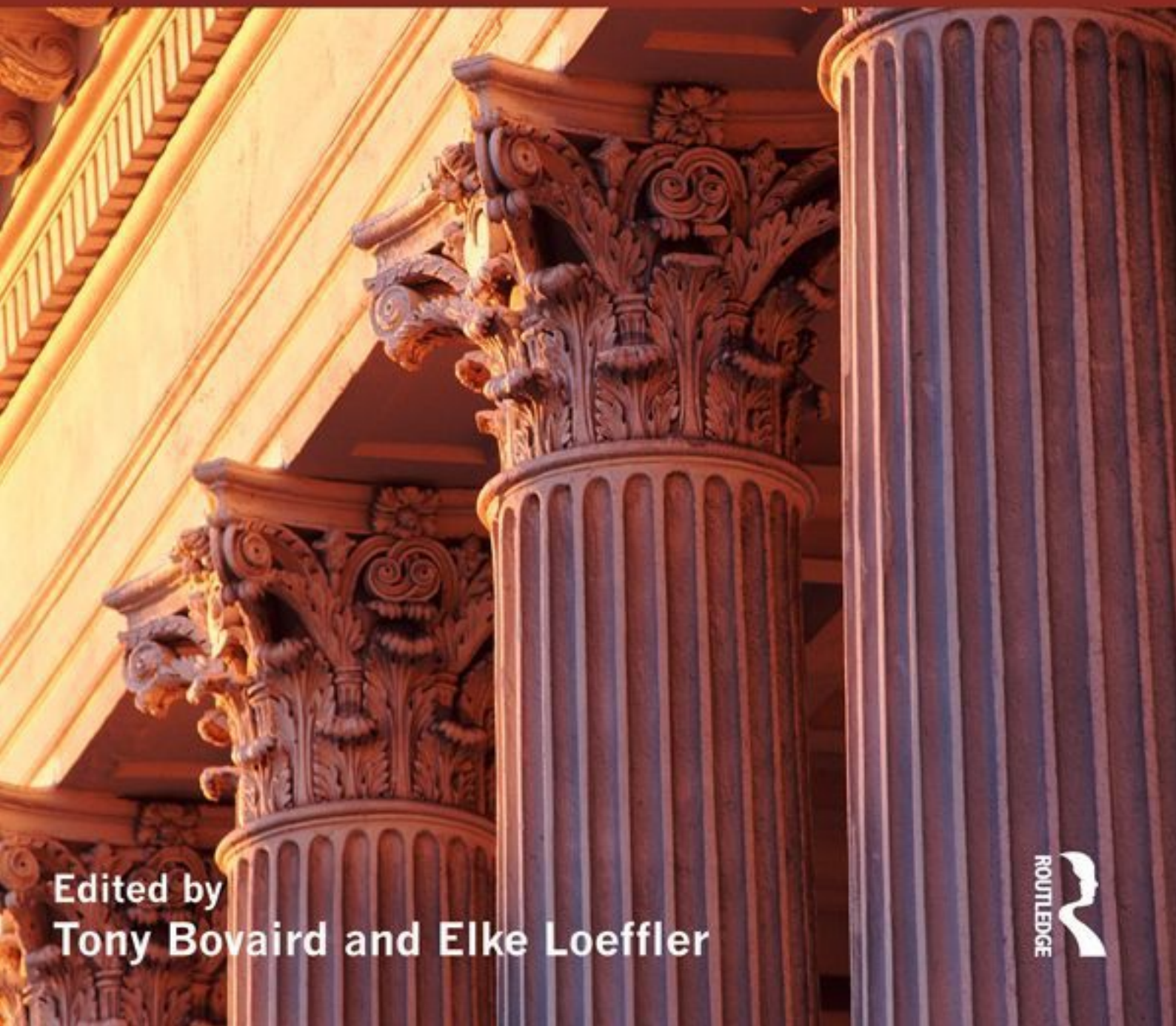
Third Edition

PUBLIC MANAGEMENT AND GOVERNANCE



Edited by
Tony Bovaird and Elke Loeffler

ROUTLEDGE

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Tony Bovaird is Emeritus Professor of Public Management and Policy at the University of Birmingham and a Director of Governance International, UK. He has published widely in strategic management, public policy evaluation and public services management.

Elke Loeffler is Chief Executive of Governance International, UK. She has published widely in public governance, quality management in the public sector and user and community co-production of public services.

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Steven Rathgeb Smith, *George Washington University and Director, American Political Science Association (APSA), USA*

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Gerry Stoker, *University of Southampton, UK and University of Canberra, Australia*

Public Management and Governance

Third edition

Edited by Tony Bovaird and Elke Loeffler

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Contributors

Rachel Ashworth (BA Hons, PhD) is a Reader in Public Services Management at Cardiff Business School. Her research interests include equality, diversity and inclusion in public organizations, institutional analysis of public service reform, performance improvement and public services, and organizational accountability across the public sector. She has published widely in refereed journals including: *Journal of Public Administration Research and Theory*, *Public Administration Review*, *Public Administration*, *Journal of Management Studies*, *British Journal of Management*, *International Public Management Journal*, *Policy and Politics*, *Government and Policy* and *Public Management Review*.

Robert D. Behn is a Senior Lecturer at Kennedy School of Government, Harvard University. He focuses his research, teaching, consulting and thinking on the leadership challenge of improving the performance of public agencies. Bob is the faculty chair of the School's executive programme, 'Driving Government Performance: Leadership Strategies that Produce Results', and he conducts custom-designed executive education programmes for government jurisdictions and public agencies. If you want to figure out what makes Bob tick, you can watch him talk about these programmes by following the links at www.hks.harvard.edu/about/faculty-staff-directory/robert-behn. He writes the online monthly *Bob Behn's Performance Leadership Report* (it's free; subscribe now!). He is the author of *The PerformanceStat Potential: A Leadership Strategy for Producing Results*. Of the 75 'most influential articles' published during the first 75 years of *Public Administration Review*, Bob authored two: 'The Big Questions of Public Management' (1995) and 'Why Measure Performance? Different Purposes Require Different Measures' (2003). Bob believes that his mental health is inversely related to how long it has been since he slept in a tent.

Christine Bellamy is Professor Emerita at Nottingham Trent University, where she taught public administration/public policy and social science research methodology and ran the graduate school in Business, Law and Social Sciences. She has written extensively on e-government, data-sharing and information policy and has also worked as a consultant to the UK government. Her most recent book is *The Principles of Methodology* (Sage, 2012, co-authored with Perri 6). She is currently researching the development and politics of population registers in Britain (especially in the intertwined histories of the NHS, social security and identity cards), which will challenge much current thinking about the emergence of the 'information state'. She is a member of the UK's Academy of Social Sciences, an Honorary Fellow of the Joint University Council (for Public Administration and Social Work Education) and has served on the Economic and Social Research Council's (ESRC's) Research Evaluation Committee and the Politics and International

Relations sub-panel for RAE (Research Assessment Exercise) 2008.

Annette Boaz is Professor of Health Care Research in the Joint Faculty of Health, Social Care and Education, St George's, University of London and Kingston University. She previously worked as Lecturer in translational research has recently taken up a new post as Lecturer in translational research at King's College London. Prior to this she was a senior research fellow in the UK Centre for Evidence and Policy, also based at King's College. At the Centre she was involved in a programme of training, development and methodological work relating to evidence-based policy and practice. Annette has previously worked at the Universities of Oxford and Warwick, carrying out research in a wide variety of policy areas, completing evaluations for the UK Cabinet Office and Home Office. Annette has also worked in the Policy Research Programme at the UK Department of Health. Annette is Joint Managing Editor of the journal *Evidence and Policy*.

Geert Bouckaert is Professor of Public Management at the Public Governance Institute at the Faculty of Social Sciences of the KU Leuven University in Leuven, Belgium. He is President of the International Institute of Administrative Sciences (IIAS) and past-president of the European Group for Public Administration (EGPA). His main research interests are in public sector reform, trust, performance management and measurement, and financial management in the public sector.

Tony Bovaird is Emeritus Professor of Public Management and Policy at INLOGOV, University of Birmingham. He directed the meta-evaluation of the UK Local Government Modernisation Agenda from 2002 to 2007 on behalf of the Department of Communities and Local Government and also led an evaluation for the Cabinet Office of the civil service reform programme. He has also recently undertaken research for the Organisation for Economic Co-operation and Development (OECD), the European Commission, the Department for Communities and Local Government (DCLG), Office for Civil Society (OCS), Confederation of British Industry (CBI), Local Government Association and many other public agencies in the UK and internationally. His current research with Elke Loeffler focuses on improving local governance through user and community co-production and better partnership working, including projects for the EU Presidency, Arts & Humanities Research Council (AHRC) Connected Communities programme, the Scottish and Welsh Governments and the Bertelsmann Foundation. He is executive director of Governance International and a member of the Scientific Council of the German Research Institute for Public Administration, the Governing Council of Local Areas Research and Intelligence Association (LARIA) and the Local Government Reference Panel of the National Audit Office.

Mike Broussine is a freelance Organizational Researcher and Consultant who offers consultancy, action research, action learning and leadership development in public service and voluntary organizations. Mike is also a Visiting Research Fellow at Bristol Business School. His work involves the facilitation of action learning sets in UK public services, personal role supervision for senior managers in the public and voluntary sectors and

policy evaluation research. He makes extensive use of creative methods in this work (see his *Creative Methods in Organizational Research*, Sage, 2008). His main research interests include emotions and the politics of organizations; public services leadership; gender and diversity; and creative organizational research methods. Mike has written extensively about public services leadership and has published several critical reflections on the processes of organizational consultancy and research. His latest book, co-edited with Caroline Clarke and Linda Watts, *Researching with Feeling*, was published by Routledge in 2015.

Richard F. Callahan is at the University of San Francisco, where he is Chair of the Department of Public and Nonprofit Administration. He teaches and researches leadership behaviours that are effective in complex, demanding and dynamic environments. For the past 15 years, he has designed, delivered and taught in over 10 different leadership programmes internationally, state-wide and regionally, working with 60 to 250 public and non-profit leaders annually in seminar settings. He has grant funding to serve as Co-Director of the Sierra Health Foundation's Leadership programme focused on effective leadership practices that address social determinants of health. He has extensive public and non-profit sector experience as staff for elected officials including a County Supervisor in Los Angeles County, California, five years as township administrator in New Jersey and two years as the Chief Administrative Officer for a non-profit in California. He can be reached at Rfcallahan@usfca.edu.

Dominic Campbell is a Digital Government and Social Innovation Entrepreneur with a strong background in policy, communications and change management. He is an organizational change agent with senior management experience in implementing highly successful change initiatives within the local government sector, and a primary interest in emerging uses of social media to deliver business transformation and improved citizen engagement. He founded FutureGov in 2008 to prove the power of digital and design for local government transformation, focusing on creating better, cheaper public services. He has set up a range of social start-ups including: http://patchworkhq.com, http://casseroleclub.com, http://simpl.co, http://enabledbydesign.org, http://tweetyhall.co.uk. He works internationally, advising all levels of government as far afield as the USA, Australia and Singapore. He has also taught at a range of business schools, including Harvard's Kennedy School in USA, INSEAD in France and IMD in Switzerland.

James L. Chan is Professor Emeritus of Accounting at the University of Illinois at Chicago; Distinguished Overseas Professor at Peking University and at Shandong University of Finance and Economics; and Professor by Special Appointment at the Research Institute of Fiscal Science of the Ministry of Finance, China. He received two life-time achievement awards in public sector accounting and management, after holding permanent and visiting academic appointments at ten American, Chinese and European universities. A co-founder of the CIGAR (comparative international government accounting research) network, his professional work focuses on developing countries, conducting research on the integration

of fiscal budgeting, accounting and statistics. He has advised the Chinese Ministry of Finance on government accounting and budgeting reform for the past 20 years and is a special advisor to the China CFO Association. After advising American federal, state and local governments, he has been a public financial management consultant for the International Monetary Fund (IMF) Fiscal Affairs Department since 2006. After leaving China, he earned three degrees in accountancy from the University of Illinois at Urbana-Champaign.

Abena Dadze-Arthur is a Senior Public Policy Adviser who has developed government policy across public service areas in Europe, Africa and the Middle East. Her research interests focus on the subjective and ideational aspects of public administration reform, and their mobilization in public service improvement and social innovation. She is currently writing up her doctoral thesis, which has developed a model that can support (non-Western) governments with a culturally more considered approach to public management reform. Abena's most recent professional role was a position as an adviser to the Crown Prince's General Secretariat in Abu Dhabi. Before that, she had been appointed as the Specialist Panel Adviser on 'Transforming Public Services around Citizens' in the Beacon Excellence Awards, and also undertook research for UNESCO, the Department for Communities and Local Government, the Healthcare Commission, the Anglo-German Foundation, the Local Government Association and many other organizations in the UK and internationally.

Howard Davis is Professor of Social and Local Policy and Co-Director of the Centre for Communities and Social Justice, across the two Faculties of Business, Environment and Society, and Health and Life Sciences at Coventry University. He was previously Director of The Local Government Centre at Warwick Business School, University of Warwick. He has had a long involvement in projects advising on and evaluating the modernization and improvement of public services – commissioned by both national and local government. He also has many years of experience of international working with particular reference to improving the delivery of local and public services. His interests also include community well-being, as well as the challenges and opportunities of ageing society and later life, particularly person-centred and early intervention approaches. He is a member of the Social Policy Association and also of the Easy-Care International Network.

James Downe is Reader in Public Policy and Management and Director, Centre for Local and Regional Government Research, at Cardiff University. He has more than 15 years' experience of conducting evaluations on local government policy for government and has published widely in journals including: *Public Administration Review*, *Public Administration*, *Policy & Politics*, *Environment and Planning C: Government and Policy*, *Public Management Review and International Review of Administrative Sciences*. His current research interests are in local government performance regimes, political accountability, sector-led improvement, public trust and the ethical behaviour of local politicians. He served on the UK Government's Expert Panel on local governance and currently sits on the Welsh Government's Public Service Scrutiny Reference Group. He is a member of the ESRC Peer Review College, a trustee of CaST Cymru and vice-chair of

Cardiff Council's Standards and Ethics Committee.

Andrew Erridge is Emeritus Professor of Public Policy and Management in the School of Policy Studies at the University of Ulster, UK. His main research interest is in public procurement, especially its use to deliver socio-economic benefits. In recent years he has contributed to the Gershon Review of Civil Government Procurement, advised the National Audit Office on their study on Modernising Procurement and carried out research for the National Audit Office's Guide to the Audit of Procurement. In 2000 he completed a three-year ESRC-funded research project on UK Central Government Procurement, and he recently completed a project analysing the impact of using social clauses in major projects and service contracts in Northern Ireland. He has published four books, many book chapters and journal articles, and is a member of the editorial committees of the *Journal of Purchasing and Supply Management* and the *Journal of Public Procurement*.

Carsten Greve has been a Professor at Copenhagen Business School (CBS) since 2006. His main research areas for over 15 years have been public-private partnerships and public management reform from an international perspective. He has published in international journals such as *Public Administration Review*, *Governance*, *Public Administration*, *International Public Management Review* and *Public Management Review*. Together with Graeme Hodge and Anthony Boardman, he has published an *International Handbook on Public-Private Partnerships*. He has been an advisor to the Danish Ministry of Finance and the Danish National Audit Office. He is chairman of the CEMS Interfaculty Group on Public Management and Governance, a pan-European research and teaching group. He was the first academic director of the new flexible executive Master of Public Governance executive education programme which Copenhagen Business School offers together with the University of Copenhagen and Aalborg University. He is Academic Director of the CBS Public-Private Platform.

Utz Helmuth is a Manager in the consultancy PwC Strategy&. He led multiple large-scale organizational transformations, including the development and implementation of new target operating models and processes. Prior to joining Strategy&, he was a visiting scholar at Georgetown University and worked as a project manager at the Institute for Systemic Management and Public Governance at the University of St. Gallen. He also holds a doctor's degree from the University of St. Gallen, based on research into performance management, on which he has undertaken a number of research projects and published several studies. He also served as vice-chairman of the eCH Association's section on business process management – a standards committee for the Swiss government.

Peter M. Jackson was Dean of Social Science and Pro-Vice Chancellor at the University of Leicester, UK. Currently he is Director of Enterprise for the College of Social Science and Professor of Economics and Strategy in the University of Leicester's School of Management. He has had a continuing interest in public finance and public sector management for over 40 years. Since starting out his career as an economist with HM

Treasury, he has made major contributions to debates on public expenditure management and control and on approaches to measuring the performance of public sector organizations. His most recent work focuses on public value, public sector efficiency and productivity, and public-private partnerships. In 2001 he was appointed as specialist adviser to the Finance Committee of the Scottish Parliament, assisting in its inquiry into the Private Finance Initiative.

Erik-Hans Klijn is a Professor in the Department of Public Administration, Erasmus University Rotterdam. His research and teaching activities focus on complex decision-making and management in networks, institutional design and public-private partnerships, mainly in the area of environmental and housing policy. Recently his research has extended to branding and the impact of media on complex decision-making. He has published extensively in international journals and is author together with Joop Koppenjan of *Governance in Networks* (Routledge, 2015) and together with Jasper Eshuis of *Branding in Governance and Public Management* (Routledge, 2012).

Christopher Koliba is a Professor in the Community Development and Applied Economics Department at the University of Vermont (UVM), Director of the MPA Program and Co-Director of the UVM Socio-Ecological Gaming and Simulation Lab. He was a Fulbright Scholar at the University of Colombo, Sri Lanka, in 2015. His research interests include comparative governance network analysis, network performance and accountability, organizational learning and development, environmental governance and educational policy. His current research focuses on development of complex adaptive systems models and network analysis of watershed management networks, regulatory networks, food systems, transportation planning networks, energy distribution networks and health care service delivery critical care pathways. Chris is past chair of the Complexity and Network Studies section of the American Society for Public Administration (ASPA). He is associate editor of *Complexity, Governance and Networks* and on the editorial board of *Journal of Public Affairs Education*, *Public Performance Management Review* and the *International Review of Administrative Sciences*. He is lead author of *Governance Networks in Public Administration and Public Policy* (CRC Press, 2010).

Joop Koppenjan is Professor of Public Administration at Erasmus University Rotterdam. His fields of interest are: agenda-building, decision-making and policy implementation; democratic governance in policy networks; institutions and institutional design; privatization and public-private partnerships; safeguarding public values in public service delivery; project and process management; management of risks and uncertainties; collaborative innovation and learning; knowledge use and evidence-based policy. He has (co-)authored various articles in peer-reviewed journals and books. Recent publications are: *The New Public Governance in Public Service Delivery* (Eleven, 2012); 'Governance network theory: past, present and future', in *Policy & Politics* (2012, 40(4), 187–206) with E.-H. Klijn and *Governance Networks in the Public Sector* (Routledge, 2015) (textbook, together with E.-H. Klijn).

Edwin Lau is Head of the Reform of the Public Sector Division in the OECD Public Governance and Territorial Development Directorate, which helps countries improve responsiveness of government and relations with citizens and business through public sector innovation, e-government, open data, human resources management and risk management. He oversees the statistical publication, *Government at a Glance*, and the OECD's Observatory for Public Sector Innovation. A US national, he worked in the US Office of Management and Budget in the 1990s. At the OECD he previously had responsibility for issues of budget transparency, performance-budgeting, health sector-budgeting and reform of fiscal institutions. He established the Public Governance Review Programme in 2007, working closely with the Irish Prime Minister's Office, the Estonian Government Office and the Finnish Ministry of Finance on public sector modernization. He also established and led the OECD's project on e-government from 2000 to 2007. Edwin holds a Master's degree from the Harvard Kennedy School of Government and a *diplôme d'études approfondies* from Science Po in Paris.

Elke Loeffler is the Chief Executive of Governance International (an international consulting company with non-profit status in the UK) and Associate of Birmingham University. Previously she was a staff member of the Public Management Service (now GOV) of the OECD. She has led large-scale research projects on public sector co-production and developed the Co-Production Star as a toolkit for public service providers and commissioners. She has served as an advisor, trainer, coach and facilitator to local, regional and national governments, as well as international organizations, on citizen participation, quality management, open government and local governance. Elke is an editorial board member of the *International Review of Administrative Sciences*, *der moderne staat* and *The Innovation Journal*. In 2012 she was elected to the Advisory Board of the Public Leaders Network of the *Guardian*. She studied economics and political science in Germany and the USA and got her PhD at the German University of Administrative Sciences in Speyer.

Nick Manning retired as Head of Governance and Public Sector Management at the World Bank in December 2013. He led the development and implementation of the Bank's updated approach to Public Sector Management. Nick was previously the World Bank Manager for Public Sector and Governance for Latin America and the Caribbean. He has also served as Head of the Public Sector Management and Performance Division at the OECD and as the World Bank Lead Public Sector Management Specialist for South Asia. He has held advisory positions on public management for the Commonwealth Secretariat and for the United Nations Development Programme (UNDP) in Lebanon. Nick began his public sector career in local government in the UK and before moving to international advisory work was Head of Strategic Planning for an inner-London borough. He holds various honorary academic, research and advisory positions and has published extensively on public management reform and development and on public sector developments within the OECD.

Steve Martin is Professor of Public Policy and Management at Cardiff University and the

Director of the Public Policy Institute for Wales (www.ppiw.org.uk). His research focuses on public sector reform and public service improvement. He has written on public policy and local government management and has served as an expert adviser to the European Commission, Council of Europe, parliamentary inquiries, a range of UK government departments (including HM Treasury, Cabinet Office, Department for Communities and Local Government and Department for Culture, Media and Sport), the Audit Commission and a range of charitable foundations and local government organizations.

Janet Newman is Emeritus Professor in the Faculty of Social Sciences, The Open University. She brings feminist and cultural forms of analysis to questions of governance, politics and power, and is particularly concerned to engage with policy and practice. Recently her interests have centred on the relationships between austerity, activism and participation. Her most recent book is *Working the Spaces of Power; Activism, Neoliberalism and Gendered Labour* (Bloomsbury Academic, 2012).

Sandra Nutley is Professor of Public Policy and Management at the University of St Andrews, UK. Prior to her academic career, she worked in local government in the UK and, since joining academia, has been seconded to work with several public sector organizations, including the National Health Service and the Scottish Government. She has served as a member of several policy advisory groups concerned with improving the performance of public services. Sandra has published widely in the area of research utilization and evidence-based policy and practice, including *Using Evidence: How Research Can Inform Public Services* (Nutley, Walter and Davies, The Policy Press, 2007). She is Director of the Research Unit for Research Utilisation (www.ruru.ac.uk), which is a research collaboration that investigates the use of social science research in public policy and service delivery settings.

Suzanne J. Piotrowski is Associate Professor of Public Affairs and Administration at Rutgers University – Newark. She is currently the independent researcher charged with evaluating the US Second National Action Plan for the Open Government Partnership. She is immediate past-chair of the American Society for Public Administration's Ethics section. She has consulted with the World Bank Institute on an evaluation of Thailand's Official Information Act and with the Carter Center on a project assessing how access to information differentially affects women. Her research focuses on non-mission-based values in public administration, including administrative transparency and ethics. She authored *Governmental Transparency in the Path of Administrative Reform* (State University of New York Press, 2007) and edited *Governmental Transparency and Secrecy: Linking Literature and Contemporary Debate* (Lexington Books, 2010).

Christopher Pollitt is Emeritus Professor of Public Management at the Public Governance Institute, Katholieke Universiteit Leuven. Previously he was Professor of Government and Dean of Social Sciences at Brunel University in London (1990–1998) and Professor of Public Management at Erasmus Universiteit Rotterdam (1999–2006). Christopher is author of more than 60 scientific articles and author or editor of many scholarly books. Several of

the books have been translated into a range of other languages. From 1980 to 1989 he was Editor of *Public Administration* and from 2005 to 2013 he was Editor-in-Chief of the *International Review of Administrative Sciences*. He has also acted as an adviser to *inter alia* the OECD, the World Bank, the European Commission and several national governments.

Alasdair Roberts is Professor of Public Affairs at the Harry S. Truman School of Public Affairs at the University of Missouri. He is a fellow of the National Academy of Public Administration and co-editor of the scholarly journal *Governance*. In 2014 he received Canada's Grace-Pépin Access to Information Award for his research on open government. His website is at www.aroberts.us.

Kuno Schedler is Professor for Public Management at the University of St Gallen in Switzerland. He is Director of the Institute for Systemic Management and Public Governance at the University of St Gallen. His main focuses in research are multirational management, public sector accounting and budgeting, comparative public management, public management reform, electronic government, politics and strategy. He has published on personnel management, accounting, performance measurement, electronic government and strategic management in the public sector. Since 1994, he has been involved as an expert in several reform projects within the public sector (implementing the new public management), from which he draws practical insights for his scholarly work. He is a member of the editorial board of the *International Public Management Journal* (since 2000) and the *International Public Management Review* (since 2002).

Chris Skelcher is Professor of Public Governance at INLOGOV, University of Birmingham. His research examines how ideas about democracy and governance interact with the institutions of contemporary governance. This research involves extensive collaboration with European, US and Australian academics, including co-authored papers and conference panels, as well as knowledge transfer events for policy makers and practitioners in the UK and Australia and capacity-building events for the PhD/early career research community. His primary research focus is on the implications for democracy of the fragmentation of government into multiple agencies/partnerships operating at arm's-length to elected political authority. His 2002 research monograph on collaborative governance with Helen Sullivan (*Working Across Boundaries*, Palgrave) and 2007 article with Erik-Hans Klijn on the theoretical relationships between network governance and representative democracy are both widely cited. His recent book with Stephen Jeffares (Birmingham) and Helen Sullivan (Melbourne) – *Hybrid Governance in European Cities* (Palgrave, 2013) – reports the results of their analysis of changing forms of urban governance. His current ESRC research on the UK government's reform of arm's-length agencies involves close interaction with Cabinet Office, government departments and the chairs and chief executives of public bodies.

Catherine Staite is Director of INLOGOV, University of Birmingham. She teaches leadership, collaborative strategy and strategic commissioning to Master's degree level. Her research

interests include demand management, collaboration and integration, and the skills and attributes which elected members and officers will need to meet the challenges of the future. She joined INLOGOV in 2010 from the Office for Public Management, where she was Director of Organisational Development and Policy and led a number of major research projects. Previous roles include Head of User Focus and Deputy Head of Policy for the Audit Commission, where she was responsible for national studies and leading internal change, and Regional Planning Manager for the Legal Services Commission, where she delivered needs-based strategies for civil legal aid. Previous non-executive roles include non-executive director of Rampton Hospital, where she was responsible for review of patients' continued detention, Vice-Chair of Nottinghamshire Healthcare NHS Trust and member of the Board of Visitors at HMP Hull, with particular responsibility for oversight of the prison hospital and welfare of mentally disordered offenders.

Wouter Van Dooren is Associate Professor at the Department of Political Sciences, University of Antwerp and lectures on the Executive Masters in Public Management, Antwerp Management School. He is a member of the research group Public Administration and Management, where he supervises a group of researchers working on accountability, measurement and performance. Previously he was postdoctoral fellow of the Flemish Research Foundation at the KU Leuven and seconded expert at the Governance Directorate of the OECD in Paris. His research interests are public sector performance, performance measurement and the use of performance information. He recently published the second edition of a widely used textbook on performance management in the public sector in Routledge's Masters in Public Management series (with Geert Bouckaert and John Halligan). Further research interests include the political dimensions of public management, accountability for performance and co-production with citizens.

Yunxiao Xu is Associate Professor of Public Finance in the School of Economics, Peking University and Research Scientist at the Shandong Academy of Social Sciences in China. Her research interests centre on China's fiscal policy and management reform, especially new methods of financing public investments. She has extended her research to the economic and accounting approaches to measuring deficit and debt, and to fiscal-reporting using budgets, financial statements and government finance statistics. As a member of the National Association of Government Budget Research, she is an active participant in the current debate about the future direction of China's fiscal policy. At Peking University, she teaches courses in public choice and budget management. Professor Xu was a visiting scholar at the Humphrey School of Public Affairs at the University of Minnesota during the 2013/2014 year and earlier held visiting appointments in Korea and Japan. She received her PhD in Economics from Peking University and postsdoctoral training at the Research Institute of Fiscal Science of the Ministry of Finance, China.

Foreword

This book has been written with the aim of giving readers a clear picture of the current state of play and the most important emerging issues in public management and governance. We intend that it will help students of public issues to be better informed and policy-makers and managers who work in public services (whether in public, voluntary or private sectors) to be more effective.

The book is also written to help readers to understand what it means to become better citizens and, as such, to help to change the current practice of public management and governance. In this way, we hope that the ideas in the book will help readers to make a greater contribution to their neighbourhoods, their local authorities, their regions and the countries in which they live – and perhaps even to the quality of life of citizens elsewhere in the world.

In this, the third edition, the importance of government shines out even more clearly than in previous editions, as the world during the past few years has looked to its political leaders and its public service managers for help through a savage economic recession, crises of confidence in the welfare state, citizen revolts against governments perceived as ineffective and unresponsive, and major threats to world security and the global environment. However, the weaknesses of government in the face of these challenges also come through strongly in this edition. We hope the book will play a part in helping the next generation of leaders and managers to cope with these threats and ensure that public management and governance become a byword for success and well-being, not simply the name of a textbook.

Structure of the book

The book comprises three main parts:

I. *From public management to governance*, setting out the role of the public sector, public management and public governance, and how these have evolved in recent years in different contexts.
II. *Public management*, exploring the main managerial functions which contribute to the running of public services.
III. *Public governance*, exploring the ways in which organizations in the public domain work together with their partners, stakeholders, citizens and networks to influence the outcomes of public policies.
IV. … *and finally*, looking to what the future may hold for public management and governance.

Logical though we believe this to be, we know from our own reading habits, as well as the even more inexplicable habits of our colleagues and past students, that many readers will find their own wholly idiosyncratic pathway through this book. To help make this process just a little more systematic, we have provided multiple cross-references to other chapters throughout.

Some thanks

We have had enormous help, as always, from our fellow authors in this book – we are hugely grateful for their patient and imaginative responses to our demands. However, there are others who stand behind them to whom we are also greatly indebted – Nicola Cupit from Routledge, the four reviewers who fed back how the book works on their courses, the many students who have talked to us about how they have used previous editions and Ruediger Kern, whose design skills have livened up many of the figures in the text.

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Abbreviations

3G	Third-generation
ALS	Action learning set
ARRA	American Recovery and Reinvestment Act
BPMN	Business process modelling notation
BPR	Business process re-engineering
CAA	Comprehensive area assessment
CAF	Common assessment framework
CAR	Computer-assisted reporting
CAS	Complex adaptive systems
CCT	Compulsory competitive tendering
CDC	Caisse des Dépôts et Consignations
CFO	Chief financial officer
CMS	Customer management systems
CPA	Comprehensive performance assessment
CPI	Corruption Perceptions Index
CQC	Care Quality Commission
CSCI	Commission for Social Care Inspection
CSE	Customer Service Excellence
DCLG	Department for Communities and Local Government
DEA	Data Envelopment Analysis
DFBO	Design Finance Build Operate
DfID	Department for International Development
DPA	Data Protection Act
DSO	Direct service organization
DTI	Department of Trade and Industry
DTV	Digital television
EBPP	Evidence-based policy and practice
EFQM	European Foundation for Quality Management
ELoGE	European Label of Innovation and Good Governance
EPA	[US] Environmental Protection Agency
EPOC	Effective Practice and Organisation of Care
EPP	Expert Patients Programme
ESD	Electronic service delivery
FE	Further education
FOI	Freedom of Information

FOIA	Freedom of Information Act
GDP	Gross domestic product
HEFCE	Higher Education Funding Council for England
HR	Human resources
HRM	Human resource management
HQ	Headquarters
ICAC	Independent Commission Against Corruption
ICT	Information and communications technologies
IiP	Investors in People
ISO	International Organization for Standardization
KM	Knowledge management
LAA	Local Area Agreement
LINks	Local Involvement Networks
LSP	Local strategic partnership
MBO	Management by objectives
NAO	National Audit Office
NCSC	National Care Standards Commission
NCVO	The National Council for Voluntary Organisations
NDPB	Non-departmental public bodies
NGO	Non-governmental organization
NHS	(UK) National Health Service
NPFM	New public financial management
NPM	New public management
NYPD	New York City Police Department
OECD	Organisation for Economic Co-operation and Development
OfSTED	Office for Standards in Education
OMB	Office of Management and Budget
OT	Opportunities and threats
PB	Participatory budgeting
PFI	Private Finance Initiative
PFM	Public financial management
PIU	Performance Improvement Unit
PPBS	Planning, programming, budgeting system
PPP	Public-private partnership
PRP	Performance-related pay
QA	Quality assurance
RADAR	Results, approach, deployment, assessment and refinement (EFQM scoring matrix)
RCT	Randomized control trial
REV	Remote electronic voting
RIA	Regulatory impact analysis
SCS	Senior Civil Service
SEM	Société Économie Mixte
SMART	Specific, measurable, achievable, realistic and time-related (targets)

SOI	Security of information
SWOT	Strengths, weaknesses, opportunities and threats
TEN	Trans-European network
TPM	Traditional personnel management
TQM	Total quality management
TRI	Toxic Release Inventory
VFM	Value for money
VRM	Vendor relationship management
ZBB	Zero-based budgeting
ZBO	Zelfstandig bestuurs organisaties

Part I
From public management to governance

Part I forms an introduction to the key themes of the book and locates the public sector in its political, social and economic context.

Chapter 1 examines what is 'public' about the public sector and about public services. It distinguishes public management from the wider issues of public governance.

Chapter 2 explores recent changes in the context of public policy, identifies the major paradigm shifts in public policy-making in recent decades and examines the changing role of politics in public governance.

Chapter 3 examines the size and scope of the public sector. It compares trends in the size and composition of public expenditure across OECD countries and looks at some of the forces that shape these trends. It then considers the implications of these trends for public sector management.

Chapter 4 examines the objectives and results of the generation of public sector reforms since the 1980s, the different reform trajectories across OECD countries and some of the risks and unintended consequences of public sector reform.

1
Understanding public management and governance

Tony Bovaird and Elke Loeffler

Why study public management and governance?

Welcome to *Public Management and Governance*. We aim to provide you with up-to-date, state-of-the-art knowledge on what the public sector is doing, why it is doing it and how it might do it better. We hope also to challenge you to think out for yourself how your society should be governed – one of the questions that has fascinated people for thousands of years – and how your governors should be managed – a question that is much more recent. Along the way we hope that you will have fun as well. Above all, we will be introducing you to the ideas of some of the leading analysts of the public sector around the world, so that you can weigh up their arguments and develop your own.

So what's in store? A book full of analysis of worthy but boring public sector activities? Actually, issues of public management and public governance are often very interesting (see Box 1.1). That's why they attract some highly talented and dedicated people, who might earn a great deal more money in other jobs. However, we also want to warn readers of this book that it can no longer be taken for granted that the activities of public management and governance are always 'worthy' – sometimes they are conducted by 'sharks' rather than by 'suits' (see Box 1.2).

Consequently, nowadays public managers have to earn our respect and gratitude, rather than simply assume it. And the players in the public policy arena have to earn the trust of those for whom they claim to be working, rather than claiming legitimacy simply on the grounds that they were elected or that they are part of a prestigious profession. So this third edition of *Public Management and Governance* suggests some tough questions for you to ask to see if that trust has indeed been earned – and gives you some ammunition for the debate.

Learning objectives

The key learning objectives in this chapter are:

- to be aware of the different meanings of 'public';
- to understand the main differences between public management and public governance;
- to understand the motives for studying public management and public governance.

Box 1.1 Public management and governance issues are interesting …

Public policy on global warming

[T]he more I think about it, the more fatalistic I become. … I suspect the newspapers echo public opinion on this subject. Just about all national papers now accept global warming, but they still object to anything required to deal with it. Low-energy light bulbs will cause old folk to fall down stairs. Higher petrol duties or road charges will be unfair to the poor (although most poor people don't own cars). Restrictions on cheap air travel breach the time-honoured British right to celebrate summer by vomiting over waiters in Faliraki. Wind turbines are ugly. And so on. Does anyone really think that, barring technological miracles, we have the slightest chance of averting calamity?

Source: Wilby (2009: 10)

Box 1.2 … But not necessarily 'worthy'

The police, the press and the public interest

On 20 June 2011 News International (NI) disclosed material to the Metropolitan Police Service that indicated that police officers had allegedly been receiving cash/cheque payments from journalists from the *News of the World* newspaper for the provision of confidential information. Subsequent enquiries uncovered similar suspicions in relation to journalists at *The Sun* newspaper, within the NI group. Alleged payments by journalists to public officials across all areas of public life were identified by the police inquiry, including payments to police, military, health, government, and prison officials. The Metropolitan Police described the evidence as revealing a network of corrupted officials. There appeared to have been a culture at *The Sun* of illegal payments, with systems created to facilitate such payments whilst hiding the identity of the officials receiving the money.

Source: Adapted from Akers (2012)

What do we mean by 'public'?

> The essential task of the public domain can now be interpreted as enabling authoritative public choice about collective activity and purpose. In short, it is about clarifying, constituting and achieving a public purpose. It has the ultimate responsibility for constituting a society as a political community which has the capacity to make public choices. Producing a 'public' which is able to enter into dialogue and decide about the needs of the community … is the uniquely demanding challenge facing the public domain.
>
> Source: Ranson and Stewart (1994: 59–60)

Before we go further, we should explore what we mean by 'public'. We start from a clear statement from Ranson and Stewart (1994: 59–60) as to what constitutes the public domain. (They wrote in the context of local government, but their analysis applies quite generally.)

This short passage explains how the public domain is the arena in which public choice is exercised in order to achieve a collective purpose. This is the arena which this book explores.

Ranson and Stewart also introduce another meaning of the word 'public' – the group (or groups) of people who inhabit the public domain. They clearly identify the political concept of 'a public which is able to enter into dialogue and decide about the needs of the community', which we might contrast with the marketing concept of different 'publics', each of whom expects to be treated differently by public services and public managers.

Another common usage of 'public' is to distinguish between the 'public sector' and the 'private sector', which essentially revolves around differences of ownership (collective ownership, in the name of all citizens, versus individual ownership) and motive (social purpose versus profit). This meaning is particularly relevant when public managers try to claim that the public sector is different from the private sector and that therefore private sector management methods would not work in their agency (see Allison (1994) on the concept that public and private management are alike in all unimportant respects!).

However, there are other, wider meanings to 'public'. For example, 'public services' are sometimes delivered by private or third-sector contractors, rather than public agencies. Here, the concept of 'public' generally means that the providers have to observe and satisfy some form of 'public service obligation'. Again, 'public issues' are those which cannot simply be left to the decision-making of private individuals – they typically necessitate mobilising the resources of public and voluntary sector organisations or regulating the behaviour of private firms or individuals or groups in civil society.

We shall examine each of these dimensions of 'public' in this book. Consequently, we shall take the word 'public' to be part of the problematic, i.e. the set of concepts to be explored in this text, rather than defining it unambiguously here at the outset.

Public management and governance: some key issues

So, what is public management? And what is public governance? While most people will immediately assume that they have a general grasp of what public management entails, fewer will have a feel for what is meant by public governance. Moreover, we want to argue that both concepts actually cover quite a complex set of ideas.

We shall take *public management* to be an approach that uses managerial techniques (often originating in the private sector) to increase the value for money achieved by public services. It therefore covers the set of activities undertaken by managers in two very different contexts:

- in public *sector* organisations;
- in public *service* organisations, whether in public, voluntary or private sectors.

This raises a number of issues that we will consider later:

- What distinguishes 'public management' from 'public administration'?
- What is 'public' about public services?
- Are 'public services' always in the 'public sector'?
- Is public management only about public services?

We take *public governance* to mean 'how an organisation works with its partners, stakeholders and networks to influence the outcomes of public policies'. (You will find other approaches to defining 'governance' in chapter 15.) The concept of *public governance* raises a different set of questions, such as:

- Who has the right to make and influence decisions in the public realm?
- What principles should be followed in making decisions in the public realm?
- How can we ensure that collective activities in the public realm result in improved welfare for those stakeholders to whom we accord the highest priority?

This chapter addresses these issues and sets the stage for the rest of the book.

Is ‘public management’ different from public administration?

In the middle of the twentieth century, the study of the work of civil servants and other public officials (including their interface with politicians who passed legislation and set public policy) was usually labelled ‘public administration’. As such, there is no doubt that ‘public administration’ conjured up an image of bureaucracy, life-long secure employment, ‘muddling through’ and lack of enterprise – dark suits, grey faces and dull day jobs.

From the 1980s onwards, however, a new phrase began to be heard, which even achieved dominance in some circles – ‘public management’. This was interpreted to mean different things by different authors but it almost always was characterised by a different set of symbols from those associated with public administration – it was thought to be about budget management, not just budget holding (see chapter 8), a contract culture (including contracts with private sector providers of services (see chapter 7) and employment contracts for staff, which were for fixed periods and might well not be renewed, see chapter 8), entrepreneurship and risk taking, and accountability for performance (see chapter 11).

These differences can be (and often were) exaggerated. However, it appears that the expectations of many stakeholders in the public domain did alter – they began to expect behaviour more in keeping with the image of the public manager and less that of the public administrator.

What is 'public' about public services?

In everyday discussion, we often refer to 'public services' as though they were 'what the public sector does'. However, a moment's reflection shows that this tidy approach nowadays doesn't make much sense any longer, at least in most countries (see chapter 4).

After all, we have for a long time become used to seeing private firms mending holes in our roads and repairing the council's housing stock. More recently it has become commonplace in many areas to see private firms collecting our bins and running our leisure centres. Moreover, whatever country we live in, there are very few services that are never run by the private sector – in the UK it has been possible to find some places that have private provision of hospitals, schools, child protection, home helps for the elderly and disabled, housing benefit payments and a local council's Director of Finance. (Indeed, in the UK we even had, for a while, provision of the post of Director-General of the BBC by a private company.)

Furthermore, there are some things that are done by the public sector that might cause raised eyebrows if described as 'public services' – such as running a telephone company (as the city of Hull did until comparatively recently), or a city-centre restaurant (as Coventry did up to the 1980s).

So what *is* public about public services? There is no single answer to this prize question – but neither is there a lack of contenders to win the prize. The answer you come up with is very likely to relate to the discipline in which you were trained and to your ideological position.

For welfare economists, the answer is quite subtle but nevertheless quite precise – public services are those which merit public intervention because of market failure (see chapter 3). In other words, any good or service that would result in suboptimal social welfare if it were provided in a free market should be regulated in some way by the public sector, and in this way qualifies as a 'public service'.

Differences between the concept of a citizen and the client/customer/user of public services

A citizen can be defined as a concentration of rights and duties in the person of an individual, within a constitutional state, under the rule of law, and within the hierarchy of laws and regulations.

A client is a concentration of needs and satisfactions of needs in an individual, within a market situation of supply and demand of goods and services, and within a hierarchy of needs, subject to the willingness to pay. A citizen is part of a social contract, whereas the client is part of the market contract.

Source: Pollitt and Bouckaert (1995: 6)

This definition of 'public services' is attractively rigorous, but unfortunately very wide-ranging. Almost all services, under this definition, exhibit some degree of 'publicness', since the provision of most goods and services in the real world is subject to market failure for one or more of the common reasons – chronic disequilibrium, imperfect competition, asymmetric information in supply or in consumption, externalities, discrimination based on criteria other than cost or technical ability to satisfy user requirements, uncertainty, non-rivalry in consumption, non-excludability in supply or user ignorance of his/her own best interest. Consequently, this yields a definition of 'public services' that is only occasionally useful – for example, it suggests that all theatres and cinemas are worthy of public intervention (since they are at least partly non-rival in consumption), whereas anyone who has sat through a performance of most Broadway or West End musicals knows that there are real limits to the justifiable level of public subsidy to many theatrical events. An alternative approach to defining the scope of 'public services' comes from politics. It suggests that 'public services' are those which are so important for the re-election of politicians or, more realistically, of political parties that they are given a public subsidy. Under this perspective, where a service is so important in political decision-making that politicians are prepared to spend some of their budget on it, then its 'publicness' must be respected. However, the attractive simplicity of this stance has again been bought at the expense of mind-numbing expansion of the definition of what is potentially a 'public service'. There are very few goods or services that are never important electorally. However invisible is the widget in the sprocket in the camshaft in the car that is bought by international customers who have no interest in the producer or its location, when it is proposed that a local widget factory should be closed and the widgets should be produced elsewhere (especially if it is 'abroad'), so that local politicians are goaded into proposing public subsidies to keep the production going in its present location, then that widget becomes a 'public good' under this definition.

A third approach, which similarly sounds like common sense, focuses on all those goods where providers are placed under a 'public service obligation' when they are given the right to supply the service. This approach defines as a public service all those services in which Parliament has decreed a need for regulation. However, this approach probably results in a definition of 'public service' that is too narrow. For example, there is a legal public service obligation imposed on the providers of all electricity, gas and water utilities, and on broadcasters, but not on the provision of leisure centres – yet the latter services may form a major part of the quality of life of certain groups, particularly young people and families with young children, and as a result may be widely supported by politicians as important services to be provided in the public sector or through public subsidy.

What is public governance?

Trying to define public governance seems to open Pandora's box. Although there is a general acknowledgement that public governance is different from public management, the academic literature on governance (which each year increases exponentially) offers a myriad of definitions. Indeed, even the authors of different chapters in this volume offer different ideas of what is 'public governance'.

The definition of governance is not, in itself, of critical importance, particularly because many practitioners are widely familiar with governance in practice, although they may find it difficult to recognise it in the forms discussed by academics (see chapter 15). Nevertheless, we have given a definition in the section above, because we believe it helps to focus discussion.

Whereas in new public management a lot of attention was paid to the measurement of results (both individual and organisational) in terms of outputs, public governance pays a lot of attention to how different organisations interact in order to achieve a higher level of desired results – the outcomes for citizens and stakeholders. Moreover, in public governance, the ways in which decisions are reached – the processes by which different stakeholders interact – are also seen to have a major importance in themselves, whatever the outputs or outcomes achieved. In other words, the current public governance debate places a new emphasis on the old truths that 'what matters is not what we do, but how people feel about what we do' and that 'processes matter' or, put differently, 'the ends do not justify the means'. These contrasting emphases – on ends *and* means – make 'good public governance' exceptionally difficult – but may well represent non-negotiable demands by the public in modern society.

The difference between a managerial and a governance approach is illustrated in Case example 1.1.

Whereas the governance discussion in the public sector is relatively recent (see chapter 4), there has been a debate in the private sector for some time on one aspect of governance – *corporate governance*, which refers to issues of control and decision-making powers within organisations (not just private companies). The 'corporate governance debate was triggered originally in the 1990s by the growth of huge transnational companies, which highlighted problems of unclear lines of accountability across countries (Koenig-Archibugi, 2004).

Subsequently, international organisations have issued guidelines as to how to improve corporate governance (OECD Watch, 2013). Although many reforms were implemented in Organisation of Economic Co-operation and Development (OECD) countries, the fallout around the collapse of Enron in the US in 2001 showed that corporate governance is not only a matter of drafting a stricter legal framework but also of respecting societal values – in the words of Solomon (2007: 5), 'corporate governance checks and balances serve only to detect, not cure, unethical activity'.

Case example 1.1 Differences between managerial and

governance approaches

Whereas public management-oriented change agents tend to focus their efforts on improving street cleaning and refuse collection services, a local governance approach emphasises the role of citizens in respecting the communal desire that no-one should throw litter on the streets in the first place and that materials should be recycled, not simply thrown away. This involves education (not only in the schools, since 'litter-bugs' come in all sizes and ages), advertising campaigns, encouragement of people to show their disgust when dirty behaviour occurs and the provision of proper waste facilities (including those for dog waste) which will help to prevent litter and dog-fouling problems occurring in the first place.

Governance involves ensuring that Boards are focused on the long-term sustainability of their business. They should be confident that their business models will deliver this – with appropriate risk mitigations as necessary – and that performance indicators and incentives reinforce the desired behaviours.

Source: CIMA (2010: 1)

Another long-standing governance debate comes from the field of international relations, where the issue of *global governance* has become very topical. In a nutshell, global governance is about how to cope with problems that transcend the borders of nation states (such as air pollution, the sex tourism and trafficking industries or the exploitation of child workers), given the lack of a world government. Pessimists suggest that globalisation means that governments everywhere have become powerless, that managing globalisation is an oxymoron, since globalisation is shaped by markets in a 'race to the bottom', not by governments. Some have suggested that this powerlessness is reinforced by the coming of the Internet age – that there is no governance against the 'electronic herd' (Friedmann, 2000).

