

# 1 New Public Management

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## AQ1 7 INTRODUCTION

8 (FOR WEB PREVIEW) New Public Management rep-  
9 resents “an approach in public administration that  
10 employs knowledge and experiences acquired in business  
11 management and other disciplines to improve efficiency,  
12 effectiveness, and general performance of public services  
13 in modern bureaucracies.” Despite contradictory views  
14 about the meaning and implications of this doctrine, there  
15 is no doubt that it has become extremely influential in  
16 public administration theory and practice since the 1980s.

17 In the last decade, we have witnessed an ongoing  
18 debate between scholars and practitioners of public ad-  
19 ministration on the best way to revitalize and renew old  
20 style bureaucracies. Since the early 1980s, much work has  
21 been conducted in public administration theory and  
22 practice that claimed to go beyond the conservative ap-  
23 proach in the field. Modern public administration has  
24 been urged to innovate and reform itself in a style better  
25 suited to the twenty-first century and the growing de-  
26 mands for higher efficiency and effectiveness. Drawing  
27 on the experience of the business/industrialized/private  
28 sector, scholars have suggested taking a more “demand-  
29 ing” attitude toward the dynamics, activity, and produc-  
30 tivity of public organizations. Similarly, a significant  
31 conceptual change has transformed the “old” style of  
32 public administration into the “new” approach of public  
33 management. This “liberalization” of public administra-  
34 tion is recognized today as the New Public Management  
35 (NPM) doctrine.

36 What is the meaning of NPM? What are its roots, and  
37 in what way is it actually a *new* arena in the study of the  
38 public sector? Has it achieved enough success in recent  
39 years to justify further inquiry into its principles and  
40 promises? These questions, as well as many others, have  
41 received considerable attention during recent years and, in  
42 fact, a large number of varying opinions have emerged.  
43 Proponents of this approach have provided detailed  
44 explanations and a variety of examples that demonstrate  
45 the enormous positive impact of the approach. Those who  
46 critique NPM counter with the argument that it has  
47 nothing new or notable to contribute to the field. They,  
48 thus, tend to treat it as a seasonal fashion that will  
49 eventually fade in face of other “new” doctrines. There-  
50 fore, advocates of NPM continuously face critics who are

51 unconvinced as to the merits of NPM as an administra-  
52 tive philosophy.

## THEORETICAL FOUNDATIONS

To better resolve these conceptual and practical conflicts regarding the contribution of NPM to public administration, one must become familiar with several fundamental concepts. The first and probably the most basic premise of NPM emerges from the distinction between two proximate terms or fields of research—*administration* and *management*. Since the late 1880s, the monopoly on the term “administration” has been in the hands of political scientists. Scholars like Goodnow and Wilson perceived public administration as a separate and unique discipline that should consist of independent theory, practical skills, and methods. Yet, the term “management” referred to a more general arena, used by all social scientists and mainly by those who practice and advance theories in organizational psychology and business studies. Consequently, conservative administration science tends to analyze the operation of large bureaucratic systems, as well as other governmental processes aimed at policy implementation. Management, on the other hand, refers to the general practice of empowering people and groups in various social environments and the handling of manifold organizational resources to maximize efficiency and effectiveness in the process of producing goods or services.

A second premise of NPM derives from the nature and values of democratic nations. Citizens of modern democracies act as voters and delegate power to politicians and administrators to do what is best for people and societies. However, representative democracy leaves its fingerprints on the actions and operation of bureaucracies. For many years, bureaucracies worked in a manner far removed from citizens and with a lack of sensitivity to the growing needs and demands of heterogeneous populations. As suggested by Rainey,<sup>[1]</sup> the 1960s and the 1970s were characterized by the initiation of unsuccessful public policies in Europe and in America. At least some of these unsuccessful experiences were due to lack of reliable analyses of the needs and demands of the public, while other failures were caused by incorrect assessments regarding the power of bureaucracies. Over the years, efforts

