwords of the era: behavior, decisions, and organization. Simon said that the principles of administration are not scientific, but inconsistent proverbs that were drawn from common sense (Simon, 1983). He

suggested founding public administration on rigorous and scientific observation and on (inductively) derived laws of human behavior. He advocated separating facts from value judgments and dividing science into pure and applied branches (Simon, 1983). Objective scientific knowledge serves to control the social environment from this perspective. A lot of scholars followed Herbert Simon's lead-but not all. Some felt unqualified to use the new scientific standards and thus continued doing what they did before; so the classical approach not only survived in the progressive structures of practical government but in public-administration theory, too. Other scholars refused to accept the separation of facts and values, because they thought this would cut off public administration from its foundations-from political philosophy and the search for the public interest (Sarker, 2006).

The adoption of new forms of public management means the emergence of a new paradigm in the public sector and traditional public administration discredited theoretically and practically. Public management poses a direct challenge to several of what had previously been regarded as fundamental principles of traditional public administration. (1) Government should organize themselves according to the hierarchical, bureaucratic principles most clearly enunciated in the classic analysis of bureaucracy by the German sociologist Max Weber (Gruening, 2001). Although adopted by business and other institutions, these precepts were carried out far more diligently and for longer in the public sector. (2) One-Best-Way of working and procedures were set out in comprehensive manuals for administrators to follow. Strict adherence to these scientific management principles would provide the single best way of operating an organization. (3) Once government involved itself in a policy area, it also became the direct provider of goods and services through the bureaucracy. (4) The administration would be an instrument merely to carry out instructions, while any matters of policy or strategy were the preserve of the political leadership (Hughes, 2003). (5) The motivation of the individual public servant was assumed to be that of the public interest; in that service to the public was provided selflessly. (6) Public administration was considered a special kind of activity and, therefore, required a professional bureaucracy, neutral, anonymous, employed for life, with the ability to serve any political master equally. (7) The tasks involved in public service were indeed administrative in the dictionary sense that is, following the instructions provided by others without personal responsibility for results. These seven seeming verities have been challenged. First, bureaucracy is indeed powerful but does not work well in all circumstances and has some negative consequences. Secondly, trying to find the one-best-way is elusive and can lead to rigidity in operation. Flexible management systems pioneered by the private sector are being adopted by governments. Thirdly, delivery by

bureaucracy is not the only way to provide public goods and services; governments can operate indirectly through subsidies, regulation or contracts, instead of always being the direct provider. Fourthly, political and administrative matters have in reality been intertwined for a long time, but the implications of this for management structures are only now being worked through. The public demands better mechanisms of accountability where once the bureaucracy operated separately from the society. Fifthly, while there may be public servants motivated by the public interest, it now seems incontrovertible that they are political players in their own right. They may also be assumed to work for their own advancement and that of their agency, instead of being pure and selfless. Sixthly, the case for unusual employment conditions in the public services is now much weaker, especially given the changes that have taken place in the private sector where jobs for life are rare. Finally, the tasks involved in the public sector are now considered more managerial, that is, requiring someone to take responsibility for the achievement of results, instead of being regarded as administrative and with public servants merely following instructions (Hughes, 2003). The traditional model of public administration, which predominated for most of the twentieth century, has changed since the mid-1980s to a flexible, market-based form of public management. This is not simply a matter of reform or a minor change in management style, but a change in the role of government in society and the relationship between government and citizenry. In the early 1980s, Garson and Overman defined it as "an interdisciplinary study of the generic aspects of administration - a blend of the planning, organizing, and controlling functions of management with the management of human, financial, physical, information and political resources." Later on in mid 1990s, S. Borins defines NPM as "a normative conceptualization of public administration consisting of several inter-related components; providing high quality services that citizens value; increasing the autonomy of public managers; rewarding organization and individuals on the basis of whether they meet demanding performance targets; making available the human and technological resources that managers need to perform well; and appreciative of the virtues of competition, and maintaining an open minded attitude about which public purposes should be performed by the private sector, rather than a public sector." In spite of divergent and contradictory views, opinions and definitions about the meaning and implications of this doctrine, there is, however, no doubt that it has become extremely influential in public administration theory and practice since the 1980s. By the beginning of the 1990s, a new model of public sector management had emerged in most advanced countries and many developing ones. Initially, the new model had several names, including: 'managerialism' (Pollitt, 1993); 'new public management' (Hood, 1991); 'market-based public