However, this pessimistic discourse on global governance was countered by a very different set of arguments by the UN Secretary General in his *Millennium Report* – he argued that globalisation needs to be 'managed'. This was close to the language used by the Communiqué of the 2000 Ministerial Meeting of the OECD, headlined: 'Shaping Globalization'. Yet others have proposed to 'govern' globalisation and 'make it work for the poor' (IMF's Deputy Director, Masood Ahmed) or simply to achieve 'globalization for all' (United Nations Development Programme UNDP – Administrator Mark Malloch Brown). The task of the times was 'to get globalizing processes within our control and focus them upon human needs' (Anthony Giddens, London School of Economics – LSE). The events following 9/11 2001 in New York City have cast a further, more troubled, light on the idea that global activities (such as terrorism) can be 'fought' through collective international action.

Whereas governance is a positivistic concept, analysing 'what is', *good governance* is obviously a normative concept, analysing 'what ought to be'. Even though particular international organisations like the United Nations and the OECD have excelled in providing rather abstract definitions of the characteristics of 'good governance', we believe that this concept is highly context-dependent. This means that, instead of using a simple operational blueprint or definition, the meaning of 'good governance' must be negotiated and agreed upon

by the various stakeholders in a geographical area or in a policy network.

'Good governance' raises issues such as:

- stakeholder engagement
- the equalities agenda (gender, ethnic groups, age, religion, etc.)
- due process and fair treatment
- ethical and honest behaviour
- transparency
- accountability
- sustainability.

Importantly, the implementation of all the governance principles agreed upon between stakeholders has to be evaluated – ideally, by those same stakeholders.

However, there is as yet no theoretical reason to suppose that all the principles which we would wish to espouse under the label 'good governance' are actually achievable simultaneously. This 'good governance impossibility theorem' (mirroring the 'general equilibrium impossibility theory', which shows that it is impossible for markets to deliver all the welfare characteristics which economists have traditionally held dear) is troubling – if valid, it means that politicians need to trade off some principles of good governance against others to which they give a lower priority. This is not a debate that has yet surfaced explicitly in many countries – and it is one that we must suspect politicians will be keen to avoid.

What is the role of public management within public governance?

The concepts of public management and public governance are not mutually incompatible. Nevertheless, not all practices of public management are part of public governance, and not all aspects of public governance are part of public management.

For example, some practices of public management revolve around the best way to provide networks of computer workstations within the offices of a public agency (e.g. a personnel department). There are few public governance dimensions to this decision, which is a decision common to most organisations in all sectors. On the other side, there are issues of co-production of public service between family members and carers paid by the local authority, who come together to look after the welfare of an elderly person who wants to live an independent life in the community, but with enough support to ensure that no personal disasters occur. The way the family fits in with the formal care is a public governance issue but need not (and usually will not) involve intervention from any public manager.

Consequently, we suggest in this book that the realms of public management and public governance are separate but interconnected. One is not a precursor to the other, nor superior to the other – they do and should co-exist and should work together, through appropriate mechanisms, in order to raise the quality of life of people in the polity.

Of course, not all aspects of public management and public governance can co-exist. When taken to extremes, or interpreted from very contrasting standpoints, contradictions between public management and public governance can indeed be detected. For example, Rod Rhodes (1997: 55), writing from a governance perspective, characterises NPM, or the 'New Public Management' (one branch of public management), as having four weaknesses: its intraorganisational focus; its obsession with objectives; its focus on results; and the contradiction between competition and steering at its heart. While each of these elements of NPM, if treated in a suitably wide framework, can be reconciled with a governance perspective, an extreme NPM proponent who insists that her/his view of the world is the only way to understand reform of the public sector is bound to antagonise a proponent of the governance perspective (*and vice versa*).

So why should you study public management and governance?

Finally, we want to make a claim for this book that we hope will encourage you to read it with more enthusiasm – and to read more of it than you otherwise might. We want to claim that the study of public management and governance will not only make you a more informed student, and a more effective manager (whatever sector you work in), but that it will also make you a more engaged citizen. You should be able to make a greater contribution to the neighbourhood, the local authority, the region and the country in which you live. You may even be able to make a contribution to the quality of life of many citizens elsewhere in the world. And if you decide you do *not* want to know more about public management and governance – just remember that you will be making it more difficult for all those people who will therefore have to work harder to substitute for the contribution that you might have made.

So our greatest hope is that, however you use this book, it will help you to find out more about and care more about what it means to be an active citizen, influencing the decisions made in the public domain.

Structure of the book

The book has three main parts:

- an *introductory* part, setting out the role of the public sector, public management and public governance, and how these have evolved in recent years in different contexts;
- a second part on *public management for public sector organisations*, exploring the main managerial functions that contribute to the running of public services;
- a section on *governance* as an emerging theme in the public domain.

Questions for review and discussion

1. How would you define public services? Show how this question would be answered by authors from different schools of thought and try to come up with your own definition.
2. In some UK cities, vandalism has become a serious problem. Think of a public management and a public governance solution to this problem. Why are they different?

Reader exercises

1. How do you think the image of the public sector has changed in the last five years? Have you personally experienced improvements in public services? If yes, what are these improvements and why did they happen? If no, why do you think that this was so?
2. Does ownership matter – i.e. does the efficiency or effectiveness of a service depend on whether it is in the public or private sector? Why? How would you collect evidence to support your view – and to try to refute it?
3. Find someone in your organisation who read the first or second edition of this book (from 2003 and 2009, respectively). Explore with them how its key themes have changed since they read it – e.g. by comparing chapter headings or summaries in particular chapters.

Class exercises

1. In groups, identify the main differences between ‘public management’ and ‘private management’, and between ‘public governance’ and ‘corporate governance’. Thinking about the news over the past month, identify instances where these concepts might help in deciding who has been responsible for things that have been going wrong in your area or your country. (Now try answering the question in terms of things that have been going right in your area or your country. If you find this difficult, what light does this throw on how the media shape debates on public management and public governance?)
2. In groups, identify some public services in your area that are provided by private sector firms. Each group should identify ways in which these services are less ‘public’ than those that are provided by the public sector. Then compare your answers in a plenary session.

Further reading

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2
The changing context of public policy

Tony Bovaird and Elke Loeffler

Introduction

Public expenditure in most parts of the world increased rapidly after 1945, as the 'welfare state' in its various forms became widespread. However, by the early 1980s, budget deficits provided a major motive for public sector reforms in many parts of the world – reforms that covered both the content of public policy and the way in which public policy was made. In the following 25 years, many governments, at least in the OECD countries, achieved more favourable budget positions (see chapter 3). However, from 2008 the most severe economic recession in the world economy since the 1930s ushered in a period of financial austerity in public sectors which is still in full train at the time of writing (late 2014).

Meanwhile, other challenges have emerged since the 1980s to drive reforms in public policy. These new pressures on governments consist of a mixture of external factors (such as the ageing society, the information society and the 'tabloid society') and internal factors (including the consequences, both planned and unplanned, arising from the 'first generation' of public sector reforms, as outlined in chapter 4). These new pressures have emphasised the quality of life implications of public policies and the governance aspects of public sector organisations. They have typically pushed the public sector in a different direction to the managerial reforms of the 1980s and early 1990s. In particular, they have re-emphasised the role of politicians in making tough policy decisions and the importance of an engaged civic society for effective public policies.

Learning objectives

The key learning objectives in this chapter are to identify:

- recent changes in the context of public policy;
- the major paradigm shifts in public policy-making in recent decades;
- the changing role of politics in public policy.

Recent changes in the context of public policy

Most policies have spending implications. If money becomes scarce, policy-makers have less space to manoeuvre. However, financial crises also have an upside – they put pressure on public organisations to become more efficient. In particular, the fiscal crises in most OECD countries in the 1980s (lasting in some until the 1990s) were a key trigger for public sector reforms (see chapter 4). As these crises receded in many OECD countries by the mid-1990s, the financial imperative for public sector reforms remained, but in weaker form.

From the early 1990s, other pressures on governments became more important, consisting of a mixture of external factors and internal factors. We can map the external factors against the so-called 'PESTEL' headings – Political, Economic/Financial, Social, Technological, Environmental and Legal/Legislative (see Box 2.1). Many of these external factors have operated for decades, but some became significantly more important recently, particularly those associated with quality of life issues. The first of these to make a major impact was the global environmental crisis, particularly since the Rio Summit in 1992 (in spite of the growth of 'climate change denial' in many governments in the last decade, sometimes driven by desperate attempts to cope with the short-term effects of financial austerity, even if that imposed major long-term costs). In the last decade, interest has grown in many countries around the world in the quality of health (not just health care), the quality of life of children, particularly the prevalence of child poverty (not just the quality of public services for children) and the quality of life of the elderly (not just the quality of their social care). With regard to the elderly, the 'costs of an ageing society', including the increase in pension costs, have also become a major public policy issue around the world, reinforcing the concern with public sector spending deficits.

Box 2.1 External factors driving public policy reforms

Political

- New political and social movements in many countries – and internationally – which contest the neo-liberal world view, especially in relation to world trade, the global environment and attitudes to civil liberties;
- changing expectations, fuelled by globalisation (particularly through tourism and the mass media) about the quality of services that governments should be able to deliver, given what is currently available in other countries;
- changing expectations about the extent to which public services should be 'personalised' to the needs of individual citizens;
- increased insistence by key stakeholders (and particularly the media) that new levels of public accountability are necessary, with associated transparency of decision-making and openness of information systems;

- changing expectations that there will be widespread and intensive engagement with all relevant stakeholders, but particularly citizens, during policy-making and policy implementation processes;
- loss of popular legitimacy of some long-established public leadership elites, such as political party leaders, local politicians, etc.

Economic/financial

- Decreasing proportions of the population within the 'economically active' category as conventionally defined, with knock-on effects to household income levels and government tax revenues;
- economic recession since 2008 in most OECD countries, and many other parts of the world, generally producing falling tax revenues, increasing welfare payments and rising fiscal deficits for governments;
- increasing (or continuing) resistance by citizens to paying higher rates of tax to fund public services;
- weakening roles of trade unions as labour markets become more flexible.

Social

- Changes of forms and their meanings, in significant ways, of traditional institutions such as the family and social class, so that old assumptions about family behaviour and class attitudes can no longer be taken for granted in policy-making;
- reduction in respect for traditional sources of social authority and control – police, clergy, teachers, etc. – relative to formerly;
- changing expectations about the core values in society – just as the 1980s saw traditional values such as public duty and individual responsibility being replaced by values of individual self-realisation and rights, so in the 1990s there was a slow return to the understanding that caring and compassion are vital characteristics of a 'good society' and that 'social capital' is vital to a successful public sector. In the current era of fiscal austerity there is some evidence of growing selfishness, e.g. hostility to welfare benefit recipients, asylum seekers, economic migrants, etc.;
- the ageing society, which means that much higher proportions of the population are in high need of health and social care;
- changing perceptions about the minimum quality of life for certain vulnerable groups that is acceptable in a well-ordered society – especially in relation to child poverty, minimum wages for the low paid and the quality of life of elderly people (especially those living alone);
- revolt against conceptions of 'difference', whether of gender, race, physical or mental (dis)abilities, as 'given' rather than socially constructed, so that disadvantaged groups with increased expectations are seeking new political

settlement;

- changing perceptions about which behaviours towards vulnerable people are socially acceptable in a well-ordered society – particularly in relation to child abuse, child poverty, domestic violence and levels of anti-social behaviour;
- growing realisation that public services not only alter the material conditions experienced by users and other citizens but also affect the emotional lives of users, citizens and staff, affecting their ability to form fulfilling social relationships within a more cohesive society;
- growing desire by many citizens to realign the balance between paid work, domestic work and leisure time, particularly to tackle some of the gendered inequalities embedded within the current (im)balance of these activities;
- there is a new level of scrutiny from the 'tabloid society' of the decisions made by politicians and by public officials (and also of their private lives), often concentrating more on the 'people story' side of these decisions rather than the logic of the arguments.

Technological

- Technological changes, particularly in ICT, which have meant that public policies can now take advantage of major innovations in ways of delivering services and also that the policy-making process itself can be much more interactive than before;
- the information society, in which a much higher proportion of the population can make use of new ICT technologies;
- increased concern about the efficacy of 'hi-tech' solutions – e.g. renewed interest in 'alternative health care' and in 'alternative technologies'.

Environmental

- Increasing concerns with global warming and the impact of climate change, e.g. through flooding, hurricanes, 'deep freezes', etc.;
- willingness to take some serious steps to reduce the level of usage of non-renewable energy sources and to recycle waste materials;
- increasing pressure for governments to demonstrate the environmental impact of all new legislation, policies and major projects.

Legal/legislative

- Increasing influence of supra-national bodies – e.g. UN, World Bank, IMF, WTO, EU, etc. – in driving legislative or policy change at national level;
- growing public discontent in some countries about influence of supra-national or foreign governments on domestic policy (e.g. concern in UK about EU legislative

powers, concern in Greece about 'German-imposed' fiscal austerity);
- increasing legal challenge in the courts to decisions made by government, by citizens, by businesses and by other levels of government.

Many of these external factors have tended to push most governments in rather similar directions – e.g. the concern with child poverty has driven many governments towards 'workfare' programmes (encouraging parents to accept work, even if low-paid, either through incentives such as tax breaks or sanctions such as threatening withdrawal of benefits); the ageing society means that the pensions policies of most OECD countries are now under threat; the information society means that e-government is a major theme everywhere; and the 'tabloid society' has driven governments in most countries to take public relations (now generally known as 'spin') much more seriously than (even) before.

However, the internal factors that are driving changes in public policy tend to be more context-specific. For example, in many countries governments are contracting out a high proportion of public services and also looking to the private sector for advice and consultancy on many policy-relevant issues. This is sometimes because of the superior access to capital finance enjoyed by the private sector and sometimes because of the perception that the private sector has greater expertise in certain functions. This has had a number of important policy implications: for example, a new generation of public sector employees no longer expects to enjoy a 'job for life', which increases the flexibility of policy-making (but probably also leads to higher salaries and, where greater mobility occurs, may lead to a loss of 'institutional memory'). Moreover, in some countries where governments have gone far down the road of contracting out public services to the private sector (see chapter 7), there have emerged new and serious concerns about fraud and corruption in privately run public services (see chapter 26). In other countries such as Germany the reverse trend can be observed: many local authorities have reduced the outsourcing of public services. Here, the inflexible accounting system in the public sector had been a main reason for contracting public services to private sector companies. However, this meant that the local council lost influence over how public services were provided, public service budgets were less transparent and 'creative accounting' became more common. With the introduction of resource accounting in most German local authorities by 2009 (see chapter 8), the balance of benefits compared with costs of outsourcing has appeared less attractive.

Again, the concerns about fragmented and disjointed public policies and governmental structures (often the consequence of internal markets or 'agencification' – see chapter 18) have encouraged governments to find more mechanisms for coordination and integration, but in different ways in different countries. While it is widely agreed that today's 'wicked' problems can no longer be solved by a single policy or by a single actor, governmental responses have differed significantly, from the emphasis on 'joined up government' in the UK and 'whole of government' approaches in Australia, to the 'seamless services' agenda in the USA and the initiatives on 'one stop shops' for citizens and investors now seen widely throughout Europe.

Public policy at a time of austerity

Since the onset of widespread economic recession in 2008, and subsequent fiscal austerity, two economic issues have appeared to have exercised particularly strong influence over public opinion and public policy – government spending deficits and the national debt (or, more precisely, growth in or the rate of decline in the national debt).

The arguments in this debate, though frequently crude and ill-informed, have often seemed to revolve around some widely shared assumptions. Indeed, a casual observer might assume that some of the old, and long-since discredited, 'golden rules' of economic policy ('maintain a balanced budget', 'keep your currency linked to gold') had been replaced by new golden rules. Yet this is not the case. Let us consider some of the common assumptions behind this policy debate and notice how ill-founded they are.

New golden rule – proposal no. 1: Don't run a budget deficit – and, if you have a deficit, you must get it down. Sounds reasonable? Yet the USA Federal Reserve spent more than $4tn in its three rounds of bond-buying from 2008–2014 (known as 'quantitative easing'), contributing a large element of the US government deficit, and as a result almost certainly prevented a more dire economic situation. Indeed, the growth in US net private worth has been greater than this, halting a precipitate decline occasioned by the housing market collapse of 2007 and the stock market collapse of 2008 (see http://online.wsj.com/articles/SB10001424052702303824204579423183397213204). Moreover, there has been significantly faster economic growth in the US than in the Eurozone, which has insisted on tight austerity measures and budget deficit reduction plans in all of its members. Was this a misguided policy?

New golden rule – proposal no. 2: Don't allow national debt to rise above a certain level – although, confusingly, this tends to vary between rule proposers. The argument is that this could make you vulnerable to people wanting to cash in that debt. Logical? Well, not in theory, if most of the national debt is held by local people, so it actually represents their assets! Nor does it make sense if the debt has been accumulated in order to invest in valuable assets – for example, 'quantitative easing' has refloated the US economy and driven up asset values in housing and industry, so that it has increased US economic net worth and could be argued to have actually paid for itself. In any case, one of the strongest economies in recent years has been Germany, which has a level of national debt higher than the Netherlands, which has seen sharp economic contraction since 2009. So how reliable a rule is that? Actually, this suggests an alternative golden rule – anyone who talks about 'debt' without mentioning in the same sentence the value of corresponding assets should be wholly ignored until they get the point!

What does this add up to? Well, it is essentially a warning that most of the conventional wisdom on economic policy is misinformed. There is likely to be only one golden rule in economic policy – the spending and tax balance in your country, and in your local authority, depends on your circumstances, NOT on any rules.

Box 2.2 Elements of NPM

- Emphasis on performance management;
- more flexible and devolved financial management;
- more devolved personnel management with increasing use of performance-related pay and personalised contracts;
- more responsiveness to users and other customers in public services;
- greater decentralisation of authority and responsibility from central to lower levels of government;
- greater recourse to the use of market-type mechanisms, such as internal markets, user charges, vouchers, franchising and contracting out;
- privatisation of market-oriented public enterprises.

Source: OECD (1993: 13)

Changing paradigms of public policy

In the 1980s, the drivers of change, particularly the financial pressures, pushed most Western countries towards a focus on making the public sector 'lean and more competitive while, at the same time, trying to make public administration more responsive to citizens' needs by offering value for money, choice flexibility, and transparency' (OECD, 1993: 9). This movement was later referred to by the academic community as 'new public management' or NPM (Hood, 1991) (see Box 2.2).

Whereas some scholars considered this reform movement as a global paradigm change (e.g. Osborne and Gaebler, 1992: 325 and 328), others were more sceptical of the transferability of Westminster-type managerialism to Western Europe and other countries (e.g. Flynn and Strehl, 1996). Certainly, the credence given to the NPM paradigm by public sector practitioners in a major country such as Germany has remained rather low throughout the past two decades.

In the NPM, managers were given a much greater role in policy-making than previously in the 'old public administration' (PA), essentially at the expense of politicians and service professionals. While this clearly helped to redress the traditional balance in the many countries where management had been rather undervalued in the public sector, it quickly led many commentators to question whether this rebalancing had gone too far. In particular, it led to a vision of the public sector that often seemed peculiarly empty of political values and political debate.

As chapter 4 shows, different countries responded to the challenges in different ways, depending on a variety of factors. However, one factor in most of these responses was a concern with the governance dimension of public policy and the governance of public sector organisations (see chapter 15). This governance-oriented response tended to emphasise:

- the importance of 'wicked problems' that cut across neat service lines, so that 'quality of life' improvements are more important than 'quality of service' improvements;
- the need for these 'wicked problems' to be tackled cooperatively, because they cannot be solved by only one agency – thus the need for multi-stakeholder networking;
- the need for agreed 'rules of the game' that stakeholders will stick to in their interactions with one another, so that they can trust each other in building new joint approaches to the problems they are tackling – extending 'corporate governance' principles into the sphere of 'public governance';
- the critical importance of certain principles that should be embedded in all interactions which stakeholders have with each other, including transparency, integrity, honesty, fairness and respect for diversity.

Of course, the set of responses described above have developed gradually rather than overnight. Indeed, many of today's wicked problems are the emerging and unresolved problems from yesterday. Also, in many cases, fiscal pressures have deepened and have become mixed with the new demands on governments. Which pressures are dominant and

which are less relevant depend essentially on the setting (see chapter 4). As public policy contexts become more differentiated in the future, the variety of governance reforms are likely to be greater than in the NPM era.

These challenges put public agencies under pressure to adapt. Whereas some agencies respond to the new environment quickly or even proactively, others change more slowly or not at all. As a result, old and new structures and management approaches are often found side by side (Hood, 1991). This messy situation is multiplied by the many different kinds of reform going on – some of which are described in Parts 2 and 3 in this book. Figure 2.1 shows the main directions of reform as a movement from law-driven ('*Rechtsstaat*') to service-driven to citizen-driven agencies, but with each of these co-existing with each other to some degree in any given agency.

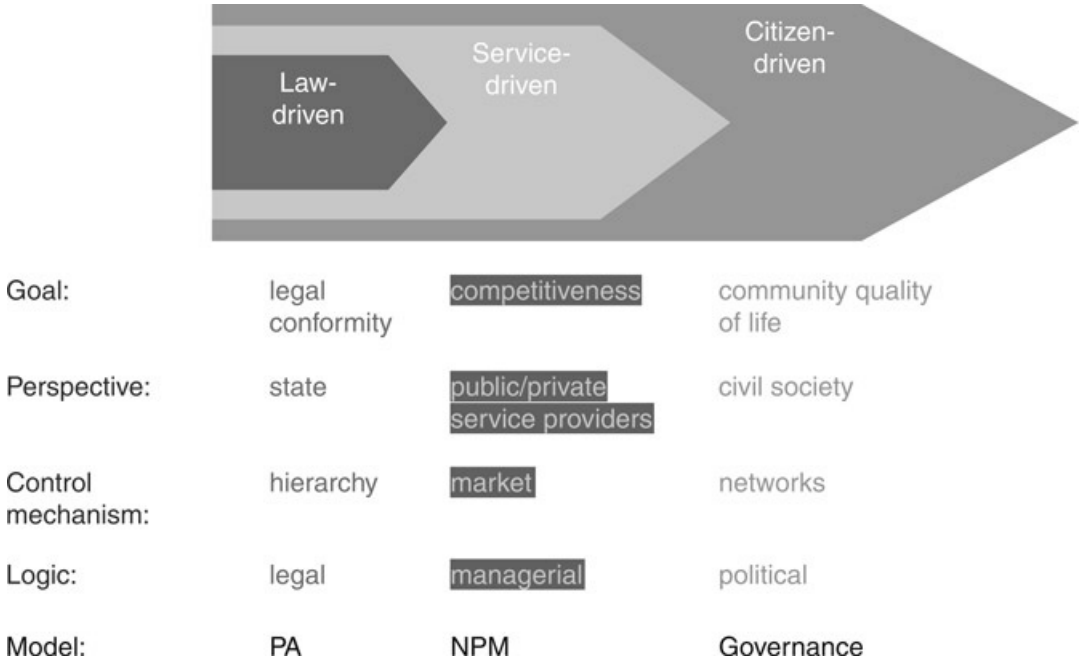


Figure 2.1 Types of public agencies.

Source: Translated and adapted from Banner (2002)

Of course, it is not enough to diagnose what is happening in the public policy system. It is necessary also to decide what to do next. Pollitt and Bouckaert (2004: 186–188) suggest that there are four strategic options (the '4Ms') for public sector reforms:

- maintenance of existing relationships between the political system, the system of public administration and law, and the market economy – usually involving tightening up traditional controls (e.g. restricting expenditure, squeezing staff numbers, running efficiency campaigns, rooting out corruption, etc.);
- modernisation of the system, by bringing in faster, more flexible methods throughout the administrative system (e.g. budgeting, accounting, HRM, service delivery, etc.), with some knock-on effects on the political system – this option has one variant that emphasises the need for deregulation and 'empowerment' of lower levels of managers, while another variant emphasises the need for citizen participation and stakeholder engagement;

- marketisation of the system, by maximizing market-type mechanisms (e.g. through competition), while still keeping the general shape of the existing system;
- minimisation of the administrative system, by transferring to the market sector as many tasks as possible, through privatisation and contracting out.

This latter option has been referred to by some academics as the 'hollowing out of the state', and they typically add other mechanisms such as the loss of national government powers to international organisations such as the WTO or the European Union. For much of the 1980s and early 1990s, this option haunted the public policy arena as a spectre threatening the extinction of the public sector as we know it. As Dunleavy (1994: 58) suggested:

> Current NPM thinking identifies government's optimal role, its core distinctive function, as being an 'intelligent customer' on behalf of citizens, purchasing privately supplied services so as to maximize the public welfare. But consuming without producing is new territory for liberal democratic governments, and we have no developed guidelines that could prevent loss of core competencies and the creation of 'hollow state' structures.

However, such fears have now somewhat abated. The debate is now rather which (plural) roles the state should play, which (plural) reform modes it should adopt and in which context. As Pollitt and Bouckaert (2004: 188) suggest: 'Different regimes at different times appear to have leaned towards one or other of these strategies. The "4Ms" do not have to be taken in a particular order, but neither can they all be convincingly pursued simultaneously.' They go on to suggest that many reform programmes tend to opt for two of the strategies, in shifting combinations.

Moreover, a major theoretical critique of the 'hollowing out of the state' and 'network governance' perspectives comes from Mark Bevir and Rod Rhodes (e.g. Bevir and Rhodes, 2003). In their work, they undertake a 'decentred' analysis of governance, i.e. one that does not accept the 'truth' of any single narrative about what governance is and how it evolves over time. They attempt to 'unpack the institutions of governance through a study of the various contingent meanings that inform the actions of the relevant individuals' (Bevir, 2003: 209). They point out that the network governance narrative is only one of several that provides insight into the current state of governance around the world.

Taking these various lines of argument into account, we would argue that the dilemma outlined in the 'hollowing out of the state' debate misinterprets the issue at stake. The most important question is not whether the state will remain more powerful than other players, but which set of formal (legal) and informal rules, structures and processes will be needed so that the state, the private and third sectors, citizens and other important stakeholders can each believe that they exercise power over decisions by the other stakeholders, in ways that protect their interests and allow the creation of win-win situations for all parties concerned. And if this is not possible, what changes are necessary to these political rules, structures and processes in order to ensure acceptable minimum outcomes (both in terms of quality of life and in terms of quality of governance processes), from the viewpoint of key stakeholders, which we would interpret as meaning, in particular, the most vulnerable groups in society.

The politics of public policy

The role of politics in the public sector, which might seem in theory to be central, has for long been under pressure from two other major players – the professional groupings who tend to believe that they are uniquely well informed about which policies are most likely to work and the managerial cadres who tend to believe that they are uniquely expert in getting the various professional groupings to work together effectively. More recently, a third set of actors has tried to push its way onto this already crowded stage – the groups of citizens and other stakeholders who have been told that they alone know best what they want, at least in terms of services that directly affect their quality of life. So is there still room for politicians to play a role upon this stage?

First, it is important to recognise that politicians can play a number of roles – leadership of their polity (at a variety of levels), policy-making for society, strategy-making for the organisation, partnership-building with other organisations and with other stakeholders (including other countries or other communities), watchdog over the decisions made within their polity, lobbyist in relation to decisions made in other polities (and, of course, at national and regional level) and last, but not least, representation of their constituents. Not all of these roles are equally supported by the bureaucratic structures of the public sector – in particular, constituency roles tend to be rather poorly supported by officials, being largely regarded as 'political' and therefore for political parties to support.

How does this role differ in different contexts? Not only do the fundamental roles of politicians alter, as we move from the global to the local stage, but so do the relative priorities between these roles, often influenced by who are the dominant stakeholders with whom politicians have to interact in their area. Furthermore, political roles vary, depending on the balance in the polity between representational and participative democracy.

Starting at the global level, *global politics* is mainly about security, trade and environment, and is played out by heads of state and ministers. However, many of these decisions have major implications at national, regional, local and neighbourhood levels – e.g. the 'peace dividend' can be a bonus for national social programmes (more funds are available from government budgets) but very bad for local employment strategies in areas where army and naval bases are closed down. Again, global environmental strategy involves clashing national interests ('carbon guzzlers' versus the rest?), while global environmental improvement often entails 'think global, act local' approaches. So national and local politicians cannot ignore the global level in their policy-making, even though their role may often be essentially one of lobbying for their own interests.

National politics is often the most ideologically driven, as it is the main forum for the debate about ideas that determine election results (national and local) and subsequent government legislation programmes. Here, there are frequently clashes between ideological viewpoints, between national power groupings (which have variously been viewed through the lens of classes, 'fractions of capital', dominant coalitions of stakeholders, communities of interest, etc.) and between the 'political' sensitivities of party politicians and the 'technical' recipes favoured by the 'technocracy'. Policy-making at this level has a strong emphasis on

injecting 'political flavours' into professionally designed strategies.

Regional politics is driven by different considerations in many countries. In Spain, there is a clear desire to allow expression within the *autonomías* to feelings of separate identity as well as differing priorities. This is clearly the case also with Scotland, Wales and Northern Ireland in the UK. In other cases, regional government has been deliberately formulated as a counterweight to central government (e.g. in the US since 1776 and, nearly 200 years later, in the post-1945 German constitution, largely fashioned in the US mould). In some cases, there is a mixture of motives – the slow movement towards some form of regional government in England up to 2010 was a partial recognition by central government of strong regional identities in some parts of the country, but this was reversed by the coalition government in 2010, then reinstated in the form of the 'Northern Powerhouse' in 2015. However, the passion of advocates for Scottish independence, although unsuccessful in winning the 2014 referendum, appears to have awakened in many English citizens a belief that they, too, should be less dependent on Westminster and Whitehall. At this regional level, politicians are in a half-way house between national and local politics. Where the region is strong (e.g. US states, some powerful Spanish *autonomías* such as the Basque Country and Catalonia, some German *Länder* such as Bavaria and Baden-Württemberg), then regional politicians can have a national and even international significance. Where regions are weak (e.g. the regions in France and the regions recently created in Central and Eastern European countries), regional policies mainly play merely a 'gap-filling' role between centre and localities.

Local politics still usually has some ideological flavour but this is often idiosyncratic (local political parties often deviate in their views from their national parties) and less important than stances on local issues. The role of the strategic politician locally is partly to lead the local community towards new goals, partly to help the locality to compete against other areas and partly to represent the community where policies (at all levels of government) are not helpful locally. Clearly, many local politicians are non-strategic, worried only about 'patch politics' and working for their constituents to improve the outcomes from public services and from dealings with other agencies. This means that many officials experience local politics as an irritant in policy implementation rather than a contribution to the policy-making process, which may explain why many have such a negative view of it.

Neighbourhood politics is usually far from the ideological level and is dominated by local issues – often pitting local politicians against their own party colleagues and leaders. Indeed, neighbourhood politics often involves balancing of interests within and between neighbourhoods, forging coalitions on issues and across interest groups that have little parallel at any higher level of politics – NIMBYism (the 'not in my back yard' syndrome) is the most obvious example of this. Consequently, highly rational strategies, cooked up by well-informed professionals and backed by top politicians in the local council and nationally, may still fail because they 'don't go down well on the street'.

Clearly, there is still a major role for political input into policy-making, even in this era of highly professionalised 'new public management' and partnership-based 'network governance'. However, the autonomy of political decisions should not be exaggerated. There are many different pressure points by means of which other stakeholders can drive politicians down roads that they do not personally like very much. For example, policy networks often contain strong voices from all the main stakeholders – politicians, by becoming involved in

them, give credence to, and even magnify, these voices. Consequently, political platforms are usually designed to take on board the interests of a wide coalition of stakeholders. At worst, it can mean that politicians seek to 'please everyone, all the time' – then strategic policy-making becomes next to impossible. Only if politicians are prepared to weather adverse comment when they follow strategic policies that they believe in can they claim to exercise political leadership and help their organisations and partnerships to manage strategically.

Summary

In the 1980s, fiscal pressures were hugely important as drivers of change in public policy.

After almost two decades of economic growth up to 2008, fiscal pressures have now reasserted themselves. However, in the intervening period, a large of number of other major changes in the political, economic, social, technological, environmental and (international) legislative fields have impacted on public policy-making, the implications of many of which are only slowly becoming evident.

The paradigms of public policy-making have changed significantly during the past three decades – the 'old public administration' was partly replaced by the 'new public management', which in turn has been partly supplanted by the 'public governance' perspective. However, current public policy-making in most countries still has strong elements of all three approaches – and it is not clear how far or how fast these will converge to produce a more 'unitary' approach in the future. In any case, further perspectives will no doubt emerge that will partly borrow from, and partly replace, these perspectives.

Politics is integral to policy-making, but the role of politicians, which has never been as clear as the conventional model of democratic decision-making ('the primacy of politics') has tried to suggest, is today even more complex, given the roles that are played in public decision-making by professional groups, managers, engaged citizens and other stakeholders.

Questions for review and discussion

1. Which of the main groups of factors driving changes in public policy (listed in Box 2.1) have been of most importance in the last five years? Is this likely to continue in the next five years?
2. What are the main paradigms of public policy-making and what are the main differences between them?

Reader exercises

1. Get a copy of a serious newspaper, such as the *Guardian*, *Le Monde* or *Frankfurter Allgemeine Zeitung*. Try to find examples where factors listed in Box 1.1 are cited as influencing current government policy decisions.
2. In the same newspaper, identify ten politicians whose activities are being described in detail. Identify the roles that they are playing. How many of these roles would you describe as 'policy-making' roles? And at what geographical level is this policy being decided?
3. In the same newspaper, identify instances where the term 'debt' has been used without any reference to associated 'assets' and where the term 'budget deficit' has been used without any reference to 'consequent changes in economic growth and net worth'. Consider your position on the debating topic: 'Newspapers that print economic nonsense make public spending policies less successful'.

Class exercise

Divide into groups. Each group should identify the four major policy areas (at national or international level) where it believes current government policy needs to change. For each of these, the group should suggest how such changes might be initiated in the current political climate.

The groups should then come together and compare notes. Where there are commonalities between the lists, suggesting that there is some consensus between the groups on the need for change, discuss why these policies have not yet been altered.

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3
The changing shape of the public sector

Peter M. Jackson

Introduction

What is the appropriate scope and size of the public sector? The simple answer is, it all depends. It depends upon the vision of the 'state' to which you subscribe and it depends upon how you weigh up the costs and benefits of two highly imperfect social institutions: the market and the public sector. These in turn depend on your values and preferences.

The public sector is a ubiquitous social institution that has grown in size and complexity over the past 50-plus years. Nevertheless, this has not been a linear development. Whereas the development of the welfare state in the late 1960s and 1970s resulted in unprecedented growth of the public sector in most Organisation for Economic Co-operation and development (OECD) countries, the 1980s and 1990s were marked by concerns and attempts to reduce the size of the public sector or, at least, to make it more efficient (see chapter 4). This was the age of Thatcherism and Reaganism, which sought to roll back the frontiers of the state. In some cases this has meant privatization, in others devolving responsibilities to lower levels of government or simply the introduction of market-type instruments in the public sector (see chapter 7).

Today, public expenditure in all developed countries accounts for between one-third and one-half of a country's gross domestic product (GDP). Given the fact that many OECD countries continue to suffer from budget deficits and high levels of debt, public expenditure management will remain high on the political agenda. Overall economic efficiency depends upon how well these public sector resources are managed, not only because of the opportunity cost of wasted resources but because of the impact of taxation and public borrowing on private sector decisions.

Learning objectives

This chapter will look at the following key issues:

- the role and scope of government;
- the trends in social spending and some of the forces that shape them;
- the changing composition of public spending;
- the implications that these trends have for public sector management.

The role and scope of government

Variations in public expenditure across time and space reflect differences in the vision of the role and scope of government. What then are the appropriate role, scope and size of government?

There is no simple or straightforward, technically grounded answer to this question. Instead, there are conflicting perceptions of the proper scope of government which reflect differences in individuals' tastes and preferences. Nor is the question new. It has been the focus of an emotionally charged debate conducted by political philosophers and economists over several centuries. Central to the debate are the basic normative questions of 'What should governments do? How big should the share of public spending be in the national economy? Should governments engage in direct production activities?'

Recently, this debate has become more intense as those who advocate a minimalist state have sought to downsize, privatize, re-engineer or reinvent government. At the other end of the spectrum those who argue in favour of an active interventionist state emphasize the benefits of public policies and public spending programmes and the enlargement of the positive personal freedoms which accompany them. The position that any individual occupies on this spectrum reflects as much his or her preferences for what constitutes a 'good society' as any technical, philosophical or socio-economic arguments.

While this debate has been conducted for many years, it has not been resolved. This is clearly demonstrated by the exchange between Buchanan and Musgrave (see Box 3.1), who each subscribe to significantly different answers to the fundamental question: What is the appropriate role of the state?

Many years ago, Musgrave (1959) set out three distinct roles for an active state. This taxonomy provided a useful structure and fashioned the subsequent debate. For Musgrave a modern state transcends the primitive and minimal role of the 'night watchman' and embraces an allocative role, a distributional role and a stabilization role.

Box 3.1 Musgrave's and Buchanan's views of the role of the state

Musgrave is representative of a group of scholars who regards the public sector as having its own legitimacy, and the public and private sectors as complements (rather than competitors) working together to achieve maximum social welfare.

While Musgrave sees the state as 'an association of individuals engaged in a co-operative venture, formed to resolve problems of social co-existence and to do so in a democratic and fair fashion' (Buchanan and Musgrave, 1999: 31), Buchanan's view of the world is that majority politics results in the formation of coalitions between special interest groups that produce policies that best serve their own interests. For Buchanan, the issue is to constrain these tendencies by the use of fiscal constitutions and rules. 'My

concern and my primary motivation here in a normative sense is preventing the exploitation of man by man, or woman by woman, through the political process. That is what is driving my whole approach'.

Source: Buchanan and Musgrave (1999: 52)

Within the allocative role, the provision of public goods is seen as a means of correcting various market failures that can arise from ill-defined property rights, externalities, incomplete information, high transaction costs or non-increasing returns to scale. These sources of market failure had long been acknowledged by, among others, Adam Smith and John Stuart Mill. Markets are said to 'fail' when they do not exist, when transaction costs are high or when they produce an inefficient outcome. Correcting market failure gives rise to what Musgrave (1998: 35) has referred to recently as the 'service state', i.e. an essential role that is to 'repair certain leaks in the efficient functioning of the market as a provider of goods'.

The role of the state is …

… allocative
- Correcting market failure through regulation, taxation, subsidies and providing public goods.

… distributional
- Achieving a just and fair society by regulation, the adjustment of rights, giving access to markets in the face of discrimination, progressive taxation and subsidies.

… stabilisation
- Controlling economic growth, unemployment and inflation by demand and money management.

Source: Musgrave (1959)

The second role of government is concerned with distributional issues and forms the basis of the 'welfare state'. Given any initial distribution of rights, including property rights, the unfettered market system will grind out a distribution of welfares that may or may not be considered to be socially just and fair. The objective of the distributional role of the state is to adjust the market-determined distribution of welfare by bringing it closer to what 'society' regards to be just and fair. This is achieved through regulation, the adjustment of rights and giving access to markets in the face of discrimination, progressive taxation and subsidies.

The third role of government is represented by the stabilisation role. Unconstrained market forces can result in a general equilibrium for an economy that is accompanied by unacceptably high levels of unemployment. Classical economists in the early twentieth century argued that, if left alone, market forces would adjust and unemployment would be

eventually eliminated. However, Keynes pointed out that an economy can become stuck in a state of high unemployment for many years because the speed of economic adjustment is very slow – 'in the long run we are all dead'. In order to speed up the adjustment process Keynes advocated corrective action through changes in public spending and/or taxation, in order to manage 'effective demand', depending upon where the economy is on the business cycle. From the 1950s up to the 1980s the Keynesian consensus was dominant. Demand in the economy was 'managed' to achieve the twin objectives of low unemployment and price stability, while acknowledging that there was a trade-off between these objectives.

From the early 1980s, monetary economists (harking back to the classical school) regained the upper hand with their insistence that controlling the money supply was the only practical tool of stabilization policy. By the 1990s, both schools were represented in the governments of major OECD countries.

While writers such as Musgrave and Arrow had earlier emphasized market failures, we now also acknowledge 'government failure' and policy failure. Recently, Musgrave (1998) wrote about the 'flawed state'. Both markets and public bureaucracies are flawed institutions. Public sector failures arise for reasons that are similar to market failure – high transaction costs and incomplete and imperfect information – but in addition there are the inefficiencies that arise from inadequate incentive structures, severe principal/agent problems and inadequate demand revelation mechanisms, as in the case of voting mechanisms. These failures result in both allocative and managerial inefficiencies within the public sector, reflected in inappropriate policies being implemented through wasteful bureaucracies.

The changing boundaries of the state

There is a great diversity in the size and scope of government across the various nation states of the world. This in part reflects differences in preferences for the 'good society', but it also arises from variations in per capita real incomes and hence the capacity of countries to finance their public policies; differences in social factors such as population size and composition; and also differences in political institutions, for example, majoritarian compared with proportional electoral systems and presidential versus parliamentary systems.

The absolute and relative sizes of the public sectors around the world have shown dramatic changes over the past 130 years. IMF data show that in 1870 the average relative size of the public sector around the world, as measured by the ratio of government spending to GDP, was 10.7 per cent. This increased to 19.6 per cent in 1920; 28 per cent in 1960; 41.9 per cent in 1980; and 45 per cent in 1996 (Tanzi and Schuknecht, 2000).

Up to 1950 there had been a lengthy period of laissez-faire during which public expenditures and the boundaries of the state changed modestly, only periodically being disrupted by major world wars. During the 1950s and the 1960s there were many Keynesian economists who advocated increases in public spending. Galbraith (1958) dramatically referred to public squalor amidst private affluence. Bator (1960: xiv) argued that society was 'dangerously short-changing (itself) on defence, foreign aid, education, urban renewal and medical services'. Increases in public spending on infrastructure and human capital (education and health) promote economic growth but have to be paid for through increases in taxation. However, the growth in real per capita incomes is able to fund the increase in taxation.

Growth in public spending, however, is not inevitable. Some theories of public expenditure growth (see Brown and Jackson, 1990) such as *Wagner's law*, which suggests that public expenditure will grow with real incomes, or *Baumol's cost disease model*, which suggests it will grow because public sector costs grow faster than private costs, are highly deterministic. These theories provide the means of carrying out an interpretation of historical trends but they ignore public choices. The demand for public spending comes from income growth, population growth, changes in the composition of the population, urbanization and the increasing complexity of society. The decision to spend is the outcome of public choices, which are shaped by changing perceptions about the role and legitimacy of government and hence where the boundaries of the state are drawn.

In examining trends in public expenditure and making international comparisons, we shall use two principal data sources – the IMF (as presented in Tanzi and Schuknecht, 2000) and the OECD. Their definitions and coverage differ somewhat from each other but both datasets give essentially the same qualitative picture of trends in public expenditure.

The rapid expansion in the absolute and relative size of the public sectors of the world took place during the period from 1960 to 1980, as shown in Table 3.1. This was a period during which there were no world wars and when demographic trends were not placing significant pressures on public budgets. It was, however, a time when attitudes changed positively towards an interventionist role for government reflecting the advent of the welfare state and also Keynesian demand management policies. Public spending increased owing to the

introduction of new (especially welfare) policies along with expansion in the scope and coverage of existing programmes.

Table 3.1 General government outlays, by country (% of GDP)

	1965	1970	1975	1980	1985	1990	1995	2005	2012 (est.)
Australia	24.6	25.2	31.3	32.3	37.8	33.0	35.4	30.8	32.7
Austria	36.6	38.0	44.4	47.2	50.1	48.5	52.4	47.5	49.0
Belgium	35.0	39.7	47.6	53.4	57.3	50.8	50.3	46.2	49.1
Canada	27.8	33.8	38.9	39.1	45.4	46.0	45.3	37.2	40.2
Denmark	31.8	40.1	47.1	55.0	58.0	53.6	56.6	50.8	53.2
Finland	30.3	29.7	37.0	37.1	42.3	44.4	54.3	43.6	50.1
France	37.6	37.6	42.3	45.4	51.9	49.6	53.6	50.7	52.2
Germany	35.3	37.2	47.1	46.5	45.6	43.8	46.3	43.6	45.6
Greece	22.0	23.3	27.1	29.6	42.3	47.8	46.6	43.4	49.5
Ireland	36.0	37.7	40.7	47.6	50.5	39.5	37.6	28.2	57.0
Italy	32.8	32.7	41.0	41.8	50.6	53.1	52.3	46.9	50.3
Japan	19.0	19.0	26.8	32.0	31.6	31.3	35.6	38.8	47.2
Netherlands	34.7	37.0	45.7	50.9	51.9	49.4	47.7	42.7	48.2
Norway	29.1	34.9	39.8	43.9	41.5	49.7	47.6	41.4	44.4
Portugal	18.1	18.0	25.2	28.1	42.9	44.2	41.2	43.7	50.7
Spain	19.5	21.7	24.1	31.3	39.4	41.4	44.0	39.2	45.0
Sweden	33.5	41.7	47.3	56.9	59.9	55.8	62.1	55.6	53.0
United Kingdom	33.5	36.7	44.4	43.0	44.0	41.9	44.4	39.7	40.5
United States	25.6	29.6	32.3	31.3	33.8	33.6	32.9	31.3	38.4
Euro area	33.1	33.9	40.9	43.0	47.2	46.3	49.1	46.8	48.2
OECD	26.9	29.2	34.4	35.5	38.1	38.0	39.4	38.4	40.1

Source: Adapted from OECD National Accounts © OECD

Note: 2012 figures are estimates

As one commentator has remarked, this was the 'golden age of public sector intervention'. It was also a period during which many had simplistic and romanticized views of how government worked and what government could achieve. These views played up market failure and were blind to the possibility of public sector failure – the costs of government intervention in terms of the distorting effects of taxation and public borrowing; the inefficiencies of public bureaucracies; the self-interest politics of pressure groups and the possibility of corruption on a significant scale. This idealized view of government assumed that politicians and bureaucrats acted to promote maximum social welfare while ignoring the realities and consequences of 'rent-seeking' behaviour (i.e. the search for personal gain) (Tullock, 1967). Furthermore, it was implicitly assumed that policymakers possessed considerable knowledge; for example, that they knew with certainty which policy levers produced what effect.

Public choice theorists and libertarians mounted a series of challenges to the post-war consensus that public sector intervention was at all times beneficial. They pointed out the potential efficiency losses resulting from the distorting effects of high marginal rates of tax; the effect on interest rates of large public sector deficits (which also crowded out private investment); and the frequency of policy failures. Whether or not there was any convincing empirical evidence to support the anti-government rhetoric of the 1970s (and there was little)

is of no significance; the point is that these arguments won the day and ushered in the Thatcher and Reagan administrations and policies aimed at 'rolling back the frontiers of the state'. The 1980s and 1990s witnessed a series of initiatives that would change the balance between the public and private sectors: privatization; contracting out; reductions in public sector debt; balanced budget rules; fiscal constitutions; private finance initiatives and public-private partnerships, and so on.

Were the frontiers of the state rolled back? Table 3.1 suggests not. The relative size of the public sector was in most cases greater in 2004 than it was in 1980. Even in countries such as the UK, where the relative size of the public sector is smaller, this has more to do with the growth in GDP than the reduction in the absolute size of public spending. Nevertheless the rate of expansion of the boundaries of the public sector slowed down after 1980. The exception is Japan.

The composition of public expenditure

The element of public spending which has grown fastest over the past 40 years has been that which is allocated to transfer expenditure on income maintenance and subsidies. This reflects the expansion and development of the welfare state in countries around the world. Whilst welfare-related public spending increases have been driven by demographic changes, such as the aging of the population, that is by no means the complete explanation. The scope of welfare activities has also expanded by taking in more individuals and their specific needs. At the same time there has been an increase in the real value of the benefits that are paid.