93 by governments to create extensive changes in education, 145  
 94 welfare systems, health programs, internal security, and 146  
 95 crime control were widely criticized for being ineffective 147  
 96 and unproductive and for misusing public funds. Respon- 148  
 97 siveness to the real needs and demands of citizens was 149  
 98 paltry. The crisis in practical public policy implementa- 150  
 99 tion, together with the increased cynicism of citizens 151  
 100 toward government and public administration systems, 152  
 101 generated rich scholarly activity aimed at creating use- 153  
 102 ful alternatives for improved policy in various social 154  
 103 fields, as well as in the administrative processes in ge- 155  
 104 neral. Voters expressed their dissatisfaction with elected 156  
 105 officials and, hand in hand with the academic commun- 157  
 106 ity, called for extensive reforms in government. This call 158  
 107 produced a large number of working papers, articles, and 159  
 108 books that proposed extensive administrative changes. 160  
 109 One of the most inspiring works, Osborne and Gaebler's 161  
 110 *Reinventing Government*,<sup>[2]</sup> is frequently mentioned as 162  
 111 the unofficial starting point of such reforms, later known 163  
 112 as NPM. 164

113 As time went on, a growing number of political scien- 165  
 114 tists perceived public administration as an *old* and 166  
 115 declining discipline. It was unable to provide the public 167  
 116 with adequate practical answers to its demands and 168  
 117 moreover, left the theoreticians with epidemic social di- 169  
 118 lemmas awaiting study. Evidence for this shift in attitude 170  
 119 appears in the transformation of many schools of public 171  
 120 administration into schools of public management that 172  
 121 took place during the 1980s and 1990s. Looking for 173  
 122 alternative ideas, management theory was proposed as a 174  
 123 source for a new and refreshing perspective. It was 175  
 124 suggested that public management instead of public 176  
 125 administration could contribute to a new understanding 177  
 126 of how to run the government more efficiently and 178  
 127 thereby overcome some of its pandemic problems. 179  
 128

## 129 CORE DEFINITIONS

130 Based on the growing alienation of citizens, the in- 182  
 131 effective performance of bureaucracy, and the growing 183  
 132 demands for a real change in public policy and activity, 184  
 133 NPM flourished. But what is the essence of NPM and the 185  
 134 best way to define it? During the last two decades, many 186  
 135 definitions have been suggested. In the early 1980s, 187  
 136 Garson and Overman<sup>[3]</sup> defined it as *an interdisciplinary* 188  
 137 *study of the generic aspects of administration . . . a blend* 189  
 138 *of the planning, organizing, and controlling functions of* 190  
 139 *management with the management of human, financial,* 191  
 140 *physical, information and political resources.* 192  
 141 Hood<sup>[4]</sup> identified seven doctrinal components of 193  
 142 NPM: 1) "hands on" professional management in the 194  
 143 public sector; 2) explicit standards and measures of per- 195  
 144 formance, which were later defined as PIs (Performance 196

Indicators); 3) greater emphasis on output control; 4) a  
 shift to the disaggregation of unit; 5) a shift to greater  
 competition; 6) a stress on private sector styles of man-  
 agement practice; and 7) a stress on greater discipline and  
 parsimony in resource use. This definition implies that  
 NPM relies heavily on the theory of the marketplace and  
 on a business-like culture in public organizations. Other  
 definitions were suggested in the 1990s and drew on the  
 extensive writing in the field. For example, Hays and  
 Kearney<sup>[5]</sup> found that most of the studies on NPM had  
 mentioned five core principles of NPM and thus con-  
 cluded 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) de-  
 bureaucratization—restructuring government to empha-  
 size results rather than processes; and 5) privatization—  
 directing the allocation of governmental goods and  
 services to outside firms.<sup>[6]</sup> All of 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 administra-  
 tion that employs knowledge and experiences acquired in  
 business management and other disciplines to improve  
 efficiency, effectiveness, and general performance of pub-  
 lic services in modern bureaucracies."

## 180 WHAT MAKES PUBLIC 181 MANAGEMENT NEW?

New Public Management is growing in popularity in  
 North America and across the world, and many govern-  
 ments have adopted ideas and recommendations that have  
 proven beneficial, thereby arguing for the continued im-  
 plementation of this strategy. A consensus exists today  
 that NPM has become extremely popular in theory and in  
 practice in public arenas. Relying on an extensive survey  
 of public management research in America, Garson and  
 Overman<sup>[3]</sup> argue that this increasing popularity was due  
 to the more aggressive connotation of the term "man-  
 agement" in comparison with "administration."