administration'; the 'post-bureaucratic paradigm' (Barzelay, 2001) or 'entrepreneurial government' (Osborne and Gaebler, 1993). Despite the differing names, they all essentially describe the same phenomenon. New Public Management is thus seen as a body of managerial or ideological thought which is based on ideas generated in the private sector and imported into the public sector (Hood, 1991). It is a framework for reorganizing management procedures in the public sector with the aim of greater effectiveness and efficiency.

Public Choice Theory and Principle/ Agency Theory: Major Imperatives of Change

Public choice provided alternatives, the most obvious being to allow competition and choice and to return as many activities as possible to the private sector. A more subtle use of public choice arises from the point that behaviour could be assumed and modelled. This was a powerful tool in the design of programmes ranging from welfare to traffic control. After thirty years of public choice theory and attempts to apply it to governmental settings, results have been mixed. Public choice theorists generally argue that the best outcome will involve a maximum role for market forces and a minimal role for government. They argue there is a substantial body of evidence that private markets are better than government or political markets, even if this view is often ideological, and not an axiom of the theory itself. If the role of government in supplying goods and services could be reduced, the economy as a whole would benefit. Markets are also argued to have better mechanisms for accountability as opposed to a bureaucracy accountable to no one by the public choice theorists. These views found a governmental response (Hughes, 2003).

Markets do not work better than bureaucracy under all circumstances. It could be argued that the assumption of individual rationality is too sweeping and ignores any selfless or public-spirited behaviour by public servants. The most important effect of public choice theory is the implicit questioning of the motives of public servants in some situations. An assumption of utility maximizing behaviour is more able to account for behaviours, such as office politics, agency politics and the ever-present drive for promotion, than can be explained by regarding public servants as selfless and only motivated by the public interest (Hughes, 2003: 11-12). The economic theory of principal and agent has also been applied to the public sector, especially concerning its accountability. The theory was developed for the private sector to explain the divergence often found between the goals of managers (agents) in private firms and shareholders (principals). How the interests of agents and principals diverge and are to be dealt with has given rise to an extensive literature dealing with issues of accountability and their effects on organizations.

Principal/agent theory attempts to find incentive schemes for agents to act in the interests of principals. The activities of agents (managers) need to be monitored by shareholders, by the possibility of takeovers or bankruptcy while the presence of a non-executive board may help in 'attenuating the discretion of management'. Agents should have contracts that specify their obligations and rights, in addition to ensure their behaviour complies with the wishes of the principals. Shareholders, in the private sector, seek maximum profits, while managers, their agents, might want long-term growth and higher salaries for themselves. Firms may not necessarily maximize profits for the benefit of the shareholders because the separation of ownership from control reduces shareholder power. There must be some profit, although perhaps not to the extent of profit and dividend maximization. The agency problem in the public sector could be reduced. The theory gives some backing to those arguing for contracting-out as much of the public sector as possible. In this way, the agency relationships would become those of the private sector, which are assumed to work better. Contracts could be used for employees and for organizations and those arrangements would have incentives, both positive and negative, although even if theoretically desirable, the notions of performance contracts and incentive pay have problems of their own. If public activities are contracted out, there are problems ensuring compliance. Performance pay can attract resentment from other staff (Hughes, 2003: 12-13).

The theories of the 'new institutional economics', particularly public choice theory and principal/ agent theory, combined with an ideological predilection among many economists for market solutions, have provided some intellectual coherence to cutting the public service, as well as restructuring its management.