Table 3.2 Public expenditure aggregates as % GDP, 1971/72 to 2010/11 (at 2011/12 prices)

	Public sector real current spending	*Public sector real capital spending*	*Total real public spending*
1971/72	33.4	5.3	42.6
1975/76	39.8	5.6	49.7
1980/81	40.7	1.9	47.0
1985/86	40.6	1.2	45.0
1990/91	35.4	1.3	39.2
1995/96	38.3	1.3	41.4
2000/01	35.1	1.8	34.6
2005/06	37.7	1.8	40.8
2010/11	42.7	2.6	46.6

Source: HM Treasury (2012) Public Expenditure Statistical Analysis 2012: Cm 8327

These changes in the composition of public expenditure can be illustrated using data for the UK. Comparative public expenditure analysis is fraught with difficulties, especially when it comes to comparing like with like in terms of the definitions of social spending on specific categories. The general trends in UK public spending are representative of the changes that have taken place in other OECD countries. Table 3.2 indicates that public sector real current expenditure was relatively stable over the 35 years from 1971/72 to 2005/06. These figures are shown as a percentage of GDP, which means that the ratio will increase if GDP rises at a rate which is slower than the rate of increase in public spending. Public spending might be planned to grow at the trend rate of growths of GDP but, if the actual outturn rate of growth in GDP is below trend, then the ratio will show an increase. This is what happened between 2005/06 and 2010/11, which shows a 5-percentage-point increase in the ratio because of the negative growth in GDP and the counter-cyclical nature of some elements of public spending. It is not an indication that public spending is out of control. Table 3.2 also shows the relative decline in public sector capital spending. These figures need to be interpreted with care because they are net of privatization proceeds.

Table 3.3 UK public sector expenditure by function as % GDP

	1990/91	1995/96	2000/01	2005/06	2010/11
Health	4.7	5.5	5.8	7.0	8.2
Education	4.8	4.9	4.7	5.4	6.2
Social protection	11.4	14.3	13.0	13.3	15.7
Defence	3.8	3.0	2.6	2.4	2.7
Public order	2.0	2.1	1.9	2.3	2.2
Debt interest	3.5	3.6	2.7	2.1	3.0

Source: HM Treasury (2012) Public Expenditure Statistical Analysis 2012: Cm 8327

Table 3.3 shows the relative growth in social protection public expenditure, i.e. spending on public pensions, and unemployment benefits and subsidies. In 1990/91 social protection was 30 per cent of total public spending. The corresponding figure for 2010/11 was 33 per cent. This is to be expected as the number of pensioners in the population increases and the number of unemployed increases during a prolonged recession. Table 3.3 also shows a substantial increase in spending in healthcare and education services, whilst expenditure on public order (i.e. police) has been stable, and spending on defence has fallen in relative terms. One of the current concerns over the management of the public debt is that debt interest will increase and crowd out other elements of public spending. Whilst there was indeed an increase in debt charges as a proportion of GDP between 2005/06 and 2010/11, it was not significantly out of line with previous years. Public sector debt rose during the recession but interest rates are currently relatively low, thereby moderating debt servicing costs.

In their examination of public expenditure in various countries around the world, Tanzi and Schuknecht (2000), using IMF data, found that total real public expenditure on goods and services had only increased from 12.6 per cent of GDP (on average) in 1960 to 17.3 per cent in 1995. They observed that the biggest increases in public expenditure for all countries had come from absolute and relative growth in public subsidies and transfer payments, i.e. growth in governments' welfare role through extending the coverage and benefit rates of these programmes. Another reason has been the high levels of unemployment experienced, especially in European economies, during the 1980s and 1990s and more recently since 2007.

Public sector capital expenditure has great potential economic significance, not only in terms of direct employment creation (through the fiscal multiplier) but also more generally through the impact of publicly funded infrastructure on economic growth. Data on public sector capital expenditure need to be interpreted with some caution. The UK data show a decline in public sector capital spending as a proportion of GDP and as a share of total public spending. It is easier to cut back on planned capital spending rather than current public spending and, in times of fiscal austerity, this has undoubtedly happened. What, however, is not always appreciated is that the published data refer to 'net' investment spending by the public sector, that is, net of the proceeds of privatizations, i.e. the sale of public sector assets. This accounting convention means that the public sector's real capital expenditure is under-recorded, especially during periods of very active privatizations such as the sale of public utilities or publicly owned housing.

As part of their welfare state role, governments provide 'positive freedom goods'. These are goods which expand individuals' freedoms to access markets which, in turn, enable them to

expand their opportunities. Examples of freedom goods are education, health services, pensions, unemployment benefits and other forms of welfare benefits.

As expected there is a wide range of variation between different countries in the provision of personal freedom goods. This reflects prevailing local circumstances such as population size and composition; per capita real incomes; and local political preferences and institutions.

Public sector education's share of GDP rose from (on average, across OECD countries) 3.5 per cent of GDP in 1960 to 5.8 per cent in 1980 and 6.2 per cent in 1995 (IMF data), remaining at 6.2 per cent in 2011 (Bolton, 2014). This has been due to expanding the coverage of education programmes (e.g. raising the school leaving age), but the main driver was demographic pressures arising from the post-1945 baby boom. An expansion in publicly funded university education, along with a general increase in entitlements at the tertiary level, has also contributed to the rise. While population increases have slowed down and will moderate the pressures on public education budgets, nevertheless there are new forces that will take their place (e.g. greater access to tertiary education and lifelong learning). Some of this demand may be met by greater private sector involvement.

Public spending on health services has also shown a substantial rise. Public expenditure on healthcare across OECD countries increased (on average) from 1.7 per cent of GDP in 1960 to 4.5 per cent in 1980, 5.8 per cent in 2000 and 7.0 per cent in 2008 (IMF, 2010). Access to free healthcare at the point of consumption is regarded as a basic positive freedom right. Entitlements to healthcare have been expanded in many countries since 1950. At the same time, technological changes in the form of new equipment, new surgical procedures and new drugs have expanded the scope and quality of treatment and greatly increased healthcare budgets. An aging population also places pressure on health spending. There is a life cycle in the use of health services. When individuals are very young or very old they make the greatest use. Furthermore, it costs on average three times as much to care for someone over the age of 80, compared with someone who is 60 years old. Increases in life expectancy are due in part to improvements in healthcare, but this then impacts on budgets.

The biggest time bomb that is ticking away in every country is the aging of populations and the impact that this will have on pensions. Public expenditures on pensions have increased on average from 1.2 per cent of GDP in 1920 to 4.5 per cent in 1960, 8.4 per cent in 1980 and 9.8 per cent in 1995. Not only has the coverage of entitlements increased but so too have benefit rates. In many countries pensions are indexed to inflation and in Germany they are indexed to net wage growth (i.e. net of taxes). It is estimated that by 2020 the share of the population who are above the age of 60 will, in most countries, have increased to 25 per cent, thereby increasing the dependency ratio. The Working Group on Ageing Populations of the Economic Policy Committee of the European Commission has estimated that pensions expenditure will rise in the UK from 6.6 per cent of GDP in 2004 to 8.6 per cent in 2050 (EC, 2014) – this is a relatively slow rise compared with that expected in countries such as Portugal (11.1 per cent to 20.8 per cent) or Ireland (4.7 per cent to 11.1 per cent) and in line with the increase in countries such as France and Germany.

How countries will cope with this is currently an active topic of public policy debate. The retirement age could be increased. The age of 65 was introduced when life expectancy was lower. For example, in the UK the retirement age of women will be increased from 60 to 65 by 2018. By 2020 it will be increased to 66 (the same as men). In Italy the male retirement age of

60 was raised to 65 in 2001. Another means of dealing with the problem is to reduce the retirement benefits paid. In some countries (Japan, Germany, France and Italy) these are very generous. This does, however, break the implicit intergenerational social contract – a consequence of which would be that current generations would need sufficient warning in order to adjust their life cycle savings decisions. The role of private pensions is currently uncertain, given the loss in their portfolio values following the puncturing of the bubble of 'irrational exuberance' in the world's equity markets in 2002 and the prolonged recession post-2008. Public sector pension schemes are in many cases uncovered, which means that, in order to cope with the future demographic time bomb, tax rates will need to increase or radical changes to pension schemes will need to be introduced. This is taking place against the background of an increasing number of pensioners living in poverty.

The public/private divide

In recent years, the boundaries between the public and the private sectors have become increasingly blurred as a result of policy innovations. Two important initiatives have been public-private partnerships (PPPs – see chapter 17) and the involvement of the voluntary sector in the delivery of public services. The formation of PPPs is a worldwide phenomenon that makes greater use of private financing and management for public sector capital infrastructure provision. In the United Kingdom, the dominant PPP is the Private Finance Initiative (PFI) that was introduced in 1992, under which the private sector accepts responsibility (within the specification of a contractual relationship) for the design, build (i.e. construction) and operation (including maintenance) of public sector capital projects such as schools, hospitals and housing. The rationale for PFIs is that they are regarded as enhancing efficiency, delivering improvements in value for money and improving the public sector's management of risks. These risks are familiar and include the risk of cost and time over-runs on large capital projects; higher than expected maintenance costs; and unanticipated changes in the demand for the service. In essence a PFI shifts the risk (or part of it) from the public to the private sector, but obviously at a cost that is reflected in the PFI contract 'price'.

As the UK Treasury points out, 'the Private Finance Initiative is a small but important part of Government's strategy for delivering high quality services'. As at March 2013 there were 725 PFI projects across all UK government departments worth a total value of £54.2 billion (HM Treasury, 2013). The largest number of projects were in education (168, worth £6.9 billion) and healthcare (121, worth £11.8 billion). Ministry of Defence PFIs were worth £9.1 billion. PFI represents about 10 per cent of total public sector investment. Involvement of the private sector and the use of private finance are means for the public sector to meet the investment challenge of filling the infrastructure gap while keeping within public sector borrowing limits and securing improvements in value for money.

Great claims are made for PPPs and PFIs. Obvious questions to ask are, have these innovations improved value for money and have they improved the management of public sector risks? These are complex questions, and it is probably too early to provide definitive answers. Nevertheless, current research does call into question the positive claims and rhetoric that support PFI. Shaoul (2005) provides an excellent starting point, questioning the underlying assumptions and the methodologies used to evaluate PFI. She also throws into sharp relief the issues surrounding the political economy of PPP/PFI. She concludes,

> the analysis of the VFM methodology showed it relied upon a new methodology, expressly introduced for the purpose that was premised upon concepts such as value for money and risk transfer that despite their plausibility have little objective empirical content …. Value for money rested upon discounted cash flow techniques that were not value free. Political choices were exercised in the selection of the technique, the discount rate, and the appraisal process.
>
> (Shaoul, 2005: 463–64)

Public spending in an age of austerity

Since 2007/08 the economies of the world have been plunged into the deepest and most prolonged period of economic decline in living memory. This has presented a number of serious challenges to those who wish to moderate the growth of public spending and to reduce public deficits. Weak (or negative) economic growth places severe constraints on tax revenues, forcing governments to increase borrowing and/or to reduce public spending. These choices exist against a backcloth of radical relative price increases, especially for energy and transport; rising living costs coupled with stagnant or falling real incomes; falling returns on pensioners' savings; rising youth unemployment; and a widening gap between rich and poor.

During a recession in a civilized society there is an increase in the demand for social support from those who are most vulnerable. The most likely result is an increase in the ratio of public spending to GDP. Data on OECD countries' public social spending shows that as a proportion of GDP it rose (on average) from 19 per cent in 2007 to 24 per cent in 2012. Public social spending is defined as cash benefits (such as state pensions, incapacity related benefits and unemployment benefits) plus healthcare spending. In most OECD countries real (i.e. adjusted for inflation) public social spending was about 6 per cent higher in 2012 compared with 2007/08. OECD estimates suggest that, because of the aging of the population, public spending on healthcare and long-term care services might double by 2050.

Table 3.4 General government net borrowing and debt as % GDP in 2012

	Borrowing as % of GDP	*Debt as % of GDP*
Sweden	0.0	37.4
Germany	0.2	81.7
Finland	1.8	53.1
Italy	2.9	126.5
Belgium	3.0	99.9
Netherlands	3.7	68.8
Denmark	3.9	45.4
France	4.5	90.0
Portugal	5.0	119.1
UK	6.2	88.7
Greece	6.8	176.7
Spain	8.0	86.1
Ireland	8.4	117.6

Source: Compiled by the author from Eurostat (2012) tables

Table 3.4 shows, for a number of European countries for 2012, general government net borrowing as a percentage of GDP, along with public sector debt as a percentage of GDP. Austerity is accompanied by significant increases in public sector borrowing and debt levels.

As levels of GDP fall in the recession, so too do tax revenues, whilst recession-related public expenditures increase. The consequence is an increase in public sector borrowing and debt levels. Government debt has, therefore, shown an upward trend post-2008. These borrowing and debt levels, in the majority of cases, exceed the Maastricht 'golden rules' of 3 per cent of GDP for public sector net borrowing and 60 per cent for public sector debt. Policies to keep borrowing within the Maastricht targets have resulted in austerity. Legitimate questions to ask are, should the Maastricht 'golden rules' apply to extreme conditions, such as those following the 2008 financial crisis and how quickly should governments try to bring their economies back into line with these rules?

Austerity fiscal policies have in many countries been sold to electorates along the lines that it is possible to have more with less, that is, better public services and a smaller public expenditure bill. How this is to happen is more an article of faith than a clearly articulated set of policy choices. Public sector employment in the UK, for example, fell from 6.29 million in 2008 to 5.93 million in 2011, but there is no evidence to suggest that either the volume or quality of public services increased.

Austerity brings with it a search for better public management practices and systems in an attempt to offer more for less through improvements in productivity (see chapter 4). The quest for public sector efficiency has, however, been high on the agenda for at least 40 years. It is doubtful that significant efficiency gains are to be 'discovered'. Frequently one person's efficiency improvement is another's cut in essential public service. Public service efficiency is politically contentious due to the welfare distribution implications. This is not to deny that services cannot be better managed but that does not necessarily imply public expenditure reductions.

Other suggested solutions include: caps on family benefits/child benefits; freezing public sector salaries and reducing public sector employment; increased privatizations; partnerships with the public and private sectors; zero-based budgeting; and comprehensive spending reviews. These have been advocated before and have been implemented (e.g. in Canada and New Zealand). Canada reduced public spending by 10 per cent over 2 years but this meant that the public sector opted out of activities that it had previously engaged in. There was no sense that it was business as usual but at a lower level of spending.

What is clear is that public spending cuts around the world will continue for the next 10 years, whereupon the size and shape of the public sectors are likely to be significantly different to how they are today.

Conclusions

The public sectors in the developed economies are now significantly different compared with their size and composition in the mid-twentieth century. Over the next 30 to 40 years further radical changes will take place. The future shape of the public sector will be influenced by the demographic time bomb of an aging population and the complementary role played by the private sector. This places greater pressure on those who have to manage public services with the objective of providing value for money. It offers opportunities to seek private sector solutions in a mixed economy model of PPPs, which will challenge public sector managers to work across new boundaries and interfaces between the public and private sectors.

Summary

The boundaries between the public and the private sectors obviously vary depending upon the vision of the 'good society' that is dominant at any particular time. Irrespective of where these boundaries are drawn, and whatever the size of the respective sectors, the relationships between public and private sectors will need to be established and managed effectively.

Relationship management is central to public governance (Jackson and Stainsby, 2000). Deciding where the boundaries of the state should be drawn, and then managing the resultant cross-sector relationships, results in a new role for government, as a 'broker' of relationships in order to add value (Jackson, 2001).

Does the public sector have the capacity to design and deliver efficient and effective public services at a tax price that the electorate finds acceptable? This is the domain of public management, and it is within this arena that much of government failure is found. Central to the achievement of value for money is knowledge and evidence gathering (see chapter 27). In many significant areas of public policy, including deciding the limits of the public sector itself, the knowledge of public managers and politicians is still severely incomplete.

Questions for review and discussion

1. What are the main causes of 'market failure' in your country at the present time? Which state interventions are most likely to correct them in a cost-effective way?
2. What are the main causes of 'government failure' in your country at the present time?
   Which market-based solutions are most likely to correct these government failures in a cost-effective way?
3. In what ways are politicians and public sector bureaucrats likely to behave that undermine the achievement of social or public welfare? How might this behaviour be controlled to minimize the damage it causes?
4. Is it possible for public expenditure to comprise more than 100 per cent of GDP? Demonstrate how this might occur and discuss how it might affect the macro economy.
5. If private sector firms provide public services, funded by public money, what effect does this have on the public sector borrowing requirement and the level of efficiency in the macro economy?

Reader exercises

1. Choose a public service in your country in which you have a special interest. Find statistics on the level of expenditure on this public service, the level of employment and the level of usage over the past ten years.

    - Are the trends in spending change and employment change different? If so, why do you think this is? What evidence can you find on this?
    - Are the trends in line with the change in the numbers of clients? What has most influenced the cost of the service – the eligibility criteria for the service or the standards of service offered to eligible clients?

2. Pick out two different philosophies of the role of the public sector and highlight their contrasting views on the appropriate size of the public sector. What are the underlying assumptions about economic, social and political behaviour in these two philosophies that have led them to such different conclusions? How would you test which of these philosophies is most likely to be able to explain the decisions made recently by politicians in your country on the size of the public sector?

Class exercise

Divide into three groups. Each group should develop a case about what is the main economic role of the state – the achievement of allocative efficiency, distributive justice or macro-economic stabilization? It should also consider which of these goals should be now given priority in your country, if there is any need to trade them off against each other. The groups should present their arguments to each other in a plenary session.

Further reading

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4
Public management reforms across OECD countries

Nick Manning and Edwin Lau

Introduction

The last 100 years have seen unprecedented growth in the tasks of the public sector (see chapter 3) and in the complexity of the expectations placed on civil servants. In response, the management of the public sector across the OECD has seen significant and widespread change, in particular over the last three decades.

Despite the headlines suggesting an evolutionary inevitability in the emergence of new public management models, the current practice of public management diverges widely across countries. In summary, while the technical menus available to reformers have been broadly comparable, the pressures for change and the opportunities and constraints facing reformers have varied significantly. The result has been that countries have arrived at some rather diverse public sector management arrangements and, while enthusiasm for reform continues, the early rhetorical promises of dramatic efficiency and service delivery improvements are now treated with more scepticism.

Learning objectives

This chapter will help you to:

- understand the origin and the development of different paradigms of public management, from traditional 'bureaucratic' administration, through 'new public management' to 'public governance';
- compare the approaches to these paradigms across countries;
- identify the risks of public sector reform.

A rhetoric of inevitability but a reality of some divergence

The public sector management reform plot is composed of three intertwined stories:

1. Changing beliefs concerning how to deliver the complex and often hard-to-measure products of the public sector – whether through vertically integrated 'command and control' hierarchies, through markets or market-like arrangements, or through collaborative networks.
2. Changing fashions concerning the 'foundations' of public sector behaviour and performance – whether dependent on centralised recruitment for technical competence and apolitical action, managerial capacity to drive desired results, competition or user choice, independent and incentivised agencies or through focus on front-line problem-solving and innovation.
3. Changes in the unit of analysis – whether the reformers' concerns were focused on the public sector as a whole, or even the broader 'governance system', on individual agencies or economic sectors or on the experience of service users.

Within these stories, as their particular concerns have become more prominent, reformers have often claimed that history is on their side and that a new model will sweep all before it. In reality, while the menu of technical managerial tools does appear to have expanded, history seems to be no nearer to delivering its final verdict on public management.

Each reform wave has been driven by the concerns of the day. In the nineteenth century, patronage and political influence led to a wave of meritocratic reforms that established vertically integrated hierarchies with centralised recruitment in an attempt to create an apolitical public service. In the UK, the Northcote-Trevelyan report of 1854 recommended open recruitment and, slowly, put an end to most forms of patronage. In the USA, the 1883 federal Pendleton Civil Service Reform Act targeted the previous spoils system. It placed most federal employees on a system of merit-based appointments and established the United States Civil Service Commission. In continental Europe, the most relevant example was perhaps the 1875 decision in France that the *Conseil d'Etat* (an administrative body) had the right to judge the legality of a policy decision taken at a political level.

The stylised result was that public sector institutions ran on seemingly mechanical principles, providing a (sometimes constitutional) constraint on political institutions and ensuring legal constraints on the execution of political directives. The idealisation of the public sector as an apolitical bureaucratic world, based on hierarchy and using centralised recruitment with merit protection as a protection against patronage, continued until the middle of the twentieth century: Sayre suggests that the late 1930s was, at least in the USA, the 'high noon of orthodoxy' in which 'administration was perceived as a self-contained world, with its own separate values, rules, and methods' (Sayre, 1958: 102). Professional standards and values, enforced from within the public service, were a core element of this separate domain.

This set of reforms are often seen as captured in (although not prescribed by) the writings of

Max Weber, who noted that a modern bureaucracy acts, in principle, as a lasting, impartial, rule-abiding and non-partisan executor of laws and regulations, which are devised by the political leadership (Weber, 1978). Weber observed that these traits were more likely to be found in hierarchical organisational structures staffed by career officials operating within stable and comprehensive sets of rules. (However, Pritchett and Woolcock, (2004) remind us that, while Weber made these observations in Western Europe, Western Europe did not invent rational bureaucracy, as shown by the long history of bureaucracy in China and India.)

'Managerialism' pushed back against the notion that improvement in delivery was obtained by improving large sets of formal rules, and that performance was best enhanced by self-policed professional standards (Bach and Kessler, 2009). It was driven by a belief that institutions perform as well as they are managed – and that there was a distinctive skill set that good managers acquired, whether in the public or private sectors (Drucker, 1974). Efficiency in delivering results, of whatever nature (in the case of the public sector this might be around the provision of services, policy, regulation or taxation), would be as good as the quality of managers and the flexibility that deregulation gave them to exercise these skills (Gore 1995). After all, managerialism is a 'set of beliefs and practices, (that) will prove an effective solvent for … economic and social ills' (Pollitt 1990: 1).

This theme was picked up and developed in a set of ideas which Hood labelled 'New Public Management' (NPM) (Hood 1991). NPM sought to extend private sector management practices and introduced the idea of developing quasi-contracts within the public sector in which disaggregated entities committed to providing specified outputs in exchange for budgeted resources. In this way, it was NPM, more than managerialism, which challenged the long-standing notion that the basic organising principle of the public sector was hierarchy – it noted that many elements of the public sector could be organised as a set of internal trading operations (Schick 1996). NPM also led to considerable contracting out of services to the private sector; if the outputs that were to be purchased could be specified internally, then they could also be set out in tender documents. Thus, while managerialism had, as its target, individual agencies, NPM looked at the sector in which they were operating, since creating markets where none existed before became an important objective, if the power of the private sector was to be harnessed.

Making markets requires that the customer has information about the product. The logic of the 'marketisers' has been that, at the very least, government acting as the proxy for the public as consumers should know whether targets were being achieved – whether by public or private sector providers. One logical extension of this is the 'choice' agenda, where service users have information about the performance of schools or hospitals and then choose to take their business to those that seem the most promising (Le Grand, 2007). This is a demanding method for organising the public sector as it requires that informed users make choices, that public funds follow those choices and that entities whose services are not in demand can be allowed to fail – requiring a public sector equivalent to bankruptcy.

Most recently, discussion concerning public sector management recognises that many complex, multi-faceted problems (e.g. providing community care for the frail elderly) rely on networks of providers who must coordinate at the local level and recognise that they are providing services, not simple products, according to the highly differentiated needs of individuals (Osborne *et al.*, 2013) – whereas a product is more or less tangible, a service is a

largely intangible process. Products can be made in advance and kept on the shelf – a service is consumed as it is produced. A service requires action on the part of the recipient – while a product is passively consumed or not by the recipient.

This requires recognising service recipients as active partners (co-production – see chapter 23) and decentralised funding which is pooled between agencies. Indeed, a recent large-scale survey of European senior public sector managers rated 'collaboration and cooperation amongst different public sector actors' second only to digital government as a key reform trend (Hammerschmid *et al.*, 2013). It also implies that the purpose of reform is less about better implementation of political priorities or improved efficiency in the production of public services; instead, like choice, it is more concerned with engaging the public to create public value (Moore, 1995; Blaug *et al.*, 2006). Challenges in this model include the question of how to evaluate and incentivise agencies and individuals when they are part of a complex network of services and where the outputs that they are responsible for cannot be specified in advance (Sandfort and Milward, 2007). From this more recent perspective, innovation is valued over predetermined approaches and management techniques, with diverse experiments in incentivising some risk-taking by public employees (OECD, 2013b).

To underscore that these trends do not represent a linear movement towards the end of public management history, Pollitt and Bouckaert (2011) remind us that there are many examples of maintaining traditional hierarchies within the public sector, à la Weber, with more responsive managerial cultures, and more professional managers, instilled within administrations that remain a Sayre-like 'separate world' – they refer to this as the 'Neo-Weberian State'.

Table 4.1 summarises the management models evident at different times and places within the public sector. While there has been increasing interest in the options to the right of the table, there is no consistent movement and certainly no inevitability about any of the options.

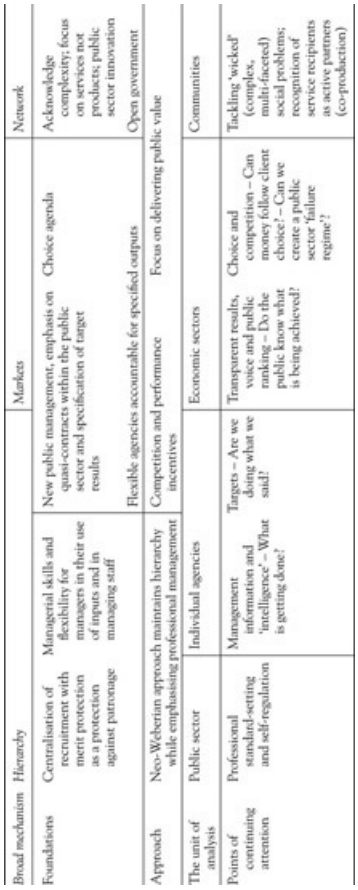
What's on the micro technical menu?

Behind these macro managerial trends, the more micro technical menus of how money, people and organisations are managed, and how risk is shared between actors responsible for producing public services, have been extended. The selections at a particular time in a particular place might vary, but the overall menu is likely to be familiar to most public managers across the OECD. Table 4.2 sets out these management menus, these technical menus, the growth in the managerial options concerning budgetary practices and procedures, and in the management of compensation and careers, are the most well known. Both these areas have been closely associated with the development of performance metrics. OECD countries have introduced procedures for defining performance in quantitative terms (sometimes within 'standards'), measuring it, turning it into targets and linking it to incentives or sanctions provided by a superior agency or person to a subordinate one, generally coupled with some increased degree of managerial autonomy for the subordinate (see chapter 11).

While the scope, types and uses of performance measurement vary enormously across OECD countries, most countries have sought to change their budgeting, management and accountability approaches in ways that shift emphasis from controlling the mix of inputs and processes *ex ante* towards *ex post* monitoring and evaluation of outputs and outcomes. Relaxation of input controls gives managers more flexibility to improve performance, while in return they are held accountable for results. This has led to the development of stronger processes of *external control* on outputs, emphasising that results are (at least) as important as the means that delivered them. In parallel, *internal management control* for probity and compliance has also been strengthened as many financial and non-financial resource allocation decisions are now made at the discretion of local managers.

With regard to budgeting, many countries include performance information in their budgets, but few use it in their budgetary decision-making process and even fewer use it for the allocation of resources (with Korea being the major exception). Performance budgeting practitioners recognise that the allocation of resources can rarely be directly linked to the degree to which output targets are met – e.g. through automatic mechanisms for rewarding successful agencies. Although performance measures increasingly inform political judgements, the problems in attempting to use measures to allocate resources automatically are generally overwhelming (OECD, 2007a; Robinson, 2007). Obstacles include the obvious point that many government objectives are not measurable in terms of outputs (foreign policy, defence, etc.); moreover, there are problems if the results run against political priorities; and if performance measures directly affect real resources, managers have strong incentives for 'gaming' (OECD, 2009b). One exception, however, is the growing use of spending reviews which use performance information in the form of evaluations to create fiscal space for higher priority spending or for deficit reduction (Box 4.1). While spending

Table 4.1 Macro models of public sector management



Broad mechanism	Hierarchy		Markets		Network
Foundations	Centralisation of recruitment with merit protection as a protection against patronage	Managerial skills and flexibility for managers in their use of inputs and in managing staff	New public management, emphasis on quasi-contracts within the public sector and specification of target results	Choice agenda	Acknowledge complexity; focus on services not products; public sector innovation
			Flexible agencies accountable for specified outputs		Open government
Approach	Neo-Weberian approach maintains hierarchy while emphasising professional management		Competition and performance incentives	Focus on delivering public value	
The unit of analysis	Public sector	Individual agencies		Economic sectors	Communities
Points of continuing attention	Professional standard-setting and self-regulation	Management information and 'intelligence' – What is getting done?	Targets – Are we doing what we said?	Transparent results, voice and public ranking – Do the public know what is being achieved?	Choice and competition – Can money follow client choice? – Can we create a public sector 'failure regime'?
					Tackling 'wicked' (complex, multi-faceted) social problems; recognition of service recipients as active partners (co-production)

Table 4.2 Extended technical management menus

The control of money: reforming public expenditure management and financial accountability	
Budget practices and procedures	• Input-oriented line item budget – incrementalist or with some performance information • Budget procedures and timing based around performance reporting in the 1990s • Consideration of accruals budgeting • *Use of fiscal rules (expenditure, budget balance, debt and revenue) and establishment of independent fiscal institutions* • *Medium-term perspective in budget preparation, top-down budgeting and budget flexibility (e.g. carry-over of unused funds)* • *Fiscal transparency*
Accounting	• Cash-based • Double-entry bookkeeping • *Accruals accounting with extended cost calculation supported by performance measurement system*
Audit	• Traditional financial and compliance audit • *Value for money focus with elements of performance audit and evaluation*
The control of people: reforming human resource management in the public sector	

Workforce size and composition	• Incentives for workforce reduction • *Strategic workforce planning* • *Greater use of lateral entry – particularly for senior staff*
Compensation and careers	• Moves towards position-based system (or even towards use of general labour law) • *Decentralisation of the employer and personnel management function* • *More explicit codes of conduct and codes of ethics* • *Limited introduction of performance-related pay* • *Moves towards defined contribution pension schemes* • *Creation of senior civil service or equivalent*

The control of organisations: restructuring the public sector for better regulation, service delivery and inter-governmental relations

Regulatory management	• *Growth in independent regulators* • *Creation of central bodies for regulatory management*
Inter-governmental decentralisation	• Some functional and fiscal decentralisation to sub-national governments
Organisational diversification	• *Unbundling – creation of 'arm's-length' agencies* • *Delegation of managerial authority within central ministries and departments*

Sharing risks and approaches with private actors: employing alternative service delivery mechanisms

Outsourcing and PPP	• Increased out-sourcing • *E-procurement* • *Use of 'public-private partnerships' at the expense of traditional infrastructure procurement*

Empowering citizens: introducing demand-side reforms

Market-type mechanisms	• *Market-based approaches to delivering public services (including the introduction of user charges and some use of vouchers)* • *Market-based approaches to delivering internal government services* • *Market-based approaches to setting regulatory standards or prices*
Open government	• *'Passive' openness: provision of information about services and entitlements through charters; Freedom of Information legislation* • *'Active' openness: open government data; open services; open policy-making/ citizen engagement and user participation* • *Extension of offices of ombudsman*

E-government	• *Integrated service delivery, in particular through one-stop shops, based on aligned infrastructure and legal frameworks* • *Shared back office services* • *Applications, data storage and computing power through cloud computing rather than public-owned systems* • *Mobile government*

Sources: This draws on (Joumard *et al.*, 2004; OECD, 2005a, b, 2007b, 2009a, 2011a, 2013a; Pollitt and Bouckaert, 2011; European Commission, 2013; Hawkesworth and Klepsvik, 2013)

Note: Items in italics are those that have become more prominent within the last decade

reviews have been in existence since the 1990s, there is some evidence that their use has increased since the economic downturn starting in 2008.

Governments have to choose their performance measures and performance management approach carefully to achieve their desired performance result. Collecting performance data is expensive, and developing and implementing meaningful indicators takes time. More importantly, performance management systems are not an end in themselves – they can motivate public servants to be more attentive to public purposes and results – but this can nearly always be done better by using performance information for dialogue, e.g. between the executive and Parliamentary budget committees; heads of agencies and the centre of government or ministries of finance; and managers and staff; rather than for control (see chapter 21).

Box 4.1 Spending reviews

Spending reviews are a specific kind of evaluation which is centrally conducted with the intent of enhancing efficiency and effectiveness, identifying savings or identifying funds for reallocation. They include specific proposals to achieve budgetary savings. A 2012 survey by the OECD shows that just less than half of OECD countries use spending reviews (Hawkesworth, 2013).

Spending reviews can either focus on reallocating resources to higher priority programmes (e.g. Australia's Comprehensive Expenditure Reviews, Canada's Programme Review and Strategic Review, Spending Reviews in Denmark and the UK, and the Netherland's Interdepartmental Policy review) or they can focus on how to improve the efficiency of existing programmes (e.g. Finland's Productivity Programme (2005–2011) or Korea's Self-Assessment of the Budgetary Programme).

Changes to budgetary procedures were also driven by fiscal consolidation, arising from the economic downturn since 2008. Many of the recent developments in the establishment of fiscal rules (e.g. numerical limits on budgetary aggregates), bolstered by the establishment of independent fiscal institutions providing independent analysis of fiscal policy and long-term fiscal sustainability, and monitoring compliance with fiscal rules, were driven by

consolidation experiences (IMF, 2010; Lassen, 2010; OECD, 2010). The European Union requires member states to have such independent bodies. Currently 17 of the 34 OECD countries report having independent fiscal institutions (OECD, 2013a).

OECD governments have developed many new institutions that foster openness and citizen engagement. An open government is understood as one where businesses, civil society organisations and citizens have increased their power to know what has been decided (*transparency*), to obtain their legitimate service entitlement (*accessibility*) and to be heard (*consultation and participation*) (OECD, 2005a). Freedom of Information (FOI) legislation has been an important means of establishing rights of access to information and has today been adopted by over 90 per cent of OECD member countries. Going beyond responding to citizen requests for information, however, more 'active' forms of openness involve publishing government datasets ('Open Data'); giving citizens greater opportunities to engage in the design and delivery of services ('Open Services'); and engaging with citizens in policy-making ('Open Decisions') (European Commission, 2013).

By involving citizens, the notion of open government takes the previous 'citizen-centred' service delivery approach, in which governments anticipate citizen needs, one step further by making government itself more 'citizen-driven' and participative, in ways that are strongly enabled by new technologies such as social media. The G8 Open Data Charter (Box 4.2), for example, implicitly recognises that making government data more open only has an impact on improved governance and public sector innovation if that data can be re-used by others outside of government to interact with the public sector and to create new services. In order for this to happen, data sets need to be open (unless there is a compelling reason against this), shareable, open-format and machine-readable in order to allow mass processing (Ubaldi, 2013).

While the regulations imposed on businesses and citizens have become more complex in many fields, administrative simplification efforts (e.g. creation of one-stop shops) have helped people to comply with these regulations and to access government services more easily. Consultation and participation in the development of regulation (e.g. through regulatory impact assessments) and the creation of ombudsman offices have provided citizens with a right at least to be listened to, even if the nature of redress available varies significantly. They have also helped both to improve the quality of public policy and to strengthen governments' legitimacy (Box 4.3).

Box 4.2 Open government data

Open government data has emerged across OECD countries as a key way to ensure greater transparency and accountability, to inform citizen choice, and to stimulate economic growth by encouraging new services based on public data (Ubaldi, 2013). It is one of the main pillars of the Open Government Partnership, an international initiative to increase governments' commitment for greater openness.

In recognition of this potential, the 2013 G8 Summit released an Open Data Charter which consists of five principles:

1. Open Data by Default

2. Quality and Quantity
3. Useable by All
4. Releasing Data for Improved Governance
5. Releasing Data for Innovation.

Box 4.3 Regulatory quality and performance

Since the 1990s, the focus on regulatory reform has shifted from deregulation or eliminating regulations to creating a regulatory environment favourable to competition, with goals such as shaping market conditions and meeting the public interest. This requires a whole-of-government approach and consensus around common objectives. In order to achieve this, a number of countries have used task forces and working groups to help establish principles for better regulation, e.g. the UK's Better Regulation Task Force (1998) and the Council of Australian Governments (2007), which brings together different levels of government. Ireland, Finland, Canada and several other countries have also established principles of better regulation (OECD, 2011b).

In parallel, there have been a variety of restructuring efforts to make government more agile and responsive to citizen and service user needs. Many countries, including France, Italy, Japan, Korea, Spain, Turkey and the UK, have *decentralised* some responsibilities to lower levels of government, partly based on the conviction that this would make service providers more responsive to users. More subtly, the increasing application of vouchers (e.g. for public housing or education), individual budgets (e.g. for people with learning or physical disabilities in the UK or for people with long-term care needs in the Netherlands) and user charges (e.g. for car users in congested cities) provides powerful mechanisms in some countries for revealing the preferences of the public for different services.

In some countries, giving government responsibilities to bodies at arm's length from government (e.g. the UK executive agencies and development of 'ZBO' organisations in the Netherlands) has significantly altered the traditional picture of direct hierarchical control by a minister. These agencies can have varying degrees of management autonomy, combined with contract-like accountability for results – interestingly, making them more responsive to politically defined targets. In sum, the diversity of organisational forms – although it has always existed – has increased in recent years and now provides a choice of structures that can, in principle, be tailored more appropriately to the particular political and customer needs of a service.

Why do reform strategies differ?

Despite the shared understanding at the micro technical level, OECD countries have taken strikingly different strategic directions towards improving responsiveness and performance (Manning and Parison, 2003; Pollitt and Bouckaert, 2011). Why have different selections been made from the managerial menus at different times and, when selected, introduced at different speeds?

The obvious, overarching explanation is that we simply do not know which overall managerial model produces the best result under particular circumstances. There is insufficient evidence for an overall cost–benefit evaluation of public sector reform efforts (Pollitt and Bouckaert, 2011). It is certainly paradoxical that rigorous cost–benefit analysis – a core principle of the performance movement – has been applied to many public policies, but only rarely to public management reforms themselves. This rather weak state of empirical research has arisen for several reasons: the difficulty of measuring reform 'results' (OECD, 2009b), the political pressures to take action, and to be seen to be taking action, regardless of evidence, and the existence of a large market of reform sellers (Saint-Martin, 2004). Certainly the data that reformers are drawing on is distinctly limited, leaving reforms hostage to academic fashion and short-term political and populist concerns. A recent review of the impact of NPM across the EU refers to the current state of affairs as an 'empirical desert' (Van de Walle and Hammerschmid, 2011: 17). Some interesting recent work in OECD countries to review the effectiveness of reforms has suggested mixed results (Van Dooren *et al.*, 2007; Alonso *et al.*, 2011; Pollitt and Dan, 2011; Hood and Dixon, 2012).

Even when a macro reform model emerges as a political preference, diverse administrative traditions and the malleability of administrative systems help determine the feasibility of its introduction. The malleability of administrative systems strongly depends on the *nature of the executive* and the *structure of the state*. Single-party majority governments are particularly well positioned to drive through complex reform programmes that would create tensions within coalition governments. On the other hand, reforms undertaken by coalition governments may better survive changes in government, but may also be less responsive to changing political needs that may risk renegotiating hard-won political agreements. Coordinating public management reforms across government is easier if a powerful central agency can drive reform. Federal countries (e.g. Germany, Belgium, the USA and Canada), where authority is divided vertically between levels of government, tend to be less able to drive through comprehensive and uniform reforms than unitary systems (e.g. New Zealand, the UK, the Netherlands, France). However, the lack of uniformity in federal systems can also be an important asset as sub-national government entities can provide a natural testing ground for a variety of reform approaches.

Administrative cultures are a second major factor determining reform paths. A helpful distinction can be made between two types of administrative culture: the '*Rechtsstaat*' ('rule of law' or legal state) model (of which the Napoleonic tradition is an important subtype) *versus* the Westminster 'public interest' or 'civic culture' tradition. Given the dominant role of the law in the Rechtsstaat tradition, it tends to bring forth a culture of 'correctness and legal

control' (Pollitt and Bouckaert, 2011: 62), possibly making it less malleable to performance-oriented reforms than 'public interest' systems. In Continental Europe, legislative authority still provides the key legitimising mechanism in public administration, together with an independent administrative court system and the ethos of a professional civil service. As a result, managerialist ideas will generally have to show that they are compatible with the existing legal framework. There is even some debate as to whether they are needed at all – for example, in Germany, the separation of policy and implementation (often achieved under NPM through the establishment of arm's-length agencies) is, to some degree, enshrined in the federal-state-local government structure.

By contrast, the Westminster 'public interest' tradition attaches much higher value to pragmatic and flexible decision-making for the public benefit. Governments in this tradition are regarded as a somewhat necessary evil that must be held to account at all times. The law is in the background, and enforcing the law is an implicit rather than explicit principle in the work of public servants. Public servants are regarded as employees more or less like any other, except that their employer happens to be the state. This tradition appears to be peculiarly compatible with more radical reform efforts. For example, a strong political lead in the United Kingdom was able to produce extensive changes in the pattern of public sector employment and reporting arrangements, with remarkably few legislative obstacles.

Many other factors can also play important roles in determining reform paths. For example, the power of public sector unions to resist change varies enormously among OECD countries, as does the capacity of civil servants to take on new reform-related functions, e.g. identifying indicators and collecting performance data or managing underperforming staff. Importantly, the relationship between politicians and top public servants determines the ability of politicians to push through reforms and of top civil servants to make the case for reforms that play out beyond the current electoral cycle.

Four risks of reform

One obvious risk arising from the increasing volatility in public sector management across the OECD is that pace of change is itself damaging. A recent review of US government reforms concludes that the deluge of recent reform may have done little actually to improve performance. On the contrary, it may have created confusion within government about what Congress and the president really want, distraction from needed debates about organisational missions and resources and the illusion that more reform will somehow lead to better government (Light, 2006). Reforms may involve such costs as the displacement/distraction of time and energy from core tasks, the loss of staff morale and motivation, negative productivity consequences for other related work areas and the costs of remedying problems in reform design. If each reform causes a productivity dip, and reforms follow in rapid succession before recovery from the productivity dip caused by the previous reform, they could cause serious, detrimental productivity losses (Pollitt, 2007).

Moreover, it is possible that the risk of reform overload is increasing because of shortening institutional memories. The spread of term contracts for senior officials and higher rates of staff turnover increase the likelihood that lessons from previous reforms are rapidly forgotten. One UK study of the Department of Trade and Industry (DTI) concluded that the 'constant re-organisation of departmental boundaries and structures … weakened the confidence of DTI staff and reduced policy quality' (Hood *et al.*, 2002: 11). Successive reforms create a risk of 'reform fatigue' (OECD, 2000), threatening the successful implementation of future reforms, especially in an austerity environment of work intensification and declining work conditions and compensation.

While government's openness to public scrutiny seems a fundamental tenet of democratic governance, secrecy may be crucial for responsible decision-making. Thus a second risk is that transparency might prove counter-productive (see chapter 24). If policy deliberations are exposed to the public, this can undermine the quality of advice that public servants provide to policymakers. For example, applying FOI rules to senior public servants' emails can deter them from providing 'free, frank and fearless' advice to ministers via e-mail. They may react by replacing e-mail traffic with telephone conversations. In the extreme case, measures aimed at increasing public scrutiny may in fact lead to the opposite: they can provoke an incomplete audit trail so that key information is no longer preserved as a public record, amenable to parliamentary scrutiny.

That 'excessive transparency' in international negotiations can endanger compromise is no great surprise (Stasavage, 2006). Under uncertainty about the best reachable negotiation result, transparency can prompt representatives to 'posture' for recognition by their constituency by adopting overly hard negotiation positions – thereby risking a breakdown in negotiations. Even worse, if the constituency favours a particular policy option without understanding its likely outcomes, politicians will be tempted to adopt a 'pandering' strategy – playing to the public view for populist reasons, despite their better knowledge and against their private conviction about what could be the 'right' policy in the public interest.

The third risk worth highlighting concerns the downside of the use of performance

information, which as noted above has been the driver of many reforms. Holding organisations and individuals accountable for reaching performance targets can motivate them – but it can also encourage 'gaming'. If agents know the control mechanism used, they will be tempted and often able to find ways of short-circuiting it, in order to make their performance appear favourable, regardless of the impact on the public or policy outcomes. Bevan and Hood (2005) studied gaming behaviour in the UK health sector, ranging from 'hitting the target but missing the point' all the way through to outright cheating. Gaming problems were endemic to the Soviet production target regime and it seems rather ironic that a phenomenon that is historically associated with discredited central planning also appears to afflict modern performance management systems. While evidence of gaming may have made some sceptics call for totally abandoning target systems, gaming can be significantly reduced by making it harder for agents to predict the control mechanism. This could be achieved by randomising performance measures, by reducing their specificity or by increasing uncertainty about when and how the measurement will take place. Better monitoring of gaming problems could also help to detect risk areas. Finally, if combined with reinforced face-to-face scrutiny, performance measures could become much less vulnerable (see chapter 21).

The fourth and final risk is that too many eggs are being placed in the public sector management reform basket. In particular, there is a persistent hope that reforming how government does its business will reverse what is seen as a long-term decline in trust in government. The evidence is patchy, and in many countries possibly a simple reflection of immediate concerns about the economy (Manning and Wetzel, 2010), but there are undoubtedly grounds for concern, as reflected in the steady erosion of voter turnouts in elections and falling membership in political parties (OECD, 2013a). In the period 2007–2012, the Gallup World Poll suggests that trust in government across the OECD fell by 5 per cent to 40 per cent (percentage of 'yes' answers to the question: 'In this country, do you have confidence in each of the following, or not? How about national government?')

However, it is far from clear what the relationship might be between management reform and public trust – some reforms, such as *codes of conduct*, may be taken by citizens as signals of potential wrongdoing, rather than of more careful scrutiny. Similarly *choice* concerning the provider of public services, while seen as a positive asset by some reformers, can be interpreted by the public as undermining their confidence in consistently high public sector standards (Taylor-Gooby and Wallace, 2009). In addition, there may be several reasons why trust in government in OECD countries is declining that are not susceptible to public management reform, including the maturation of a post-war entitlement generation that will never be happy with any level of services and the decreased relevance of national governments in the face of global security concerns.

The last risk then, echoing the first, is that in chasing improvements in trust through improvements in performance, governments will be caught on a reform treadmill – always promising more from this reform than the previous one, and deepening the disillusionment of the public (Pollitt and Chambers, 2013). Indeed, all the hard work across the OECD in improving public sector performance for the last 30 years, all the productivity and quality improvements over that time, much of which is down to managerial reforms, has bought no significant 'trust return' on the performance improvement investment to date. One reason may be that the focus on reform of processes, rather than the results achieved, does little to

change the opinion of a cynical public, convinced that government is incapable of 'getting it right'. Faced with a complex and impenetrable public sector, it is simpler to believe that reforms do not matter, least of all when governments themselves are unable to prove the contrary. Some recent research has demonstrated, however, some linkages between governance quality and life satisfaction (Helliwell, 2014). Improving the understanding of the impact of reform – and communicating reform successes – could be a first step in rebuilding trust. A second reason may be that the terminology of reform – with its implication of an achievable end state – may itself be part of the problem and that a more modest, and more agile, approach to public service delivery is needed for continuous improvement.

Where are we left?

Continuing fiscal pressures suggest that OECD governments will inevitably find themselves pushed to greater efforts to do more with less. Government concerns for improved responsiveness and performance are doubtless here to stay as key concerns for the future public management reform agenda. That agenda is more complex as the old ideal of bureaucracy as a 'self-contained world' has been joined, but not replaced, by other models which blur the distinction between public and private service provision, and which allow careers that move between the two sectors and which recognise the significance of networks as organising devices. It remains to be seen whether 'Open Government' initiatives will indeed change administrative cultures and bring in external actors, including citizens, to 'co-produce' policies and services with public administrators.