Yet, is NPM really a new doctrine in public admi-  
 nistration or just another variation on old concepts and  
 ideas? There is no doubt that the increased impact of new  
 ideas and methods from the field of public management

197 into that of administrative science is essential and natural. 251  
 198 It reflects a special focus of modern public administration 252  
 199 that must not be ignored. It may also be viewed as a major 253  
 200 segment of the broader field of public administration 254  
 201 since it focuses on the profession and on public managers 255  
 202 as practitioners of that profession. Thus, public manage- 256  
 203 ment had indeed some new elements of vital and in- 257  
 204 novative thinking. Furthermore, it emphasizes well- 258  
 205 accepted managerial tools, techniques, knowledge, and 259  
 206 skills that can be used to turn ideas and policy into suc-  
 207 cessful programs of action.

208 Other scholars delineate (e.g., Ref. [7]) six differences 260  
 209 between public administration and public management  
 210 that turn the latter into a new field of study and practice: 261  
 211 1) the inclusion of general management functions such as 262  
 212 planning, organizing, control, and evaluation in lieu of 263  
 213 simple discussion about social values and the conflicts of 264  
 214 bureaucracy and democracy; 2) an instrumental orienta- 265  
 215 tion favoring the use of the criteria of economy and 266  
 216 efficiency in lieu of equity, responsiveness, or political 267  
 217 salience; 3) a pragmatic focus on mid-level managers in 268  
 218 lieu of the perspective of political or policy elites; 4) a 269  
 219 tendency to consider management as generic, aimed at 270  
 220 minimizing the differences between the public and private 271  
 221 sectors in lieu of accentuating them; 5) a singular focus on 272  
 222 the organization where external relations are treated in the 273  
 223 same rational manner as internal operations in lieu of a 274  
 224 focus on laws, institutions, and political bureaucratic pro- 275  
 225 cesses; and 6) a strong philosophical link with the scien- 276  
 226 tific management tradition in lieu of close ties to political 277  
 227 science or sociology. 278

228 While the emergence of NPM is frequently related to 279  
 229 the increasing impact of positivist behavioral science on 280  
 230 the study of politics and government (e.g., Ref. [7]), the 281  
 231 practical aspect of this process should also be considered. 282  
 232 Practical public managers, as well as political scientists, 283  
 233 refer to the difficulties in policy making and policy im- 284  
 234 plementation that faced many Western societies in 285  
 235 Europe, America, and elsewhere during the 1970s. These 286  
 236 practical difficulties are viewed today as an important 287  
 237 trigger for the development of NPM. Reviewing two 288  
 238 recent books on NPM,<sup>[8,9]</sup> Khademian<sup>[10]</sup> argues that 289  
 239 American and Westminster advocates of the field find 290  
 240 common ground in explaining why such reforms were 291  
 241 necessary. The problem of an inflexible bureaucracy that 292  
 242 often could not respond efficiently and promptly to the 293  
 243 public needs contradicted basic democratic principles and 294  
 244 values in these countries. Elegantly, Peter Aucoin sum- 295  
 245 marizes a “trinity” of broadly based challenges with 296  
 246 which Western democracies have coped and with which 297  
 247 they will probably continue to struggle in the future, 298  
 248 partly through management reform: 1) growing demands 299  
 249 for restraint in public sector spending; 2) increasing cy- 300  
 250 nicism regarding government bureaucracies’ responsive-

ness to citizen concerns and political authority and  
 dissatisfaction with program effectiveness; and 3) a  
 growing international, market-driven economy that does  
 not defer to domestic policy efforts. It seems that these  
 challenges have led many Western governments in Ame-  
 rica, Britain, New Zealand, Canada, and elsewhere to the  
 recognition that firm reforms and changes in public ser-  
 vice should be made.