In addition, several public administration precepts - lifetime employment, promotion by seniority, the terms and conditions of public employment, traditional accountability, even the theory of bureaucracy - have been challenged for being based on poor theory and providing inadequate incentives for good performance (Hughes, 2003).

Principles of New Public Management (NPM)

New Public Management (NPM) is the most dominant paradigm in the discipline of public administration (Arora 2003). It conjures up an image enmeshed with a minimal government, debureaucratization, decentralization, market orientation of public service, contracting out, privatization, performance management, etc. These features signify a marked contrast with the traditional model of administration, which embodies a dominant role of the government in the provision of services, hierarchical structure of organization, centralization and so forth. Grounded in rational choice and public choice and containing

elements of total quality management (TQM), the New Public Management (NPM) seeks to offer more efficient mechanism for delivering goods and services and for raising governmental performance levels (Kelly 1998).

Table 2: Doctrine of New Public Management (Hood, 1994)

Sl. No.	Doctrine	Meaning	Justification
1	Hands-on professional management of public organization.	Visible managers at the top of the organization, free to manage by use of discretionary power.	Accountability requires clear assignment of responsibility, not diffusion of power.
2	Explicit standards and measures of performance.	Goals and targets defined and measurable as indicators of success.	Accountability means clearly stated aims; efficiency requires a 'hard look' at objectives.
3	Greater emphasis on output controls.	Resource allocation and rewards are linked to performance.	Need to stress results rather than procedures.
4	Shift to disaggregation of units in the public sector.	Disaggregate public sector into corporatized units of activity, organised by products, with devolved budgets. Units dealing at arm's length with each other.	Make units manageable; split provision and production, use contracts or franchises inside as well as outside the public sector.
5	Shift to greater competition in the public sector.	Move to term contracts and public tendering procedures; introduction of market disciplines in public sector.	Rivalry via competition as the key to lower costs and better standards.
6	Stress on private-sector styles of management practice.	Move away from traditional public service ethics to more flexible pay, hiring, rules, etc.	Need to apply 'proven' private sector management tools in the public sector.
7	Stress on greater discipline and economy in public sector resource use.	Cutting direct costs, raising labour discipline, limiting compliance costs to business.	Need to check resource demands of the public sector, and do more with less.

Falconer (1997) provides a summary of these central characteristics. People, responsible for public service delivery, should be proactive managers rather than reactive administrators. The modern public manager should have discretion in decision making within his or her particular area of responsibility. Unlike the traditional public administrator, who operated in accordance with established rules and regulations, and who implemented the policies of government with little or no discretion and with no direct responsibility, the public manager is a much more active individual, with decision making authority over, and responsibility for, the public service he or she delivers. This is called 'Hands-On Professional Management'. Under the new public management, management lies at the core of public sector activity, and professional managers are viewed as the key to improved public sector performance. Public management embodies the important belief that public sector organizations should increasingly be subjected to rigorous 'measures of performance'. This means that these organizations must pay closer attention to what it is they are doing (i.e. objectives). Subjecting public managers to performance evaluation introduces disciplinary mechanisms which compel public sector bodies to focus on their specific responsibilities and carry out those tasks efficiently and effectively.

As the public management school of thought argues, performance measurement also enables public sector bodies to be held directly to account for their activities (as will be discussed below). Under the regime of performance measurement, public sector organisations should be committed to an ethos of continuous improvement in levels and standards of service delivery. Allied to performance measurement is the need for a 'focus on results rather than processes'. For too long, public sector organizations failed to concern themselves with their outputs (i.e. the quality of services). Rather, the focus was on inputs, given that political debates on public sector matters usually revolved around the question of resources. Under the new public management, the focus is shifted to that of results. The important question for the proactive public manager is what he or she actually achieves with the resources available. As such, the most important concern of the public manager is with results. The new public management calls for decentralization in public sector organization. Given that public management embodies a strong criticism of the bureaucratic form of organization, it is not surprising that it advocates a disaggregation of bureaucratic units in order to form a more efficient, accountable public service. This is called 'disaggregation of public sector units'. It is more efficient because smaller units of activity are better able to establish objectives and work toward achieving them more quickly and more directly. It is more accountable, because the new public management replaces the 'faceless bureaucrat' with visible, responsible managers who are directly accountable to the public. The two