However, not all answers to the challenges on the horizon are to be found within public management reform. First, making painful choices about who gets what from the state (e.g. limiting access to certain treatments) will be an inevitable and at least equally important response to fiscal pressures. The experience of spending reviews shows that, while supported by performance information, such efforts cannot be limited to technical exercises and require strong political buy-in and strategic prioritisation in order to be successful. The cost-saving potential of making the machinery of government more efficient may have been overstated (although, of course, it is easier to announce public management reforms, with their promise of efficiency savings in the future, than service reductions in the present). Second, rather than attempting to improve public sector performance further, governments are likely increasingly to rely on more service provision by both the private and third sectors. In addition, governments may look to broader questions about governance (political party financing, policing, education policy, etc.) in order to address trust deficits.

Public management reform will undoubtedly continue to play a very significant role in the hunt for efficiency improvements. However, some of the gloss of the first generation of reforms has rubbed off, and there is growing recognition of the unintended consequences of reform, possibly entailing much larger costs than expected. Beyond efficiency concerns, a growing number of countries are looking at how they can adapt their public sectors to demographic and fiscal changes in order to do *better* for less, breaking down hierarchies and encouraging public sector innovation, e.g. by focusing on the problem-solving skills of public servants and enabling them to take greater risks.

Overall, in speculating about the future of public management reforms in the OECD, it seems likely that uncertainty about the actual cost–benefit balance of past reforms will tilt reformers towards more caution and modesty in their future efforts. Perhaps reformers will pilot reforms more often before scaling them up and will target them more carefully towards sectors where they are most promising. Reform scepticism may also lead to more scrutiny of the return on resources invested in reforms. Ultimately, however, the public sector is about much more than delivering services efficiently – and its broader political significance in society will ensure that the drive to institute reforms will continue, even if perhaps more cautiously than in the recent past.

Questions for review and discussion

1. How has austerity since 2008 changed the reform strategy of your national government?
2. Compare the current reform agenda of your national government with the other reform approaches outlined in this chapter and try to identify which approach it most resembles.

Reader exercises

1. Interview an official or an elected politician at national or local level in your country, asking them:

    - What are the main challenges facing public agencies at present?
    - To what extent can improved public management help to deal with these challenges?
    - What are the lessons that should be learnt from past public sector reforms?

2. Choose one public agency in your country and try to find statistical evidence for both levels of efficiency savings and levels of service improvement during the past five years. How do your findings relate to the claims made by that agency for how it has pursued improvements during that time?

Class exercise

1. Working in teams of three or four, identify the main reform themes in your country over the past five years. Then trace how each of these reforms has changed during this period and how often these changes were based on evidence of success or failure of the reform.
2. Present your conclusions to the whole class and identify how many reforms have run the full course from proposal, to implementation to evaluation – and how many have ceased before full evaluation.

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Part II
Public management

The second part of this book explores the main managerial functions which contribute to the running of public services and the management of public sector organizations.

The main management functions considered are strategic management (chapter 5), marketing (chapter 6), contracting (chapter 7), financial management (chapter 8), managing people and organisations (chapter 9), information and communications technology (ICT) management (chapter 10), performance measurement and management (chapter 11), quality management (chapter 12), process management (chapter 13) and public services inspection (chapter 14).

While each of these management functions is shown to have acquired greater importance and to have developed increased momentum during the era of New Public Management, each chapter also maps the more recent evolution of these functions within the rather different framework of public governance.

5
Strategic management in public sector organizations

Tony Bovaird

What's strategic?

Now everyone wants to have a strategy. To be without a strategy is to appear directionless and incompetent – whether it be a strategy for the organization as a whole, for the corporate centre, for the service delivery units, for consultation with stakeholders, for staff remuneration, for introducing changes to front office opening hours, for office paper recycling …. Sadly, by the time a word has come to mean everything, it means nothing. So can we rescue any meaning for this much over-used word 'strategy'?

Johnson *et al.* (2008) suggest that we can at least map out the characteristics that distinguish strategic decisions from non-strategic ones (Box 5.1). Thus strategic decisions help to determine what the organization does *not* do (its scope), how well it fits the requirements of its customers and adopts the technologies available to it in the marketplace, what it does particularly well, how well it appeals to its stakeholders, how it balances long- and short-term considerations and how it manages the potential knock-on effects of the narrow-minded and selfish decisions made in separate 'silos' of the organization. In this reading, a decision is strategic if it meets one of these criteria – if not, the decision can be characterized as *operational* or *tactical*, rather than *strategic*. However, 'strategic' should not be confused with 'important' – strategic and operational decisions are *both* important and both can only be effective if aligned with each other.

Learning objectives

This chapter is intended to help readers:

- to understand what 'strategy', and 'strategic management' mean in a public sector context;
- to be able to develop corporate and service unit strategies;
- to understand the difference between strategic management and strategic planning;
- to understand the political dimension to strategy-making;
- to understand how strategic management and innovation mutually reinforce each other.

Box 5.1 Strategic decisions are concerned with:

- scope of an organization's activities;
- searching for fit with the organization's environment through major resource changes or repositioning its activities;

- creating opportunities by building on an organization's resources and competences;
- values and expectations of those who have power in and around the organization;
- the long-term direction for the organization;
- achieving some advantage for the organization over rivals.

Source: Adapted from Johnson *et al.* (2008)

The building blocks – 'strategy', 'strategic plans', 'strategic management'

So what is 'strategy'? It is perhaps surprising, given how often the word is used, that it has no widely agreed definition. Perhaps we ought to start with an antidote to most definitions, after Karl Weick (1979): 'A "strategy" is an after-the-event rationalization by top management of what they (often wrongly) believe their organization has recently been doing'. While this warns us not to believe everything we are told about strategy, we probably need to develop a more positive definition.

Mintzberg is helpful here. He suggests five different meanings that are often given to the word 'strategy' in management contexts (Box 5.2). These will each be appropriate in different circumstances. Since these meanings are already in wide currency, it would be unwise to insist that only one of these meanings makes sense.

Of course, when many people think of a 'strategy', they immediately think of a strategic plan (often contained in a written document). The idea of strategic planning is quite old. Its sources, going back to the nineteenth century, included the town and country planning movement (e.g. the 'worker colonies' of Owen, Cadbury, Salt, Guell, etc., the 'garden cities' of Howard and the 'machine for city living' of Le Corbusier) and, later, industrial planning, starting in Soviet Russia in the late 1920s and spreading through the Comecon and many other countries after 1945. Ironically, these 'public sector' planning roots then gave rise, from the 1950s onwards, to private sector forms of planning in Western countries, particularly budgetary planning and 'manpower' planning, which in turn spread to many public sector organizations. Eventually, the idea of overall corporate plans for an organization, and separate business plans (or 'service plans') for units within the organization, became very strong in both private and public sectors.

However, it is clear that 'strategic management' is more than making and implementing strategic plans. It encompasses, at the very least, the other activities in Box 5.2 – the 'ploy-making' of highly competitive organizations, the 'pattern-making' of organizations that wish to give a sense of purpose and coherence to their different activities, the 'positioning' of the organization to achieve 'fit' with other stakeholders in its environment and the 'paradigm-changing' activities that try positively to influence the culture of the organization. To this list of alternative ways of perceiving strategy we might add strategy as 'pull' (or 'stretch') – the focus on improvement of the organization's core competences so that it can do better what it already does well.

Box 5.2 What is a 'strategy'?

- *Plan*: some sort of consciously intended course of action, a guideline to deal with a situation;
- *Ploy*: a specific manoeuvre intended to outwit an opponent or competitor;

- *Pattern*: a pattern in a stream of actions;
- *Position*: a means of locating an organization in an 'environment' – the mediating force or 'match' between organization and its environment;
- *Perspective/paradigm*: an ingrained way of perceiving the world.

Source: Mintzberg (1987)

Each of these perspectives on strategy is also studied in other fields, as well as strategic management. 'Ploy-making' clearly relates closely to games theory, studied in mathematical economics. 'Paradigm-changing' (often called 'transformational change') has been a major theme in organization studies. The definition of strategy as 'positioning' indicates the close relationship between strategic management and marketing strategy (see chapter 6).

Corporate and service strategies

Public sector strategies at corporate and service unit level typically have several elements:

- The *marketing strategy*: Who is it all for and for which outcomes? This spells out which services we intend to produce, for which service users (and which users have highest priority), and which outcomes we will help them to achieve.
- The *production and delivery strategy*: How are we going to produce and deliver the services which meet the needs and demands of our priority users, making best use of both our internal capabilities and those of other potential providers? What resources need to be mobilized and made available, including the right level of staffing and financial resources, and how are they to be allocated efficiently and effectively?
- The *governance strategy* to determine the overall corporate purposes and the principles on which relevant stakeholders agree for how they will work together to meet these purposes.

Given that all service units are normally expected to prepare strategies (often called 'business plans' or 'service plans') along these lines, can we expect that the contents of the corporate strategy will largely build up from and replicate the contents of the organization's set of service strategies? If taken literally, with every corporate strategy containing all of the consitutent service unit strategies, this would entail a very cumbersome corporate strategy, with little value added. Consequently, the corporate strategy often focuses on laying down broad guidelines to which the service unit strategies should conform, but with more detail.

In particular, the corporate strategy often determines most of the governance strategy for the organization, so that there is no need for the service unit strategies to replicate this. On the other hand, the service unit strategies tend to focus strongly on the production and delivery approach for each separate service, so there is no need for the corporate strategy to go into detail on this (although the organization may have some highly valuable resources and capabilities, the deployment of which is a key element of the corporate strategy). The marketing strategy, on the other hand, often has both a corporate element (e.g. who are the priority citizens to be served by this agency?) and also a service unit element (e.g. who are the priority service users to be targeted by each separate service?).

In this chapter, we explore the development, selection and implementation of corporate and service unit strategies. In Table 5.1, we summarize briefly their key elements, including the marketing strategy component, the production and service delivery component and the governance strategy component.

For each of these components of corporate and service strategies, we need to carry out:

- analysis of the environment (external, internal or both) of the organization;
- analysis of the stakeholders (external, internal or both) of the organization;
- analysis of the outcomes to be achieved (for external and internal stakeholders) and the overall purposes;

- analysis of the strategic options available and evaluation of their relative merits.

Further detailed consideration will be given to the marketing strategy in chapter 6, where we discuss how the external environment can be analysed to develop relevant market options for key external stakeholders and service users. Issues around the governance strategy will be dealt with in chapter 15.

Table 5.1 Developing corporate and service unit strategies

	Element of corporate or service unit strategy			*Overall corporate or service unit strategy*
Key strategic management activities	*Marketing strategy*	*Production and delivery strategy*	*Governance strategy*	
Environmental analysis	Analysis of external environment of organization	Analysis of internal environment of organization		Combining analyses of internal and external environments
Stakeholder analysis	Analysis of key external stakeholders and service users	Analysis of key internal stakeholders	Agreement on priority stakeholders and service users	Agreement on priority stakeholders and service users
Determining purposes and outcomes	Analysis of key outcomes desired by external stakeholders	Analysis of key outcomes desired by internal stakeholders	Agreement on overall purposes	Agreement on overall purposes
Determining and selecting strategic options	Analysis of market options, including sectors to work in and services to be provided	Analysis of production and delivery options, including resources, value-adding capabilities, core competences, culture and competition/collaboration options	Agreement on overall governance principles	Analysis and evaluation of overall strategic options

In the remainder of this chapter, we will therefore look at the development of the production and delivery strategy for public organizations and then consider how this can be combined with the marketing strategy and the governance strategy to formulate the overall corporate strategy for the organization and the strategies for its constituent service units.

Analysing the internal environment

As a first step to developing the production and delivery strategy for a public organization, we need to understand the factors influencing internal stakeholders and the consequent strengths and weaknesses of the organization, compared with other organizations working to serve the same needs and markets.

There are four main elements to this analysis:

- value chain analysis;
- core competence analysis;
- organizational culture analysis;
- competitor and collaborator analysis.

Value chain analysis explores the ways in which the organization creates value for its stakeholders and distributes this value between them. This requires a definition of 'value'. Mark Moore (1995: 47) suggests that 'public value' is evident

> partly in terms of the satisfaction of individuals who [enjoy desirable outcomes]
> ... and partly in terms of the satisfactions of citizens who have seen a collective need, fashioned a public response to that need, and thereby participated in the construction of a community.

While helpful, this remains rather vague. Bovaird and Loeffler (2012: 1126–1127) suggest that public value, or 'value-added in the public sector', has several dimensions:

- *user value*;
- *value to wider groups* (e.g. the family of service users, or supply chain of service providers);
- *social value* (creating social cohesion or generating social interaction);
- *environmental value* (ensuring environmental sustainability of all policies);
- *political value* (support to the democratic process, e.g. through co-planning of services with users and other stakeholders).

In the private sector, 'value' traditionally referred to the first two items above – the benefits to users of the firm's services and the returns to wider groups, such as its shareholders and its supply chain. However, nowadays there are also pressures for 'corporate social responsibility', which bring the other dimensions of value into play even in private firms.

Accepting this multi-dimensional concept of value, we need to understand how a public sector organization can create value. The model typically used to do this is the value chain, which explores how different core and support activities result in value-added for different stakeholders and how these activities can be reconfigured to improve the strategic capabilities of the organization and thereby increase the value-added; for more detail on this technique, see chapter 13.

Box 5.3 A core competence is ...

... a bundle of skills and technologies that enables an organization to provide a particular benefit to customers.

Source: Hamel and Prahalad (1994: 199)

Core competence analysis, like the value chain, explores the strategic capabilities of the organization, but focuses on the underlying competences that allow the organization to outdo rivals in bringing benefits to its customers. A core competence resides in the organization, not in individuals nor in the technology alone (Box 5.3). There are many different ways in which core competences can be developed – in Box 5.4, some examples of common core competences are illustrated.

As in the value chain, a key lesson from the analysis is meant to be that an organization should focus only on those activities for which it has a core competence. Other activities should either be dropped or (if they are important to delivering value to customers) outsourced. As a corollary, activities where the organization does have core competences should be grown and 'sold on' to other agencies. In this way, core competences become the fundamental building blocks of the organization.

The argument that an organization should focus on those capabilities that give it unique opportunities to add value has become known as the 'resource-based view of strategy' (Bryson *et al.*, 2007). Hamel and Prahalad (1994), writing about private firms, suggest that they should aim to have many core competences. However, public sector organizations may not find it possible to have even one core competence, never mind several – for example, legislation may prevent them from focusing ruthlessly on those activities where they can achieve unique benefits for users and abandoning those other activities for which they have no core competences. Consequently, they may have to remain relatively unfocused in their work – with the obvious danger that other, more focused, organizations in the private and third sectors may be able to develop offers to users that are more attractive.

Box 5.4 Some examples of core competences

- *Speed*: The ability to respond quickly to customers and to incorporate new ideas and technologies quickly into services.
- *Consistency*: The ability to produce a service that unfailingly satisfies customers' expectations.
- *Foresight*: The ability to see the environment clearly and thus to anticipate and respond to customers' evolving needs and wants.
- *Agility*: The ability to adapt simultaneously to many different environments.
- *Innovativeness*: The ability to generate new ideas and to combine existing elements to create new sources of value.

Source: Adapted from Hamel and Prahalad (1994)

One key capability in an effective organization is its ability to integrate all the activities in the value chain – this can be a core competence in itself. Consequently, outsourcing of activities to other agencies with superior capabilities in respect of some activities is not

unambiguously the right answer, if the organization is poor at integrating externally sourced activities. This argument has often been seized upon, perhaps sometimes too readily, to argue that 'the in-house team may not do some things well, but we are used to working with them'. Clearly, this could lead to complacency in the face of unfortunate levels of inefficiency.

The resource-based view of strategy suggests that the overall service system can be made more cost-effective by a variety of strategic approaches, including strategies based on resource advantage, efficiency improvement through better resource utilization, relationship advantage, intra-organizational capabilities, core competences, dynamic capabilities (those core competences which enable effective change in the organisation), capacity-building as community engagement and empowerment, and building capacity for user and citizen co-production of outcomes (Bovaird, 2012a).

Organizational culture analysis explores the underlying taken-for-granted assumptions and norms in the organization. There are two well-established ways of exploring organizational cultures – one is the 'four cultures' approach of Charles Handy (Box 5.5) and the other is the 'cultural web' of Johnson *et al.* (2008).

The 'four cultures' approach is a valuable way of distinguishing between very different types of organizational culture. However, as Handy himself recognizes, most organizations are likely to have all four cultures simultaneously – e.g. the role culture is likely to predominate in 'steady state' parts of the organization (such as payroll), the task culture is likely to predominate in the innovative parts of the organization (such as new service development), while the power culture is likely to be dominant in those parts of the organization that deal with frequent crises, where a strong and consistent 'hand on the tiller' is needed (e.g. in public relations or at the very top of the organization).

A more action-oriented approach to understanding and changing organizational culture comes from the 'cultural web' (Johnson *et al.*, 2008), which suggests mapping six elements:

1. The *stories* within the organization, e.g. who are the heroes/villains?
2. The *routines and rituals*, e.g. how are regular budget crises handled?
3. The *symbols* of the organization, e.g. who has their own car-parking space?
4. The *power base* in the organization, e.g. who really makes the decisions?
5. The *structure* of the organization, e.g. how many layers in the hierarchy?
6. The *control* system, e.g. how does the organization stop things happening?

In summary – the cultural web seeks to establish what the *paradigm* of the organization is – the 'set of assumptions held relatively in common and taken for granted' in the organization (Johnson *et al.*, 2008). An example for a UK government department is given in Table 5.2.

Mapping of the cultural web is, of course, only the beginning. It is necessary for the leaders of an organization to take active steps to change those aspects of the culture that are not appropriate. Typically, they start with the more visible parts of the culture – the structures and control system. However, this is not enough – for culture change to take root, it is necessary to ensure that the stories, rituals and routines and the symbols are altered as well. This is clearly a much harder (and longer) task – it entails winning the 'hearts and minds' in the organization. Indeed, this will often be one of the hardest things to change in an organization – giving rise to the often-quoted saying 'Culture eats strategy for breakfast'.

Box 5.5 The 'four cultures'

Power culture: all power rests with one individual at the centre of the organization (the spider at the centre of the web, pulling all the skeins) – typical of those organizations dominated by a founder, a major respected figure in the profession or a 'control freak'.

Role culture: all individuals play a clear, standardized role within their own 'silo' of the organization, reporting to a line manager and managing the staff below them in the hierarchy, but they do not exercise much initiative and do not communicate with anyone outside of the line management structure – this culture may often be found in large bureaucracies (in both public and private sectors).

Task culture: individuals undertake tasks in multidisciplinary, cross-departmental groups, in addition to working within a line management structure – this tends to be the culture aspired to by professional staff in public service organizations.

Person culture: individuals tend to work alone, with only passing reference to line managers and only working in teams where it suits them – this tends to be typical of academics, small consultancies, research and development staff ('nerds') in technically orientated organizations, and inspectors or regulators working in the field with the power to close dangerous or non-compliant premises.

Source: Adapted from Handy (1993)

Before engaging in such a difficult process, leaders need to be confident that they know what a better culture would look like. Kotter and Heskett (1992) have produced strong evidence (although admittedly mainly from the private sector) that high performing organizations tend to have highly adaptable cultures, which not only respond positively to change but actually celebrate change and seek out innovation. Most studies of the public sector indicate that such attitudes are rare in people and even rarer in organizations as a whole. This possibly remains the single greatest challenge to strategic management in the public sector.

Competitor and collaborator analysis allows us to build on these analyses of the internal environment. Essentially, we need to ask 'How do we compare in terms of value chain and core competences with those rivals we wish to outdo and those collaborators with whom we wish to work?' This allows us to do a 'strengths and weaknesses' analysis of our organization vis-à-vis other organizations in our sector. Once again, as with all elements of an analysis of the internal environment, this leads to a questioning of how to balance in-house provision with external provision. Where our competitors are better than us, we have the choice of improving, outsourcing or working with the competitors in 'strategic partnerships' (which can allow us to use their strengths to make our service offering better). This latter option is often unwelcome in the public sector, especially amongst staff and politicians. However, if the alternative is to continue to do a worse job, then strategic partnering may be seen as desirable. Once again, the most difficult part of the analysis is to ask 'How well will the two organizations gel together in practice – will they achieve synergies working with each other – or will they cause difficulties for each other, so that the partnership is less than the sum of the

parts?' As always, this is hard to analyse *a priori* – sometimes the only way to answer this question is to try it out.

Table 5.2 Cultural web for Department for International Development (DfID), UK

Component of organizational culture	*Cultural web in 1999*	*Cultural web after three years of Civil Service Reform Programme (2002)*
'Core culture' or 'paradigm'	Outward rather than inward looking 'Management will look after itself' '[Many] staff for whom no change would be acceptable, whatever the rationale – all changes resented and resisted'	Still outward-looking but conscious now of need to manage itself well Better communications More team-working
Stories	When seeking a quality award, cynical reaction by some – just 'trophy hunting'. When it had to be postponed – 'we can't even bag an easy trophy'. When it was finally achieved – 'will just fall back into old ways now they've bagged it' Ability to write good policy papers more important than social and personal skills. 'I don't like to single people out for praise – I don't want others to think I've got favourites'	The new Permanent Secretary is 'street-wise' – used to work in DfID. He is more approachable – and he has made it clear that he is annoyed by the way some advisors behave towards one another One management board member appointed from outside because she clearly had better people management skills than inside candidates
Symbols	Different treatment of staff in London, Scotland and overseas DfID in Whitehall was 'group of old white men'	Improved treatment of in-country appointed staff New, young, non-white Permanent Secretary, who sets example on work/life balance through regular 'long weekends' Open plan offices 'Not as "gradist" as before'
Rituals and routines	Disputatious – the debate is valued more than the outcome	Staff appraisal is now done very differently, to encourage more development orientation
Power	The Department used to feel that it was a minor player in the FCO	Staff now believe that DfID has significant power on world stage
Structure	Very hierarchical, but also very strongly departmentalist	Now much more emphasis on teamworking
Control	Largely through hierarchical orders to staff, with some monitoring	Much more cascading down through the organization of the PSA targets

Source: Adapted from Bovaird (2007)

Developing and evaluating strategic options

Taken together, the analyses of external and internal factors allow a SWOT (strengths, weaknesses, opportunities and threats) analysis to be compiled for the organization. (It may seem a little cruel that we have taken so long to reach a point that many people feel they can sketch out in five minutes on the back of an envelope, but academic analysis can always make the simple appear much more complex – sometimes fruitfully so!)

Box 5.6 A strategic option

This is a connected series of decisions on:

- service marketing
- service production and delivery, including appropriate resources and technologies governance.

The SWOT analysis needs to be turned into a series of strategic options for doing things better in the future – building on strengths, reducing weaknesses, seizing opportunities, countering threats.

The notion of a 'strategic option' is not very clear from the literature – it is often seen as any change that might be made in the existing elements of a strategy. However, a more rigorous approach suggests that a strategic option should be a coherent alternative strategy in itself (Box 5.6). To be coherent, all the decisions on each strategic element in Box 5.6 need to be mutually reinforcing. So a strategic option is not just a change in *one* of these elements.

For an organization to be successful, it must be imaginative at devising a full range of strategic options, which can then be evaluated, so that the most appropriate one can be chosen. Of course, this requires imaginative and creative people, who are able to play a role in mapping out these alternative 'futures' for the organization – and such people are not always easy to find, nor do organizations (especially bureaucracies) always allow 'creatives' to play such important roles.

Once a full range of strategic options has been mapped out, they need to be evaluated (unless top management has already decided that it prefers one of them, in which case the evaluation will be more of a 'show trial' for the undesired options). The evaluation process can use three sets of criteria – feasibility, suitability and acceptability – to test out the strategic options before selecting one of them (Johnson *et al.*, 2008).

The *feasibility* of the options includes financial, technological, staffing and managerial feasibility. However, when an otherwise highly desirable option appears to be infeasible, this should not be accepted without a fight. Most feasibility constraints can be removed or circumvented through application of effort – or funding. Only when the constraint itself has been tested and found to be binding can a feasibility test be accepted as final.

The *suitability* of the options is typically tested to see if the proposed portfolio of services provides a coherent set of activities, giving a good fit between what the external environment requires and what the organization can do well. The 'Boston matrix', for example, from the perspective of a public service provider (Figure 5.1) ranks services by their growth in demand

(or need) and by their 'net social value' (e.g. their contribution to the needs of high-priority users, or to high-level outcomes). Clearly, 'dead duck' services are candidates for closure, to provide more resources for the 'star' services, to repackage and relaunch the 'bread and butter' services and to pilot 'question mark' services (so that they either become star services or can be dropped altogether as failed experiments).

The second suitability test is the 'Need and provision matrix' (Figure 5.2), from the perspective of public sector commissioners (i.e. those organizations that decide on what needs to be provided, and for whom, rather than being providers themselves). This suggests that in-house provision should only occur where need is high and is not being met by other agencies. The assumption here is that a commissioning organization must make the most of its scarce resources to encourage the widest possible provision from all agencies in the field, only using its own resources for direct provision when all other avenues have been explored.

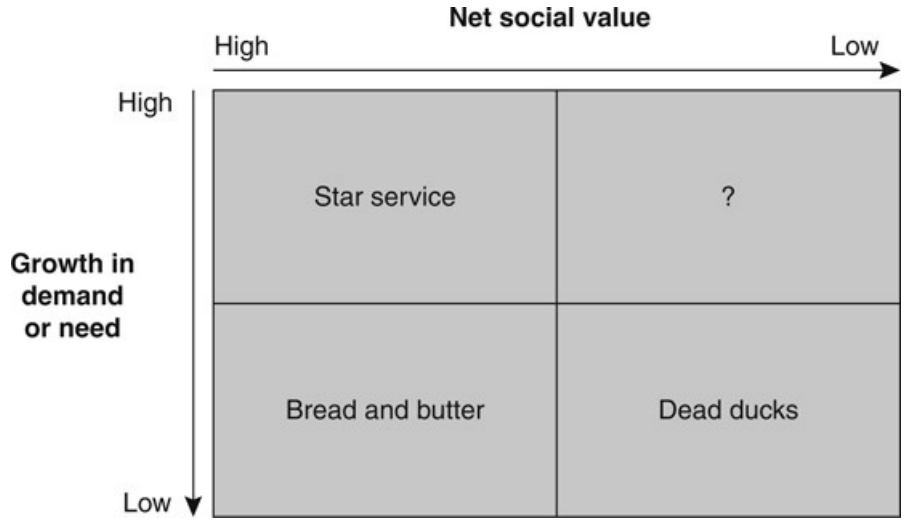


Figure 5.1 Public sector Boston matrix.

The *acceptability* of the options needs to be tested against stakeholder objectives. In private firms this would include rate of return on investment, shareholder value added, etc. In the public sector, these objectives are likely to be more complex – and there are usually many more stakeholders as well. The priority objectives, and how they should be determined by the multiple stakeholders, must be decided in the governance strategy. In order to make practical use of these objectives, we need to show the cause-and-effect chain linking high-level 'outcome objectives' to lower-level 'service objectives', whose achievement we believe will contribute to outcomes – i.e. a 'hierarchy of outcomes and objectives' or 'strategy map'.

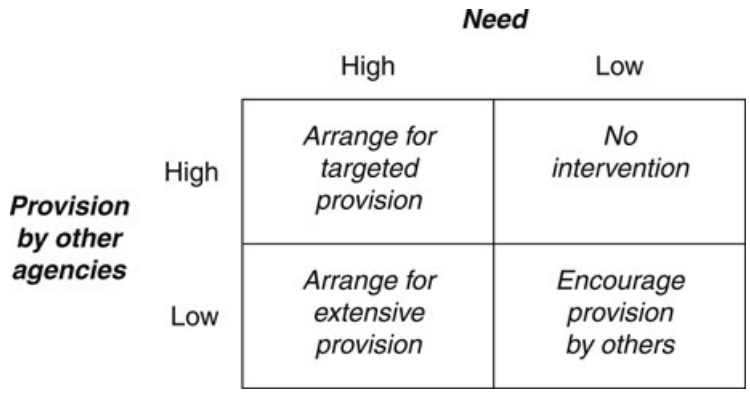


Figure 5.2 Need and provision matrix.

Source: Adapted from Walsh (1993)

Figure 5.3 illustrates how this might be done in the case of community safety initiatives. The overall strategy map might belong to the police force, but a more restricted set of objectives (those inset in the more lightly shaded box) might apply to a community safety unit in a local authority. If there are unproven or disputed links in the logic of these 'cause-and-effect' chains between different levels of objectives, then there is a need for a more evidence-based approach to setting strategy in this area (see Bovaird, 2012b).

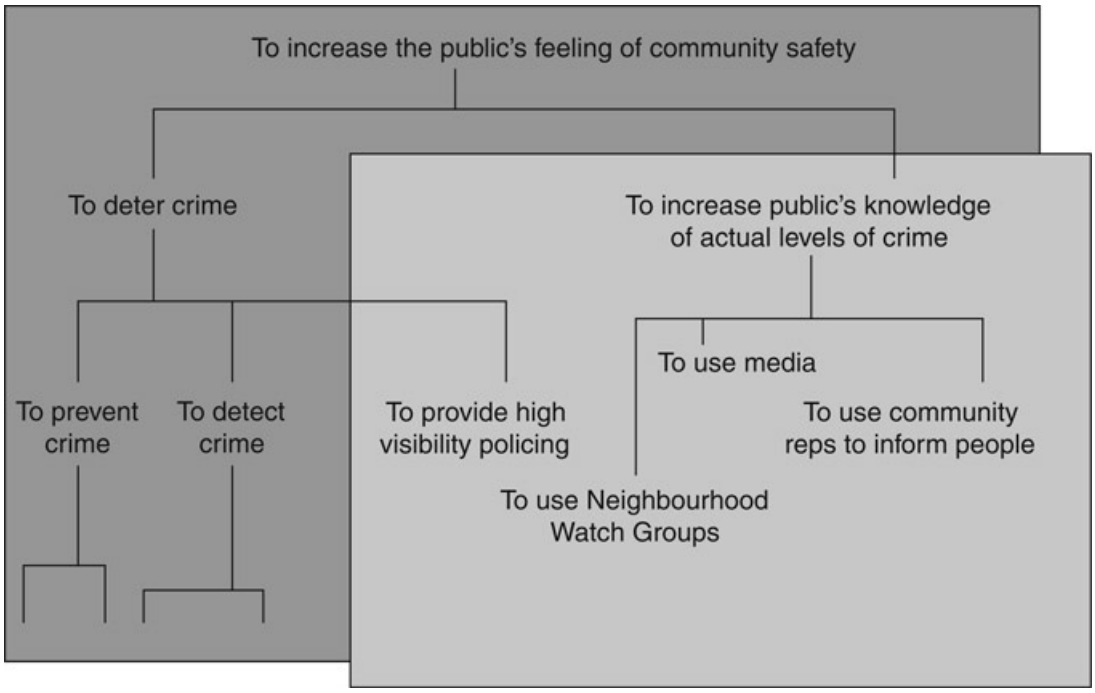


Figure 5.3 Strategy maps from two stakeholders.

The performance of each of the strategic options can be reported in a *Balanced Scorecard* (Kaplan and Norton, 1996), in order that their relative merits can be assessed. This sets performance indicators for each of the main organizational objectives, usually grouped under such headings as 'citizen and user results', 'process improvement results', 'organizational learning and development results' and 'financial results'. Although this technique was originally devised for reporting in the private sector, it has now also become popular in public

sector organizations in the UK and USA. (Issues in the use of performance indicators in the public sector are dealt with more fully in chapter 11.)

Selecting a strategic option

The analysis and evaluation of strategic options should help a public sector organization to select one of these strategic options as its preferred strategy. This option should spell out three major components – a service production and delivery strategy, marketing strategy (including considerations from chapter 6) and a governance strategy (including considerations from chapter 15).

The key elements of the marketing strategy will be decisions on:

- which sectors to work in;
- a portfolio of services that will be provided to service users;
- the priority groups to whom these services will be targeted; and
- the intended outcomes for these priority groups, against which to evaluate these services.

The key elements of the service production and delivery strategy that emerge from the corporate and business planning exercises will be decisions on:

- the core competences to maintain and to develop;
- which services in the portfolio of services will be provided in-house;
- which services in the portfolio of services will be outsourced;
- the intended quality and efficiency levels which these services should achieve;
- which staffing and financial resources are needed; and
- how appropriate resources can be procured and allocated efficiently and effectively.

The key elements of the governance strategy will be decisions on the overall corporate purposes, and the structures and processes through which stakeholders agree to work together to meet these purposes.

Clearly, the separation of corporate strategies into the elements of service production and delivery strategy, marketing strategy and governance strategy is artificial and these strategies will often overlap considerably. What is important is that the elements are mutually reinforcing (or, at the very least, mutually consistent). If they are not connected, the overall strategy will be incoherent.

Joining up strategies and 'seamless services'

So far we have essentially been discussing the strategy of one public sector organization. In practice, no public sector organization can expect to be successful without close interaction with many other agencies. Most public sector organizations need to work in partnership with others (see chapter 17).

The complexity of the interactions in the public service supply chain are illustrated in Figure 5.4. This demonstrates how, in the case of one client group, the elderly, there are typically many public agencies that contribute services. Sometimes (but not always), one agency takes the lead in coordinating overall service provision to each client. Further back in the supply chain, of course, all these organizations have their own suppliers (of equipment, of transport, sometimes of agency staff, etc.).

Figure 5.4 also highlights a facet of supply chains that is usually much more important in the public sector than in the private sector – the service user is often not the sole beneficiary of the service (and in some cases, may not even consider her/himself to be a beneficiary at all). In addition to benefits to the service users, there are also benefits to families, carers, etc., who will often be relieved of some responsibilities because of the services given. Furthermore, there are often benefits to other customers – for example, the experience of 'expert patients' or of enthusiastic day centre users can be used to encourage reluctant clients (for more on this kind of user co-production, see chapter 23). Finally, there may be significant benefits to other citizens, either because they altruistically wish to see people in need being well looked after or because they may feel reassured that they themselves, in turn, will be well looked after in future, when they too need such services.

Of course, a supply chain is only as strong as its weakest link. The public sector must ensure that the links between all these value chains are managed, although it may be able to convince others (e.g. voluntary groups) to take on responsibility for managing some of these links.

Strategic management, strategic planning and strategic thinking

Strategy is often seen as being about 'strategic plans'. This clearly can be a very productive approach. However, it suggests that strategy-making is a linear process, based on rational planning – a 'determination of the long-term goals of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals' (Chandler, 1962).

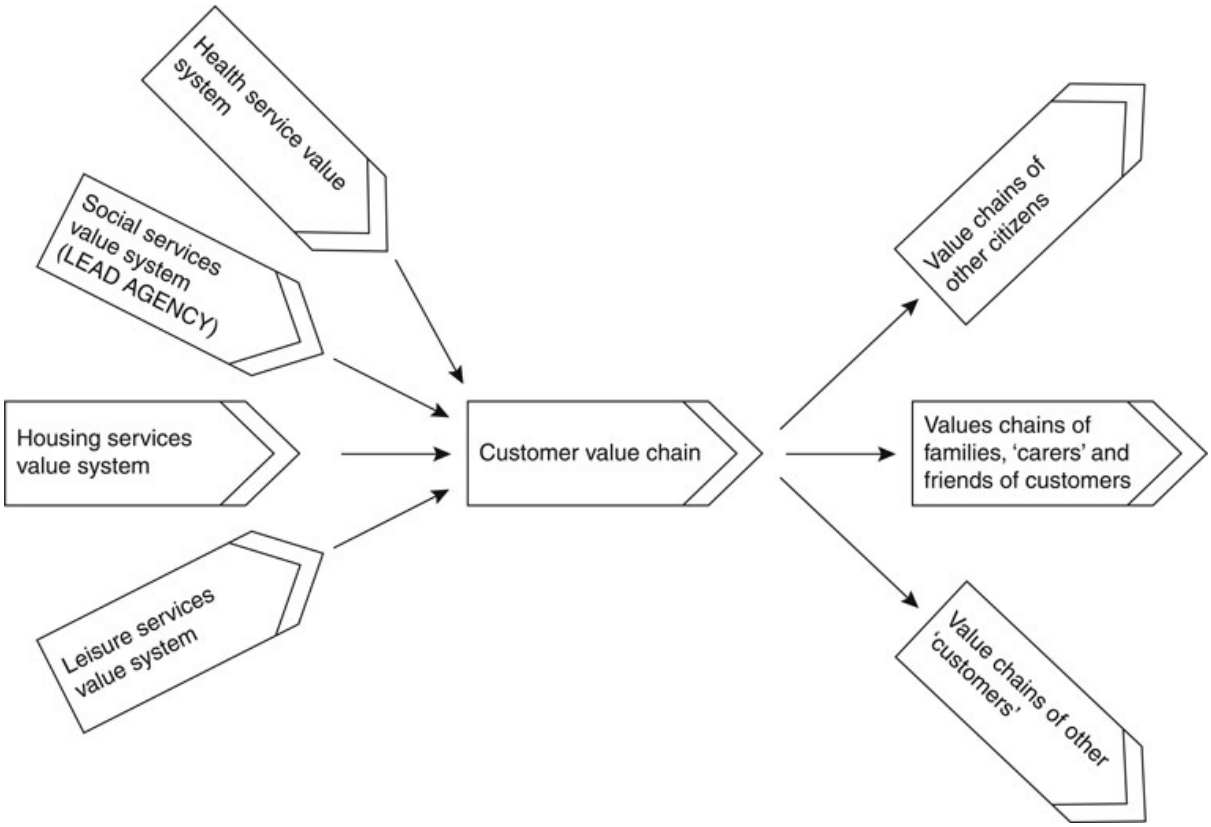


Figure 5.4 The public service supply chain.

In the 1980s, a very different view of strategic management began to emerge, particularly in the work of Henry Mintzberg. Mintzberg suggested (1992) that very few planned, intended strategies actually get implemented – most end up in the rubbish bin. Moreover, many strategies that do get realized were never planned – they might, for example, have been imposed by a dominant political leader or chief executive, or have resulted from an unexpected opportunity that arose. Mintzberg suggested one other type of strategy that has had enormous subsequent influence on the field – 'emergent strategies'. Emergent strategies are those that are grounded in the practice of staff, rather than planned by top managers. They are adopted implicitly, often unseen, because they work better than the official 'planned strategies'.

Of course, not all the emergent strategies that creep out of the woodwork are desirable – it

depends on which stakeholder they help. So, for example, public sector staff are sometimes accused of taking a 'job's worth' approach. This is often an emergent strategy, flatly contradicting the explicit customer-oriented strategies of their organization – but it works for such staff (while they get away with it). More sinisterly, corrupt practices sometimes originate as an emergent strategy – e.g. when officials give a licence to a local business more quickly than normal by short-circuiting their own procedures and are then offered a small payment as a mark of thanks – this can quickly develop into an expectation (on both sides) that a faster route exists, if a 'back-hander' is given.

Nevertheless, emergent strategies have the potentially desirable characteristic that they are likely to correspond to the needs of the environment in which they emerge. After all, they are generally developed by front-line staff and supervisors who are especially close to service users – Michael Lipsky's 'street-level bureaucrats' (Lipsky, 1980). Experience in many public service redesign initiatives (e.g. the 'business process re-engineering' vogue of the 1990s in the USA and the Best Value reviews in UK local government from 1998 onwards) suggests that it can be extremely difficult to get staff to take part formally in service improvement programmes – thus, emergent strategies that naturally develop from this level of the organization may be all the more valuable.

What are the organizational implications of emergent strategies? Mintzberg suggests that they move the creation of strategy from 'planners' to managers:

> Strategies are not things that are written down periodically, although people do try to write them down. Strategies are things that exist in people's heads; strategic visions cannot easily be written down. So I think managers create the strategy; planners might formalize it.
>
> (Mintzberg, 1992)

Of course, this formalization role of planning is important – it allows an organization to test emergent strategies, once they become noticed. Those that are not in the best interests of the organization can then be stamped out, while those that are valuable can be incorporated into the planned intended strategy, for rolling out through the organization.

However, Mintzberg's critique throws serious doubt on the 'plan fetishism' that has long been a characteristic of the public sector and that was perhaps brought to its apogee by the UK government under Tony Blair, in which not only was it necessary for every government agency to have a strategic plan, but so also did each of its organizational units – and all of these had to be 'performance managed' and externally inspected.

Strategic management in a political environment

Many of the analytical frameworks used earlier in this chapter are also used in the private sector (although some, like the concept of planning, actually originated in the public sector). It is important that we do not fall into the trap of believing that there is no difference between strategic management in public, private and voluntary sectors. The key differences that spring from the political context in which public sector organizations work include:

- the role of politicians, who often openly clash on major strategic issues;
- the interaction between politicians and other stakeholders, e.g. the media;
- the pressure for 'short-termist' decision-making arising from regular elections.

Strategic management involves difficult decision-making. It normally means *selectivity* – *not* doing some things – and *focus* – prioritizing the activities and target groups that matter most. This usually annoys some stakeholders. Only if the organization is prepared to weather the adverse comment that selectivity and focus normally bring can it hope to manage strategically. In the private and voluntary sector, selective and focused decisions are often internally controversial but, when the strategy has been selected, all groups can be expected to abide by it and support it in public.

However, the public sector can rarely hope to enjoy the luxury of such public consensus. Opposition politicians often see it as their role to contest publicly and vocally almost all strategic decisions made by the ruling group, usually mobilizing opposition from any groups disadvantaged by the decision (even groups to which they are not normally sympathetic).

For strategic direction to be maintained, the ruling group needs to be steadfast in defending its main strategic decisions. However, there are many pressure points by means of which politicians can be driven to make inconsistent decisions or to reverse strategic decisions already taken. These pressures can come from:

- political parties;
- policy networks;
- the civil service or managerial systems;
- professional groups;
- charities or voluntary organizations (at national or local level);
- community groups;
- the media;
- sponsors who provide funding for a party or an individual.

The platforms of political parties are usually designed to take on board the interests of a wide coalition of stakeholders. At worst, this can mean that politicians seek to 'please everyone, all the time'. In these circumstances, strategic management becomes next to impossible. However, even where politicians start out by plotting a clear and principled course, relatively minor changes in the balance of their coalition of stakeholders can demand that they revise their strategies.

The need to maintain political coalitions is another reason why highly rational strategies, thought out by well-informed professionals and backed by top politicians, may still fail because they 'don't go down well on the street'. Since politicians are regularly subjected to this street test, in the form of elections, their strategies are likely to be overinfluenced by the short-term and narrow factors that sway voters at a given time.

Strategic management and innovation

Finally, it is important to consider the interaction of strategic management and innovation. We stressed above that a healthy organizational culture is, above all, one that is adaptable and that seeks out innovation and change. On the other hand, innovation can be disruptive and even destabilizing to an organization. How can strategic management embed innovative attitudes, balance their potentially damaging effects and overcome bureaucratic inertia?

Public sector organizations can innovate in many ways, including:

- new services;
- new customers ('target groups');
- new service production processes;
- new procurement processes;
- new partnership arrangements with the rest of the public sector, with the voluntary sector and with the private sector;
- new decision-making processes ('addressing the democratic deficit');
- new governance structures and processes;
- new goals and ambitions for the organization;
- new organizational culture.

Given the importance of many of these, 'no change' is normally not an option. However, here, as always, being strategic means being selective and focused. Not all of these innovative directions can be pursued effectively at once – that way madness lies (see Box 5.7). The UK public sector has often been accused of '*initiativitis*' in recent years because it has not accepted this lesson. So perhaps public sector strategy makers will have to accept that, just as 'no change' is not an option, 'all change' is also not an option.

Box 5.7 'Initiativitis' may mean less gets done

[The] damaging combination of an absence of a strategic plan and the lack of corporate grip has created the space for a multiplicity of strategies, plans and processes which has created unnecessary complexity and confusion. …

The result has been the sense among some staff that changes are simply the next 'initiative' which they can safely ignore. We were told that in some parts of the council there is now a culture of what was described to us as 'organisational disobedience'.

Source: Kerslake (2014: 39)

Summary

This chapter has argued that strategic planning and strategic management are distinctively different. While both are important, strategic management is essential, whereas strategic planning may play a more limited role.

The chapter has considered a range of techniques for understanding the external and internal environment of organizations and for identifying and evaluating strategic options.

It has also emphasized that public sector organizations need to work together with other organizations, in all sectors, if their strategy is to be effective.

They also need to co-plan and co-deliver most services with the service users and other citizens, to make the most of the resources in the community.

Political processes are intrinsic to good strategic management in the public sector, but some aspects of political decision-making can make it difficult to develop and maintain appropriate strategies in the public sector.

Finally, the chapter has argued that innovation is the lifeblood of good strategic management – and that strategic management must therefore ensure that innovation is embedded within public sector organizations. 'No change' is not an option (but neither is 'all change'!).

Questions for review and discussion

1. How do you think strategic plans in the public sector would differ if they were initially drawn up by politicians and then considered for approval by professionals and managers in the public sector?
2. In what circumstances might realized strategies be more likely to stem from planned intended strategies than from emergent processes? Why?

Reader exercises

1. Find a strategic plan for a public sector organization with which you are familiar.

    - How well has it analysed its external and internal environments?
    - Does it indicate the strategic options that it considered before it chose its preferred strategy?
    - Does it make clear the evaluation criteria on the basis of which its preferred strategy was chosen?

2. Look through a recent copy of a serious national newspaper. Identify all the references to the 'strategies' of public sector organizations.

    - How many of them meet the criteria outlined in Box 5.1?
    - Do you think that any of the 'strategies' that do *not* meet the criteria in Box 5.1 are nevertheless genuinely dealing with 'strategic' decisions?
    - If so, how would you amend the criteria in Box 5.1 to allow for this?

Class exercises

1. Form into four groups. Each group should prepare a ten-minute presentation to argue for *one* of the following propositions:

    - All public sector organizations should prepare and publish detailed strategic plans for all their activities.
    - Public sector organizations should prepare and publish strategic plans only for their most important activities.
    - Public sector organizations should prepare and publish strategic plans only for those activities that are highly controversial.
    - Public sector organizations should not bother to prepare and publish detailed strategic plans at all, but should rather consult widely on their proposals for specific changes to their activities.

2. In groups, identify some organizations you know, in public, voluntary and private sectors, which have the core competences listed in Box 5.4. Compare your results, identifying any sector differences which appear to emerge.

Further reading

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6
Marketing in public sector organizations

Tony Bovaird

Introduction

For many years, lectures on marketing in the public sector began apologetically with an explanation of why marketing might be important – and generally they adopted a rather defensive standpoint, assuming that many in the audience would be predisposed against the ideas of 'selling', 'persuading' and 'commercialism' which are often associated with the concept of marketing. This is no longer the case, as the growing literature on public sector marketing attests. However, the suspicion remains that public sector marketing has to justify its role and has to demarcate itself clearly from private sector marketing. This chapter takes up this challenge and looks at how marketing can contribute to more cost-effective public sector organizations and higher-quality public services.

Learning objectives

This chapter is intended to help readers:

- to understand the role of marketing in a public sector context;
- to be able to prepare a marketing strategy and marketing plan for their service or organizational unit;
- to understand how marketing differs in a politically driven organization, working on issues with wide-ranging public implications, from marketing in private firms;
- to understand the limitations of marketing in a public sector context.

The role of marketing in a public sector context

Marketing is often thought of as essentially commercial (i.e. oriented towards making money or, more pointedly, making profits). This clearly is not relevant to most aspects of public services and public sector organizations.

Again, marketing often has rather negative connotations associated with selling, even 'pressure selling'; or of promotion of goods or services, perhaps through 'hype'; or of advertising, perhaps through subliminal influencing. Clearly, if marketing is to play a valuable role in a public sector context, then these negative aspects will have to be transcended.

Fortunately there is no reason to believe that marketing must only be viewed in these pejorative terms. It is quite possible to define marketing in ways that suggest that it could be highly valuable to public sector organizations (Box 6.1). After all, 'markets' are only the arenas in which those needing a service are able to choose alternative providers, either in the public, private or voluntary sector. This is not inherently contrary to the public interest. The role of marketing, then, is to mediate between those needing the service and the organization hoping to provide the service. Clearly this can be done efficiently or inefficiently, fairly or unfairly, ethically or unethically, respectfully or insultingly to the potential service user – in all these ways, marketing is no different from other service functions such as production, human resources management (HRM) or finance. Perhaps the sensitivity about the potential for abuse of the marketing role comes from the widespread belief that marketing is the most dishonest and unethical of business functions in the private sector. Whether or not this belief is soundly based need not concern us here (although we might say in passing that private sector marketing has a number of competitors for this distinction – including tricky lawyers, creative accountants and 'captured' auditors, all of whom are regularly in the public eye as a result of major corporate scandals).