## CRITIQUE OF NPM

Certainly, the NPM approach suggests a different type of  
 interaction between citizens and rulers in democracies.  
 However, the roots of such interactions can be found a  
 century ago. For example, Weikert<sup>[6]</sup> asserted that “the  
 ideas behind NPM are not new” and that “NPM builds on  
 a long history of using business practices in government  
 and reflects a resurgence of old ideas about the form and  
 functions of government.” During the first years of the  
 twentieth century, reformers and business leaders de-  
 manded greater accountability in local government, and  
 many politicians, as well as public officials, turned to  
 business principles to improve governmental activities,  
 invigorate performance, and reduce corruption. However,  
 the vision of NPM is also far different from the old  
 business-guided governance in that it looks to decrease  
 government size and minimize its involvement in citi-  
 zens’ lives. As is evident from the above principles,  
 NPM advocates that governments and public administra-  
 tive bodies view citizens as clients/customers of the  
 public sector, while governments and the public sector are  
 perceived as managers of large bureaucracies. According  
 to this outlook,<sup>[3,8,11]</sup> the state and its bureaucratic sub-  
 systems are equivalent to a large private organization  
 operating in an economic environment of supply and  
 demand. In this spirit, a major goal of government is to  
 satisfy the needs or demands of citizens, namely to show  
 higher responsiveness to the public as clients. In line with  
 this, it is obvious that modern states must rely more on  
 private and third-sector institutions and less on govern-  
 ment to satisfy the societal needs of heterogeneous  
 populations. The goal of satisfying the needs of citizens  
 became central to the NPM philosophy.

Nevertheless, NPM may be criticized for not doing  
 enough to encourage and incorporate the idea of col-  
 laboration or partnership between citizens and the public  
 sector and for failing to apply these themes to modern  
 managerial thinking.<sup>[12]</sup> Unlike traditional public admin-  
 istration, the NPM movement focuses on citizens as  
 sophisticated clients in complex environments. The prin-  
 ciples of NPM are compatible with theories of political  
 economy such as regulative policy by governments or the

302 policy of transferring responsibilities from the state sector 356  
 303 to the private and third sectors. These ideas, and the 357  
 304 governmental policies deriving from them, frequently 358  
 305 challenge various social democratic principles, norms,  
 306 and values in Britain, America, and many other Western 359  
 307 democracies. Public authorities were urged to treat the 360  
 308 public well, not only because of their presumed admi- 361  
 309 nistrative responsibility for quality in action but also  
 310 because of their obligation to marketplace rules and to 362  
 311 economic demands and above all because of their fear of 363  
 312 losing clients in a increasingly competitive businesslike 364  
 313 arena. In fact, while NPM is an improvement over more 365  
 314 classic views of public administration that saw citizens as 366  
 315 subjects or voters, it does not go far enough in fostering 367  
 316 the idea of vital collaboration between citizens, govern- 368  
 317 ments, and the public sector, which is in the essence of 369  
 318 democratic civil society.<sup>[13]</sup> 370

319 In line with this, ‘neo-managerialism’<sup>[14]</sup> notes an 371  
 320 additional obstacle to productive partnership that must 372  
 321 also be recognized and surmounted. According to Terry, 373  
 322 neo-managerialism supports the idea that administrative 374  
 323 leaders should assume the role of public entrepreneurs. 375  
 324 However, ‘public entrepreneurs of the neo-managerialist 376  
 325 persuasion are oblivious to other values highly prized in 377  
 326 the U.S. constitutional democracy. Values such as fair- 378  
 327 ness, justice, representation, or participation are not on the 379  
 328 radar screen (and) this is indeed, troublesome.’ In many 380  
 329 respects neo/new managerialism and NPM encourage 381  
 330 passivity among the citizenry. They impart to citizens the 382  
 331 power of *exit* (which indeed was virtually unavailable in 383  
 332 the past), but at the same time, they discourage use of the 384  
 333 original power of *voice* by citizens who may have much 385  
 334 to contribute to their communities.<sup>[12]</sup> Exit is an econo- 386  
 335 mic choice, while voice is more of a political selection 387  
 336 by individuals in and around organizational systems. 388  
 337 Exit is also classified as a generally destructive behavior, 389  
 338 while voice is a productive one. According to this argu- 390  
 339 ment, NPM restricts and discourages the productive po- 391  
 340 litical voices of the people. 392

341 Hence, recent developments in the study of NPM have 393  
 342 focused on the responsibilities of governments and public 394  
 343 agencies in their interaction with citizens but similarly 395  
 344 have paid far less attention to the active roles of citizens 396  
 345 and to their obligations to the community. Most of the up- 397  
 346 to-date NPM literature favors massive socialization of 398  
 347 business management practices in the public sector to 399  
 348 provide governments with better tools for policy imple- 400  
 349 mentation. But on the other hand, these orientations and 401  
 350 practices have not yet been integrated with another core- 402  
 351 construct of healthy democracies—genuine collaboration 403  
 352 and partnership with citizens based on equal opportunities 404  
 353 for participation and massive involvement in running 405  
 354 public life more effectively. This lack of emphasis on the 406  
 355 idea of partnership and collaboration, in favor of good 407

responsive management, may be deemed a flaw in con-  
 temporary NPM theory.