central arguments within the public management approach are- the market, not government, is the best allocator of resources and individuals are the best judges of their own welfare. As such, market disciplines are advocated for the public sector, in line with the belief that the threat of competition and rivalry between providers fosters efficiency in service provision and choice for the customer. It brings 'greater competition in public service provision'. This has important implications for both public service providers and users. On the provider side, public service delivery agencies, through market forces, will supposedly be compelled to improve the quality of service. On the customer side, the member of the public is supposedly transformed into a consumer with rights in the new public sector marketplace.

The recommendation of 'private sector styles of management' is that the efficiency of public service provision is enhanced where a public sector agency conducts its affairs in accordance with business principles. An important theme within public management is that the public sector should seek, as far as possible, to behave in a more business-like manner (i.e. more like the private sector). Therefore, public service agencies should adopt reward structures for their employees, much like those in the private sector, encompassing such mechanisms as performance-related pay and more flexible working practices. Underpinning these different recommendations is the important requirement that public service agencies must pay much greater attention to the way in which they use the financial and human resources at their disposal. The emphasis in the new public management is very much on cutting the cost of public service provision, while, at the same time, increasing its quality (i.e. doing more with less). Osborne and Gaebler (1993) identified ten principles that represent an operational definition of NPM.

First, government has a responsibility to steer the delivery of public services in the addressing of public issues. As such, it reflects a notion that government does not necessarily have to be doing something in order to be responsible for the delivery of that public service. Second, government ought to be "community-owned" and that the role of government is to empower citizens and communities to exercise self-governance. This notion stands in contrast to the notion that citizens are merely recipients of public services and do not have to be actively engaged in the process of deciding what those services would look like. Indeed, the citizen simply needs to know they were receiving the same service as that delivered to other citizens or recipients such that no preferential treatment is being shown (Miller and Dunn, 2006). Third, competition is seen as inherently good such that, through competition, the best ideas and most efficient delivery of services can emerge. Competition can drive the newly empowered citizens and recipients to create new and better ways of providing public goods to themselves and their fellow citizens.

Sometimes competition means that various public and private firms were competing to procure the rights to deliver a public service. It also means that departments within a government have to compete for limited public resources, that communities have to compete with each other to offer fresh and original ideas, and employees have to compete with each other in the delivery of the services for which they are responsible.

Fourth, far too often, the results of governmental operations were the enforcement of rules that may or may not have been relevant to the particular cases. It should be the purposes for which agencies are created that drive the activities of that agency, not the rules that have been constructed around that agency. Fifth, Public agencies should be judged on the results that they generate. Organizational processes like the budget cycle should be directed assessing the cost and benefits of the outputs of the units and not on the allocation of inputs (staff, space, resources) between those units. Sixth, the notion of customer is predicated on the value of choice. Customers ought to have a right to choose between competing and differentiated approaches that could be taken to deliver any particular public good. Seventh, bureaucracies earn their allocation of resources by demonstrating the value in terms of the public good that will be generated by the investment that elected officials would make in a particular agency. This perspective has the units in an agency competing with each other by selling to the elected officials a greater public good than that offered by the other agencies.

The eighth principle relates to the desirability of orienting public agencies toward preventing rather than curing public problems. Although this particular principle has been seen as a critique of bureaucracy is general, it is not our intention to argue that anticipatory organizations are inherently related to NPM. The ninth principle is about maximizing the participation of the broadest possible number of people and institutions in the decision-making process. In this sense, it is anti-hierarchy and anti-bureaucratic. It is also anti-uniformity in that the way a particular public service is delivered is a function of the local community of participants who decide how that service will be delivered. The tenth principle relates to leveraging market forces and utilizing market based strategies in the delivery of public goods. It presumes that there is no one way to deliver a public good and a wide variety of delivery mechanisms are possible.