Box 6.1 Definitions of marketing

> The aim of marketing is to make selling superfluous.
>
> (Drucker, 1973)

> Marketing is the establishment of mutually satisfying exchange relationships.
>
> (Baker, 1976)

> Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.
>
> (Chartered Institute of Marketing, 2009)

To make this clearer, we can contrast the two polar extremes – a *product orientation*, as might typically be evidenced by professionals working in the field who are convinced that they know better than anyone else what service should be provided, and a *market orientation*,

as advocated by marketing specialists (Box 6.2).

Clearly, 'customers' in a public sector context include many different stakeholders, all of whose needs require to be considered in public sector marketing. Here we can refer back to the types of value added in the public sector identified in chapter 5 – value added for users, for wider social groups, for society as a whole ('social value added'), for the polity ('political value added') and for the environment. Marketing can be employed to explore how to increase value added for all the stakeholders involved in all these types of public value.

However, there are a number of very different modes in which marketing can be used (Box 6.3). Some of these modes fundamentally seek to serve the user's interest (positive marketing, some variants of anti-marketing), while some seek to serve society's interest (social marketing) and some seek to serve the interests of target users at the expense of non-target users (demarketing).

One of the key issues that emerges from this discussion is: 'Who is the customer?' There are many potential customers for the public sector, including:

- people currently receiving the service;
- people waiting for it;
- people needing the service but not actively seeking it;
- people who may need the service in the future;
- people refused the service;
- carers of people needing the service (both those receiving it and not receiving it);
- taxpayers;
- citizens;
- referrers of potential clients of the service.

In the rest of this chapter, we speak of all of these as 'customers', but a detailed marketing strategy and marketing plan will normally try to differentiate the needs of each of these different customers and tailor the service to those different needs.

Box 6.2 Product orientation versus market orientation

Product orientation

- Emphasis on getting the 'product' right in professional terms.
- Product is developed first, then there is an attempt to attract customers.
- Organization is inward-looking, its production needs come first.
- Success is measured primarily in terms of professional esteem, with a secondary emphasis on the number of customers attracted.
- And if the service fails? 'We did our best, we produced a really good service – but the market failed – it didn't appreciate us.'

Market orientation

- Emphasis on doing what the customer wants.
- Services are developed to meet expressed and potential wants in a coordinated way.
- The organization is outward-looking, the customers' needs come first.
- Success is measured primarily by both the number and satisfaction level of customers (i.e. 'quality' as well as quantity).
- The customer is central to everything the organization does (i.e. there is a culture of 'customer obsession').
- And if the service fails? 'Our fault – we failed to meet the market's requirements.'

Box 6.3 Modes of marketing

- Positive marketing: encouraging target groups to use particular goods, services or organizations which it is believed will meet their needs.
- Social marketing: advancing a social, environmental or political viewpoint or cause, because it will meet society's needs.
- Anti-marketing: encouraging target groups to cease using particular goods, services or organizations, either because it is against their interest or because it is against society's interest.
- Demarketing: deterring non-target groups from service uptake.

Source: Adapted from Sheaff (1991)

Preparing a marketing strategy and marketing plans

In this section, we will consider how marketing strategies and marketing plans can be constructed in public sector organizations.

There is clearly a very strong connection between strategic management and marketing strategy. Indeed a marketing strategy will always be an integral part of the overall strategy for any organization (or organizational unit such as a service department). The *marketing strategy* will consist of that part of the overall strategy in which the organization decides:

- which sectors to work in;
- a portfolio of services that will be provided to users;
- the priority groups to whom these services will be targeted; and
- the intended outcomes for these priority groups, against which to evaluate services.

Clearly, this relates very closely to Mintzberg's concept of 'strategy as positioning'. The marketing strategy responds to what the environment wants. It will be part of the corporate strategy of the organization, complemented by the service production and delivery strategy (to make best use of internal capabilities) (considered in chapter 5) and the resources strategy (to make best use of all resources) (considered in chapters 7 and 8).

Typically each constituent service unit of the organization is expected to prepare a 'business plan' for its part of the overall organization, nested within and aligned to the corporate strategy. Similarly, each service unit needs to prepare a marketing strategy, which builds on the decisions in the corporate marketing strategy on which markets it should serve and goes into greater detail on the services it intends to produce and the target markets for those services. Finally, the marketing strategy at service unit-level needs to be developed into a marketing plan, considering the detailed elements of the 'marketing mix'.

In order to prepare this suite of plans, four sets of analyses are necessary:

- analysis of the internal environment of the organization (considered in chapter 5);
- analysis of the external environment of the organization;
- analysis of the market segments that the organization might serve; and
- analysis of the market options available and their relative merits.

We will now look at each of the latter three analyses in turn, before discussing how all these analyses can be used in formulating the corporate marketing strategy and service marketing plans.

Analysing the external environment

In analysing the external environment, we seek to understand the factors influencing external stakeholders and the consequent opportunities and threats that face the organization.

There are three main elements to this analysis:

- stakeholder mapping;
- PESTEL analysis and risk assessment;
- 'Five Forces' analysis.

Stakeholder mapping requires us to identify the stakeholders most important to the organization and to prioritize them. This is typically done by drawing up a 'stakeholder power/interest matrix' – in Figure 6.1 we have illustrated this with reference to the stakeholders of the Department for International Development (DfID), whose organizational culture we considered in chapter 5. Stakeholders with high power over the organization and high interest in it are clearly critically important (e.g. the UK Foreign and Commonweath Office or the governments of countries receiving aid from the UK, who have to 'play ball' for the aid to be effective) – they should be given central roles in the organization's decision-making. At the other extreme, organizations with neither power over nor interest in the organization will often be largely neglected (subject to giving them the level of information required by law – and perhaps rather more, just to be safe). The 'general public' often appears to fit here, although interest groups to which individuals belong – particularly pressure groups (e.g. the anti-poverty movement) – may be in the 'interested, powerful' or 'interested, not powerful' boxes. However, the public sector needs to keep a careful eye on the views of people in this box – if sufficiently large numbers grow disaffected, and become organized, they can suddenly move to one of the other boxes.

However, the lesson from Figure 6.1 is clear – not all stakeholders are equal and a public sector organization must decide how to allocate its resources to work most closely with those stakeholders to whom it gives priority. Other forms of mapping can be used to help in setting these priorities – but the need for some set of priorities is unavoidable.

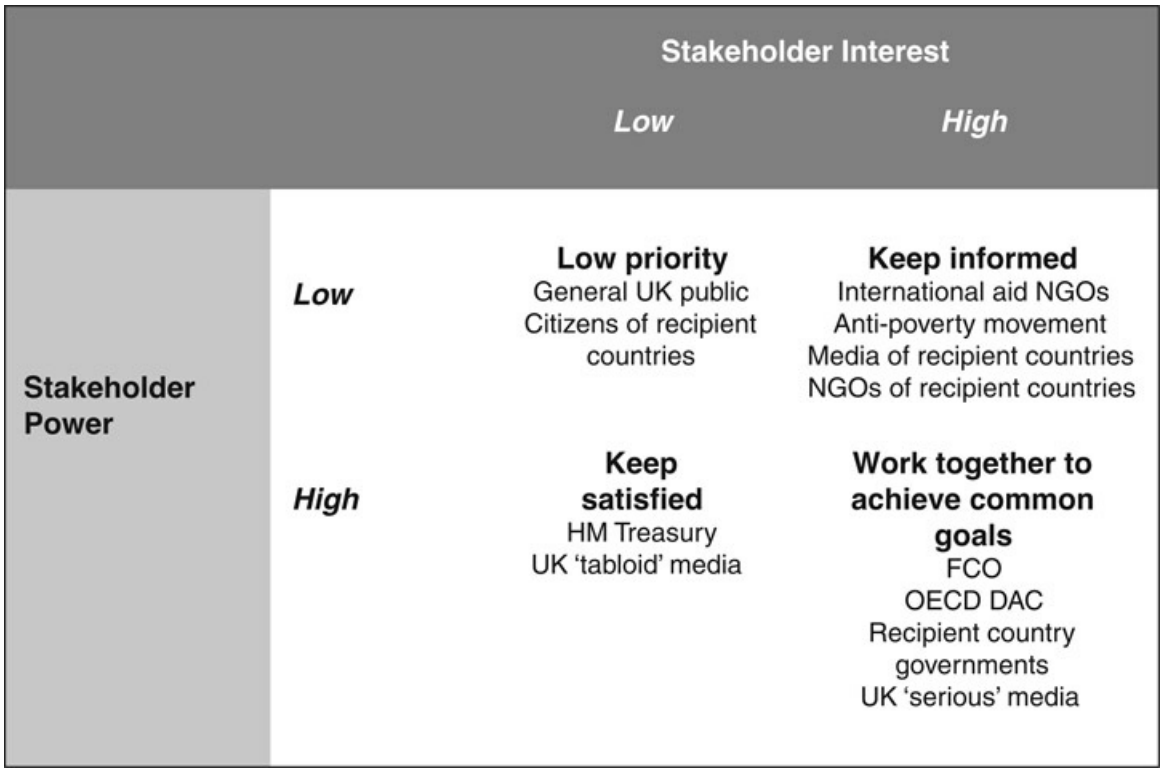


Figure 6.1 Stakeholder power/interest matrix for DfID.

Source: Adapted from original concept by Mendelow (1991), using material from Bovaird (2007)

PESTEL analysis sets out a statement of the main factors that are likely to impact on external stakeholders in the future, separated out into:

- Political factors;
- Economic factors;
- Social factors;
- Technological factors;
- Environmental and ecological factors;
- Legal and legislative factors.

This analysis is notoriously simple to do, to the extent that one can very easily end up with a document that is ludicrously long, detailing a huge list of potentially relevant factors. This is clearly impractical, so some sort of sieve must be applied to ensure that only the most relevant factors are analysed. However, this still implies that the organization must attempt a very wide and imaginative search for all potentially relevant factors, so that the sieve can be applied to them. Of course, in practice we will expect that organizations – and individuals within them – will display 'blind spots', prejudices and plain ignorance in making this canvas, so that PESTEL analysis cannot ever pretend to be fully comprehensive. *Risk assessment*, which is the sieve applied to the factors, is clearly a critically important part of PESTEL analysis. There are many different ways of doing a risk assessment, but typically factors are more likely to be included in the PESTEL statement if they score highly on at least one of the following criteria:

- Will the factor have a high impact, if it occurs soon?
- Will the factor have increasing impact over time?
- Is that impact likely to be negative on external stakeholders? (This takes account of the fact that many stakeholders are risk averse, placing more importance on potential costs and losses than on potential benefits and gains.)
- Is there a high probability that the factor will indeed happen as forecast?
- Will the factor affect our organization more than other comparable organizations?

The final piece in the external environment jigsaw is the '*Five Forces*' *analysis* of Porter (1980). This explores what sectors the organization might like to work in and which sectors it might not. Clearly, it is therefore a model that is relevant for service-providing organizations in the public sector, rather than service-commissioning organizations.

The Five Forces are:

1. The *threat of new entrants*, which would compete and therefore reduce revenue.
2. The *threat of substitutes*, which puts a ceiling on revenue that can be earned.
3. The *bargaining power of suppliers* (including the distribution channels), which puts pressure on costs.
4. The *bargaining power of customers*, which puts a ceiling on prices and may raise costs.
5. The *level of competitive rivalry*, which drives down revenue that can be earned.

The Five Forces analysis was originally applied by Porter to analyse which sectors would be regarded by a private firm as the most competitive – and therefore the least attractive. (Later, Porter was to argue that this was a valid analysis for a firm that wished to be a big fish in a small, local or national pool – but that a firm which really wanted to be a big fish in the global pool was more likely to succeed if it quickly learnt to survive in highly competitive local or national markets.) Such a model may be relevant for some service-providing organizations in the public sector, where they are driven by the need to make target levels of net income (or not to exceed target levels of subsidy). However, we need to adapt it to a public sector context. In particular, we need to take account of the facts that:

- Public sector organizations do not always have a choice which sector they work in (so this analysis is irrelevant for some organizations, which can only work in those sectors set out in the legislation, and cannot be applied to some sectors where a particular public sector organization is prohibited from working, either legally or politically).
- Public sector organizations are not always competitive in their intent.
- Other stakeholders (particularly government) impact on choice of sector.

Consequently, Five Forces analysis has a different role in external environmental analysis by public sector organizations. First, they need to consider the bargaining power of stakeholders other than suppliers or customers, particularly *partners* (which might either increase costs or decrease revenue) and the likelihood of interference by *other levels of government* (which again could affect costs or revenue, or might even rule out any work at all in the sector), since both of these may make a sector less attractive. (Note: we might therefore rename this a 'Seven Forces' model, but it is highly unlikely that this will catch on!)

Second, and rather differently from many private sector providers, much of the success of public sector providers depends on working closely with other bodies – e.g. groups representing customers, voluntary organizations filling in gaps in public provision – it is important that these different bodies are collaborative in nature and prepared to form effective partnerships (Kooiman, 2003). We will consider this in more depth in chapter 17, but here it is important to note that public sector use of the Five Forces can – and should – reject using it purely to explore competitive rivalry in a sector. It is also important to ask in relation to each of the Five (or Seven) Forces: How does it affect the sector's ability to work in collaboration?

Finally, the Five Forces will be used by public sector commissioning units very differently– they will often find it valuable to manage the market for a service by:

- promoting new entrants, who can bring innovation and compete to bring down costs;
- restricting the power of suppliers, in order to keep down the costs of the service;
- promoting greater bargaining power on the part of service users;
- finding substitutes, to promote higher VFM approaches to meeting need;
- promoting provider rivalry and tackling collusion, to get lower costs and better quality.

Analysing market segments

People in different market segments will normally prefer different services or different designs of a given service. The most typical criteria for drawing up market segments in the public sector are demographic (gender, age, household composition), socio-economic (class, socio-economic group), economic or social disadvantage (pensioners, unemployed, low income, disability groups, ethnic minorities, isolated people, etc.) and geographic (neighbourhood, ward, town, region, etc.). However, more recently there has been greater interest in using such criteria as lifestyle and tastes (often using psychographics). Each of these approaches naturally tends to miss some of the important differences between individuals, although each allows a move away from treating all customers as a mass market. Another form of market segmentation looks at the customers' attitude to the service being provided (unaware, hostile, aware, interested, wavering towards action, tester, occasional user, loyal).

Each of these approaches is useful for a particular form of marketing initiative but the critically important issue is to prioritize between these market segments in order to determine which segments should form the target or priority groups for the public agency. This is one of the fundamental political tasks in any public sector organization.

Analysing market options

The analyses of external factors allow an OT (Opportunities and Threats) analysis to be compiled for the organization, which can help to identify future market options and can in turn be combined with internal analysis of the strengths and weaknesses (SW) of the organization to feed into a full SWOT analysis (see chapter 5), which can be used to produce a series of integrated strategic options for the organization. These market options should form coherent statements of a market position – markets to be served, services to be provided and target market segments for that service. However, it may well be unproductive to try to evaluate these market options on their own. The evaluation of strategy is most likely to make sense when it considers full strategic options that combine market options with internal capabilities, resources and governance strategies (see chapter 5). Otherwise, the evaluation is likely to come up with a ranking of market options that is blind to the organization's strengths and weaknesses, resource constraints and governance imperatives – this is very likely to lead to the choice of a sub-optimal strategy.

Exploration of market options should normally not be a desk exercise. It is also desirable to market-test the options, either by trying out some alternatives in pilot studies, analysing the offers made by alternative suppliers or even going out to competitive tender and trying an alternative supplier for a period. This is considered further in chapter 7.

From marketing strategy to marketing plans

The analysis and evaluation of market options should help a public sector organization to select its preferred marketing strategy, with the following key elements:

- a decision on which sectors to work in;
- a portfolio of services that will be provided to users;
- the priority groups to whom these services will be targeted; and
- the intended outcomes for these priority groups, to enable monitoring of the strategy.

How can this marketing strategy be put into practice? Typically, a marketing plan is prepared that allows the key operational issues (the 'marketing mix') to be considered and coordinated in detail (Figure 6.2).

These elements of the marketing mix are closely interrelated and therefore need to be planned together, so that they are aligned with each other and support the chosen strategy:

- The *product* (or *service*) needs to be designed with the needs of the customer in mind (and, indeed, often co-designed with service users). Design features need to include not only the core features of the service itself but also the way in which it is delivered, including such 'customer care' aspects as the availability of the service (e.g. opening hours), reliability (e.g. how often is the service defective?) and responsiveness to customers' needs (e.g. does the service take account of differences in gender, age,

ethnicity, (dis)ability, etc.?). Key to service design is market research, now becoming much more central to public services management, whether conducted by surveys, focus groups or other methods.

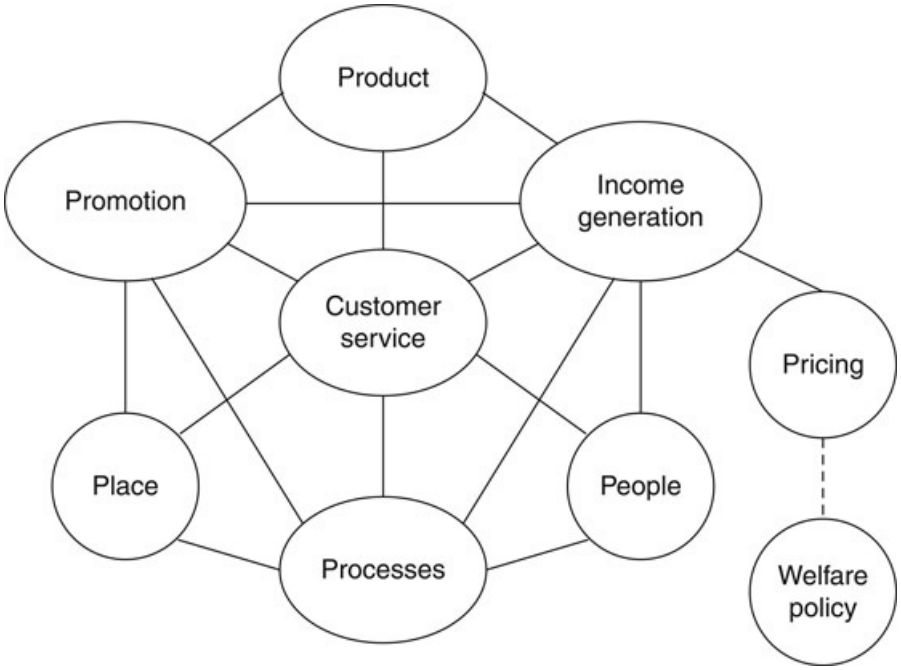


Figure 6.2 The expanded marketing mix for public services.

Source: Adapted from Christopher et al. (2002)

- The *promotion* of the service has to be suitable for the target group, so that over time the users become aware of the service, interested in it and keen to use it, and then take action to try it out (summarized in the AIDA mnemonic – **A**wareness, **I**nterest, **D**esire, **A**ction). The mix of promotional methods needs to be carefully thought out, including advertising, special sales promotions, sponsorship deals and public relations campaigns (Loeffler et al. 2008). In recent years, particular attention has been given to 'nudge' techniques, which frame problems and issues in such a way as to influence the target group towards desired behaviours (Thaler and Sunstein, 2008; John *et al.*, 2011; and see www.behaviouralinsights.co.uk).
- The *place* in which the service is available has to be suitable for the target service user (e.g. comfortable to use and accessible, perhaps through co-location with local shops or other public services, and appropriate transport has to be available – or services can be provided virtually, e.g. over the Internet or through a call centre).
- The *processes* used to assess eligibility and to deliver the service have to be clear and understandable for the target group (including easy-to-use forms, with translation available if required) and should be designed to minimize time taken and hassle.
- The *people* who supply the service have to be welcoming and empathetic to the target group and well trained in giving the service.
- The *income generation* activities of the organization have to be consistent with its principles and efficiently organized so that the net income is maximized. Sources of income might include fundraising by volunteers, donations, sponsorship, sales of

associated services (e.g. from a charity shop), merchandising, sales of advertising space or pricing.

- The *prices* charged have to be appropriate to the target group's means (which will partly be determined by overall national *welfare policy*, to which an organization must conform and to which it contributes), proportionate to the benefits given and consistent with the organization's income generation plan (Bovaird, 2015). This will sometimes entail a concessions system (which may require income assessment, with the consequent problems of stigma, deterrence to usage and high costs).

Clearly, there will be considerable overlap between marketing strategies and the operational marketing plans – for example, the decision on the portfolio of services to be offered belongs to both, although it is handled at a finer level of detail in marketing plans. Again, promotion is just one branch of marketing communications, by means of which the organization seeks to keep in touch with its various customers. (This is considered in more detail in chapter 22, on stakeholder engagement.) Moreover, marketing plans and service delivery plans will often have strong overlaps (e.g. making sure that proper transport arrangements are in place is part of the 'place' factor in the marketing plan, but also part of the logistics factor in the service delivery plan).

Marketing in a politically driven organization

Marketing is never easy in any context but it is especially complicated in a political environment, where a number of thorny political issues tend to arise.

First, strategic marketing, like strategic management in general, requires clear statements of priorities, particularly about which target groups are priorities for each policy. This means telling many groups that they are NOT priorities – which is politically embarrassing.

Second, promotion of the policies of an organization generally tries to show them in a positive light, and promotion of services tries to attract customers to use them – but such promotion can be interpreted as 'selling' the ruling group's achievements to the population and can therefore be accused of having 'political' motives or using 'spin'. Furthermore, the political opposition often feels unconstrained in attacking policies as undesirable and services as low quality, which can undermine marketing efforts to improve public support for policies and to increase user take-up and perceptions of service quality – not something with which private companies normally have to deal.

Third, pricing of services is usually seen as highly controversial, and changes of prices tend to be made relatively infrequently, removing the use of a potentially valuable tool in the marketing mix for significant periods, even where there are grounds for believing that price increases would not be so unpopular with the public as politicians fear (see Box 6.4).

Targeting the most disadvantaged in society

The first political issue highlighted in the previous section is by far the most important. We might expect, given the rhetoric of the public sector over recent decades, that it has particularly targeted and helped the most disadvantaged groups in society. However, this cannot be assumed, as Le Grand pointed out more than 30 years ago:

> Almost all public expenditure in social services in Britain benefits the better off to a greater degree than the poor ... [even in] services whose aims are at least in part egalitarian, such as the NHS, higher education, public transport, and the aggregate complex of housing policies.
>
> (Le Grand, 1982)

He goes on to suggest that there persist substantial inequalities in public expenditure, however it is measured, and to show how, in many policy areas, public expenditure has failed to reduce inequality significantly in terms of:

- inequalities in public expenditure per user;
- inequalities in public expenditure per unit of need;
- inequalities in the opportunity to use public services;
- inequalities in access to services (including cost of access and time taken to get access);
- inequalities in outcomes.

However, Lupton *et al.* (2013) conclude that, more recently, UK public spending may have been more effective in improving the lot of the worst off in society. They show that, in general terms, where New Labour spent money in 1997–2010, inequality outcomes improved, but remained unchanged where no policy effort or extra money was spent. They conclude that more public spending was better for reducing inequality than less spending. However, there were questions about value for money – while total government spending increased by over 60 per cent in real terms, overall inequality in England had a worsening trend until the 2008 recession. This was probably because market forces increased inequality faster for the general population than government spending could reduce it. Nevertheless, outcomes improved most for the people explicitly targeted by policy – families with children and pensioners (Lupton *et al.*, 2013: 61) – which could be seen as the most important indicator of success for policies on inequality.

Box 6.4 Pricing policy in local government

In [many] councils, charges are not reviewed or are simply increased annually in line with inflation, so that charges fail to take account of changing circumstances, e.g. patterns of service use or rapidly rising costs, and charges do not reflect councils' priorities, e.g. that subsidies are targeted toward priority services and communities.

Although 78 per cent of councils identified the views of service users as a major or partial barrier to charging, councils' perceptions of local opposition to charges are not

always backed up with robust evidence. The public is more receptive to charging for some services than is often assumed – people believe they get value for money from almost all of the local authority services for which they pay charges, and people are more willing to pay charges where they can see what they are getting for their money and have a degree of choice.

Source: Adapted from Audit Commission (2008)

Le Grand's rather pessimistic conclusions about the weakness of targeting public spending in the UK may not apply everywhere – recent research by Doerrenberg and Peichl (2012) provides evidence that government social spending has effectively reduced inequality across OECD countries, taken as a whole – a 1 per cent increase in government spending was linked to a 0.3 per cent drop in inequality. They find that more progressive tax systems tend to have less impact on inequality, because they may induce strong tax-avoidance behaviours, which offset the direct inequality-reducing effect. This differs between countries, of course – they point out that the USA, although it has one of the most progressive income tax systems in the world, redistributes very little through social benefits, while European welfare states generally rely much more on benefits and government expenditure to achieve redistribution.

The lesson, however, is clear – if politicians cannot or will not address directly the need to target public expenditure and public services at the most disadvantaged, then it seems likely that public service marketing will remain a relatively weak tool for achieving the purposes of public sector organizations – and those purposes will be much harder to achieve.

Limitations of marketing

While marketing can help public sector organizations to work more effectively to please their customers, there remain significant limitations to its use in the public sector.

First, it is clear that it is often artificial to regard all those who come into contact with the public sector as its customers – certainly prisoners and parents who abuse their children don't fit this description easily. In some cases, the relationship between the state and its subjects is, and is likely to remain, characterized by relations of dominance and punishment rather than exchange and mutual reward. Marketing is less relevant in these circumstances.

Second, the manipulation of public tastes and preferences to make the public sector's services more desirable is questionable in the public sector. This largely rules out some of the approaches of private sector marketing, such as the encouragement of the 'conspicuous consumption of the leisure classes' (Veblen, 1994 – originally 1899), or the use of 'the Hidden Persuaders', which create demand for unnecessary services and encourage behaviours based on 'base desires' and unworthy motives such as power, greed and sex (Packard, 1957), or the resort to built-in obsolescence and emphasis on style rather than performance (Nader, 1965).

Third, there are areas where individuals making their own choice will not contribute to the highest good of the society in which they live – whether because of spillover effects from their decisions, the poor quality of information on which they act, their lack of understanding of their own (long-term) best interest or other reasons. Where these 'market failures' exist – and it seems likely that such market failures affect many areas of decision-making in society – then collective decisions based on political processes will remain superior to individual decisions aided by marketing processes.

In general, then, the balance between marketing and political decision-making as a way of mediating between service users, citizens and service producers is one that will always be hard to find and is likely to shift over time. While marketing may have played too small a role in traditional public administration up to the 1980s, it has perhaps been in danger of encroaching too far in some areas of public policy in the last three decades.

Summary

This chapter has considered a range of techniques for developing marketing strategies through understanding the external environment of organizations and identifying market options. It has also linked these strategies to the marketing plans needed to ensure that they are implemented. It has argued that marketing in a political environment can help to force political decision-makers to be more open about their underlying purposes, especially in relation to helping priority target groups, but we must also be sensitive to the limitations of marketing when applied in the public domain.

Questions for review and discussion

1. What does ‘marketing’ mean? What relationship does it have to ‘markets’. Why does the term ‘marketing’ often appear to have a pejorative meaning? Is this justified?
2. What is the relationship between marketing strategy and the marketing mix? When would changes in the marketing mix be so significant that they would amount to changes in the marketing strategy?

Reader exercises

1. Consider a public sector organization that you know. Try to identify the main elements of its marketing strategy. Consider one of its services: try to identify the main elements of the marketing mix. Can you suggest some changes to the marketing strategy or the marketing mix that would make this organization more accessible to vulnerable groups?
2. What are the main pros and cons of using an income assessment approach to giving lower prices to disadvantaged groups? How might the net gains from an income assessment system be maximized?

Class exercises

1. Divide into groups. Each group should identify the main elements of the marketing mix in the higher education system and propose changes that would help to increase enrolment of students from disadvantaged backgrounds in this system. Compare notes and identify the reasons behind the main differences in each of your proposals.
2. What are the main limitations of marketing in the public sector? Give examples of these limitations in practice. How might they best be overcome?

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7
Contracting for public services

Andrew Erridge and Carsten Greve

Introduction

This chapter examines the debate surrounding contracting for services and empirical evidence on the effectiveness of government policies in the UK and internationally since 1979. These policies followed initiatives of the Reagan administration in the USA, and subsequently similar policies have been introduced in countries throughout the world (see chapter 4).

In general, there has been a shift from competing for contracted services through compulsory competitive tendering (CCT) towards more complex arrangements, which include managing multiple contracts, managing relationships through the supply chain and developing accountable partnerships. These latter include partnerships with users and communities ('user and community co-production of services' – see chapter 23). This chapter will examine the merits of competition and contracting as mechanisms for managing the delivery of externalized services.

Learning objectives

- To understand the meaning of contracting.
- To understand why contracting for services has been increasing over the past 35 years.
- To be able to identify the pros and cons of contracting out specific services.
- To understand the links between contracting, competition and collaboration.
- To understand how contracting could be used to pursue the wider socio-economic goals of government.

The rise of contracting for services: from competition to partnership?

Competition

We have seen in chapters 2, 3 and 4 that, from the 1980s, many Organisation for Economic Co-operation and Development (OECD) governments, but most notably Mrs Thatcher's government in the UK, were committed to reducing the size and role of the public sector, believing that it was less efficient than the private sector in delivering public services. This led to a fundamental shift away from direct service provision through the hierarchy of public sector organizations towards market-based competition and contractual relationships between public sector organizations and private or non-profit organizations. The ideas of the New Right were successful partly because they succeeded in linking with other influential strands of thought, in particular the growing critique of bureaucracy in the management and organization literature (see chapter 3).

From the 1980s, the ideas of cost reduction (economy) and efficiency were central to the argument in favour of competitive tendering in the UK, and a number of subsequent studies (e.g. Walsh, 1991) described the cost-saving potential of contracting. UK government guidance stated that 'goods and services should be acquired by competition unless there are convincing reasons to the contrary' (HM Treasury, 1998), and that 'competition is the best guarantee of quality and value for money' (Chancellor of the Exchequer, 1991). Through this policy, it was argued, government could avoid accusations of favouritism and fraud, and the openness of the system would encourage more suppliers to participate, thus increasing competition, which would in turn reduce prices, improve quality and lead to greater innovation among suppliers.

A key UK government policy leading to an increase in contracting out of public services from the 1980s was CCT, which required local authorities and, to a lesser extent, the NHS and other public bodies, to invite tenders for provision of public services from private companies. European Union procurement rules have also influenced member countries' approach to contracting. Usually these services were previously delivered by staff of the public agency (the 'in-house' provider), which was now required to compete against outside bidders. This involved setting up a direct service organization (DSO), separate from the client (but usually run by the previous managers of the service), which was responsible for the competitive tendering process. As Box 7.1 illustrates, CCT was extended to a progressively wider range of services up to 1992, and rules on the tendering process were tightened. This was mainly because in-house providers won a very high proportion of bids, and the government felt that they had an unfair advantage due to having access to information not available to outside bidders, as well as not being charged in full for common services that were provided centrally by the public agency.

Partnership

Partnership has come to dominate the agenda on public-private relations in recent years. While competition was the hallmark of UK Conservative governments up to the early 1990s, partnership relations with suppliers appeared as a key element in the 1995 White Paper *Setting New Standards* (HM Treasury, 1995: 13), which stated that

> Departments will work together with suppliers to secure improvements in the performance of both parties. Although they will press suppliers to reduce cost and improve quality, they will recognise that mutually satisfactory relationships are in the interests of both sides and will avoid an unnecessarily adversarial approach.

By emphasizing cooperation and collaboration, UK policy initiatives set out to change the nature of the procurement function and of the relationship between government departments and suppliers. By moving away from the competitive market model represented by CCT, partnership working with suppliers can build social capital, leading to reduced transaction costs, increased outputs and improved outcomes (e.g. greater social cohesion). Social capital, according to Woolcock (1998: 155), is a complex resource that encompasses the 'norms and networks facilitating collective action for mutual benefit'. Social capital research (see Erridge and Greer, 2002: 504–507) suggests that increased interaction and exchange can:

- lead to the development of trust and the creation of norms and sanctions that reduce transaction costs;
- improve access to resources among network members;
- create identity, building a sense of 'belonging' and shared action;
- have positive ripple effects within society by encouraging participation and creating greater social cohesion.

Since 1997, UK Labour government policies have reinforced this more participative, collaborative approach, with CCT replaced by Best Value, the expansion of the Private Finance Initiative (PFI) through public-private partnerships (PPPs), and an approach to contracting that facilitated the effective delivery of more complex services.

Box 7.1 Compulsory competitive tendering in local government: services covered and main policy changes

Services covered

- 1980: construction, buildings, highways;
- 1988: building and street cleaning, catering, grounds maintenance, vehicle repair;
- 1989: maintenance of sport and leisure facilities;
- 1992: cultural facilities, e.g. theatres and libraries; construction related, e.g. architecture, engineering; corporate, e.g. administrative, legal, financial, personnel and computing; clerical, e.g. police support.

Policy changes in 1992

- Client–contractor split reinforced (1992);
- specified time periods for each stage in tendering process (1992);
- restriction on costs allowed to be offset by in-house bids (1992).

Improved relationships within the network of the supply chain have provided an opportunity for interested stakeholders to work together more closely, set out common and clear objectives to address community problems and tackle issues such as the environment or quality of life for disadvantaged groups. For example, collaborative supply relations have facilitated close engagement between government departments, registered charities, and local schools and communities in the implementation of local environmental projects. Under this arrangement, partnership stakeholders collaborate to share information, set up performance measures, report on the progress of environmental projects and disseminate good practice in an effort to improve the environment in local communities. Similarly, the government's home energy efficiency scheme established interdependent working relationships between Buying Solutions (part of the Office of Government Commerce), government departments, local councils and Help the Aged to improve the quality of life for disadvantaged groups. By addressing such complex and diverse issues, trusting relationships have encouraged the sharing and coordination of information regarding performance and quality standards, facilitated common strategies between stakeholders and encouraged cooperative action in working towards a collective goal (Erridge and Greer, 2002: 517).

The scope and nature of service contracting

The UK public sector spent about £187 billion (12 per cent of gross domestic product – GDP) in 2013–14 on procuring a wide range of goods and services, all the way from commodities such as pens and paper, to big construction projects such as schools and hospitals, and complex human services, such as fostering – of this, local government accounts for £84 billion, health for £50 billion, defence £20 billion, the rest of central government £20 billion, and devolved and independent bodies £13 billion (NAO, 2013). Taken together, this procurement expenditure accounted for about one-third of 'total managed expenditure', the UK government's favoured measure of public spending. However, only £26 billion of it – around 5.8 per cent of 'total managed expenditure' was accounted for by 'third party public service provision' (i.e. by external service providers). Looking at the comparative picture, governments in OECD countries spent on average 12 per cent of their GDP on public procurement (excluding procurement by state-owned utilities) in 2008 (OECD, 2011). There was considerable variation around this average, however – public procurement accounted for over 15 per cent of GDP in the Netherlands, the Czech Republic and Iceland, while it was less than 7 per cent of GDP in Mexico, Chile and Switzerland.

Choosing between public, voluntary or private sector suppliers

The increase in contracting for services that were previously delivered directly by public sector organizations reflects a partial move away from the predominant form of service delivery before 1979, namely internal bureaucracy, to alternative forms of delivery. The outcomes of market testing for a central government department or of a CCT exercise for a local public service, could be as follows (see also Greve, 2008):

- retain the service in-house;
- contract out to a private sector contractor;
- contract out to a voluntary sector provider;
- a 'mixed economy' of provision involving in-house, voluntary and private sector providers.

In a recent report, Entwistle *et al.* (2002) summarized the arguments for and against internal service provision (Box 7.2).

These theoretical considerations suggest that internal providers have an advantage in the provision of services where:

- future needs and priorities cannot be predicted with certainty, so that any service specification undertaken now is likely to need significant variations in the future;
- outputs are diffuse and difficult to measure, so that the degree of achievement of any output-based specification is difficult to determine;
- the service will require assets that will be under-employed if only used for in-house provision;
- flexibility and responsiveness, local knowledge and the exercise of political judgement are required.

Box 7.2 Theories of internal and external service provision

Transaction cost economics

In his extensive writings, Oliver Williamson has argued that the make-or-buy decision should be determined by comparison of the transaction costs of internal versus external provision. It is cheaper to buy one-off services – such as building a school – than it is to maintain all of the necessary construction staff and plant in-house. On the other hand, in-house provision is well suited to services that are provided frequently, that involve a non-trivial degree of uncertainty and that need significant transaction-specific investments.

Principal-agent theory

Donahue (1989) points out that successful contracting requires that the agents tasked with performing a particular function can be readily controlled by their principal (the client). This requires that exact specifications can be drawn up, outputs easily measured and inadequate suppliers quickly replaced. It is this logic that informed CCT. Donahue cites waste collection as exemplifying the benefits of contracting, concluding that: 'Contractors chosen by fair and honest bid contests typically out-perform public monopolies' (p. 68).

Contestable markets

Many of the criticisms of public providers hinge upon the absence of competitive forces, which allows public providers to be inefficient monopolies. From this perspective, the remedy is clear – where possible, competitive pressures should be created by giving service users as wide a choice as possible from a broad range of alternative providers, giving rise to a mixed and vibrant economy of provision. Contracting-out per se would simply replace public monopolies by private monopolies. This is the reasoning that underpins the New Labour government's objective of encouraging public sector organizations to create and manage markets in which existing suppliers find their position contested by new suppliers.

Functional matching

The fourth perspective suggests that the public, private and voluntary sectors are good at doing different things. Based on a clear understanding of the different strengths of the different sectors, public agencies can allocate functions to the most suitable sectors.

Source: Adapted from Entwistle *et al.* (2002: 10–11)

Choosing between cooperation and competition

Although traditionally UK public procurement policy has reflected the competitive approach, the keywords in the UK approach to public procurement in recent years have been 'value for money'. For example: 'The government's overall objective for the delivery of public infrastructure and services is to secure value for money. There is a range of contracting approaches available to achieve this' (HM Treasury, 2012: 15). In public services, the definition of this concept is far from straightforward (see chapters 11 and 12). Value for money is essentially a balancing act between cost and quality, and can only be properly determined by taking into account the nature of the contract, stakeholder aspirations and resources available.

The means by which value for money is to be achieved is a source of much debate. Domberger and Jensen (1997) found that the search for economic efficiency through competition could reduce cost and improve quality of public services. However, Walsh (1991) suggested that this was not because of competition per se but mainly because increased attention was being paid to quality through monitoring, explicit inspection and emphasis on standards.

Caldwell *et al.* (2005) argue that there are many examples of contractual or tendering conditions impeding competitive markets, ranging from irregular tendering patterns locking suppliers out of markets to disjointed contractual practices encouraging suppliers to overextend themselves. They suggest that this challenges public procurement contractual approaches to find ways of rewarding suppliers for *excellence* rather than just for *volume*. Moreover, they argue that managing public markets for competitiveness means managing key supplier relationships and that these cannot be managed serially, contract by contract – there is a need to look beyond choosing the 'best supplier' for individual contracts and instead to examine how to manage suppliers within an overall portfolio of contract relationships.

The move away from purely competitive approaches towards more collaboration is longstanding – it was foreshadowed in the 1995 UK White Paper, which stated that procurement strategy should: 'combine competition and co-operation in an optimum way' (HM Treasury, 1995: 37). Labour government policies after 1997, while necessarily retaining an element of competition to comply with regulatory requirements, reflected this increased emphasis on collaboration through partnership with the private and voluntary sectors. The National Health Service (NHS) internal market was abolished, replaced by a more collaborative process of commissioning for services between primary care consortia, trusts, and private and voluntary providers. Best Value was announced as the replacement for CCT in local government and required a process of service review, consultation with stakeholders and competition on a voluntary rather than compulsory basis. Partnering with the private sector was pursued more vigorously, especially through PPPs, to fund infrastructure capital projects (e.g. London Underground) and service delivery (e.g. the provision of customer services to Liverpool City Council by BT). Donahue and Zeckhauser (2011) focus on a number of areas where public sector actors and private sector actors can collaborate, including maintenance and development of Central Park in New York City.

The shift towards PPPs has been described as a 'movement' and its intellectual history has

been traced by Bovaird (2010). Hodge (2010) reviewed the available evidence and the challenges of evaluating PPPs. Evaluations are mostly done by governments or consultancy companies. Although many evaluations show that PPP projects are finished on time and on budget, fewer independent and research-based evaluations exist. Six challenges exist according to Hodge: (1) The topic of PPP evaluation is not always precise; (2) PPPs have multiple objects; (3) many academic disciplines can be used (for example, economics and public policy) which have their own methodology and standards; (4) evaluators have several roles to play, for example seeking scientific certainty or digging out performance information for politicians; (5) value for money is often used as a standard, but still lacks a rigorous evidence base; (6) reviewing international studies accurately requires a solid evaluation approach that is not used often.

The European Commission has pushed both competitive and collaborative approaches. Competition has been a central element of its public procurement policies, including the Services Directive, which aims to break down barriers to cross-border trade in services between EU member states, so that service providers, particularly small and medium-sized enterprises, will find it easier to set up business and offer services in other member states and to provide services across the boundaries of member states.

However, the EU has also promoted a more collaborative approach – it now suggests that there should be greater dialogue between purchasers and suppliers, arguing that a more cooperative approach can reduce costs through working with suppliers to identify inefficiencies in the supply chain, while improved supply market intelligence and a better use of resources can lead to commercial gains without competition. This 'competitive dialogue' approach attempts to combine the advantages of competition and collaboration by allowing 'market testing' at the early stage of the service design and procurement process, while getting the advantages of close collaborative working with the final shortlist of potential partners, before making the final procurement decision.

Public-private partnerships for services delivery

PPPs, whether conventionally financed out of public expenditure or privately financed under the PFI, have increasingly become the vehicle for providing the infrastructure to deliver government policy through, for example, the building and equipping of schools, hospitals, transport systems, and water and sewerage systems. However, there is no uniform pattern of provision, with a mixed economy of provision between public, private and voluntary sectors being adopted as appropriate for each project. The global financial crisis has renewed the need to look at the role of PPPs and examine the relationship between the sectors (Greve and Hodge, 2013).

Bovaird (2006) analyses three case studies to illustrate how market relationships have changed in a multi-stakeholder procurement environment, each representing one form of the new procurement approaches that are emerging (Box 7.3):

- relational contracting;
- partnership procurement;
- distributed commissioning.

The move to PPPs has not been without its costs in procurement terms. Caldwell *et al.* (2005) argue that one effect of the rapid expansion of PPPs has been to increase the impediments to competition, particularly in 'common markets' such as construction, information technology and communication systems and consultancy – and public service commissioning needs to develop competencies in unravelling the interconnections between provider consortia.

International developments in contracting for public services

As with other aspects of the new public management (NPM), the use of contracting and PPPs has grown internationally, involving broadly similar approaches in most cases, although the drivers differ in each country, and the processes are adapted to the particular constitutional, legal and governance arrangements of each country.

Contracting for public services is now an integrated part of public service delivery in most European countries because of the use of European Union procurement rules. Moreover, the greater use of contracting for public services across EU borders has resulted

Box 7.3 Case studies on stakeholder relationships in PPPs

Relational contracting for Revenues and Benefits service: Consultants of the company Unisys were encouraged to work informally with staff working in the Revenues and Benefits section of the London Borough of Harrow to identify barriers to more effective and efficient working and to explore staff reactions to different options for change. A bottom-up approach was adopted, which allowed a new approach to emerge that built on existing knowledge bases in the department, was consistent with the most positive aspects of departmental culture and allowed local priorities to be incorporated in the resulting systems. Simultaneously, the consultants came to recognize new ways of solving problems by marrying their technical expertise with the service knowledge held by front-line staff. The contract was simply to improve the quality of the service while making savings – it did not revolve around the delivery of a fixed specification.

Partnership procurement of Dudley Community Health Unit: The original idea of the Primary Health Trust and the local authority was 'Let's build a local Mental Health Unit'. It then became a 'one-stop shop' for all primary health services in the local area, so that the business case was health-driven. Later the concept was extended to incorporate social services and the local library and was developed as a PFI project. Mill Group was chosen as the preferred developer and facility manager because it agreed to a flexible 'relational contract'. In spite of the complexity of this joint procurement process, the building was completed on time, on budget and on specification. At no stage did a 'variations management game' emerge, in which contractors seek to profit excessively from variations to the specification which are found over time to be desirable. Nevertheless, with hindsight, the underlying concept was probably under-ambitious – in this co-location model, the services are 'next door' to each other, rather than being truly joint and seamless, in their commissioning and delivery.

Distributed commissioning: A local Community Trust took advantage of the redevelopment of old military barracks in the rural village of Caterham, which had long-standing housing and social problems. The Trust managed to broker a planning agreement with the private developer, who was suspicious at first that the arrangement was an attempt to lower densities and profit margins on the site, but eventually agreed

to contribute over £2 million for social facilities and believed it had made a bigger profit on the development than if it had gone for traditional middle-income housing. The Community Trust has used its funds to establish a range of economic, social, educational, cultural and sports facilities on the site and to manage them so that they respond to wider community needs in the area (including a skate park, community theatre group, craft workshops, sports teams, etc.). The Trust also negotiates with major service providers in the area on behalf of villagers. Local villagers, initially suspicious of swamping by 'incomers', have played a major part in the evolution of the new community activities, which have significantly improved the quality of life for local villagers. In this way, the commissioning of local public services has been distributed to a local group of people, rather than simply being decided by the local council.

Source: Adapted from Bovaird (2006)

in frequent investigations by the European Commission and occasional critical judgments by the European Court of Justice, but rarely penalties to match the offence.

Internationally, the interest in PPPs has surged. PPPs are now used regularly in countries like Australia, Canada, Ireland, Germany, Spain and the USA. PPPs are also of interest to international organizations like the United Nations and the World Bank (Hodge *et al.*, 2010). The international attraction of PPPs to governments is obvious: they offer control and ownership combined with capital and efficiency from the private sector (Boardman and Vining, 2010: 159). In the US, Donahue and Zeckhauser (2011) identified a wider trend towards 'collaborative governance'.

PPPs have been prominent tools in many European countries and throughout the world. Apart from the UK, Ireland has been in the forefront in Europe with regard to the number and scope of PPP projects relative to country size. Outside Europe, there is considerable experience with transport and other infrastructure projects in Australia and Canada. There are around 150 PPP projects in Canada. In Australia, PPP projects have involved the Sydney harbour tunnel and the Melbourne CityLink project. Projects are often reported as being on time and on budget. Some projects are less successful, which may be because of poor contract and project management. The essential questions in PPPs are whether risks are shared or not and how benefits and costs are shared. A PPP project that works must be aligned with the proper institutional conditions: a robust legislative framework, a clear PPP policy from the government, a shared concept of reasonable contract conditions and the availability of competent private partners. There has been much discussion as to what makes a PPP succeed or not. OECD (2008) has issued a list of criteria that a successful PPP project should meet. Among these criteria are value for money, risk sharing, budget documentation and transparency, and political support. One of the key issues is the economics of PPPs. Economists are not just interested in on-time and on-budget delivery, but also look to benefit–cost analysis, the proper discount rates for PPP projects and the social benefit of PPPs compared with other types of projects (either private or public).

The OECD has investigated PPPs on a number of occasions (2008, 2010, 2012). The recommendation from the OECD and other international organizations is that PPP is not a panacea to all problems, but that successful PPP projects require careful planning and

institutional design skills to work. The OECD also believes that the issue of risk sharing remains perhaps the most crucial aspect of a PPP deal. Furthermore, the competencies in contract management from the public sector side must be upgraded (most private sector organizations already have these skills).

Contracting for wider socio-economic goals of government

At present, policy on contracting, through the structures and procedures mentioned above, partly reflects the market model supported by public choice theorists, but also new arrangements of collaboration between public, private and non-profit sectors. Self (1993) argues that the market model is inconsistent with the public interest on three grounds:

1. Public choice encourages the individual to maximize economic opportunities and personal wealth, whereas public interest requires identification or sympathy with others' needs.
2. Political liberty cannot be treated as the dependent variable of a strong, autonomous market system; rather a balancing of the roles of the state and the market is required.
3. The market system makes no distinction between individuals' 'wants', and common 'needs' essential for a tolerable life.