## CONCLUSIONS: THE ONGOING PURSUIT OF “NEW” AND “NEWER” INITIATIVES IN PUBLIC ADMINISTRATION

Scholars agree today that at least some of the accumulated  
 wisdom of the private sector in developed countries is  
 transferable to the public sector. In an attempt to “li-  
 liberate” the public sector from its old conservative image  
 and moribund practice, NPM was advanced as a relevant  
 and promising alternative. Thus, NPM literature has tried  
 to recognize and define new criteria that may help in  
 determining the extent to which public agencies succeed  
 in meeting the growing needs of the public. New Public  
 Management has continuously advocated the implementa-  
 tion of specific performance indicators used in private  
 organizations to create a performance-based culture with  
 matching compensatory strategies. It has recommended  
 that these indicators be applied in the public sector since  
 they can function as milestones by which to better gauge  
 the efficiency and effectiveness of public agencies.

Moreover, citizens’ awareness of the performance of  
 public services was suggested as a core element of NPM  
 since it can increase the political pressure placed on  
 elected and appointed public servants, thereby enhancing  
 both managerial and financial efficiency in the public  
 sector. Scholars who advocate NPM compare this process  
 of public accountability to stakeholders/citizens to the  
 role adopted by financial reporting in the private/cor-  
 porate sector. As in the private sector, increasing external  
 outcomes can have meaningful impact on internal control  
 mechanisms, as managers and public servants become  
 more sensitive to their duties and more committed to  
 serving citizens as customers.

In view of the above and looking toward the future,  
 Lynn<sup>[15]</sup> suggested that NPM of the late 1990s has three  
 constructive legacies for the field of public administration  
 and for democratic theory and practice: 1) a stronger  
 emphasis on performance-motivated administration and  
 an inclusion in the administrative canon of performance-  
 oriented institutional arrangements, structural forms, and  
 managerial doctrines fitted to a particular context—in  
 other words, advances in the state of the public man-  
 agement art; 2) an international dialog on and a stronger  
 comparative dimension to the study of state design and  
 administrative reform; and 3) the integrated use of eco-  
 nomic, sociological, social-psychological, and other ad-  
 vanced conceptual models and heuristics in the study of  
 public institutions and management, with the potential to  
 strengthen the field’s scholarship and the possibilities for  
 theory-grounded practice.

408 It seems that the ongoing debate about the net con- 435  
 409 tribution and added value of NPM to the study and prac- 436  
 410 tice of public administration will continue. Whether it is a 437  
 411 “new” approach, a partly new doctrine, or an old lady 438  
 412 with a new hat, it is obvious that NPM is responsible for 439  
 413 some of the meaningful transformations witnessed by 440  
 414 modern societies in the last few decades. It is also likely 441  
 415 the “newer” doctrines and methods will evolve along 442  
 416 with bureaucratic, political, technological, and cultural 443  
 417 developments. New Public Management has made its 444  
 418 mark, but this is only one link in an endless chain of 445  
 419 scientific advancement. 446  
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The term new public management was coined by scholars from UK and Australia (Hood 1991 and Hood and Jackson 1991), who were working in the in the areas of public administration. Now, the origin of this new term was to propose a new point of view towards the organizational design in the public sector, however after a decade, the meaning of this term in discussions and debates became many. The term New Public Management (NPM) emerged in the beginning of the 1990s in response to the challenges of globalization, international competitiveness, and technological change. It is argued that it represents a paradigm shift from a traditional model of public administration, dominant for most of the 20th century to managerial-ism or what is popularly known as the New Public Management. NPM seeks to adopt various techniques and practices used by private sector management.