Although the NPM model has several incarnations such as managerialism (Pollitt, 1990), new public management (Hood, 1991), market-based public administration and entrepreneurial government (Osborne & Gaebler, 1993), the basic premises are same. It represents a major shift from the conventional public administration in various ways. For example, Lan and Rosenbloom observe that the chief aim of market based public administration approach is

that public administration can achieve its historic quest for both efficiency and responsiveness to the public through competitive market-like practices. Osborne and Gaebler (1993) even called for a cultural shift away from bureaucratic government towards an entrepreneurial government as it is both competitive and customer driven. NPM is to a large extent based on the assumption that public sector organizations need to learn from private sector and private companies. Private sector is considered to be more efficient, and by imitating private sector - public administration may become more efficient in its allocation and use of resources. This is considered possible in so far as the difference between private and public sphere is not seen as an obstacle. The two key concepts of NPM are market and management. Market means competition and is seen as the highway to heaven. Competition compels private companies to continuously search for better products and services because if they do not improve, other companies will take over and they will not survive. The public sector is not exposed to competition. According to the NPM doctrines, public sector organizations are in a monopoly situation and hence do not have similar drive for continuous improvements. Since there is no competitive pressure for cost effectiveness and productivity improvements, the allocation of resources in public administration will be sub-optimal. To remedy this situation, NPM proposes a number of ways to expose public sector organizations to be more competitive. The other key concept management refers to a separate and distinct activity that brings together plans, people, and technology to achieve desired results (Pollitt, 1998).

The assumption is that management is a professional way of dealing with problems of organization and the optimal allocation of resources. Management is different from politics, which is the realm of conflict and disorder, and politicians are amateurs in administration in so far as they do not know very much about how to manage organizations. Management is based on scientific knowledge about how to deal with such problems in the most rational and efficient way. Public administration, according to the NPM ideology, needs more professional management. Politicians have legitimate role as responsible for the overall goals of public sector organizations, but the implementation should be more exclusively left to professional managers. The NPM is inspired by private sector and the above list may be compared to a similar list developed by Peters and Waterman, which they claimed was developed from a study of the ten most successful United States companies by that time (IBM, Hewlett-Packard, McDonald etc.). The list from Peters and Waterman includes: (a) bias for action; (b) close to the customer; (c) autonomy and entrepreneurship; (d) productivity through people; (e) hands-on, value driven; (e) stick to the knitting; (f) simple form, lean staff; and finally (g) simultaneous loose-tight properties. Their study has been criticized for methodological

weaknesses: not making explicit how data were collected and how they relate to findings, also that they did not compare with poorly performing companies, and that they identify these as generic principles across various contexts. After some time it was also pointed out that many of the successful companies failed and was not any more on the top-ten list. NPM also stand out as a rhetorical mechanism. Managerial speeches and documents tend to construct their arguments on the basis of four founding assumptions, which are themselves rarely subject to critical reflections or empirical tests: (a) existing public sector organizations are outmoded and in need of reform; (b) a body of proven management ideas and techniques is available to guide the reform process; (c) it is self-evident that efficiency will flow from the application of such techniques and that greater efficiency and flexibility are desirable in themselves; and (d) it is progressive to define the citizens who interact with public sector organizations as consumers and customers. All the definitions cited above imply that NPM relies heavily on the theory of the marketplace and on a business-like culture in public organizations. Other definitions were also put forward in the 1990s (Pollitt, Christopher, 1998).