Of course, there is always a danger that the dominant voices heard in supply chain debates will be commercial interests, usually large, powerful corporations which may ignore other issues, such as environmental damage created, unfair employment conditions or the exploitation of poorer producers. This suggests that public sector organizations should provide moral leadership by incorporating this broader social dimension into contracting decisions – and into the overall procurement process (Barraket et al., 2015).

The socio-economic dimension of public procurement involves 'any purposeful action intended to improve the social welfare of the whole or part of the same population' (Fernandez Martin, 1996: 39). Policy areas usually considered include unemployment, social exclusion, protection of minorities, income distribution, economic development, particularly in relation to small firms, and environmental policy. Environmental sustainability is likely to be important for future procurement policy as the world focuses on 'green growth'.

There are a number of methods through which the objectives of these policies could be achieved. Contractual clauses may be included, requiring contractors to comply with wider government goals such as combating discrimination on grounds of sex, race, religion or disability. For example, in the UK, companies bidding to run the £300 million New Deal programme to help disadvantaged groups had to prove their commitment to 'work-place diversity'. Set-asides overcome market inequalities by allowing only certain sections of the economy (e.g. small firms) to tender for contracts and thus seek to increase long-term competitiveness by raising the range of firms that have the capacity to bid. Prompt payment policy protects smaller firms and subcontractors in particular against larger customers' opportunistic behaviour by providing that payment be made within 30 days. 'Green' sourcing protects natural resources and the environment in which citizens live. Coote (2002) argues that the purchasing policy of the NHS could influence health and sustainable development by encouraging local suppliers and helping to regenerate and support the economies of disadvantaged neighbourhoods. It could also choose goods and methods of production and distribution that are likely to safeguard health and the environment. To pursue these policy

objectives, the Public Services (Social Value) Act 2012 requires all councils, housing associations, NHS bodies and government departments in England to consider how to use all their procurements to improve the economic, social and environmental well-being of the area where they exercise their functions.

Opponents of the use of procurement for socio-economic purposes have argued that the outcome is likely to be extra or hidden costs, and therefore policy should remain market based (see the McKinstry quote). However, given that the market model is flawed, there is a moral imperative for governments to ensure that the public interest is served. An example of a successful use of public procurement to promote employment is presented in Box 7.4.

> The truth is that contract compliance involves a vast, costly expansion of state bureaucracy, since it requires an army of inspectors, advisors and officers to ensure its implementation. By focusing on ideology rather than quality and value, it is bound to reduce efficiency.
>
> Source: McKinstry (2006)

Box 7.4 The Northern Ireland unemployment pilot project

Northern Ireland has historically suffered from much higher levels of unemployment than other regions of the UK. The new 2002 Public Procurement Policy in Northern Ireland included a pilot project that was seen as an opportunity to redress this imbalance by taking advantage of the high level of public sector infrastructural investment and procurement of goods and services in the region. A condition was included in selected contracts for construction and services requiring contractors to submit a social policy statement and employment plan, outlining how they would meet the requirement actively to seek to employ people from the long-term-unemployed target group. On award of contract, the winning contractor was required to implement the proposals. The pilot project was monitored over a two-year period from July 2003 to July 2005, and a final evaluation report was submitted in September 2005.

The pilot project led to the recruitment of 51 new employees from the target group, of whom 46 were retained by the contractors. Those who have left employment will have benefited from their experience of work. The creation of these jobs was achieved with very little additional direct cost. The overall 'project cost per job created' during the evaluation period was £900,000, against a construction industry benchmark of £1 million.

The employment plan process has quickly become an embedded part of the culture of contracting with government amongst construction contractors, those most involved to date. The survey issued to all contractors at the end of the pilot project showed that almost two-thirds believed that the inclusion of the employment plan as part of the contract did not dissuade them from tendering for the contract. The procedures generally operated successfully, although there were a small number of instances of

non-compliance. The Water Service provides an example of best practice, with four projects within the pilot, resulting in 13 people from the target group being employed at a project cost per job created of £0.72 million. There was clearly commitment to the pilot from the top of the organization, project managers were fully informed and committed, arrangements for regular monitoring reports were agreed with contractors and arrangements were made by contractors to link up with a further education (FE) college to provide potential employees.

Source: Adapted from Erridge (2007)

Summary

This chapter has found that, for all of the radicalism of some governments around the world, policy on contracting has not resulted in a massive transfer of service provision from the public to the private sector. Where services are delivered by the private sector, there is some evidence of savings and improved quality, but these must be weighed against higher transaction costs, incidences of contractor failure and inequality effects on public sector employees.

The UK Labour and the 2010–15 coalition government, as well as governments internationally, have pursued partnership with the private sector, adopting a more collaborative approach but backed by an increase in inspection and audit (see chapter 14). While there is therefore a common recognition of the necessity of using private sector expertise and finance, the difference between the approach of the coalition and the Labour government perhaps lies in the Labour government's greater respect for a public sector ethos and recognition of the distinctive contribution that public sector employees can make. However, this attitude does not persist where these employees are felt to be resistant, or where the services they provide are deemed to have failed (whether schools, hospitals or local authorities). In these cases, the Labour administration proved equally, if not more, prepared to intervene than its successor, based upon ever more prescriptive performance targets.

This suggests that the core problem that recent governments in the UK and elsewhere have sought to address through contracting is the perceived failure of public agencies to manage the delivery of public services efficiently and effectively. Increasingly, the solution is being found in a mixed economy of public, private and voluntary provision, and through PPPs.

There are some key areas where we cannot yet be sure of the lessons emerging on contracting out and partnership working, and where, therefore, further research is needed. These include, in particular:

- Can a more collaborative approach be developed through amending the European Directives and UK rules and regulations on procurement policy?
- What are the drivers, forms and outcomes of contracting, in particular PPPs, in different countries with varying constitutional, legal and governance arrangements?
- How can socio-economic goals be pursued through contracting while retaining the focus on best value for money and collaboration with the private sector?

Questions for review and discussion

1. Should social and employment rights be protected through the contracting process by the insertion of relevant clauses in contracts? What are the benefits and risks of allowing such concerns to be embedded in contracts?
2. Why is it easier to operate market-based contracting approaches for simple repetitive services than for complex, professionally based activities? Discuss which services fall into these categories in (1) a major metropolitan local authority in your country; and (2) an executive agency of central or regional government in your country.
3. What are the main factors that make local authorities reluctant to contract out services to, or partner with, the private sector? What steps do you consider central government might take to encourage local government to make more use of effective opportunities for contracting out or partnering?

Reader exercise

Select at least three articles on using private sector contractors or private finance to provide public services that have recently appeared in news media. What arguments and/or evidence do they provide in relation to the issues discussed in this chapter?

Class exercise

Identify in class some public services that have been contracted out. In groups, discuss the extent to which the contracting out of these services has more successfully met:

- the needs of those for whom the service is provided;
- the needs of the providers (i.e. the managers and employees);
- the government's political and managerial goals;
- the government's social, economic and environmental goals.

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8
Financial management in public sector organizations

Yunxiao Xu and James L. Chan

Introduction

The importance of money to government may be obvious, but good public financial management is often taken for granted. This chapter will discuss how the changing roles of public management alter government's financial management systems. These systems are analysed in terms of their underlying conceptual models. It will be argued that, as government has evolved from a hierarchical bureaucracy to an organization with multiple stakeholders and eventually to a node in an institutional network, the tasks of public managers have been transformed from direct control to balancing the interests of stakeholders (see also chapter 1). Corresponding to these stages of evolution are the classical model, the NPM (new public management) model and the stakeholder model based on the original insights of Barnard (1968, originally 1938) and Simon (1997, originally 1945). These models are described and compared, along with the key issues faced by practice and research.

Public financial management (PFM) faces several identity issues. First, governments are urged to adopt best practices, but there are few guidelines for assessing PFM quality. Since PFM is a service function, what is its value to clients, and who are these clients? Furthermore, how much resource should be spent on quality improvement? The second issue is whether it is appropriate for government to uncritically emulate private sector practices. Third, what is the proper boundary of PFM? Does 'public' include only core governmental departments? Or does it encompass government-owned non-profit institutions and business enterprises? Finally, finance often involves the creative search for financing alternatives; this may be antithetical to prudent and routine management. Therefore, how much weight should be given to the 'finance' and 'management' aspects of PFM? These issues are resolved differently in various PFM systems, which are analysed in terms of three conceptual models below.

Learning objectives

This chapter will look at the following key issues:

- changes in governmental financial management and their underlying conceptual models;
- the content and context of each of the models;
- the supporting discipline of each of the models;
- the adaptation of the models in different circumstances.

The three models

The classical model

There are three cardinal rules in the classical PFM model: (1) government budgets should be balanced; (2) spending should be legal; and (3) spending should be limited to appropriations. These rules are codified in laws and regulations. In the United States, most state and local governments operate under balanced budget laws. Even though the federal constitution does not require a balanced budget, it does stipulate that 'No money shall be drawn from the Treasury, but in consequence of Appropriations made by Law, and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time' (Constitution of the United States, Article I, Section IX, Clause 7). In conformity with this provision, there are statutes and regulations on budget preparation, approval and execution, and eventual cash disbursement by the US Treasury. The German constitution was amended in 2009 so that federal and state governments will not, from 2016 onwards, be able to run a deficit of more than 0.35 per cent of gross domestic product (GDP) and, from 2020, will not be allowed to run any deficit at all. UK central government, like the US Federal government, does not have a balanced budget law but, in effect, local government cannot legally run a deficit (NAO, 2013: 32).

Financial management makes budgetary resources available to officials to carry out authorized purposes, under these laws. Money often figures prominently in corruption in government. Nothing upsets the public more than reports of official financial misdeeds, such as embezzlements, personal use of official expense accounts, extravagant receptions and travel.

PFM is often described in terms of revenue collection and spending. There is, however, no general agreement about the scope of financial management. The revenue side is often slighted, with more attention paid to public expenditure management. On the spending side, budget specialists believe that financial management starts after a government agency receives its appropriations – legal authorization to enter into contracts or make cash outlays. As such, financial management is an invisible bureaucratic function uninvolved in policy decision making and largely unaffected by new budgeting approaches, such as planning, programming, budgeting system (PPBS), zero-based budgeting (ZBB) and mission budgeting (see Box 8.1). These innovations come and go, but financial management stays the same to ensure organizational stability and continuity by following standard operating procedures.

Box 8.1 Budgeting approaches

- Line item budgets: still the budget technique for all seasons, even if much maligned by reformers.
- PPBS: favoured in the 1960s to stress a longer time horizon and detailed

specification of activities.

- ZBB: a 1970s' antidote to incremental budgeting, requiring the justification of every dollar requested.
- Mission budgeting: a 1990s' reincarnation of PPBS, relating resource requests to goals.
- Emergency budgeting: wars, natural disasters and financial crises during the past decade gave rise to budgeting under conditions of urgency and unpredictability.

Standard operating procedures dictate how transactions are handled. Whereas the budget embodies substantive decisions – Who gets what? How much? and When? – financial management dutifully carries out spending policies. While specific procedures differ from one jurisdiction to another, they generally entail some or all of the following steps: (1) annual appropriations are divided into quarterly allocations; (2) contractual commitments are approved and made; (3) goods and services are received; and (4) payments are made. These transactions are recorded in the budgetary accounting system in terms of the charges to appropriations and in the financial accounting system in terms of effects on assets (economic resources), liabilities (obligations for goods/services received), and revenues and expenditure/expenses (increases and decreases in net resources, respectively).

In addition, there are some specialized functions such as investment management and debt administration. Interested readers may refer to textbooks (e.g. Mikesell, 2013) and manuals for practitioners (e.g. Allen *et al.*, 2012; and Cangiano *et al.*, 2013).

Case example 8.1 Chinese public financial management

In China's emerging market economy, the Central Government has shifted from its role as an omnipotent planner toward being a producer of public goods. This shift has prompted China's public financial management to adopt some reform measures in the past 20 years:

- *Budgeting*: All government departments must prepare their expenditure budgets to request appropriations from the legislature. A new budget classification scheme came into effect in 2007, with new categories for revenues and expenditure to enhance budget transparency and facilitate closer budget oversight. A revised budget law was passed in 2014.
- *Budgetary control*: Revenues and expenses are managed separately. This is intended to prevent gross revenues from being offset by expenses. Off-budget funds were abolished.
- *Treasury management*: All revenue collections and spending are conducted through a single account set up by the Treasury Department at agent banks, instead of the Ministry of Finance allocating funds to separate accounts from which spending departments could draw at their discretion: 'little treasuries' were closed.

- *Government procurement*: All government departments are required to purchase their goods and services through a central procurement system that uses public bidding.
- *Accrual accounting and financial reporting*: Government hospitals and universities are required to use accrual accounting (see Case example 8.2). After several years of experimentation in provincial and local governments, the Chinese Communist Party in 2013 decided to require governments in general to prepare accrual-based comprehensive annual financial statements.

Source: Updated from Zhang (2010)

Sound financial management is easier said than done. This is the case anywhere, but especially so in developing countries and countries transitioning to a market economy. To be useful, the generic models in this chapter should be adapted to suit the particular circumstances of a country (see Case example 8.1 for developments in China). Managing public finances in poor countries with weak institutions is particularly challenging:

> What is budgeted is often not disbursed, and what is disbursed often does not arrive. Salaries go unpaid for months, operating funds do not materialize, and government debts remain unsettled. At the same time, the executive branch makes unbudgeted expenditures throughout the year. These loose practices make public spending data extremely spotty – and the data that does exist is often inaccurate or even falsified.
>
> (Thomas, 2001: 39)

For all its contributions to the smooth functioning of government, the classical PFM model cannot solve two problems: intentional budget deficits and operational inefficiency. Governments can run deficits by deliberately pursuing fiscal policies that cause spending to exceed revenues. They do so in order to achieve macro-economic objectives (e.g. stimulating production and employment) or for political reasons (e.g. placating interest groups). In that case, even the most competent financial management cannot hope to raise enough revenue or reduce sufficient expenditure to compensate for such 'deficits by design'. Nor can the faithful execution of the law necessarily achieve economy and efficiency. Finance-related laws do not usually deal with performance issues. Furthermore, a mentality of legal compliance is not conducive to creative thinking or actions to lower cost and increase efficiency. The new public management (NPM) model of financial management arose to deal with these inadequacies of the classical model.

The 'new public management' (NPM) model

In the idealized NPM model, the distinction between public management (as distinguished from administration) and business management is blurred to the point that governments are urged to embrace many private sector practices. Government bureaucracies turn into strategic business units competing with each other, and citizens become customers. The budget-maximizing bureau chiefs are reformed into cost-conscious and revenue-hungry entrepreneurs. Performance and results – not inputs – are stressed. Government officials follow not the laws of specific jurisdictions but the universal rules of the marketplace:

economy and efficiency. A business-like government naturally uses private sector management techniques.

Accounting-based tools figure prominently in 'new public financial management' (NPFM), a term coined by Olson *et al.* (1998). NPFM takes a number of strong normative positions. It insists that accounting principles, set preferably by professional groups independent of government, should be used in budgeting. Double-entry recording should replace the single-entry system. Accrual accounting concepts are recommended for use in budgeting (see Case example 8.2). The government's financial picture should be presented as a whole to the public. The full costs of government services should be calculated as a basis for setting prices both for public and internal services. Outputs and outcomes should be measured, compared with benchmarks and verified by value-for-money audits.

This is the rosy scenario that NPFM offers to government. Yet, despite extensive experimentation in half-a-dozen countries over two decades, a 'globally standardized NPFM system' still does not exist, as there is 'no one way of understanding NPFM' (Olson *et al.*, 1998: 437). Although billed as a global movement, the above practices have made the most headway only in the English-speaking developed countries. In these countries, the accounting profession, led by chartered accountants or certified public accountants, enjoys a high degree of independence and wields considerable power as arbiter of what constitutes full disclosure to the public. Either directly or in alliance with others, accountants and auditors formulate or heavily influence auditing and accounting principles for corporations, non-profit organizations and the public sector. These principles encourage (indeed, mandate) transparency of financial matters to the public gaze. Internally, cost-cutting and revenue-enhancement opportunities are identified (see Case example 8.3).

Case example 8.2 Accrual accounting and budgeting in the UK

In business (including state-owned enterprises), the (full) accrual basis of accounting requires recognition of revenue in the period when goods and services are delivered, and the matching of related expenses (i.e. costs of resources used and debts incurred) against the revenue, with the difference between these two figures providing the net income or loss of the period. Applying this accounting method to the core public sector, where taxes are levied to finance collective goods jointly consumed by the public, is highly problematic and is rarely, if ever, done. Instead, enforceable 'claims against the taxpayer' could be used as way of calculating tax revenue and related assets, while 'claims against government' could be used as the basis for calculating expenses and related liabilities. More broadly, the term accrual accounting is commonly used in the public sector to refer to the recognition and reporting of a wide range of rights as assets and a wide range of obligations as liabilities in order to present a complete and long-term picture of the financial position of the government.

In the UK since 2000, all financial planning in central government has been done using accrual accounting (or 'resource accounting', as it is called). Instead of departments having separate cash budgets for 'current' and for 'capital' expenditure,

they have a consolidated expenditure limit, calculated by making estimates of the likely current costs and capital costs over the budget period (now typically three years). All assets which are used by the department are charged for at 'full cost' to exert pressure on their economical usage. Departments have much more freedom to decide the balance between capital and current expenditure (but this is still constrained, as capital expenditure usually has to be financed through public-private partnerships, such as the Private Finance Initiative). This system also allows the clear separation of the 'programme budgets' which are used to provide goods and services to customers (e.g. the levels of benefits payments made to claimants), and the 'running costs' which are the managerial costs of administering the programmes.

Source: Adapted from HM Treasury (2000)

The above stories illustrate the way in which 'new public managers' deal with financial problems. They act like entrepreneurial businessmen, turning cost centres into revenue or profit centres. They master the concept of opportunity costs and eagerly make use of otherwise idle resources. They think 'outside the box' by defying conventions and offering creative solutions. Instead of following the rules, they make the rules.

NPFM has the potential to energize an ossified bureaucracy, but there are several problems with it. First, it does not address the core issue in government. In the final analysis, government exists to take care of the consequences of market failure, performing those functions for which business lacks incentives or that it is not equipped to handle. In addition to its peripheral agencies and activities (which can be and have been privatized), the government promotes general welfare by providing collective goods and financing them through general taxation. Equity rather than efficiency, economy or even effectiveness is the ultimate criterion in public or political decision making in a democracy. Second, the worst bureaucracies are often pitted against the best-run corporations, thus creating a distorted comparison. As the collapse of Enron (the giant American energy-trading company) and Andersen (one of the former Big Five international auditing/consulting firms) and subsequent corporate scandal shows, all is not well in the business world and the auditing profession. Indeed, the principles of democratic government – separation of powers, checks and balances – might well help to reform corporate governance. Third, in its extreme form, NPFM may be as unsustainable as previous radical reforms. It elevates administrative discretion at the expense of legislature power. It promotes the ethos of the business-minded accountants against the politically savvy policy analysts. It does not appreciate the primacy and resiliency of budget rules in government. It fails to recognize that cost-cutting could only go so far: below the fat lie the bones – the core government institutions to which the public turns in time of crisis and turmoil. What is needed is a stakeholder model that recognizes the respective roles, competences and advantage of government, civic society and businesses.

Case example 8.3 Turning cost centres into revenue centres

Osborne and Gaebler, the champions of 're-inventing government', encouraged

governments to be entrepreneurial. For example:

- The Milwaukee Metropolitan Sewerage District turned 60,000 tons of sewage sludge into fertilizer every year and sold it for US$7.5 million.
- Phoenix earns US$750,000 a year by selling methane gas from a large wastewater treatment plant to another city for home heating and cooking.
- The St. Louis County Police, after developing a system for officers to telephone in their reports, licensed the software to a private company and earned US$25,000 for every new user.
- The Washington State ferry system in the early 1980s earned US$1 million new revenue a year through re-tendering its food service contracts; more than US$150,000 a year by selling advertising spaces in its terminal building; and another US$150,000 a year by allowing duty-free shops in its two international boats.
- Paulding County, Georgia rented extra beds in its gaol to other jurisdictions for US$35 a night to handle their overflow, generating US$1.4 million in fees with US$200,000 in profit.
- Some Californian police departments reserved motel rooms to serve as weekend gaol cells for convicted drunken drivers at US$75 a night.

Source: Adapted from Osborne and Gaebler (1992: 197)

The Barnard – Simon stakeholder model

The roots of the stakeholder model of management may be traced to the organization theory pioneered by Chester Barnard and Herbert Simon. Instead of profit maximization for stockholders, Barnard (1968, originally 1938) argued that the manager's function was to motivate the contribution of everyone who holds resources needed to carry on the business. Simon (1945) applied Barnard's insight to government in his landmark *Administrative Behavior*. He views an organization – government or business – as being in equilibrium when its managers succeed in balancing the contributions from, and the inducements given to, its stakeholders (see Table 8.1 for examples). Given their knowledge of input – output relationships, managers are keenly aware of the complementarity and substitutability of the resources held by different stakeholders. Their essential task is to maintain a critical mass of the inputs which will be necessary to assure the organization's ability to deliver services. In this regard, what makes financial management crucial is that it controls money – the currency for acquiring a wide variety of other resources. The organizational role of the financial manager is to keep the score of finance-related exchanges, advise management on the terms of those exchanges, and monitor financial performance of all the parties concerned.

Table 8.1 Government as a coalition of stakeholders

Stakeholders	*Contributions (benefits to the organization)*	*Inducements (costs to the organization)*

Voters	Legitimacy	Public services to individuals and for general welfare
Taxpayers	Tax dollars	Public services to individuals and for general welfare
Customers	Fees	Specific goods and services for personal use
Grant givers	Financial resources, mandates (from higher levels of government, conditioning how their grants can be used)	Services to target or general population
Bond holders	Financing (for fixed periods)	Interest payments, principal repayment
Vendors	Goods and services	Payments or promises of payments
Employees	Services, skills, ideas	Compensation and benefits (current and future), non-financial benefits
Governing boards, oversight bodies	Authority, policy guidance, monitoring of performance	Power, prestige, services to constituency, likelihood of re-election, achievement of personal agenda
Managers	Skills in negotiation, persuasion and implementation	Salary, promotion, career advancement

Source: Adapted from Chan (2003)

Barnard and Simon focused on individual organizations. However, the solution of many complex societal problems requires the co-operation of a network of public and private institutions (see Box 8.4 with reference to the Greek financial crisis, and chapter 15). For example, in the 1999 fiscal year, the federal government in the United States spent only 5.2 per cent of its total expenditures itself in direct provision of goods and services; over 70 per cent was spent through 'indirect government' or 'third-party government' (Salamon, 2002). In such a situation, to be effective, government has to empower others, rather than exercising direct control (see Kickert and Koppenjan, 1997 for elaboration). In addition to minding the government's own finances, public financial managers keep a watchful eye on the viability of the institutional network and its participants. Such a role is not unlike that of an organization's financial managers, who monitor its creditors and debtors alike. This similarity has led the authors to name the stakeholder model of public financial management after Barnard and Simon.

Case example 8.4 A Greek tragedy, circa 2012

The balancing act required of the Greek government, be it democratic or technocratic, in the current fiscal crisis is a near-perfect illustration of the stakeholder model of public financial management.

In order to receive financial rescues from stronger European Union 'partners', the

European Central Bank and the International Monetary Fund, the Greek government had to promise fiscal austerity measures. These measures called for more and higher taxes, fewer services and transfer payments to the needy, fewer public employees, lower wages to those lucky enough to keep their jobs and smaller pensions to the retirees, as well as 'voluntary' loss-taking by its private-sector bond holders. All the stakeholders were called to sacrifice. The refusal of any group to co-operate could trigger counter-measures by others, potentially leading to the unravelling of the intricate deals. The fear of financial contagion spread from the periphery to the centre of Europe, from Europe to North America, from developed nations to emerging markets of the world. Globalization has created a web of financial and economic interdependencies from which few nations could escape.

Working through others provides government with more tools (Table 8.2). In addition to the direct provision of goods and services, government can enter into contracts with, or give grants to, business and non-profit organizations. It can provide loans, loan guarantees or insurance coverage. Even less directly, it issues regulations to influence others' behaviour.

Compared with taxation and spending, these are more complex contractual arrangements. They all have financial implications. Grants, loans, guarantees and insurance are financial transactions. Regulations may seem relatively inexpensive to government (other than administrative costs), but they do impose compliance costs on the regulated. In all these relationships, there exist a set of claims and obligations that bind the government and its network partners. An important function of government financial managers is to help structure contracts with network participants and monitor their contractual performance.

Comparative appraisal of the models

After discussing the models underlying public financial management individually, it is time to bring them together for comparison and appraisal in terms of their context, content and supporting analytical disciplines.

As a service function, the role of financial management is influenced heavily by its environment. Specifically, the nature of the entity being managed and the strategic approach of its higher-level managers tend to affect what financial managers do (Table 8.3). In a bureaucracy headed by directors bent on strong control, the financial manager follows rules and carries out orders. The same approach will not work if the financial manager works for a business-minded taskmaster who is constantly looking out for cost-cutting opportunities. Furthermore, a manager in the self-centred mode of NPM has to change his or her mind-set when confronted with the need to weave together a network of similarly self-interested institutions. The new environment calls for the ability to see others' perspective, an essential skill in successful negotiations.

Table 8.2 Tools of government

Tools	*Product/activity*	*Producer or provider*	*Recipient*
Direct provision	Both public and private goods and services	Public agency by government employees	Service recipients, both individuals and organizations
Contracting	Goods and services with attributes of private goods	Contractors (business and non-profit organizations)	Service recipients, mostly individuals, sometimes organizations
Grants	Goods and services: public or private goods	Grantee: lower level of government, non-profit organizations	The public or specific individuals
Direct loans	Credit facility, loan, borrowed money, financing	Public agency approving the loans	Individuals, businesses, other governments, non-profit organizations
Loan guarantees	Promise to make principal and interest payments in case of default of borrower	Public agency making the promise	Individuals, business, other governments, non-profit organizations
Insurance	Promise to pay for losses incurred	Public agency	Individuals or businesses
Regulation	Rules and regulations	Public agency	Individuals and organization subject to jurisdiction

Source: Adapted from Tables 1–5 of Salamon (2002: 21)

Its different roles in these various contexts have serious implications for the content of

public financial management (Table 8.4). Financial managers are rewarded for their contributions to conformity (classical model), short-term efficiency and economy (NPM model) and long-term effectiveness and equity (stakeholder model). Consequently, they think of what is managed differently and monitor different aspects of financial performance.

Table 8.3 Context of public financial management

	Classical model	*NPM model*	*Stakeholder model*
Entity	A hierarchical bureaucracy in a government with separate powers and checks and balances	A mission-driven and cost-conscious strategic business unit	An organization interacting with others in a network of public, civic and business institutions
Image of the general manager	A budget-maximizing civil servant obsessed with legal compliance and financial control	A public entrepreneur focusing on customer satisfaction, raising revenues and cutting costs	A savvy executive knitting together and maintaining an institutional network to deliver services
Primary role of financial management	Implementing fiscal policies on revenue, expenditure, borrowing and investment	Searching for potential revenues and least-cost method of service delivery	Securing financing in order to keep intact the organizational and network coalitions

Table 8.4 Contents of public financial management

	Classical model	*NPM model*	*Stakeholder model*
Goals and performance criteria	Legal and contractual conformity	Efficiency, economy	Effectiveness and equity
Object of management	Organizational units and sub-units	Services, activities	Multilateral institutional relations
Key financial variables and tools	Revenues, expenditures, investments and debts	Full cost recovery, cost savings and incremental revenues	Revenues, expenditures, grants, contracts, loans, loan guarantees, insurance, regulations

Table 8.5 Supporting information services

	Classical model	*NPM model*	*Stakeholder model*
Budgeting	Departmental, line-item input budgets	Mission-oriented budgets with output/outcome orientation	All-encompassing budgets for distributing resources
Accounting	Budgetary accounting, financial	Product/service costing, differential costs and	Accounting for claims and

	accounting	benefits	
Auditing	Compliance and financial audits	Operational audits focusing on economy, efficiency	Audits focusing on outputs, outcomes, effectiveness and equity

Public financial management – in the broad sense – is aided by budgeting, accounting and auditing (Table 8.5). The input and control orientation in the classical model gives way to the mission-driven output budgets favoured by the NPM model. The macro perspective of the stakeholder model requires a more encompassing (i.e. global) budget to see how resources are allocated to various service providers. Similarly, rule-based budgetary and financial accounting would not be appropriate for the NPM model; what is needed is the ability to analyse costs in support of management decisions. The multiple contractual arrangements in the stakeholder model require keeping track of many claims and obligations. By the same token, the scope of auditing is broadened to encompass non-financial aspects of performance.

Summary

Scholars of public management have over time changed their views of what a good government is. A good government used to be an efficient bureaucracy that faithfully executed public policy. More recently, advocates of 'new public management' endow a good government with an entrepreneurial spirit that treats citizens as customers (who care more about outputs and outcomes than inputs). Now a good government plays its part in a larger institutional network. These shifting perspectives have in turn redefined the ideal public administrator/manager. She used to fight to enlarge her agency's share of the budget pie; now she cuts costs and searches for new revenues, and builds strategic alliances. In service of the new public manager, the financial staff person has to acquire new skills. It is not enough for him to know how to keep the books correctly; he has to spot opportunities for cost savings and revenue enhancements. Better still is a financial wizard who can leverage others' strengths and defeat competitors. In order to integrate the diverse finance functions, governments have appointed chief financial officers (CFOs) with expanded authority and responsibility. If the rise – and occasional spectacular fall – of corporate CFOs is any guide, public financial management will be anything but dull as governments seek to tackle their fiscal problems with rigour and creativity.

Questions for review and discussion

1. What are the salient features of the three models of public financial management?
2. In what ways is the classical model necessary but insufficient for government in the contemporary world?
3. Has NPM, being 20 years old, lost some of its appeal? To what extent has NPM been institutionalized? Where and how?
4. In what ways can the adoption of the NPM and Barnard–Simon stakeholder models be regarded as reforms – changes for the better – as compared to the classical model?
5. Is public financial management politically neutral or is it ideological?

Class exercises

1. Should governments in poor countries be exempted from the financial management requirements discussed in this chapter? Which of the models discussed in this chapter is more appropriate for developing countries? Why?
2. Write the job descriptions which you think should apply to the following government officials: chief executive, chief finance officer, budget director, comptroller, treasurer, internal auditor.
3. A local government health department operates a community mental health centre. The centre's basic occupancy costs (e.g. rents, utilities) are paid by the local government. However, its services are financed by grants. Currently, there are two programmes. The Clinic is financed by a multi-year state grant, and the Community Outreach programme is paid for by a federal grant. Today the centre's executive director received three letters. The health department wants to reduce the centre's budget by 20 per cent. The state is cutting its grant by 30 per cent, and the federal grant programme is being phased out in two years. Advise the executive director what to do and how to go about it.
4. What are the differences between managing the finances of (a) a private business, a non-profit organization, and a government department; (b) a government department versus the government as a whole?
5. What financial management lessons could be drawn from the European sovereign debt crisis that began around 2010?

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9

Managing people and organizations

Structures, processes and cultures

Elke Loeffler and Catherine Staite

Introduction

In the last half of the twentieth century, as the public sector grew in OECD countries it employed ever more staff. This pattern suddenly came to a halt in 2008, as many governments around the world sought to contain or reduce public budgets. Suddenly, staffing costs in the public sector have become a key issue. However, this is not the whole of the picture in human resource management (HRM). Many public sector organisations have become conscious of the need to use their 'human resources' more effectively and to enhance productivity through staff development and new recruitment. Staff development at a time of staff cutbacks has not proved an easy balance to achieve.

Public sector organisations do not operate in a vacuum – they are part of wider society and the political system, both of which have been changing rapidly in recent years, with significant impacts on the type of employee sought in public sector organisations. Many of the factors listed in the PESTEL analysis in chapter 2 have major implications for public sector staff. Consider, for example, the increased diversity of civil society in many countries. At one level, this gives rise to new job profiles in public services, such as social workers who specialise in working with refugees and migrants or teachers who teach children who cannot speak the majority language in their school. Moreover, simply handling these issues with the same mix of staff as before is unlikely to be effective – so diversity management has become important in HRM, implying the need to recruit staff from under-represented groups. As a result of these and many other changes in society and in politics, the modernisation of HRM will remain high on the agenda of most OECD governments.

Learning objectives

- To understand the key functions of HRM in the public sector.
- To understand how HRM has evolved in the public sector and how it differs from the private sector.
- To explore how HRM in the public sector has become more flexible and 'European', while still retaining some 'layers' from older personnel management concepts.
- To explore some of the key HRM challenges facing public organisations and the policy implications of the future need for new kinds of public workforce.

In this chapter we will look at how HRM has evolved in the public sector and how it differs from HRM in the private sector. We also show that there continues to be a deep divide in HRM between administrative law countries with a class of 'permanent' (i.e. life-time) civil servants and 'Westminster-type' systems, such as the UK, where (most) staff can be made redundant simply for budgetary reasons. Finally, we will look into the future to identify

potentially key HRM issues and the roles and profile of the future public sector workforce.

What do we mean by human resource management?

HRM is a key support function underpinning the management of an organisation. The strategic and operational tasks involved include:

- qualitative and quantitative workforce planning to ensure that sufficient staff with the right skills are available;
- ensuring staff costs are in line with the underlying strategy for the service unit and overall organisation;
- design of job descriptions, recruiting and selecting staff, based on a fair process;
- management of staff work protocols, including team working, work timetabling, core time and flexitime working from home, holidays and leave arrangements;
- designing remuneration and reward systems (possibly involving performance-based pay);
- negotiating staff pay and conditions with employee representatives, e.g. trades unions;
- training and staff development to ensure that staff have the skills and knowledge required;
- implementing a code of conduct, including handling of grievances and disciplinary procedures;
- management of employment termination, whether voluntary or compulsory;
- review of staffing and evaluation of HRM strategy and operational procedures.

HRM evolved out of 'personnel management' (see Box 9.1) – the two terms originally had much the same meaning. However, HRM gradually came to include the devolution of many aspects of 'people management' from a specialist central department directly to line managers. Although the term 'HRM' has also sometimes been used to imply a heavily performance-oriented approach to managing staff, in this chapter we stress that managing the 'human' and 'social' side of HRM may be more important to the success of the long-term strategy of an organisation than directly focusing on measurable performance improvement by staff.

Box 9.1 Classical definition of personnel management

Personnel management is directed mainly at the organisation's employees: finding and training them, arranging for them to be paid, explaining management's expectations, justifying management's actions, satisfying employees' work-related needs, dealing with the problems and changing management actions that produce unwelcome employee response. Although a management function, it is never totally identified with management interests – there is always some degree of being between the management and the employer, mediating the needs of each to the other.

Source: Adapted from Torrington and Hall (1987: 14)

HRM policies are typically determined by the administrative and political leadership of an organisation. The Human Resource Department plays an advisory role in setting these policies and is then responsible for implementing them through appropriate organisational frameworks and procedures (e.g. setting staff objectives and targets), as well as ensuring that legal requirements (such as equalities legislation, health and safety, etc.) are met. Individual managers are expected to take care of operational issues affecting their own staff (e.g. agreement and monitoring of performance objectives). Of course, the boundaries between these different elements of people management are permeable – for example, an individual's training needs will be identified by a manager, but will have to be resourced in line with corporate HRM policies. And, where the relationship between a member of staff and a line manager has broken down, the HRM function will need to mediate in ensuring that even straightforward 'line management' functions are carried out appropriately.

While HRM is sometimes perceived as a purely compliance-oriented, internal, administrative function, it provides essential services to other departments and performs a cross-cutting role within organisations. In is therefore often key to promoting new forms of behaviours in the organisation (see Case example 9.1). Moreover, in recent years, HRM has often worked across organisations, with some activities becoming a shared service in order to cut costs.

Trends in public sector employment and pay

In many OECD countries, central governments and local authorities have recently introduced across-the-board reductions of staff levels and cut overall wages and salaries to make savings. Furthermore, other staff benefits have been reduced or eliminated. In particular, employment conditions for new recruits have become much less favourable. While this may indeed bring savings, there can be serious negative impacts, such as limiting the ability of overstretched staff to acquire skills and competencies and to gain experience in a range of relevant jobs

A recent European research project analysed EUROSTAT data on public sector pay and concluded that 18 out of 27 countries implemented austerity-related pay reforms during 2008–2012, involving combinations of pay freezes and/or pay cuts (Grimshaw et al., 2012: ii). Table 9.1 highlights some of their findings on public sector pay in selected EU countries.

While the overall picture shows a worsening pay situation in EU countries, the differences are striking. In Denmark and Germany, civil servants and public sector employees have suffered neither a pay freeze nor pay cuts since 2008. On the other hand, pay policies have been more driven by austerity in Greece, Romania, Spain and the UK. Table 9.1 also shows how pay policies are quite different across the EU – not all public sector staff have been enjoying the thirteenth- and fourteenth-month salaries which have recently been cut in Greece.

What's different about human resource management in the public sector?

While HRM in public sector organisations shares many important dimensions with private (and third) sector organisations, it has some important differences. In particular, it operates within a political system in pursuit of public value, involving a wide range of different stakeholders with quite different motivations.

Case example 9.1 Behaviours in a cooperative council

The London Borough of Lambeth has developed a set of citizen-focused behaviours for its staff. The resulting competency framework includes 13 behaviours, which have been built into the appraisal and performance framework so that personal objectives link to the behaviours and to community outcomes. These include competencies such as: being committed to the borough, taking ownership, working collaboratively, focusing on citizens and being politically astute. Here we focus on the behaviour 'empathy'.

Empathy

This behaviour is about sensing others' feelings and perspectives; taking an active interest in their concerns; accurately hearing and understanding their unspoken or partly expressed thoughts, feelings and concerns; seeing things from someone else's perspective; and recognising the underlying reasons for why someone might say or do the things they do.

Why is empathy important? If we are to genuinely engage with citizens then we need to be able to 'put ourselves in their shoes'. We must be able to respond to citizens in a way that we ourselves would like to be treated – politely and respectfully and, where appropriate, with warmth and compassion. Empathy will be particularly important if we are to engage and involve some of the most vulnerable individuals in the borough who may not be able to fully articulate their thoughts or feelings.

Below are indicative examples:

Level 1

- Listens to others
- Listens attentively and responds calmly and professionally.

Level 2

- Understands emotions
- Recognises 'non-verbal' cues such as body language, tone of voice or facial expression and 'reads' these to understand what someone is actually feeling but not necessarily expressing.

Level 3

- Understands meanings
- Makes inferences that go beyond the explicit content or emotion being expressed
- Can interpret and understand poorly expressed thoughts, concerns or feelings
- Is able to relate to people from a wide range of diverse backgrounds.

Level 4

- Understands underlying issues
- Displays an in-depth understanding of the ongoing reasons for a person's behaviour or response to a situation
- Is able to see things from someone else's perspective and to challenge own thinking as a result.

Source: Adapted from Hay Group (2012)

Political dimension

Table 9.1 Pay cuts and pay freeze in the public sector in selected EU member countries

Country	*Year*	*Pay cut*	*Pay freeze*	*Public sector staff covered*
Denmark	2012–2014	No	No – +6.3% rise	Public sector staff
Germany	2010	No	No – +1.2% pay increase	Staff employed at federal and local government level
	2011	No	No – +0.6%	Staff employed at federal and local government level
	2012–2014	No	No – +3.5% (March 2012), +1.4% (Jan. 2013), +1.4% (Aug. 2013)	Staff employed at federal and local government level
Greece	2009	Yes	(no data)	All earning > €2,000 per month

	2010		Yes – 12% to 20% cuts plus cuts to 13th- and 14th-month salaries	General public sector Civil servants
	2011–2012	Yes	(no data)	
	2012–2014		Yes – 17% cuts over 3 years planned	
Romania	2010	(no data)	Yes – cuts from 25% to 50%, plus cuts in additional payments	Temporary measure July–Dec.
	2011	(no data)	Elimination of a wide range of bonuses and the 13th-month pay	
Spain	2010–2011	Yes	Yes – 5% cuts	Civil servants
	2011–2012	Yes	(no data)	Civil servants
United Kingdom	2011–2013	No – pay freeze (except low pay supplement)	(no data)	Most pubic sector workers

Source: Adapted from Grimshaw *et al.* (2012: 9–10) plus updates from authors

The traditional view, as expressed by Lord Armstrong of Ilminster, Cabinet Secretary in the UK in the 1980s, is that 'the Civil Service has no constitutional personality separate and apart from the government of the day. The duty of the civil servant is first and foremost to the minister of the crown who is in charge of the department which he or she is serving' (Riddell, 2013: 1–2). In short, civil servants work for current ministers who are in turn accountable to Parliament.

However, in political reality, the relationship between public officials and elected politicians is not so simple. Even in the UK, which is widely praised for its independent civil service, a number of factors have put a strain on the relationship between ministers and top civil servants (Riddell, 2013: 2–3):

1. Ministers have been increasingly critical of the capabilities, skills and performance of the Civil Service, particularly in handling big infrastructure and technology projects. They also want a broader range of policy advice and officials who can implement their ideas effectively and understand how policy works in practice.
2. Ministers are reluctant to take the blame for actions, or lack of it, by civil servants whom they do not appoint. A Secretary of State is not expected to take personal responsibility for all administrative actions for which he or she is accountable to Parliament. However, in political terms, ministers feel an imbalance between their accountability and their powers; some have complained that their decisions are blocked or frustrated (sometimes deliberately) by civil servants resisting their wishes.
3. Civil servants feel increasingly insecure, as shown by the unusually large number of Permanent Secretaries who left their posts early or suddenly after the change of UK government in 2010 – there was particular sensitivity to criticism in the media of

senior civil servants, often by name, made by unattributed ministers and their special advisers, to which officials could not reply.

4. Parliament itself – along with the media and the public – has become more assertive in wanting to hold civil servants, as well as ministers, to account for their performance. The Public Accounts Committee has sought to make civil servants more personally accountable by summoning not just current Permanent Secretaries to give evidence as accounting officers but, if necessary, also their predecessors.

At local government level, an example is provided in the recent Review of Birmingham City Council, on behalf of central government, led by the recently retired Head of the Civil Service Permanent Secretary, Sir Bob Kerslake:

> Instead of an effective partnership between the political and managerial leadership of the council we have consistently heard that the respective roles of members and officers are blurred in practice. In the words of a Cabinet member: 'councillors pretend they are officers, and officers occasionally pretend they are councillors'.
>
> (Kerslake, 2014: 35)

In many OECD countries, the degree of politicisation of the civil service is much higher than in the UK, and may be rising – see Case example 9.2.

Public value v. private value

Another key factor which distinguishes HRM between the public and private sectors is the pursuit of public value in the public sector. The concept of 'public value' (Benington and Moore, 2011) covers not only the *outcomes*, such as the benefits to individuals, families and communities which public services deliver, but also the *authorising environment* and the *operational capacity* which enable the delivery of those outcomes.

Case example 9.2 The politicisation of civil servants in Spain

The real challenge for Spain – beyond its current economic plight – is how to overcome its public governance problem. …

Corruption and maladministration are notorious among the political class …. Public administration at state, regional and municipal levels remains politicised and ridden by patronage. Civil servants who are too committed to legalism and the rule of law are often put to one side. An autonomous, non-politicised civil service is lacking, especially at sub-national government levels. Few civil servants dare oppose legally or ethically dubious instructions from their superiors, and those who do face reprisals. …

Some regard the decentralisation of power towards regional governments without independent administrative controls as a major source of corruption. A radical minority is advocating the reinstatement of a completely centralised state, as under Franco. … However, very few are proposing strengthening the control mechanisms over governments: there will have to be thorough checks and balances, including better

protection of the impartiality of the civil service, which is meant to be politically neutral.

Source: Adapted from Cardona (2014) and Loeffler (2001)

The authorising environment is made up of a number of different actors, including politicians who set out the policy objectives for public sector organisations, but also partner organisations and other wider stakeholders. Conflict in authorising environments is common – for example, between national and local government, professional and managerial interests, and protectors of the *status quo* and advocates of change. Leaders at organisational level often act as a buffer between their staff and the complexity, contradictions and paradoxes evident in the authorising environment, with varying degrees of success. Where staff in public organisations find themselves attempting to meet criteria imposed by different authorising environments, their role clarity suffers, which is likely to have serious effects on their performance (Tummers *et al.*, 2012).

Motivation

Since purposes differ between the public and private sectors, it is also possible that motivations of leaders, managers and staff also differ between the sectors. However, there may be less difference in motivation between the sectors than sometimes thought, at least when seen from the contrasting perspectives of 'Theory X' and 'Theory Y' (McGregor, 1960). Theory X suggests the need for authoritarian management to prod unwilling staff into productive behaviours to achieve objectives set for them, using close supervision and comprehensive control systems. 'Theory Y', on the other hand, suggests that staff enjoy work, are *self-motivated*, exercise *self-control* and, given favourable conditions, will accept responsibility, to achieve the objectives to which they are committed – see Box 9.2. Certainly, UK ministers have often seen the 'name and shame' approach as key to improving performance (Bevan, 2010), while national politics often glorifies the 'blame culture', both typical of Theory X. However, it may still be possible to design public services so as to maintain the difference between a 'public service ethos' and a purely self-interested ethos – see Box 9.3.

Box 9.2 Theory X and Theory Y in the public sector

The government and the Department of Health love to think they go in for Theory Y. It's the public service ethos. I don't think you'll ever hear either of them saying they think NHS staff are fundamentally lazy and don't really care about patient care unless they have to. But in reality while they pay a lot of lip-service to Theory Y – and may even think they believe it – they somehow can't resist extending their tentacles. Actions speak louder than words. And the actions have more often than not been symptomatic of Theory X.

Delivering the NHS Plan is the best example. It talked much about the process of

earned autonomy, devolving decision-making to local organizations and unleashing the greater flexibility, innovation and responsiveness to patients that was assumed to go with it. You might think this is the triumph of Theory Y, but far from it. For starters, is anyone else missing an inherent contradiction here? Do well and we'll set you free to do even better. But surely if you really believe NHS organizations will ultimately do better if they're free, then why not just set them free in the first place?

Source: Gubb (2007)

Box 9.3 'Knights' or 'knaves' and their treatment of 'queens' or 'pawns'?

Julian Le Grand sets out a different approach to understanding motivation in the public sector – he distinguishes between public servants acting as 'knights' (i.e. purely motivated by public interest) and 'knaves' (i.e. purely motivated by self-interest) and suggests that it is as naive to treat them wholly as knaves, as it is to treat them wholly as knights. He insists that the evidence suggests that people who work in public services are more altruistic than those working in the private sector.

However, if you treat people as though they were knaves, they often do turn into knaves, serving their own ends at the expense of the user – and of the government. For example, they may neglect anything where there is no target and, where there is a target, they may fiddle the figures.

So how should we design public services, if professionals and other public service workers are a mixture of knaves and knights, and if we want users of public services to be treated more like queens than pawns?

Le Grand suggests that the first step is to make sure that self-interest and altruism do not conflict. Hospital consultants should not be able to take decisions which lengthen their waiting list, so that more of their patients are encouraged to use their private practice. More positively, knavish and knightly incentives should be aligned, e.g. through choice and competition in public services. Giving choice turns service users into 'queens' with power, not pawns at the mercy of professional decisions. Simultaneously, providers of a competitive service can feel that they are contributing to the public good, as well as being professionally successful. Here, competitive pressures operate as effectively as if the providers were knaves and purely self-interested, while their knightly spirit of caring for others is retained. It is not necessary to turn knights into knaves for pawns to become queens.

Source: Adapted from Julian Le Grand (2003)

Box 9.4 Public personnel concepts in US public administration

1 Government by gentlemen: aristocrats

This characterised executive appointments during the first 40 years of the new nation, which recruited 'self-defined' leaders of socially prominent families or people with high formal educational qualifications or previous prestigious occupations.

2 Government by the average: democrats

The democratic concept of public service became dominant after 1830, when a new party system evolved. Executives regarded public jobs as 'spoils' for awarding to their political supporters. As government tasks remained simple, the idea was that common people might perfectly well qualify for public office – as long as they remained loyal to their patron.

3 Government by the good: meritocrats

As the negative effects of the spoils system became more manifest, a system for hiring and retaining federal employees was instituted, based on their demonstrated qualification for their positions. While this merit-based system was gradually used for an increasing number of recruitments, the previous two systems still prevailed.

4 Government by the efficient: managers

This concept emerged around the turn of the twentieth century, as administration became conceived of as science. Efficient management was considered key to routine municipal tasks, e.g. road-building and water supply.

5 Government by the executive: administrators

As government expanded in the 1930s, public office holders had to be able to run large organisations, including finance, personnel, planning and coordination. This meant that honesty, political neutrality and efficiency were no longer sufficient, but generic management skills were required.

6 Government by specialists: professionals

With the development of the modern welfare state, administrative tasks became highly specialised, which required the recruitment of professionals with a background in engineering, medicine and other disciplines.

Source: Adapted from Johnson (1992: 360–363) following Mosher (1968)



The evolution of human resource management in the public sector

HRM is not a static concept. Ideas on what makes a good employee and employer in the public sector have been changing over time. Furthermore, conceptions of HRM are influenced by the political and legal system in which it operates, which themselves change over time. For example, Mosher (1968) distinguishes six types of public personnel concepts which have been evident during the evolution of US public administration (see Box 9.4).

Each of these six approaches has been popular at some time in the past. Changes from one approach to the other have tended to be gradual and piecemeal, not fast and radical, since legal frameworks cannot be changed overnight and staff behaviour change takes time. Furthermore, one approach never entirely supplants another – as Johnson (1992: 360) points out, 'in this layering of public personnel concepts, none has been entirely discarded'. Indeed, even the aristocratic tradition continues informally in the dominance of graduates from top universities in high federal positions, whereas the 'average' person concept has received a new life in equal employment opportunity programmes since the 1960s. As demands on public sector staff continue to change, new layers will be added to existing concepts of public sector personnel.

The flexibilisation and Europeanisation of civil service systems

HRM in the public sector is strongly influenced by legal frameworks which continue to differ significantly between so-called administrative law systems and Westminster-type systems. (We prefer *not* to use the term 'Anglo-Saxon' countries as this would bring us back to the period before the Normans arrived in the UK in 1066 and limit us to the UK, given that the Saxons never made it to New Zealand or Australia.) This applies in particular to the category of public sector staff referred to as civil servants. The World Bank (2001) suggests that the essence of civil servant status is that the laws and regulations shaping employment contracts are different from general labour law in a country and also generally different from that found elsewhere in the public sector, e.g. in health or education. It suggests four main criteria which distinguish civil servant status from other employment arrangements:

- Civil servants are 'appointed' by decision of an authorised public institution in accordance with the civil service law.
- Once appointed, there are many constraints on dismissal, as civil servants are not simply employees of the state but also have a constitutional role.
- There are more constraints on the actions of civil servants than on other groups, again because of their strategic and constitutional role.
- Civil servants are within civilian central government or subnational government.

The blurring between career and position-based HRM systems

Traditionally, a sharp distinction has been made between career-based and position-based HRM systems. In career-based systems, public office holders are usually hired at the beginning of their career and expected to follow a permanent, lifelong career in the public sector. Initial entry is based on academic qualifications and an entry examination which focuses on knowledge in public law. After passing the probationary period, the mechanics of mobility and promotion take over, allowing movement from post to post.

In position-based systems, on the other hand, people are recruited for a specific position or area of work. Recruitment is based on the specific skills or competencies of the job applicant. While public HRM in Westminster-type systems has followed more the position-based system, administrative law countries such as Germany and France have tended towards the career-based system. However, most countries operate a mixed model in order to mitigate some of the negative effects of both systems – see Case example 9.3. For example, the German public sector employs civil servants with lifelong tenure (as the general rule), some civil servants with time-limited tenure (special cases) and public employees who are recruited for specific positions but benefit from being almost impossible to fire after they have served 15 years in the public sector.

Since the 1980s, a number of OECD countries have reduced the level of protection for civil servants and aligned their employment conditions with the more flexible conditions usually

found in the private sector. Most Central and Eastern Europe countries have modelled their civil service on the continental rule of law (*Rechtsstaat*) tradition (Van der Meer *et al.*, 2015), which is often seen to be highly inflexible. However, Farnham and Horton (2000) concluded that, in reality, a full range of 'flexibilities' could already be found throughout the public services of all OECD countries (although varying somewhat between political systems), including flexibilities in contractual terms, working hours and location of work, pay, length of working life and tasks – again, this suggests the operation of a 'mixed model'.

Europeanisation of public sector HRM

Case example 9.3 The dual structure of public sector employment in Germany

The German public service consists of three groups with different status: civil servant (*Beamte*), salaried employee (*Angestellte*) and worker (*Arbeiter*). Whereas salaried employees and workers have employment contracts based on private law, the legal position of a German civil servant, including pay and pension rights, is not the result of collective bargaining but of an Act of Parliament. Consequently, in public law the German civil servant serves – and is expected to be loyal to – the 'state'. German civil servants do not have the right to strike but they also do not have to contribute to the pension fund.

However, the *de jure* uniformity of the German civil service is partly illusory. While pay and pension scales are harmonised across Germany, the federal structure of the German public administration means that subnational public services at state (*Land*) level diverge significantly. Moreover, the functional division between civil servants and blue- and white-collar workers, although enshrined in the constitution, has in reality become increasingly blurred with regard to tasks carried out, pay, conditions of employment and social benefits. This process was accelerated by the unions' successful strategy of getting more favourable conditions enjoyed by one group transferred to all other categories of public sector staff.

Source: Adapted from Loeffler (1997: 76–78)

In spite of different legal systems and civil service traditions, the public sector HRM systems of all EU member states and accession states have been influenced by European integration. EU administrative principles can be categorised into four groups (Meyer-Sahlig, 2009: 12):

1. rule of law: legality, reliability and predictability
2. openness and transparency
3. legal accountability
4. efficiency and effectiveness.

The most important effects of these principles on public sector HRM systems are related to the provisions governing non-discrimination and equality as stipulated in Articles 13 and 141 of the EC Treaty, particularly outlawing discrimination on grounds of gender, age, racial or ethnic origin, religion or belief, disability or sexual orientation.

Increased intergovernmental cooperation on public sector HRM issues (for example, through the European Public Administration Network, EUPAN, www.eupan.eu) has also strengthened the Europeanisation of national civil service systems and wider public sector HRM practices. For example, the Italian EU Presidency in 2014 commissioned a survey on competency management among EUPAN members, explored the impact of open government on public sector modernisation and organised a workshop to promote the use of the European quality self-assessment tool, the Common Assessment Framework. Twinning programmes financed by the European Union have also contributed to the Europeanisation of public sector HRM practices. However, in spite of the progress made through all these initiatives, a recent evaluation of the professionalisation of the civil service in Armenia, Azerbaijan, Georgia, Moldova and the Ukraine (Parrado, 2014) shows that there is still a long way to go to put EU administrative principles fully into practice across Europe.

Key challenges facing public sector HRM

All OECD countries are currently faced with a number of pressing HRM issues. In particular, public sector employers need to ensure that public sector jobs remain attractive, while achieving budget savings through a smaller workforce. An OECD 2010 country survey reveals that only five countries (Brazil, Israel, Korea, Norway and Turkey) do *not* expect a decrease in their public sector workforce (Demmke, 2014).

Ageing society and workforce

One key challenge for most public sector organisations is the ageing of their workforce, within the wider of context of an ageing society. As Christoph Demmke (Demmke, 2014) points out, this does not just imply a new focus on promoting the health of the workforce and updating the knowledge and skills base of staff as they get older – it also raises issues of inter-generational fairness, given that young recruits tend to get a worse deal in terms of pension entitlements and other benefits (if indeed these are still available at all).

Diversity management

A second issue facing many governments is diversity. Diversity management in the public sector covers not only dealing with a public workforce which comprises a mixture of backgrounds and competences but is also about an assets-based approach in HRM which values and harnesses the different competences, experiences and perspectives of staff to improve government efficiency and effectiveness, and meets differing staff expectations (see Box 9.5).

Achieving diversity is a long-term process that must be an integral part of strategic planning. In the light of demographic changes, there is a need to take a fresh look at gender mainstreaming to enable and incentivise more women to achieve middle and top management positions in the public sector. Other equality dimensions, such as age, ethnic group, religion, sexuality, etc. are also often critically important. Moreover, there are important operational issues involved – for example, citizens who perform new roles as volunteers may need to be supported and trained by professionals – a new task for those professionals.

Box 9.5 Definitions of diversity

According to the OECD (2009), definitions of diversity fall into three main groups:

- *Diversity as equal opportunities*, which mainly refers to preventing discrimination in terms of gender, age, ethnicity, religion or belief, sexual

orientation, political views, disability, and physical appearance, guaranteeing the neutrality of HRM processes and that of public employers.

- *Diversity as a resource*, which aims to understand, appreciate, and realise the benefits different life experiences, competencies, and socio-economic and cultural backgrounds may bring to public service performance, regardless of their ethnicity, cultural background, sexual orientation, disability or age, to increase the capacity of government and the satisfaction of people employed in the public service.
- *Diversity as inclusiveness*, which alludes to working in a strategic, long-term and joint manner to ensure changing structures and systems to make use of the relevant competencies people have.

Source: OECD (2009)

Performance-related pay

Performance-related pay (PRP) remains a topical but controversial issue for HRM in the public sector. Some arguments emphasise its fairness aspect (see Box 9.6), while other arguments stress how difficult it is to implement and that it can have some negative effects (see Box 9.7).

In the UK, PRP is still relatively uncommon, although increasing. A recent evidence review by Ray *et al.* (2014) suggests that currently the only well established, large-scale PRP system in the UK public sector is for general practitioners, although PRP schemes for individual staff have been widespread for some time in the civil service and team bonuses have also been trialled. It reports that the UK government has recently committed to linking pay progression to performance in the civil service, schools, the NHS, prisons and the police.

More widely, only six countries reported in the 2010 OECD survey that they did not have a performance-related pay system (Belgium, Greece, Iceland, Mexico, Poland and Turkey) (OECD, 2012a: 86). However, experiences with PRP have been mixed – even though it continues to be attractive to commentators like the World Bank, some schemes have had design and implementation problems with negative effects on staff motivation (OECD, 2012a).

Since performance assessment in the public sector poses many difficulties (see chapter 11), it is not surprising that performance assessment of staff is problematic. Typically, one might expect the actual performance of any work force to follow the bell-shaped curve typical of a normal distribution, with the majority of staff tending towards the average, some above it and some below. However, in most countries, performance appraisals do not tend to differentiate much between different levels of performance by public servants, for a number of reasons.

Box 9.6 Why performance-related pay?

The *Hutton Review of Fair Pay* in the public sector emphasised that 'fairness' in terms of due deserts inevitably implies that pay should vary according to individuals' performance. Moreover, the public sector may be missing out on high calibre staff

because it does not offer sufficient opportunities and incentives to perform. It therefore recommended that performance pay for senior staff should not be abandoned, even in the face of public criticism of bonuses and well-known difficulties of implementation.

It suggested a number of approaches for implementing PRP. Since behavioural studies suggest that individuals are more powerfully influenced by the prospect of losses than of gains, it recommended reconfiguring PRP systems for senior managers to include an element of 'earn-back' pay. This would see executives required to meet pre-agreed performance objectives in order to earn back an element of their basic pay that had been placed at risk. Only if objectives were met would executives receive their full basic pay, and only if objectives are clearly exceeded could additional awards be made.

The *Hutton Review* also suggested that it should be possible to design team-based incentives that reconcile the importance of due deserts with the reality that outcomes are collectively produced by the whole of an organisation's workforce. It called this approach 'gainsharing' – the sharing of the rewards from productivity gains and resultant savings among all the staff that contributed to them.

Source: Adapted from Hutton (2011: 11)

Culture change

While rules and regulations are one aspect of HRM, actual behaviour forms the other key aspect. In particular, change management programmes in public sector organisations often contain a call for 'behaviour change' of public sector staff, bound up with the need for change in the organisational culture.

Box 9.7 Evidence on the effects of PRP

A recent review of PRP in the UK public sector has found evidence that PRP schemes can be effective in improving outcomes across three public services studied (health, education and the civil service). However, its central conclusion was that the outcomes from PRP are mixed, and much depended upon organisational and occupational context and scheme design and implementation.

Moreover, where positive effects were found, they were sometimes small and perhaps short-lived. It concluded that it was difficult to draw conclusions about the effectiveness of PRP for a particular public service and even more difficult to evaluate the cost-effectiveness of PRP schemes, taking into account their cost.

There was some evidence of 'gaming' as a result of PRP, and even of outright cheating (e.g. where school officials conspired to alter students' test scores or where doctors reduced the number of eligible patients in order to raise performance on a target measure).

Source: Adapted from Ray *et al.* (2014)

Organisational cultural issues are discussed in detail in chapter 5. What is most important for HRM is that, as Handy (1993) reminds us, several different cultures can operate in an organisation at the same time. Handy's 'role' and 'task cultures' might be considered most typical of public sector organisations, although staff often indicate that they feel they are in a 'power' culture, and senior managers often suspect their staff are behaving as if they are in a 'person' culture. Simplistic appeals to recognise that 'we are ONE local authority' are more likely to make staff sceptical about their leaders' credibility than to recruit staff support for cultural change.

Johnson *et al.* (2008) present a coherent model of a 'cultural web', which helps to clarify why cultural change can be such a challenge. Top management is more likely to focus on changes in the 'harder' elements of the cultural web, which are most visible to them, such as power, structure and control mechanisms. However, it is the 'softer' elements such as symbols, stories, rituals and routines that are more visible to front-line staff and middle management. It is these 'softer' aspects that are likely in practice to be much more important in influencing the behaviour of the majority of employees. An informed and coordinated HRM function is especially likely to help bring together these two sides of organisational cultural change.

The government workforce of the future

In times of austerity, it is even harder for governments to ensure workforce capacity for the future, while simultaneously seeking efficiency savings. In order 'to get the right people for the right job at the right time' (OECD, 2012b), public organisations require staff with a wide variety of distinctive and complex skills sets, which span across the distinctive professional groupings and service specialisms (Peck and Dickinson, 2008). In particular, four long-standing roles continue to be important, including:

1. *regulator* which involves assessing performance of resources against standards;
2. *protector* where the emphasis is on intervening to prevent harm;
3. *adjudicator* where the requirement is to make decisions on balance of evidence;
4. *expert* where the role is to exercise judgement in decision-making, drawing on relevant skills and experience.

Given the rate of change in the public sector, new roles and consequently new skills are regularly emerging. Sullivan (2011) suggests that, in order to undertake their traditional, new and evolving roles, public servants need a set of 'twenty first century literacies', including:

- *inter-personal skills*, specifically facilitation, empathy and political skills;
- *synthesising skills*, including gathering and sorting evidence, analysing, making judgements, offering critique and being creative;
- *organising skills* for group work, collaboration and peer review;
- *communication skills*, making more and better use of new and multimedia resources.

Based on these ideas, Needham and Mangan (2014) have suggested the key roles which the twenty-first-century public servant needs to play. The role of *storyteller* can be undertaken by staff at any level in public services, using visions of possible change to open up pictures of a different sort of future to service users, citizens and staff. The team role of *resource investigator* can be developed into that of *resource weaver*, combining public resources in new ways and encouraging individuals and communities to generate new resources. Frequent restructuring, new functions and new approaches to integrated services requires the design skills of a *systems architect*. A *navigator* is needed to guide citizens, service users and carers through the range of possibilities available in the local public services system. The role of *commissioner* challenges the provider-oriented parts of the service system. With the complexity of funding, eligibility and access to public services, service users need the support of a *broker*. Finally, *reticulists* with networking skills are needed to work across boundaries and bring together all actors relevant to the achievement of publicly desired outcomes.

Summary

HRM is a key function of managers in the public sector. It covers not only the 'people management' activities of the specialist personnel department at the centre of organisations but also the devolution of many of these activities directly to line managers of staff. In addition to ensuring compliance with corporate policies, HRM has a key role in enabling and promoting new forms of behaviours and culture change in the organisation.

Although HRM in public sector organisations shares many important dimensions with private (or third) sector organisations, it is also different because it operates within a political system in pursuit of public value, involving a wide range of different stakeholders with quite different motivations.

HRM in the public sector is strongly influenced by legal frameworks which continue to differ significantly between so-called administrative law systems and Westminster-type systems. Since the 1980s, a number of OECD countries have reduced the level of protection for civil servants, aligning employment conditions closer to those in the private sector. However, even these more 'modern' HRM systems often retain some 'layers' from older personnel systems.

All OECD countries are currently faced with a number of pressing HRM issues. In particular, public sector employers need to ensure that public sector jobs remain attractive, while reducing workforces to achieve budget savings. Other key issues include an ageing workforce, diversity management, performance-related pay and the need for culture change.

Getting the right people for the right job at the right time will require finding staff with a wide variety of distinctive and complex skills sets – the twenty-first-century public servant is likely to have to combine some (perhaps even most) of the roles of *storyteller*, *resource investigator*, *resource weaver*, *systems architect*, *navigator*, *commissioner*, *broker* and *reticulist.*

Questions for review and discussion

1. What do you understand to be the main differences between the public and private sector approaches to HRM?
2. What are the key HRM issues facing governments today in your country? Are you aware of good practice cases from which public sector organisations in your country could learn?

Reader exercises

1. Analyse the organisational cultures in your organisation. Who are the heroes and the villains? Do the formal systems match the stories and symbols?
2. Interview a member of staff of a public sector organisation in your area. Explore their reaction to the different roles of the twenty-first-century public servant suggested above. Which of these roles do they seem comfortable with – and which not? And which do they already play to some degree? What do you conclude about the ways in which they are likely to change their role in the future?

Class exercises

1. Working in two groups representing (a) a local authority and (b) a central government department, research the HR policies of each type of organisation. In the plenary session, the groups should compare and discuss their respective HR policies.
2. In groups, discuss how you would market the advantages of a public sector job to attract highly qualified university graduates, even though the salary may not be competitive with the private sector.

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10
Digital technology, information policy and social media in public services

Christine Bellamy and Dominic Campbell

Introduction

The idea of digitalizing public services is not new. Office machines have been used since the early years of the twentieth century for processing large volumes of data, such as census returns. The first electronic general purpose computer was developed for the US Army in the 1940s, later becoming the basis of the first major business computer. By the 1960s huge computer systems were being developed for administering taxes, social security benefits and driving licences. But it was not until the 1990s, with the prospect of ubiquitous electronic networks, that governments became seriously interested in the potential contribution of digital technologies to *transforming* democracy and public services. Since then, we have seen further massive technological change, especially:

- the extraordinary growth of the Internet and World Wide Web;
- increasing public acceptance of e-commerce and online shopping;
- the advent of third- and fourth-generation (3G, 4G) multi-function smart phones, gadgets such as tablets and e-book readers, and digital interactive TV; and
- the rapid and widespread adoption of social media, such as *Facebook* and *Twitter*.

Many commentators hope that the wise use of these innovations will help to restore the legitimacy of political institutions and public services, by reducing their costs and increasing their accessibility, comprehensibility, responsiveness and accountability. This hope will be frustrated, however, if the use of electronic channels creates new forms of social exclusion, by encouraging an ever-widening 'digital divide' between people with access to new technologies – and the skills and confidence to use them – and those without. Digital government will also miss its mark if citizens mistrust digital technologies or fear that governments may abuse the personal information carried by them. For their part, public services need increasingly robust guarantees about the identity of the individuals with whom they transact online, to avoid fraud and identity theft.

These innovations are also causing policy-makers to think differently about information as a resource. In the course of transacting with public services, citizens create huge volumes of information about themselves and, by inference, about the societies in which they live. Governments are coming under great pressure to find publicly acceptable ways of exploiting this information in order better to understand social and health problems such as obesity, heart disease, cancers, child poverty, long-term unemployment and crime, and of putting their rich information resources at the service of democracy and economic growth.

Thus, investing in the right technologies and getting them to work reliably is only part of the challenge posed by digital government: in this chapter we also explore the need for effective policies on the digital divide, privacy, and data and identity management.

Learning objectives

- To understand the significance of digital technologies for public service delivery and democratic practice.
- To understand the rationale for active policies to minimize the ‘digital divide’.
- To understand the importance of effective and acceptable arrangements for increasing data transparency, exploiting information, safeguarding privacy and authenticating identity.

Understanding the strategic significance of digital technologies

Many of the ideas that shape discourse in governments about digital technologies date mainly from the 1990s, when the word went forth from business schools and consultancies that technology should no longer be regarded simply as a tool for *implementing* business strategy. Rather, new information and communications technologies should *drive* strategy, by *transforming* how business is done. This claim found its most influential expression in the concepts of *business process re-engineering* (BPR) and *process management* (Davenport, 1993), which are discussed at more length in chapter 13. Earlier large-scale computer systems tended to replicate the structure of traditional bureaucracies, imprisoning information about customers or clients in departmental 'silos' and preventing organizations from responding holistically and flexibly to their needs or to wider social problems. BPR advocated, instead, that business processes be re-engineered along two dimensions:

- Digital networks should be exploited to integrate data *horizontally* (i.e. within or between services) and thus build up a full picture of customers' needs, preferences and transaction histories.
- Processes should be joined-up *vertically* (i.e. between services and customers), thus integrating the supply and processing of information. For example, processing welfare claims efficiently depends on the quality and timeliness of information lodged by the claimant. So inviting claimants to input data directly is not only cheaper – the EU calculates that the relative cost ratios of online, phone and paper processing is 1:10:100 (European Commission, 2010: 28) – but is also faster and less error-prone.

Costs, red-tape and processing errors could be further reduced if basic personal information (such as name, gender, date of birth, marital status and, perhaps, address) were shared between services rather than collected separately by each unit of government. Many governments worldwide are therefore becoming interested in developing a central index of residents and citizens, or at least a virtual one, so that this kind of information can be collected once only and shared.

Transforming public services for the information age: electronic service delivery

Since the early 1990s, most developed countries have published successive strategies and action plans, making the case for technology-induced transformative change and showing how they will bring it about (among the most recent are: Denmark: Ministry of Finance, 2011; USA: Office of Management and Budget, 2012; UK: Cabinet Office, 2012a, 2013 updated 2014; New Zealand: Department of Internal Affairs, 2013). Such documents typically place great emphasis on electronic service delivery (ESD), and rather less on e-democratic applications. At the time of writing, the most recent biennial UN Global E-government survey showed the global leaders in ESD to be the Republic of Korea, Australia and Singapore, followed by France, the Netherlands, Japan, the USA and the UK (UN, 2014). Although there is churn among the top nations, these surveys consistently show that digital government is most strongly established in countries with high *per capita* incomes in Northern Europe, North America and the Pacific Rim, with sub-Saharan Africa at the other end of the spectrum. A similar benchmarking survey undertaken annually for the EU shows rapid progress in making public services available online, albeit with significant variation among member countries, but that a surprisingly high proportion of Internet users (38 per cent in 2013) still do not use them (European Commission, 2013).

These surveys assess countries' progress against two main criteria:

- the proportion of key services that allow citizens to complete transactions online; and
- the extent to which these services are targeted to individuals' needs.

So far as the first criterion is concerned, the leading ESD nations all offer reliable online facilities for a wide range of services, such as obtaining driving licences or university places, filing company accounts, tax returns or planning applications, or registering changes of address and other life events. It is important to acknowledge, however, that the Internet is not always the most appropriate medium for undertaking transactions or accessing information. Some services are better delivered face-to-face or over the phone. For example, the UK's Department of Work and Pensions believes that many pensioners prefer to discuss their affairs by phone and that unemployed people of working age often need face-to-face advice to encourage them to find suitable training or jobs. Similarly, Health Choices, the website developed by the British National Health Service (www.nhs.uk) offers a wide range of advice and information, including a facility to check symptoms online, but closes the process down with an instruction to visit a doctor if it reveals a condition warranting immediate medical attention. Conversely, other sites, such as the ones described in Case examples 10.1, offer help to people who are reluctant or unable to access face-to-face help on sensitive issues. And using digital media to extend public services to people living in remote rural areas is an important plank in many national ESD strategies, and also a top priority for the EU. In other words, ESD requires the development of appropriate 'channel strategies' that offer the best mix of delivery modes to meet different needs.

Public services are often delivered through a confusing range of agencies, including those run by national, regional or local governments and by their partners in the commercial or third sectors, making it difficult for people to find the service or information they need. Portals where citizens can access all or most public services therefore form a central plank in the ESD strategies of leading nations. The aim is to offer an easily navigable website, bringing together the services that individuals are likely to need at particular times or in particular circumstances, regardless of which agencies provide the back-office support. However, this has proved to be easier said than done, especially at national government level or in large municipalities. Most national government portals have gone through several formats, as governments have experimented, not always convincingly, with different ways of packaging the services offered by the plethora of agencies and tiers of government. If you access the portals of the governments of the UK (https://www.gov.uk), Australia (http://australia.gov.au), or Canada (www.canada.gc.ca) for example – or the site of a large municipality, such as Los Angeles (www.lacity.org) or the London Borough of Camden (www.camden.gov.uk) – you will see that some functions and services are clustered by 'life events' (such as starting a family, or what to do when someone dies); some by 'product group' (such as services relating to immigration, protecting the environment or employing people); and some by 'client group' (such as disabled people or native Australians). You will no doubt form your own views about which approach is most customer-friendly.

Case examples 10.1 Digital advice services

In some circumstances, advice and support is better offered remotely, through media such as phone, email or Skype, than in face-to-face settings. The anonymity offered by digital technologies may make it easier for people to discuss sensitive issues, such as problem gambling or medical or sexual problems, and their convenience and familiarity may encourage people who feel vulnerable or powerless to seek help. Here are some examples of advice services that use digital media to extend their reach:

Mensline Australia www.mensline.org.au

In general, men find it more difficult than women to talk about their problems, especially around family relationships, relationships with sexual partners or health problems. Menslink is an online professional service using a variety of accessible media to offer information, toolkits, advice, counselling and referral services on a wide variety of intimate problems, plus advice services for specific groups, such as indigenous Australians, people of Arabic origin, younger men and older men. It also provides a forum in which men can find peer support.

Childline UK www.childline.org.uk

Children often suffer in silence, perhaps because they cannot turn to their immediate

family for help, or because they believe that other people, such as teachers, won't understand their worries or be sympathetic to them, or may even blame them.

Childline offers a space for children to access confidential support and advice in reassuring and easy-to-use ways, via the phone, texts, email or snail mail. It offers expertise in issues arising from all aspects of childhood, including the pressures of school life, bullying, neglect, abuse and safety issues, family and sexual relationships, racism and mental and emotional health. It also offers mediated message boards and chat rooms for children to share their worries and a special page for adults to seek advice on child-related issues.

Most e-government strategies and surveys still place heavy emphasis on the portal approach but, more recently, this rather centralized way of providing citizens with online information and customer service support has been supplemented by the use of social media, building on enterprise 2.0 in the corporate sector. Although many were initially reticent, most public bodies now embrace a more federated approach to communications and customer service because they understand the benefits of reaching out to where their citizens are already spending their time online. Sites such as Facebook, Twitter and YouTube provide an important means of fielding customer service queries quickly and cheaply, responding to issues as they begin to form and providing vital information through channels that are already familiar to service users. In such ways, bureaucrats and politicians alike may better connect with citizens at both local and national levels, and governments may show a more human face. Some good examples of this use of social media are provided in Case examples 10.2.

Developing online democracy

If information is power, then, in principle, digital technologies offer huge opportunities to remove many of the barriers to accessing information and engaging actively in public life. However, there are strong disagreements about their likely impact. The three main scenarios suggest that digital technologies may:

- help reinvigorate representative democracy, by enabling citizens to engage more actively with elections and political institutions;
- help establish more direct forms of democracy, by obviating the need for elected representatives to mediate between citizens and governments; or
- reinforce the power of existing political elites by giving them more powerful tools for political marketing and spin.

Case examples 10.2 Using social media in public services

At national level, the UK's Foreign and Commonwealth Office is world renowned for its use of a wide range of social media, adding digital diplomacy to its public diplomacy efforts (http://blogs.fco.gov.uk/digitaldiplomacy/platforms).

At local level, councils like Sutton (https://www.sutton.gov.uk/socialmedia) in London now use a range of social media to provide residents with information. For example, they use Twitter to inform the public of their road gritting activities in cold weather.

In much the same way, the City of Coventry has used Facebook (https://www.facebook.com/coventrycc) to send out information about school closures during periods of snow (as well as for wider communications and engagement purposes).

Other public services, such as Solihull Police (http://twitter.com/SolihullPolice) are held up as an example of best practice in their use of social media, delivering serious messages in a humorous and engaging way that speaks with a contemporary voice.

Neath Port Talbot Council has even used YouTube to recruit senior staff to its Children's Service (www.youtube.com/watch?v=dob1apv8-SQ).

Case examples 10.3 Using social media to promote democratic engagement

City leaders like Cory Booker (www.corybooker.com) are blazing a new path for digital engagement. The Councillor Camp event in 2013 in the UK (http://councillorcamp13.eventbrite.com) showed the impetus of this movement. TweetyHall (http://tweetyhall.co.uk) listed just short of 1,000 tweeting local politicians in

the UK and Tweetminster records that over half of UK MPs also now tweet (http://tweetminster.co.uk).

Individual citizens are also using digital means to lodge their priorities with government through e-petition sites such as the EU's Citizens Initiative (http://ec.europa.eu/citizens-initiative), E-petitions in the UK (http://epetitions.direct.gov.uk) and *We The People* in the US (https://petitions.whitehouse.gov).

At a local level, local online communities such as *Harringay Online* (www.harringayonline.com) use their collective voice to flip traditional power structures, with local politicians now invited to community surgeries to hear what is important to the community, rather than the other way round.

In such ways, digital media may be starting to disrupt the existing order of democratic engagement.

Academic work on Internet politics (e.g. Chadwick, 2006; Chadwick and Howard, 2009; Coleman and Blumler, 2009) illustrates the wide variety of e-democratic initiatives undertaken in the last few years, but most fail to progress beyond the demonstration stage. For example, experiments were undertaken in the USA, the UK, the Netherlands, Estonia and Switzerland in the early years of the twenty-first century with remote electronic voting (REV) via the Internet or phone, primarily as a way of addressing low voting turnout, especially among young people (Alvarez and Hall, 2008). With the notable exception of Estonia, these experiments were abandoned, mainly because of the problems of authenticating voters' identity and ensuring that they only vote once and without undue influence by anyone else. Most formal government initiatives have focused, instead, on disseminating information about the political process and engaging citizens in policy consultations or online political forums. Government portals now provide 'get involved' facilities, offering opportunities to initiate or sign petitions, respond to consultations about policies or plans, access policy briefings or watch video-feeds of parliamentary debates. Most effective politicians also use a wide variety of social media to extend their reach and impact. Few politicians have taken this approach further than Barack Obama. Since he first became a potential presidential candidate, his team have used a wide range of media, from Twitter, Facebook and YouTube to Pinterest, Tumblr and Instagram, to supplement traditional communications and lobbying techniques with highly interactive and personalized forms of digital dialogue. For example, the Obama White House uses such media for publicizing the President's annual State of the Union address, culminating in one of his regular Google+ Hangout fireside chats with the American people (www.whitehouse.gov/blog/2013/02/14/watch-president-obama-answers-your-questions-google-hangout). This use of digital media apparently provides citizens with an unprecedented level of access to the leader of the free world, and there is little doubt that the use of social media is an increasingly important element in digital government. In cases such as those set out in Case examples 10.3, they may enable individuals, both singly and collectively, to set political agendas, thus disrupting the normal top-down style of representative democracy in favour of more direct forms of democratic engagement. However, political scientists are still agnostic about how much, and in what circumstances, such processes impact on governmental decision-making and how exactly they co-exist with traditional media among fast changing

communication environments (e.g. Chadwick, 2013).

Managing customer data: towards open data

In the course of administering public services, agencies collect huge volumes of data about almost all their citizens and residents. These data can, if appropriately managed via sophisticated customer management systems (CMS), help managers understand much more about their customer base (for example, who actually claims the welfare benefits to which they are entitled), or about the demand for their services (for example, analysing the distribution of reported crimes to reveal 'crime hotspots' and calculating at what times of day they heat up) or the relative effectiveness of services (for example, which hospitals or consultants have the highest mortality rates, for which kinds of procedures or diseases). In turn, this knowledge can help them deploy resources more effectively, by targeting interventions and monitoring outcomes.

Taken together, the huge datasets used to administer passports, personal taxation, social security, health, education services and so on, contain data about almost all the population. There is growing interest in creating and exploiting 'big data', for example, by linking these data to provide better information, not only for government policy-makers and planners, but also for other high-volume users of official data, such as medical and social researchers, commercial business analysts and education, training and transport providers. For example, under legal powers granted in 2007, the British Office of National Statistics is developing methods of exploiting administrative datasets to measure international and domestic migration more accurately and thus allocate government grants more fairly among local and regional authorities. Along with several other countries, the British Government is actively examining the use of data in large-scale administrative systems, to replace, or at least to supplement, the decennial population census, which is undertaken too infrequently to pick up important social changes (see http://ons.gov.uk/beyond2011).

All this raises the question of who owns these data, and on what terms they should be made available for purposes beyond those for which they were originally collected. Twenty-five years ago when Open Government was newly fashionable, governments tended to emphasize their duty to raise revenues by exploiting the data's commercial value. Now they take a different approach. In 2011, for example, the EU launched its Open Data Strategy, *Turning data into gold*, which claims that administrative datasets represent a vast, untapped potential for supporting economic growth and proposes that:

- governments should make as much data available as possible;
- except where they are protected by third-party copyright, users should be free to copy and re-use data for both commercial and non-commercial purposes; and
- data should therefore be released in machine-readable form.

To set an example, the EU announced that its own data will be made available through a special portal (http://open-data.europa.eu), and in 2013 the G8 leaders signed an *Open Data Charter* (available at the British Government's open data website: http://data.gov.uk). Meanwhile, the UK followed the Obama Administration in the US by embracing the principles

of ‘open and transparent government’ in the interests both of democratic accountability and of economic and social development (Cabinet Office, 2012b).

Data-matching and data-sharing: 'wicked' issues for government?

The applications described above depend upon increasingly sophisticated data-mining techniques, which allow organizations to drill down into their data to reveal new patterns and trends. For example, data captured by university admission processes are being analysed to reveal trends in social mobility. But, more contentiously, these applications also depend on data-matching techniques. Since the early 1960s, for example, the UK government has funded work on Medical Record Linkage, with the aim of linking individual patient records held by family doctors, community health services and hospitals, and sometimes with national insurance and social security records, too. These exercises have been responsible for important epidemiological findings, some of which have helped us better understand the causes of cancers. And since the late 1990s, the UK's social security ministry has cross-matched social security records with national insurance records and with local authority and health service payrolls to discover cases of possible welfare fraud. Similarly, the checks conducted by the Criminal Records Bureau (now known as the Disclosure and Barring Service) on people who want to work with children depend on matching their details against those held in the Police National Computer and in the criminal intelligence records of local police forces. However, under the current British Government's open data and transparency initiative, the use of data-mining and data-matching techniques will be considerably extended. See, for example, the virtual Health and Social Care Information Centre set up by the British NHS at www.nscic.gov.uk. This site offers a one-stop resource for medical researchers, social scientists, health service managers and patients' groups to access and commission datasets, many of which depend on linking anonymized data in patient records.

The British Government has also put increasing pressure on street-level agencies to share much more personal information about clients, patients and offenders, in order to develop more effective multi-agency approaches to fighting evils such as child abuse, child poverty, anti-social behaviour, drug addiction and crime. As long ago as 2002, a report for the British Cabinet Office (PIU, 2002) made 19 proposals for new legal powers to enable more aggressive data-sharing for such purposes, which also features as a key objective in many e-government strategies. Despite this pressure, successive reports have shown that neither national-level nor street-level public services have found consistently satisfactory ways of reconciling these imperatives for sharing more information about their clients, with the need to give citizens confidence that their confidentiality will be respected, especially in sensitive fields such as youth offending, substance abuse or mental health (Perri 6 *et al.*, 2005; Bellamy *et al.*, 2008; Thomas and Walport, 2008). For example, successive inquiries consistently point to difficulties in information-sharing as a major reason why agencies fail to deal with systematic sex abuse of children or to prevent child deaths resulting from neglect and physical abuse. Meanwhile, the issues around data-sharing have been further highlighted by claims that we live in a 'surveillance society', including those made in a widely publicized report commissioned by the British Information Commissioner (Surveillance Studies Network, 2006), which claimed that

the use of personal data held by governmental and commercial bodies is often excessive or inappropriate. Over the last 15 years, then, the proper use and sharing of personal data has become a 'wicked' issue, too important to drop, but too contentious to find a broadly acceptable solution. As Francis Maude, the Minister in charge of the Open Data initiative, recognized, public acceptability of the way government exploits and, particularly, shares, personal information is the *sine qua non* of making this initiative work (see his speech at www.cabinetoffice.gov.uk/news/information-commissioners-conference-francis-maude-keynote-speech).

The British Government's working assumption is that the core problem lies either in the present legal framework for data-sharing, or at least in widespread misunderstanding of it. It therefore asked the Information Commissioner to issue guidance on data-sharing that now has legal force (see www.ico.gov.uk/for_organisations/data_protection/topic_guides/data_sharing.aspx). However, Case example 10.4 describes an initiative that points to a different kind of solution, based on the principles of social media. *Patchwork* aims to put more control over the forming of inter-agency, data-sharing networks into the hands of street-level professionals, encouraging them to share data based on their own professional judgements. It is therefore in line with recent work that urges the Government to view this apparently 'wicked' issue as one more likely to be solved by empowering professionals to exercise judgements about relative risks, both to clients and to the general public, by sharing (and not sharing) data, rather than by top-down clarification and enforcement of the regulatory framework (Thomas and Walport, 2008; Perri 6 *et al.*, 2010).

The logical extension of the approach described in Case example 10.4 is to provide clients themselves with access to networks organized on social media principles, thus providing them with a means to establish their own professional support network and to help co-produce their own interventions. This shift is very much in line with the increasingly popular principles behind Vendor Relationship Management (VRM). VRM attempts to place emphasis on empowering customers to act as active agents in the making of markets, rather than seeing them as the passive subjects of increasingly targeted CRM processes (http://en.wikipedia.org/wiki/Vendor_relationship_management).

Three key issues

Clearly, then, issues concerned with digital technology and information management in government go far beyond the relatively simple problems associated with technological innovation. We now examine in more detail three key challenges that we have already raised, all somewhat fraught.

Case example 10.4. Inter-agency data-sharing: Patchwork (http://patchworkhq.com)

Patchwork is an enterprise-grade web application, that allows street-level practitioners to identity themselves as being involved in a case, choose how they wish to be contacted by workers in other agencies, invite other workers into the team and alert their fellow team members when they have concerns about a shared case. This approach takes as a starting point the embeddedness of present-day case management systems in organizational and information siloes, such as those prevalent in social care, and recognizes that each has their own rules of governance and security standards. However, it encourages and enables street-level professionals to use their own judgement about sharing data, in order to connect services around the needs of their shared clients rather than rely on the top-down rules built into shared databases and inter-agency protocols.

Privacy and data protection

The uses of personal data described above, whether for the purposes of official statistics, medical research, in multi-agency casework or Open Data initiatives, assumes that these data are accurate, up-to-date and relate to the right people. If this is not the case, then information drawn from administrative datasets will be similarly inaccurate, but, worse still, public services risk causing major harm or injustice. For example, failing to record a patient's blood group accurately is highly dangerous and, as happened to one of the authors, failing to record that a rather large tax bill had already been paid can cause much anguish. In addition, we have already referred to growing fears that we live in a 'surveillance society', fuelled by frequent stories about the excessive volumes of personal data apparently stored by Internet service providers, online retailers, search engines and other corporate bodies.

For all these reasons, information systems used by both public services and commercial providers are heavily regulated by data protection and professional ethics regimes. In the EU, all processing – i.e. the collecting, handling and storing – of personal data is regulated by eight principles derived originally from the right to privacy enshrined in the European Convention of Human Rights. These principles were set out in an EU Data Protection Directive (95/46/EC) and in the legislation of member states where their implementation is monitored by data

protection registrars, for example the UK's Information Commissioner who also publishes codes of practice for the guidance of agencies. The principles can be found at www.ico.gov.uk/for_organisations/data_protection/the_guide/the_principles.aspx.

You will see that they require data to be processed 'fairly' and that this processing is 'proportionate'. For example, keeping copies of the DNA of the whole population, as the British police have proposed, would probably not be considered a proportionate response to the fact that a tiny minority are paedophiles. The consent of the data 'subject' should normally be obtained before processing their data, and data should not be used for purposes that are incompatible with the purposes for which they were originally collected (the 'finality principle'). These principles seem clear enough, but data protection law is often regarded as a minefield, because, as we saw in the section on data-sharing above, privacy is not an absolute right. For example, it is obviously right to share data without consent if a child is deemed to be at serious risk of harm, and governments often invoke the risk of terrorist attacks as justification for requiring service providers to retain wholesale records of Internet traffic. Data protection law therefore allows and requires both politicians and public service workers to make judgements about what processing *is* proportionate and when consent norms and the finality principle *can* properly be overridden to allow data-sharing without consent. Making such judgements is far from easy, and it is unsurprising that there is considerable anxiety among public service managers about the Data Protection Act (DPA). There is, too, the problem that the EU Directive is some 20 years old, and pre-dates the Internet and social media. It also pre-dates the so-called War on Terror. Many commentators therefore believe that the recent move by the EU to update the Directive is long overdue, and the British Government has also referred the law on data protection to the Law Commission which has made a case for a thorough review of data protection law (Law Commission, 2014). However, how far any revision of the law could or should reduce the need for political and professional judgement is questionable.

Identity management

The issues discussed above also assume that public services know with confidence to which person personal data refer. This issue is critical for *horizontal* data-sharing, to ensure that agencies are referring to the same person and that data-matching exercises, such as those undertaken to check criminal records or detect fraud, do not produce an undue number of false positive results. Likewise, agencies transacting with customers or clients in the *vertical* dimension, whether online or by phone, also need confidence in their identity, e.g. to prevent fraudulent issue of passports or vehicle licences.

The challenge in linking and matching records horizontally is that, in most countries, people's names do not provide an exclusive identity, even when used with dates of birth. Addresses are potentially more useful, but only a few countries, such as Belgium, impose a legal obligation on everyone to notify a change of address. In the USA, the social security number has *de facto* become a common identifier for social security and tax administration, and is also widely used for other financial services. But despite two major, but unsuccessful, attempts – in the late 1960s and early 2000s – to construct a definitive register of the population based on the allocation of a unique identifying number to each person, the UK

continues to use different numbering systems and registers in most of its big administrative systems, none of which are fully comprehensive or accurate. Nevertheless, sophisticated statistical techniques now allow records to be matched with tolerable levels of reliability for the purposes of constructing official statistics and for social and medical research. However, these techniques deal in probabilities and the lack of a definitive identifier means that positive matches from, say, criminal records or social security fraud checks, can never be accepted as reliable without further investigation.

Authenticating identity for transactions in the vertical dimension has also proved challenging in many countries. Identity cards, which are compulsory in some European countries – notably, Belgium, Germany, Greece and Luxembourg – but voluntary in others, are increasingly being digitalized. But identity cards have not been used in the USA, Canada, UK or Australia except in time of total war, and the governments of these countries have declined to become the monopoly, or even the main, guarantors of personal identity. In 2002 the British Government broke radically with tradition and published proposals for a national identity card scheme, backed by a register to link all people resident in the country to a single identity backed by a biometric, such as an iris scan. There was also to be a legal obligation to notify changes of address. Legislation was passed in 2006, but raised huge opposition, on grounds of civil liberties. The plan also seemed technically over-ambitious and optimistically costed (Whitley and Hosein, 2010). The incoming Coalition government therefore abandoned this scheme, and its Government ICT Strategy (Cabinet Office, 2011) proposed an Identity Assurance Programme in which public services form partnerships with trusted commercial assurers of identity, such as the Post Office or PayPal, within a mandatory framework of standards and protocols. One implication is that individuals will be able to maintain different identities for different purposes, as many people do online.

Access and implementation

Strategies for exploiting digital technologies also assume that most citizens possess the resources, understanding, skill and incentives to access electronic networks. However, the EU survey mentioned above found that 28 per cent of the population of the EU do not have access to the Internet, and there is wide variation in uptake of electronic public services, even among Internet users. Furthermore, there are wide discrepancies in these variables between countries that are more and less developed. Given that the UN believes that every additional 10 per cent of broadband penetration accelerates economic growth by around 1.4 per cent (UN, 2012: 88), the global digital divide is critically important for international development policy.

In Britain, the domestic issue is being addressed in two main ways. First, successive governments have been strongly committed to promoting access to the Internet, through a liberal telecommunications regime, by the energetic and timely franchising of 3G and then 4G phones and, more recently, by investment in broadband in rural areas and in the extension of mobile phone coverage to the remaining 'not-spots'. Perhaps as a result, the UK is among the leading nations for access to the Internet, although coverage is still far from universal.

Second, significant effort has been devoted to encouraging more people to get online. The previous Labour Government set up a network of UK Online Centres throughout the country: see www.ukonlinecentres.com. UK Online funds local community centres, further education

(FE) colleges or voluntary organizations to offer training and support to those who lack skills and resources, and also offers learning resources both to trainers and learners. However, by early 2013, it was calculated that some 18 per cent of adults are not yet online at all, and only half of UK citizens conduct transactions with public services online, so the Coalition Government's strategic aim of making public services 'digital by default' still had some way to go (www.cabinetoffice.gov.uk/news/francis-maude-speech-sprint-13).

Summary

This chapter has pointed to a rapidly changing agenda, one that raises serious issues for us all as citizens, as well as for public sector managers. The focus is no longer simply on technological innovation to cope with well understood tasks, but also on the wider political significance of new ways for people to interact with each other and with governments, and for organizations and governments to exploit information about us. In so doing, it raises important issues of both principle and practice, including ones that go to the heart of such concepts as privacy and equality in contemporary states.

Questions for review and discussion

1. What are/would be the main benefits and challenges for *individual citizens* and for *public services* if more people use online facilities to (a) register to vote; (b) apply for unemployment benefit; and (c) access advice about a family relationship problem? Which services are better delivered face-to-face or by phone?
2. Discuss the criteria you would use to judge the success of an e-democracy initiative.
3. Should policy-makers be worried about the 'digital divide' and, if so, why? By what criteria would you assess attempts to address it in your own country?
4. How do you think social media will develop as a means of supporting digital government and what are the implications for both government and citizens in terms of customer service, online identity and information sharing?

Reader exercises

1. Visit some of the e-government portals cited in this chapter, and also the website of your own local or municipal authority. Make a note of the main facilities offered by these sites and also take note of how services and facilities are clustered (e.g. by ‘life event’ or ‘client group’). Which portal do you consider to be the best and why?
2. Make a list of the public services that hold personal information about you. Identify which information you would (and which you would not) (a) expect and (b) consent to be shared with other agencies.

Class exercises

1. Organize a formal debate on the proposition that 'This House supports national identity cards and believes that all citizens should be obliged to carry one'.
2. Organize class discussions to compare and explore the ways in which the class would answer Questions 3 and 4 in the Review section above.

Further reading

Probably the most comprehensive texts on the significance of the Internet for students of politics and public management are books listed in the References below. Chapters 4, 8 and 10 of Chadwick (2006) are particularly relevant to the discussion here.

For a review of international progress in e-government, see the latest UN and EU surveys referred to in the text and, for further discussion:

Sandford Borins, Kenneth Kernaghan, David Brown, Nick Bontis, Perri 6 and Fred Thompson (2007) *Digital state at the leading edge*. Toronto: Toronto University Press.

There are some useful case studies in:

Paul G. Nixon Vassiliki N. Koutrakou Rajash Rawl (eds) (2009), *Understanding e-government in Europe. Issues and challenges*. Abingdon: Routledge.

On the governance of information privacy and data protection:

Colin J. Bennett and Charles D. Raab (2006), *The governance of privacy. Policy instruments in global perspective*. Cambridge, MA: MIT Press.

On the 'surveillance society', see any books by David Lyon, including the seminal:

D. Lyon (ed.) (2004), *Surveillance as social sorting. Privacy, risk and digital discrimination*. London: Routledge.

Also:

Kirstie Ball Kevin Heggarty (eds) (2014), *Handbook of surveillance studies*. London: Routledge.