Hays and Kearney found that most of the studies on NPM had mentioned five core principles of NPM and thus concluded that they represent the most important philosophy of the discipline: (1) downsizing - reducing the size and scope of government; (2) managerialism - using business protocols in government; (3) decentralization - moving decision making closer to the service recipients; (4) debureaucratization - restructuring government to emphasize results rather than processes; and (5) privatization - directing the allocation of governmental goods and services to outside firms (Hughes, 2003).

All these principles are mutually related, relying heavily on the theory of the private sector and on business philosophy but aimed at minimizing the size and scope of governmental activities. Integrated with ideas rooted in political economy, they have now been applied to public sector institutions. Hence, governments that are far from being simple businesses have been encouraged to manage and run themselves like businesses. An integrative definition for NPM that relies on the previous works would thus argue that NPM represents "an approach in public administration that employs knowledge and experiences acquired in business management and other disciplines to improve efficiency, effectiveness, and general performance of public services in modern bureaucracies" (Vigoda 2003).

Criticisms of New Public Management

The serious criticism of the public management reforms, particularly those of the new public management, is that they are against the precepts of democracy.

It is argued by some that democracy requires bureaucracy. Democracy requires the rule of law, the legally sanctioned regulation of markets, the preservation of equity, and competent bureaucracies subject to control by statute and by judicial institutions. Weber viewed a system of bureaucratic rule in the modern state as inescapable. Bureaucracy and democracy go together and to move away from bureaucracy is to wish to set up a new system of government altogether. This is a big claim. It may be claimed that there is an endemic reduction in political accountability, hence in democratic accountability, as public managers are themselves accountable for results, thereby allowing politicians to avoid accountability.

The public sector reforms may reduce political accountability; if the manager is to be more accountable, then the politician is axiomatically to be less accountable and public accountability may be reduced through contracting or other ways in which a function is delivered by the private sector so there is no longer government involvement. It could be argued that outcomes are not evenly distributed, that equity considerations are of little concern in the reform process. It would need to be proved that 'responsiveness, equity, representation and the rule of law' are any less valued than under traditional bureaucracy. It could be argued that all that is being set forward is being more focused on how money is being spent and making sure that desired results are achieved. Further there would be no reason that programmes aimed at being more equitable would not be able to be managed by the NPM principles. In other words, perhaps it is the programme rather than its administration that advances equitable outcomes. There is a reduction in scale and scope by government. While it could be claimed that cuts in government follow from democratic demands for lower taxation, it is possible that the larger scale and scope of government results from political demands as expressed by democratic means. It could be regarded as undemocratic if the scope of politics - by one standard definition, the art of the possible - is reduced to narrower allowable areas of discourse (Hughes, 2003).

The public management reforms have generally aimed at reducing the size of government, but there is no real evidence that this was in response to democratic pressure. There was some minor political impact resulting from the so-called tax revolts in the 1970s and 1980s, but it was not substantial and quite short-lived. It is the case that governments grew in response to what the citizenry wanted. To the extent that public management reformers reduce government regardless of public opinion, they could be seen to be behaving in an undemocratic way. For example, there was no popular movement against public enterprise. There was, rather, theoretical argument derived from neo-classical economics and from this the widespread privatization of public

enterprise followed, in many places against public opinion. In addition, governmental scope can be reduced by limiting the allowable range of activity for politics and political action to only those things about which current theory allows arguments to be made. It would be unlikely now that a government would declare that it wished to greatly increase public spending, increase public employment and nationalize some important industries. This means the range of allowable discussion does not permit all possibilities to be canvassed; politics is reduced, therefore democracy has been reduced.

It could be argued that several of the major changes would, if carried out fully, improve the functioning of the democracy. OECD argues 'The public management reforms are not responsible for any problem of democratic deficit, rather they are part of the solution'. There is to be more transparency, enhancement of the role of elected politicians, while the focus on service quality and consultation increase the opportunities for public involvement. It is also possible that public management reforms were driven, in some countries, by a desire for greater democracy (Hughes, 2003).

Conclusion

New Public Management (NPM) is a new paradigm of public management that puts forward a different relationship between governments, the public service and the public. There have been changes in the public sector and reforms of an unprecedented kind. For a variety of reasons, the traditional model of public administration has been replaced by a new model of public management. The change to new public management involves much more than mere public service reform. It means changes to the ways that public services operate, changes to the scope of governmental activity, changes to time-honored processes of accountability and changes to the academic study of the public sector. The main change is one of theory, sufficient, it is argued, to constitute a new paradigm. The process of managerial reform is not yet complete; the wider effects of it on, not only the public sector, but the entire political system, still has some distance to travel. The ideas are well grounded in theory and have attracted the support of the governments in most developed countries. The changes wrought by new public management are now probably irreversible. Stark argues that the new managerialism ideas are new, even if some of the aspects are not. Hood (1991) argues that the new managerialism is 'hype' rather than 'substance' and that nothing has really changed. In his view, new public management has 'damaged the public services while being ineffective in its ability to deliver on its central claim to lower costs'; and also it was 'a vehicle for particularistic advantage' to serve the interests of an elite group of top managers, and could not claim to be as universal as its advocates suggested. Hood (1994) later repeated the criticism arguing it was 'more that

the packaging was new, not the ideas inside' and that NPM could be considered a 'cargo cult'. In one sense, the ideas are not new. Economics and private management are hardly new, nor are the principles of managerialism deriving from them. The history of public administration is replete with failed experiments and failed techniques, mostly with their own acronyms such as: planning, programming, budgeting (PPB), zero-based budgeting (ZBB), and management by objectives (MBO). The feeling that it has all been seen before is quite understandable or as Newland argues 'American skepticism toward NPM stems from long experience with conflicting reform fancies and fads'. Spann's warning of a fashion or a fad is relevant here. Perhaps the changes are merely a fad to which, like all fads, public servants pay lip service. Public servants may have absorbed the new managerial jargon - performance indicators, key result areas, strategy, and organizational culture and so on - but in many cases the understanding does not rise above this level. It does not matter if the ideas are new or not. What is more important is the packaging of the ideas into a coherent set of reforms, and this has occurred. Managerial reforms were not instituted by, or for the benefit of, senior managers, they were imposed by politicians and governments highly unimpressed with the quality of their public services. Some inside the system might have been carried along by the tide, but it is governments trying to shore up their own support in the community that have been the instigators and beneficiaries. This is very different from earlier internal management reforms. Managerialism may last longer as a result of its implied assault on bureaucratic principles. The idea of government itself may be under some pressure, but bureaucracy now has few supporters anywhere. Any solution offering a reduction in bureaucracy is likely to be popular. Previous reform attempts were changes within a bureaucratic framework; this one is not. Thirdly, the express aim in the managerial programme to reduce the scope of government makes it unlikely that the areas reduced will again become part of government. Previous reform attempts made no serious attempt at reduction, or in trying to find out which things governments were best at doing. However, as more countries adopted the reforms, it was the traditional model of public administration that looked more and more dated (Hughes, 2003).

Notes

- 1 Public choice, considered as a branch of economics that developed from the study of taxation and public spending, is the scientific analysis of both the government behavior and the behavior of individuals with respect to government. Public choice theory applies the theories and methods of economics to the analysis of political behavior

- 1 Managerialism refers a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and informational) with the aim of achieving organizational goals in an efficient and effective manner.
- 1 Paradigm means a philosophical and theoretical framework of any scientific school or discipline within which theories, laws, and generalizations and the experiments performed in support of them are formulated. But Thomas Kuhn (1996) himself did not consider the concept of paradigm as appropriate for the social sciences. He explains in his preface to *The Structure of Scientific Revolutions* that he concocted the concept of paradigm precisely in order to distinguish the social from the natural sciences.
- 1 Public policy is a set of major guidelines which focuses on the future attempts of the government and provide political leaders with a framework for making decisions in response to perceived societal problems and within the context of several constraints such as normative and resource constraints and uncertainty.

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