On identity cards and identity management:

David Birch (ed.) (2007), *Digital identity management. Technological, business and social implications*. Aldershot: Gower.
Colin J. Bennett David Lyon (eds) (2008), *Playing the identity card. Surveillance, security and identification in global perspective*. London: Routledge.

For an interesting history of the changing ways in which the state uses personal information:

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Perri 6, C. D. Raab and C. A. Bellamy (2005), 'Joined-up government and privacy in the United Kingdom: managing tensions between data protection and social policy', Part I, *Public Administration*, 83 (1): 111–133; and Part II, *Public Administration*, 83 (2): 393–415.

Perri 6, Christine Bellamy and Charles Raab (2010), 'Information sharing dilemmas in public services. Using frameworks from risk management', *Policy and Politics*, 38 (3): 465–481.

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Edgar A. Whitley and Gus Hosein (2010), *Global challenges for identity politics*. Houndsmill: Palgrave Macmillan.

11
Performance measurement and management in public sector organizations

Geert Bouckaert and Wouter Van Dooren

Introduction

> *Sir Humphrey*: Minister, you said you wanted the administration figures reduced, didn't you? *Jim Hacker*: Yes. *Sir Humphrey*: So we reduced the figures. *Jim Hacker*: But only the figures, not the number of administrators. *Sir Humphrey*: Well of course not. *Jim Hacker*: Well that is not what I meant. *Sir Humphrey*: Well really Minister, one is not a mind-reader, is one? You said reduce the figures, so we reduced the figures.
>
> (*Yes Minister* 2.1 'The Compassionate Society')

Performance management is both about measurement and management, about information and action (Hatry, 2004; Morley *et al.*, 2001; Bouckaert and Halligan, 2008; Van Dooren *et al.*, 2015). The aim of this chapter is to explore the concept, the potential and the practice of performance measurement and management in public sector organizations.

Learning objectives

This chapter will look at the following key issues:

- the evolution of performance measurement and management in the public sector;
- the key concepts in performance measurement;
- the key concepts in performance management;
- some traps and lessons learned in performance management.

The evolution of performance management

The new public management (NPM) has actively emphasized the significance of performance measurement as a management tool in government since the 1980s (OECD, 1997). Indeed, accurate performance information is needed for the implementation of management instruments such as performance pay, performance contracts or performance budgets (Hatry, 2004). However, NPM did not originate the idea of measuring government performance. In both Europe and the United States, there had already been long-standing performance measurement initiatives (Bouckaert, 1995; Van Dooren, 2008; Williams, 2003). The roots of the performance movement in the USA can be traced back to the progressive movement in the early twentieth century. As early as 1949, the first Hoover Commission in the United States aimed at shifting the attention of the budget from inputs towards functions, activity cost and accomplishments. This increased influence of civil servants culminated in the development of planning and management approaches such as the Planning, Programming and Budgeting System (PPBS), management by objectives (MBO) (see chapter 5) and zero-based budgeting (ZBB) (see chapter 8).

In the late 1980s and 1990s, there was a new emphasis on performance management, mainly because of rising fiscal deficits in government but often also inspired by ideologies of keeping the state as small as possible (see chapter 3). In this phase, the main objective of performance measurement was to identify how to increase efficiency and/or to cut spending. By the mid- and late 1990s, government performance was increasingly seen as a key component of the competitive advantage of national economies and a contributory factor in overall societal performance. Minimizing the public sector was no longer the dominant public management reform strategy (Pollitt and Bouckaert, 2011). Outcomes and quality concerns gained importance in many countries (see chapter 12). For example, in 2000 the UK central government removed the compulsory competitive tendering (CCT) regime in local government and replaced it with a Best Value approach, in which the quality of services has to be assessed (see Case example 11.1).

Many OECD countries have taken performance as a driver for reform. In Australia the Public Service Commission evolved from 'Sharpening the Focus: Managing Performance in the APS' (2006) to 'Challenges of Evidence-Based Policymaking' (2009) within a basic model of outcome and output production. In Canada, the 1996 PRAS (Planning, reporting and accountability structure) was replaced in 2005 by the MRRS (Management, resources and results structure). In the Netherlands a new performance-driven policy information architecture was approved in 2006, in combination with a 'comply or explain' policy of implementation.

Thus, the focus of performance measurement and management has changed through time in accordance with the dominant understanding of what constitutes 'government performance'. Managing performance has evolved from performance administration in a classical Weberian bureaucracy, to fully developed performance management in a new public management context, to performance governance in a setting of new public governance (Bouckaert and Halligan, 2008; Pollitt and Bouckaert, 2011).

In times of shrinking public budgets and a discourse of 'less government', as in the 1980s, performance measurement and management tends to focus on inputs and efficiency. The global financial crisis has further emphasized the need for a strong and performing public sector. However, the challenge to deliver services is under pressure and requires inter-organizational collaboration and co-production with service users and citizens. This pushes toward an input focus on the one hand and performance governance on the other hand.

More recently, the decline in trust of public institutions has pushed performance measurement systems towards measurement and indicators of quality of life, whole of government, trust, and quality of governance (see chapters 12 and 15). In this respect, performance measurement and management are children of their time, with a new generation emerging roughly every decade.

Key concepts in performance measurement

The input–output model of performance measurement

This section will look at how different types of performance can be measured. There are a number of levels at which performance measurement can operate – it may refer to the measurement of inputs, outputs or outcomes, and it may focus on economy, efficiency or effectiveness. We can integrate these concepts in an input–output model of the policy and management cycle – see Figure 11.1 (Bouckaert and Halligan, 2008; Van Dooren *et al.*, 2015).

Case example 11.1 From CCT to best value in the UK

The 'Best Value' initiative was introduced in English local government in 1997 to replace the much-hated CCT legislation, first as a pilot initiative, then as a statutory duty from 1 April 2000.

In practice, 'Best Value' meant (DETR, 1999):

- Every part of the council's budget had to be reviewed at least once every five years.
- Every review had to apply the '4Cs' methodology to the service or the cross-cutting issue, consisting of the following steps:
  - Challenge the need for the service and the way it is carried out.
  - Consult with all relevant stakeholders.
  - Compare the performance of the service with other providers.
  - Compete – test the competitiveness of the service.
- As a minimum level of comparison, each council had to compare its performance with other comparable councils against each of the 'best value performance indicators' (of which there were over 100 in every authority and far more in the largest local authorities). These indicators included some that measured inputs, volume of activity, volume of output, productivity levels, unit costs, number of users, percentage of schoolchildren passing exams at 16 and 18, user satisfaction levels, reliability levels, numbers of complaints, etc. – in other words, the whole spectrum from inputs to outcomes and from efficiency to quality.
- Each local authority had to publish a plan to improve its performance significantly. Initially, these plans had to ensure that, within five years, each service would have reached the performance level that the upper quartile of authorities achieved in 2000. (In 2002 this was amended to give more emphasis to 'stretch targets' agreed by each local authority with government departments across a range of priority issues.)

The input–output model gives a systemic overview of the aspirations of an organization (or programme) (Figure 11.1: *box 1*). These are general 'end purposes' that are usually derived from the organization's mission statement or general policy documents. The next step in the policy cycle is to infer more operational objectives from these general strategic guidelines (*box 2*). Next we enter the management cycle, i.e. the daily operations of the organization. The management cycle consists of the inputs that go into the organization, the activities for which the inputs are used and the outputs that are realized by these activities (*boxes 3, 4 and 5*). Personnel, infrastructure, finance and appliances are some typical inputs. With these inputs, activities are undertaken. For example, a school will organize lessons and a library will shelve books that may be lent out. The activities result in outputs (e.g. number of students passing exams or number of books on loan). Management should be concerned that the inputs yield the right amount and quality of outputs by organizing the activities in the best possible way. Therefore, the manager's feedback loop focuses primarily on inputs and outputs (*from box 5 to box 3*).

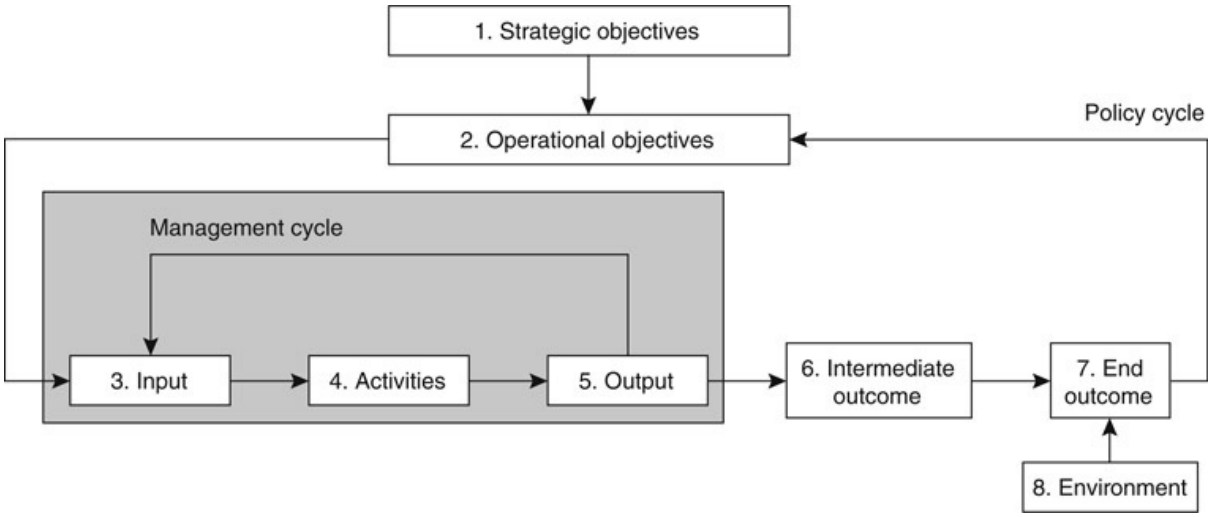


Figure 11.1 The policy and management cycle.

Source: Adapted from Bouckaert and Halligan (2008: 33) and Van Dooren *et al.* (2015: 21)

Once the outputs, i.e. the products and services, are provided, they ought to have an impact on society. The crucial question is what outcomes result from the outputs. A sharp distinction must be made between outputs and outcomes. Outcomes are events, occurrences, or changes in conditions, behaviour or attitudes. Outcomes are not what the programme or organization itself did, but the consequences of what the programme or organization did.

The number of patients treated and discharged from a mental hospital (output indicator) is not the same as the percentage of discharged patients who are capable of living independently (outcome indicator).

Source: Cited in Hatry (2004: 17)

We can make a distinction between intermediate outcomes and end outcomes (*boxes 6 and 7)*. This is a pragmatic but important division between the ends ultimately desired and the interim accomplishments that are expected to lead to those end results (although, of course, they may not). Since a long time may elapse between the delivery of outputs and the occurrence of the end outcomes, the causality between the output and end outcome may be difficult to establish. The impact of the environment *(box 8)* should also be assessed. The policymaker must be concerned that the desired outcomes are achieved. The policymaker's feedback loop is the confrontation of the outcomes with the objectives (*boxes 1 and 2)*, which closes the circle. It should be noted that, although this clear-cut distinction between the policy and management cycles is valuable for analytical purposes, it does not exist in reality. In making their decisions, managers need policy guidelines and political decisions on the allocation of resources, while policymakers in turn need information on the feasibility of outputs and thus expected outcomes, and perhaps also on the level of trust that is being created.

Box 11.1 A typology of performance indicators

- *Input indicators*: e.g. number of employees, money spent, number of hospital beds, number of public buses.
- *Output indicators*: e.g. number of pupils taught, number of discharged patients, vehicle miles.
- *Intermediate outcome indicators*: e.g. new knowledge, increased skills, number of recovered patients, user satisfaction with services.
- *End outcome indicators*: e.g. increased grades achieved in schools, reductions in unemployment, increased health and well-being.
- *Societal environmental indicators*: e.g. age structure, economic indicators such as growth of GDP.

Performance indicators

Performance indicators are variables that also tell us how close we have come to reaching our objectives. Different kinds of indicators can be derived from the input–output–outcome model – see Box 11.1.

The combination of the boxes in the input–output–outcome model allows us to formulate ratio-indicators:

- *Economy* is an input/input ratio, such as cost divided by the input, e.g. the cost per employee, the costs per office. As with any indicator, interpretation is key. A low cost per employee for instance could refer to a young work force, a high level of technology, or a low pay structure.

- *Productivity or efficiency* is an output divided by an input, e.g. bus hours on the road per employee (for public transport), shop or restaurant closures per inspection (for food inspection), crimes cleared up per police officer per day. It is possible to have one input, e.g. labour, which leads to labour productivity. It is also possible to have a combined input indicator, which results in a Total Factor Productivity index. Usually the only index of all inputs that is available is cost, which leads to the specific efficiency indicator of *unit cost* (e.g. cost per discharged patient, cost per crime cleared). Since *all* the costs of all the inputs used to obtain an output need to be calculated in financial terms, this can only be properly calculated if the organization has a reliable cost accounting system.
- *Effectiveness* is outcome divided by output, e.g. number of complaints received about dirty streets per kilometres of streets that receive regular cleaning.
- *Cost-effectiveness* is outcome divided by cost, e.g. cost per unemployed person moving into employment.

It is crucial, in the public sector, to cover the whole scope of performance, from input to outcomes, from economy to cost-effectiveness. In the private sector, because of market mechanisms, it may be acceptable to just focus on economy and efficiency, given that these are likely to play a major role in determining market share (although this assumes that customers are not influenced by quality). In essence, the outcome indicator for the profit sector is profitability – a measure that is usually readily available. For the public sector (or non-profits), the definition of outcomes is more complicated.

Performance standards

A performance measurement system that focuses on the different steps in the input–output model should provide an organization with sufficient information to plan, monitor and evaluate both policy and management. The next step is to lay down standards that establish how well (or how badly) the organization is performing. A minimum standard is the value of a performance indicator that must be met.

Standards may be set in different ways:

- Politicians, for example, are sometimes tempted to set a popular standard as a symbol of ambitious policies. Sweden, for instance, was a forerunner in the *go for zero* policy regarding traffic casualties. Although most people will understand that having no traffic casualties at all is not realistic, the zero-target should point us to the enduring importance of addressing the issue.
- Another method is to use a scientific norm, e.g. for the maximum quantities of dioxin allowed in the food chain or vaccination levels needed to eradicate a disease (which often need to be 100 per cent).
- Mostly, however, the standards are set by comparison, usually either between time periods or across organizations. Time series analysis compares past performance with current performance. Cross-section analysis compares the organization with other organizations. Naturally, a comparison that combines both time series and different

organizations will yield the most information.

The process of comparing performance across organizations is known as *benchmarking*. Where benchmarking is used to derive 'league tables', it requires a high degree of comparability and a culture of transparency between the organizations to be compared – otherwise the comparisons are likely to be regarded as unfair (especially by those at the lower end). This is all the more serious if these league tables trigger media attention or government action – e.g. intervention by a higher level of government or loss of budgets. However, such comparisons do not tell us why the differences occur and, moreover, they may often leave out the most interesting comparisons – e.g. with high performing organizations that are not 'comparable' on most dimensions, but where their high performance is potentially transferable, or with those organizations which are moving upwards from the lower end of the scale.

Techniques for performance measurement

Several techniques might enhance the analytical capacity of the organization to understand its performance (Box 11.2). *Stochastic Frontier Analysis* is a statistical technique by which the service production function is estimated from *a priori* specified parameters, while allowing for some variation by the inclusion of random variables. Techniques such as *Data Envelopment Analysis* (DEA) and *Free Disposal Hull* are also useful tools for comparing organizational performance both in time and place, while controlling for external variables. These are non-parametric methods, so that the optimal production function is determined by the data. These techniques have been applied to compare public sector services such as fire services, local civil registry offices, hospitals, schools, prisons and courts, police forces, etc. (e.g. HM Treasury, 2000; Coelli *et al.*, 2005; Fried *et al.*, 2008; Stroobants and Bouckaert, 2013).

Box 11.2 Measuring municipal (in)efficiency

Investigations on the technical or cost efficiency of the local governments in Finland, Korea and Portugal rely exclusively on DEA methods. The results show that the mean efficiency scores are very high in Finland (0.86–0.90 depending on the specification) and quite low in Portugal (0.23–0.73 depending on specifications and sample). The Korean results vary drastically depending on the number of outputs included (although this is not very surprising, given that DEA is quite sensitive to the number of inputs and outputs employed).

The German state Baden-Württemberg lies in the southwest of Germany and, after two rounds of municipal mergers in 2006 and 2007, consists of 1,109 municipalities ranging in size from approximately 100 inhabitants in the smallest municipalitiy to almost 600,000 inhabitants in the largest one (Stuttgart). Determining the efficiency of a given number of local authorities first requires the selection of a set of input–output combinations that designate efficient behavior (i.e. those combinations where the inputs are most productively used). Then, in a second step, one can designate deviations from

this ‘best practice frontier’ as inefficiency. Our results indicate that the average municipality in Baden-Württemberg produces its output at costs that are 17% to 20% higher than the ‘best practice’– or 11% to 13% higher, once we control for the exogenous or nondiscretionary constraints on municipal production.

Source: Adapted from Kalb *et al.* (2011)

Key concepts in performance management

The use of performance information

Performance measurement only becomes valuable when it is followed by action from managers or policymakers – it is only justified if it is used (see Case example 11.2). Performance management can be broadly defined as 'acting upon performance information'. In this section we will examine some of the most important uses of performance information in public sector management. Performance information can be used for different purposes in policy and management; to learn, to steer and control; and to give account (Van Dooren *et al.*, 2015: 120).

First, performance information may be collected in order to find out what works and why (not). The main function here is *learning*. The key question is how policy or management can be improved. Organizations want to learn how to do things better for citizens and society, but do not necessarily want to bother citizens with performance metrics. The orientation of the use of performance information is the future.

Second, the *steering and control* function of performance information is about monitoring goal-attainment on a day-to-day basis and taking corrective actions if needed. Typical applications are management scorecards that monitor the performance of the organization. These systems mainly have a control orientation and are preoccupied with the present rather than future or past performance.

The third purpose is *to give an account*. The key question here is how to communicate with external account holders about performance. Over the past decades, accountability mechanisms have shifted from a focus on legality (spend resources lawfully) to a focus on results (demonstrate what is achieved) (Kettl, 2002). It was assumed that accountability for results would put external pressure on public organizations. In this sense, the orientation is not so much change or control, but survival. Performance measurement in this case is mainly about explaining past performance.

Table 11.1 Purposes of performance information

	To learn	*To steer and control*	*To give an account*
Key question	How to improve policy or management?	How to steer and control activities?	How to communicate performance?
Orientation	Change/influencing the future	Control/managing the present	Survival/explaining the past

Source: Adapted from Van Dooren *et al.* (2015: 120)

Target setting is of key importance in an accountability relationship. Targets are a specific value of a performance indicator to be reached by a specific date. (For 'SMART' objectives and targets, see chapter 12.) The UK public sector has become especially famous for its fixation

with targets (although after 2010 the UK coalition government announced its desire to move away from targets imposed on public agencies and – partially – implemented this decision). While targets have the advantage of providing more clarity to front-line staff and middle managers, they can generate gaming, which can not only waste resources but also render the whole information system unreliable (Bevan and Hood, 2007). One way to prevent this is to apply a 'comply or explain' policy, as in the Netherlands (Bouckaert and Halligan, 2008: 283).

Case example 11.2 CitiStat in US cities

CitiStat systems fall between 'steering and control' on the one hand and 'giving an account' on the other.

> A city is employing a CitiStat performance strategy if it holds an ongoing series of regular, periodic meetings during which the mayor and/or the principal members of the mayor's leadership team plus the individual director (and the top managers) of different city agencies use data to analyze the agency's past performance, to establish its next performance objectives, and to examine its overall performance strategies.

This characterization is not a very demanding one. Given, however, that these meetings are 'ongoing', 'regular' and 'periodic', one subtle feature of CitiStat is often missed by casual observers: this ongoing discussion of performance involves much persistent follow-up on past performance deficits and previous commitments to fix specific problems, as well as follow-up on decisions, commitments and established expectations for future performance improvements. The key aspect of this way of thinking about public management is the clear, express, detailed focus on performance.

Source: Adapted from Behn (2007: 7–8) – see further details in chapter 21

Performance reporting

Many people want their performance to be measured ('How was I?', 'How are we doing, compared with others?'), but most people are much more nervous about having their performance reported. This paradox indicates to us the deepest challenge of performance management: measurement is a natural human impulse, but performance reporting is subject to deep and difficult obstacles that make it highly suspect. Even if it is acceptable to have different indicators for different purposes, there always will be selective perception, especially if there is a mushrooming of indicators, which allows for a 'cafeteria' style of 'cherry picking' the 'right' indicators.

Performance reporting is multifaceted. There is no one way of representing performance. Several authors have sought to propose models for performance in a comprehensive way. One of the best-known models is the balanced scorecard, reporting against financial, customer, internal process and innovation/growth/learning fields. Furthermore, this approach calls for so-called strategy maps of the cause-and-effect relationships (Kaplan and Norton, 2004; Bovaird, 2012). Moreover, 'what good looks like' tends to differ substantially between different stakeholders (see chapter 5), so that the balanced scorecard can represent the perspectives of a

variety of key stakeholders. The balanced scorecard approach in the London Borough of Barking and Dagenham takes this approach. It is divided into results areas from five perspectives, illustrated in Figure 11.2, in each of which there are a range of strategic objectives. For each objective there is at least one performance indicator, which is reported regularly to the top management of the authority.

The balanced scorecard approach quickly took off in the private sector and efforts were made to spread this model in the public sector. In addition, other private sector indicator models have been transferred, sometimes transformed, to the public sector (those of ISO, the International Organization for Standardization and EFQM, the European Foundation for Quality Management). Some countries have developed their own models (e.g. the Management Accountability Framework in Canada). Moreover, some specific public sector models have been created, of which the most successful has been the Common Assessment Framework (CAF) in the European Union, launched in 2000 by the European Public Administration Network, the meeting place of civil servants of the member states of the European Union – see chapter 12. The CAF was designed as the first European quality management instrument specifically tailored for and developed by the public sector itself. It is a general, simple, accessible and easy-to-use model for all public sector organizations across Europe and deals with all aspects of organizational excellence, based on the original EFQM model. More than 3,000 public organizations have registered to use the CAF model since its launch, and thousands more across and outside Europe use it for their own specific development purposes (see Case example 11.3).

Some traps and lessons in performance management

Performance measurement provides interesting possibilities for enhancing public sector management and policymaking (Bouckaert and Halligan, 2008). However, there are also several traps (Van Dooren *et al.*, 2015).

Lack of interest by politicians and/or citizens. The ownership of performance management initiatives usually lies within the administration. Politicians and the public often appear uninterested in the routine performance information that is provided – at least, until things go wrong. One response to this frustrating situation is to tailor performance measurement to

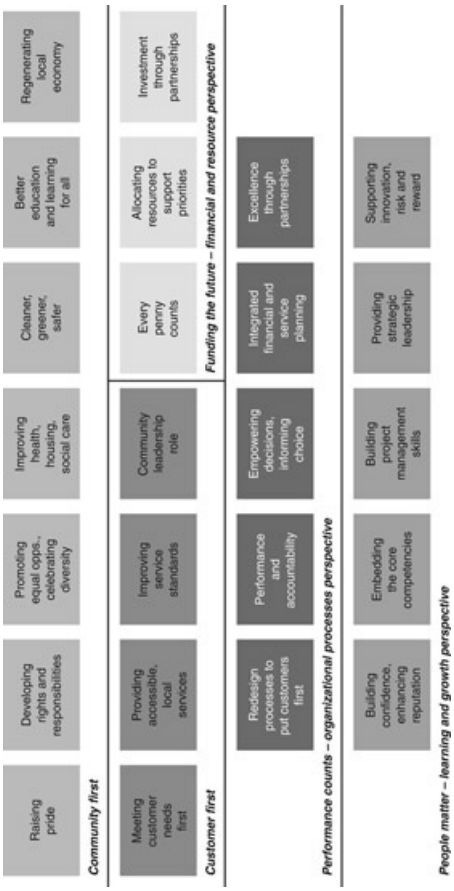


Figure 11.2 Strategy map for balanced scorecard in LB of Barking and Dagenham.

Source: Adapted from a presentation by John Tatam given in Lithuania, 2006, with permission

the demand, implying that citizens and politicians should become involved in defining performance indicators that interest them. There is an increasing need to develop demand-driven performance information and indicators, in a dynamic context of constructing information to support reforms (Moynihan, 2008). We should also pay attention to non-routine feedback from performance measurement systems in our assessment of the value of performance management (Kroll, 2013).

Case example 11.3 Better results for the Austrian Finance Administration through using CAF

The Austrian Ministry of Finance has been using CAF since 2006 as one of its quality management instruments alongside internal audits, benchmarking, quality and service standards, and complaint management.

The ministry is composed of 40 tax offices (with 80 locations), nine customs offices (with 103 locations) and one large trader audit unit (with 8 locations) spread over the whole country (9 provinces), with approx. 11,500 employees. The very good and practicable results of four CAF pilot exercises brought the ministry to the strategic decision to implement the CAF throughout the whole administration.

In the ministry, the performance targets of the different units and offices are managed in a management-by-objectives system. Every year the implementation of CAF is a target set for ten tax or customs offices.

By using CAF, managers/leaders and employees are able to discuss their daily work in connection with their vision/strategy and with their values. The CAF model supports the changed culture and working approach of the Austrian Finance Administration, originally brought about by the biggest reorganization in the history of the administration, from 2002 till 2007. Continuous improvement is key to the organization's improvement, so, based on its experiences of using the CAF, the ministry has implemented new tools for knowledge management, process management, etc. The ideas for new performance measures have come from stakeholders – mostly from the staff, customers and citizens. The CAF has also helped the ministry to widen and intensify its relationships with external partners (e.g. tax consultants, representatives of local government bodies, trade unions).

To support performance improvement, the CAF results are evaluated annually together with the heads of the units who have implemented the CAF, helping them to review their strategies and plans. Every year a special one-day CAF activity for top management is organized, during which the CAF results are discussed and, if necessary, decisions are made on strategic changes required.

Source: Adapted from Staes and Thijs (2010)

Vagueness and ambiguity of goals. Ambiguity is often inherent in politics, and indeed may well be politically rational: making objectives and indicators clearer and more concrete might lead to political conflict when different stakeholders have different values and expectations. However, managers usually desire clarity of goals in order to maintain strategic direction. The tension between these political and managerial requirements may sometimes be irresolvable.

Indicators without targets and goals. Goals are important, but without targets they may have little meaning for operational managers. However, the opposite is also true – targets alone are dangerous, as managers need to have an understanding of the organization's aspirations when they find themselves in those difficult situations where they have to choose

between targets. While the UK may have greatly over-emphasized the importance of targets, without enough attention to goals, the public sector in many other countries has given insufficient attention to the usefulness of targets in focusing managerial action.

Window dressing and gaming. Sometimes organizations have an interest in portraying a flattering image of themselves. This is particularly the case when performance information is used for accountability purposes. Consequently, when missing performance targets entails sanctions, organizations may be tempted to cheat in their performance reporting (Bevan and Hood, 2007).

Use and non-use. Measuring is necessary but not sufficient to guarantee use of performance information. There are many reasons for non-use such as the bad quality of data, psychological, cultural and institutional barriers or a lack of incorporation in policy, financial and contract cycles (Van Dooren *et al.*, 2015).

It appears likely that the risk of data corruption is higher when organizations see performance measurement as imposed externally. Local government, for example, tends to see, and resist, central government attempts at control through performance measurement and reporting. Schools confronted with league tables may 'teach for the test' rather than to impart knowledge. Reported crime detection rates may be increased by spending more time getting convicted criminals to confess to their past crimes rather than trying to solve current crimes. The performance figures of a drug offenders' rehabilitation agency may be raised by directing activity towards the easy cases and refusing to accept the more difficult cases. All of these abuses can be partly tackled by effective data auditing, a common approach to safeguard the accuracy, reliability and comparability of performance information. However, when incentives are high, abuse may become more ingenious to escape detection.

Summary

This chapter suggests that performance management is possible, but not without its problems. Performance measurement and management in the public sector have evolved over time, with many ups and downs – they now attempt to cover a much wider range of concepts than 40 years ago, from inputs, through outputs, to outcomes and trust, and addressing issues of economy, efficiency, cost-effectiveness and quality. The uses range from learning, to steering and control, and accountability. There remain significant difficulties but important lessons have been learnt.

Performance measurement is only useful if it is perceived as having improved policy or management. Clearly, performance data must be reliable and should cover the dimensions of performance that really matter. Performance management has often been considered to be about the 'hard' data, whereas quality management is often considered as a 'soft' management issue (see chapter 12). Yet the focus on costs and efficiency at the expense of service quality can be dangerous, as the CCT regime in the UK showed. Indeed, the Citizen's Charter in 1991 can be seen as an implicit admission by the UK government that the emphasis on the 'three Es' – economy, efficiency, effectiveness – had been overdone. There is now an understanding in many other OECD countries that performance management also includes quality management, and even increasing the levels of trust.

Finally, performance governance is probably especially necessary in turbulent and crisis-ridden organizational environments, where user and community co-production will be indispensable to remedy a lack of resources to deliver services. Let us suggest a proof *ex absurdum*: if an organization does not measure its performance, it will only tentatively understand what its impact on society is, and consequently its ability to respond appropriately will erode. Therefore, it is important to develop performance measurement systems in order to know at least a little more and to develop performance management systems in order to have a little more influence over performance.

Questions for review and discussion

1. What are the main types of performance that need to be measured and reported in the public sector? Who cares about these performance measures – and why do they care?
2. How can an organization decide whether its performance management system produces benefits at least as great as the costs it imposes?

Reader exercises

1. Take an annual report from a public agency with which you are familiar. Identify the performance indicators reported in it. Classify them according to the categories in Figure 11.1. Do you think that the balance between these types of performance indicator is appropriate for this agency?
2. Take one of the performance indicators identified in the previous reader exercise. Consider how an individual, a unit or a whole organization might find ways of influencing the reported level of that indicator in order to make their work look more successful. For each of these possible abuses, suggest ways in which that kind of behaviour could be made less easy or less likely to succeed.

Class exercises

1. Identify a case currently in the media where a public agency appears to have been changing its practices or its reporting approach in order to improve its 'league table' position, without necessarily improving its actual level of performance. Discuss how the performance measurement and reporting system might be changed in order to make such behaviour less likely in the future, while still producing useful information for the stakeholders who wish to hold this agency to account.
2. Discuss how your class, your tutor and your college assess performance – of students, of staff and of the organization as a whole. What are the major limitations in this performance assessment? How could they be tackled?

Further reading

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12
Quality management in public sector organizations

Tony Bovaird and Elke Loeffler

Introduction

What is the likelihood that two or more strangers would have the same view when it comes to deciding what is a high-quality service and what isn't? We might assume that people would give different weights to different attributes of a given service before forming their judgement (Bovaird and Halachmi, 1999: 145). So, while it might be easy to agree on the absence of quality, it is likely to be a more complex task getting agreement on what exactly quality is.

Yet a definition of quality is likely to be important – without it, we will lack a language in which to discuss quality inside and outside the organization. And it makes us vulnerable to those manipulative managers who launch so-called 'quality initiatives' simply to disguise some deeply unpopular changes in the organization, because who can be against quality?

For many public agencies, the simple route has been to identify 'quality' with the implementation of quality assurance systems such as ISO (International Organization for Standardization) standards, the European Foundation for Quality Management (EFQM) or the Common Assessment Framework (CAF). This chapter will explore these approaches and how we can use them for improving the quality of a service.

We also explore the wider dimensions of quality, including quality of life and quality of governance – typically, politicians, the media and citizens are more interested in these concepts than in technical quality assurance tools. This implies a shift in interest from quality of service in a single agency towards quality assessment by multiple stakeholders of the outcomes from partnership-based approaches.

Learning objectives

This chapter will address the following objectives:

- to identify differences of quality management in the public and private sectors;
- to review key issues with quality assessment in the public sector;
- to explore the major quality assurance systems used in the public sector;
- to examine critical success factors in and key obstacles to quality improvement in the public sector;
- to extend the concept of quality to quality of life and governance processes.

Differences of quality management in the public and private sectors

Quality management has its roots in the private sector. As always, careful thought has to be given to the transfer of private sector management principles to the public sector.

First, most quality management approaches, including total quality management (TQM), have originally been developed for manufacturing industry. Yet, goods and services have very different characteristics. In particular, standardization is a key element of quality in mass-produced goods, whereas service quality in personal services often means variability in order to meet different customer needs – so, for example, the values-based standard of Macmillan Cancer Support suggests 'difference' is the norm and care must respond to the needs of each individual patient (Dhanda and Wells, 2013).

Second, there is an absence from the private sector TQM vocabulary of many of the key concerns that have characterized debates about the provision of public services. For example, the TQM literature rarely refers to 'citizens' or even to 'communities'. Its vocabulary is one of clients, customers, consumers and users (Pollitt and Bouckaert, 1995: 6ff.). However, unlike companies, public agencies cannot choose their customers – they often have to serve a rather large set of stakeholders with diverging interests. Moreover, the relationship of public service agencies to their customers is often one of rationing services and saying 'no' (Beale and Pollitt, 1994: 205), rather than simply trying to please them, which places a fundamental limit upon the concept of 'user responsiveness'.

Third, even though many politicians like to pay lip service to quality, other issues, such as tax levels, are also important to them. In particular, politicians know that not all voters are service users. Therefore, service quality is unlikely to become the sole parameter for judging excellence in a public organization.

This does not mean that (private sector) quality concepts do not work in a public sector setting – but they clearly have to be adapted to fit.

What we mean by 'quality' and how we can measure it

As the context and drivers of public policy have changed over time (see chapter 2), the meaning of quality has also changed. Bovaird and Loeffler (2003) have distinguished five key concepts of quality during its evolution as a concept:

- quality as '*conformance to specification*' (a meaning deriving from an engineering perspective and from the 'contract culture');
- quality as '*fitness for purpose*' (or 'meeting organizational objectives', essentially deriving from a systems perspective);
- quality as '*aligning inputs, processes, outputs and outcomes*' (deriving from the strategic management perspective);
- quality as '*meeting customer expectations*' (or 'exceeding customer expectations', deriving from consumer psychology);
- quality as '*passionate emotional involvement*' – quality as that 'which lies beyond language and number' (the social psychology approach).

We can therefore say with confidence that there is no agreed definition of quality. It seems likely that organizations will find it difficult to bring about substantial quality improvement until they have fastened upon one definition of quality – whichever of the above five options they choose. Trying to run with two or more of these definitions in a single organization is likely to make the quality management process confusing and unconvincing – not only for front-line staff and service users but also for top and middle managers and for politicians. Having no definition of quality within the organization is equally bad – it means that quality remains a fuzzy concept and cannot be operationalized or assessed.

Once quality is defined, using one of the above approaches, it becomes possible to analyse certain aspects of quality, even using quantitative methods in some cases. Scholars as well as practitioners have made various attempts to find a quality measure that can capture several dimensions of quality, incorporating the views of different stakeholders (employees, customers, etc.). Yet, relying on a single quality index is always risky for management (Bouckaert, 1995: 26). First, a quality index is not at all transparent, as the different dimensions of quality are hidden. Second, it also allows for deficient dimensions to be compensated – for example, customer service may be traded off against additional features of a product. Such compensation is inappropriate if some stakeholders require minimum achievements of specific quality dimensions.

Given that quality is a multidimensional concept, it needs to be assessed over a whole set of dimensions instead of relying on a sole index – see Box 12.1.

For example, the quality of a public swimming pool may be assessed on the basis of water temperature, availability of flumes and wave machines, opening hours, conformance to clean water norms, friendliness of staff and perception of the safety of the facility.

The definition of a set of quality dimensions is only a first step in the process of quality measurement – they then have to be made operational with quality indicators.

Typically, quality indicators can be categorized as quantitative versus qualitative and subjective versus objective.

Box 12.1 Characteristics of service quality

For services, the following quality dimensions influence a customer's view of quality:

- tangibles
- reliability
- responsiveness
- competence
- courtesy
- credibility
- security
- access
- communication
- understanding the customer.

Source: Zeithaml *et al.* (1990: 23)

Objective indicators have the useful characteristic that they can be independently verified. However, it is often hard to quantify them – e.g. it is hard to construct an objective quantitative indicator measuring the comfort of waiting rooms in public agencies. Even though quantitative indicators such as the room temperature, the number of seats and the size of the waiting area may give some hints about the basic conditions of the waiting room, more qualitative information on its cleanliness, level of noise, decorative state, availability of private areas for confidential discussion and 'atmosphere' would be much more useful in allowing service providers to decide whether it embodied the appropriate quality level. Moreover, we would normally like to ask the users of the service about their perceptions of these characteristics – a waiting room may look good to designers but be hated by the local mothers with young children who use it.

Subjective indicators assess the perceptions or expectations of people about some dimension (or overall level) of quality. Once we start to explore user attitudes and satisfaction levels, we find, rather ironically, that significant quantification is usually possible – e.g. in the waiting room example, we can summarize the proportion of users who are satisfied (and dissatisfied) with the overall quality of the waiting room. However, these subjective perceptions cannot be independently verified.

Ideally, a sound set of quality indicators should include both quantitative and qualitative indicators, and both objective and subjective factors. In particular, we would suggest that no approach to assessing quality should contain only quantified or only objective factors – such assessments seem likely to miss some essential aspects of what we mean by 'quality'.

For measurement to be meaningful to managers, it will often be valuable to set targets for these quality indicators (see chapter 11). In quality assessment, we expect that these targets

will have to cover dimensions that cannot be objectively quantified. This is critically important – quality assessment must be more than just number-crunching. Typically, it will involve subjective assessments (e.g. user satisfaction surveys) or objectively determined checklists of features (such as conformity to ISO 9000 standards), which cannot be aggregated into a single number. This can be frustrating for 'hard-nosed' analysts – but it is not surprising: by definition, quality cannot be reduced to quantity!

Smart?

'SMART objectives' are often recommended for public services – specific, measurable, achievable, realistic and time-related – but this just turns them from objectives into targets. (HM Treasury in the UK now insists, after decades of misusing them, that they should be called 'SMART targets'!) Moreover, quality targets, which are often valuable to managers, cannot be reduced just to quantifiable measures – they have to retain a 'qualitative' element if they are to be valid.

Who knows about quality?

This discussion leads to an important admission – different stakeholders 'know' different things about quality, and this has to be built into any quality management system. In Table 12.1, we look at whether quality is privately experienced, or socially experienced, and whether what we mean by 'quality' in a particular context is simple or complex to specify. As can be seen, these dimensions lead to very different conclusions – sometimes users are likely to be the best arbiters of quality (where the service experience is essentially private, with few social knock-on effects, and where it is relatively simple to gauge its quality dimension). In other situations, however, we might well come to the conclusion that professionals or politicians might be the best arbiters. Finally, in very complex services, with important knock-on effects, then we might well conclude that no one stakeholder group is likely to be a sound arbiter of quality – here it is likely that all stakeholders will need to be involved in the quality assessment process.

Table 12.1 Who knows about quality?

	Quality is privately experienced	*Quality is socially experienced*
Quality is simple to specify	Users know about quality	Politicians know about quality
Quality is complex to specify	Professionals know about quality (together with users)	No one group knows about quality – politicians must act as referee between different views

Source: Adapted from Walsh (1991)

We might furthermore conclude that it is unwise to exclude any stakeholders from the quality assessment process, since they are all likely to believe that they understand aspects of quality which the other stakeholders neglect – and they will be reluctant to acquiesce in any quality assessment in which their voice was not heard. This is especially likely to be true of service users, since they often have an intense experience of what the service means to them and they will be reluctant to believe that others can fully understand their perspective.

Citizen and service charters: stating quality standards

The essential idea behind citizen's charters, as introduced in the UK under Prime Minister John Major, was that 'the citizen must be told what service standards are and be able to act where service is unacceptable' (HMSO, 1991: 4). The basic principles of the UK citizen's charters were:

- information and openness
- choice
- courtesy and helpfulness
- well publicized complaints procedures
- value for money.

The Conservative government's concept of citizen's charters in 1991 considered the market as the point of departure, with the purpose of increasing competition and choice for individual citizens – note that it was a *citizen's* charter, not a *citizens'* charter! The basic mechanism for quality improvement was meant to be pressure from service recipients on service producers. However, this is just one possible mechanism by which charters could work – the very first citizen's charters in the UK actually originated in Labour-dominated councils in the late 1980s, directed at meeting people's needs as recipients of services and recognizing their rights as citizens (Gaster, 1995: 98).

In 1991, explicit promises about service standards were made in specific charters such as the Parent's Charter for schools, the Patient's Charter for the health service, and Tenant's Charters for public housing. By 1997, there were over 40 charters for ministries and over 10,000 local charters (including those issued by councils and NGOs).

The first citizen's charters were devised without much involvement of the public, and many standards were minimum standards, rather than 'best practice'. Moreover, most users had little awareness of the charters, except the Patient's and Passenger's charters (Beale and Pollitt, 1994: 215, 219). However, if we judge the success of the Citizen's Charter only by the interest of citizens, we miss the point. The Citizen's Charter enabled interest groups representing different types of user to prove more clearly and rigorously that the service in which they were interested was not meeting its promises.

A charter's promises can incorporate several different types of quality standard:

- 'hoped-for standards' (often politically promoted);
- 'minimum' standards;
- assured or guaranteed standards (with compensation).

The Labour government of Tony Blair relaunched the charter idea in 1998 under the new label 'Service First' but eventually lost interest in it and focused its national customer service efforts through the Charter Mark programme. Paradoxically, after interest in charters waned in the UK, the charter idea took off in many other countries, often following quite closely the UK model (Loeffler *et al.*, 2007). Some countries, such as Italy and the Netherlands, went even further, introducing financial compensation in cases of failure to meet the standard. Later service charters reappeared sporadically even in the UK, although now as a voluntary approach in some public services – see Case example 12.1.

Major quality assurance instruments in the public sector

Since the search for the most appropriate set of quality indicators is time-consuming and requires long experience with performance measurement and consultations with different stakeholders, 'ready-off-the peg' quality assurance (QA) systems have become popular in recent years in the private and (with some time lag) in the public sector. Their purpose is to 'assure', i.e. to guarantee, that a stated level of quality will be achieved in the organization.

Case example 12.1 The service charter and service standards of the City Council of Cambridge

Cambridge City Council believes that their customers have the right to know what level of service to expect and how to complain if the local council falls short of the promised standards. In the first part the service charter sets out how customers can expect to be treated – for example, Cambridge City Council pledges 'to improve our speed of response in handling enquiries from customers by ensuring our information is in a format that can be easily accessed and understood'.

In the second part of the charter, the local council defines response times for different communication channels, including Facebook and Twitter, where the local council aims to respond to posts within four working hours.

Source: Adapted from www.cambridge.gov.uk/customer-charter-and-service-standards (accessed on 23 December 2014)

For those quality managers trained as engineers, the implementation of a QA system is often considered as the solution to all quality problems within an organization. Yet the introduction of any quality assurance system is only meaningful if the agency already has in place clearly stated quality standards and effective performance and quality management systems. Otherwise, there is very little to assure and no means of assessing how well it is being delivered. It is rather like buying expensive house insurance without checking whether the house has any value. In the absence of such basics, one must suspect that ISO certifications and EFQM (or CAF) accreditation have simply become a trophy hunt to bring glory to top management, rather than a search for quality improvement.

We will now explore the basic objectives and structure of several quality assurance systems – ISO standards, Charter Mark, EFQM and CAF. The characteristics of these QA approaches arise partly from the different definitions of quality that they address. *ISO standards* are particularly relevant for assuring processes and suggesting process improvements, which means that they often fit well with a definition of quality that focuses on 'conformance to specification' or 'fitness for purpose'. The *EFQM* and *CAF* are good for assuring the alignment between the 'enablers' and the results of an organization. None of these approaches takes

account of the wider impacts of the organization's activities – this is the strength of the *European Label of Governance Excellence* of the Council of Europe, which is about how to assure good governance principles in local authorities (see chapter 15).

The ISO 9000 series and third party certification

The ISO 9000 series is an internationally recognized standard for quality assurance. The standard outlines how quality systems should be set up in organizations where a contract between seller and buyer requires the demonstration of a supplier's ability to supply to mutually agreed requirements.

ISO is the International Organization for Standardization, which is a federation of national standards bodies that is responsible for preparing international standards.

For details, see www.iso.org.

Not surprisingly, the standardization approach has its roots in manufacturing and in the US military from the 1940s. (It reached the UK public sector, through the Ministry of Defence, in the 1960s but took decades to become more widespread.)

Standards in the ISO 9000 family

- ISO 9001:2008 – sets out the requirements of a quality management system and is the only standard which can be certified. This standard is currently under review with the final version expected by the end of 2015.
- ISO 9000:2005 – covers the basic concepts and language.
- ISO 9004:2009 – focuses on how to make a quality management system more efficient and effective.
- ISO 19011:2011 – sets out guidance on internal and external audits of quality management systems.

Source: Adapted from www.iso.org/iso/iso_9000 (accessed on 23 December 2014)

The establishment of a quality assurance and management system along ISO 9000 guidelines involves considerable costs, particularly in paperwork systems that clearly document all procedures in the organization. In view of this investment, organizations typically want to have their compliance to the ISO 9001 standard verified. Independent, so-called 'third party' (i.e. external) certification offers the possibility of using quality as a marketing tool – indeed, the desire to expand into new markets where its reputation is unknown or to protect existing markets where an external threat is perceived are common motivations for an organization seeking certification under ISO 9001. This applies both to private service providers wanting to bolster their chances of winning public contracts by displaying their 'quality badge' and also to 'in-house' public sector providers who want to

demonstrate to their client department (and politicians) making procurement decisions that they are 'competitive' in quality terms with potential private sector rivals.

Finally, a further QA approach based on assessable standards, *Investors in People*, started in the UK as a national standard setting out the requirements for good practice in staff training and development but has since become international, over the past 20 years helping over 20,000 organizations globally to improve their working culture, staff engagement and leadership, using its Accreditation Framework (www.investorsinpeople.co.uk/about-us).

Quality excellence models: EFQM, the CAF and PQASSO

Quality excellence models may be used for self-assessment or as the basis of external assessment (Loeffler, 2006). Most quality excellence models were developed first for the private sector and then transferred to the public sector. In Europe, they clearly cluster around two core models – the 1999 version of the EFQM Excellence Model (previously known as the Business Excellence Model, which in turn was partially adapted from the Malcolm Baldrige Award in the USA) and its derivative, the Common Assessment Framework of the European Member States (CAF). In the UK, PQASSO (a further derivative of the EFQM Excellence Model) has become a leading quality standard developed for the third sector by the sector.

The EFQM Excellence Model (see www.efqm.org), on which a number of Western European national quality award schemes have been based (see Loeffler, 2001), has been a widely used self-assessment instrument in the UK and Scandinavian countries, but an organization can also call in external assessors to judge their 'level of excellence' against the model. The assessment framework is a scoring matrix called RADAR – results, approach, deployment, assessment and refinement – driven by a set of in-depth questions in relation to each of the five enablers and four results areas.

EFQM offers two certification processes: a first-level 'Committed to Excellence' label, which requires the applicant organization to carry out a self-assessment process and to demonstrate the implementation of at least three improvement plans during a site visit of an EFQM assessor. There is also a more demanding 'Recognized for Excellence' accreditation with the option to go for a 3-, 4- or 5-star recognition. And, last but not least, private and public organizations may take part in the European-wide EFQM Excellence Award, which is run on an annual basis.

The Common Assessment Framework (CAF) has been promoted as a 'light' version of the EFQM Excellence Model, specifically designed for public organizations starting on the quality journey. The CAF criteria (further modified in 2013) can be downloaded without any charge from the CAF Centre Internet site (www.eipa.eu). The first two versions of CAF explicitly stressed how much easier the self-assessment approach was under CAF. However, the 2006 version adopted the EFQM RADAR approach, while still giving public sector organizations the option of using the simplified assessment method. In 2009, the CAF Centre then introduced a separate external feedback procedure which accredits organizations as 'Effective CAF Users'.

The EFQM Excellence Model includes the following key elements:

- leadership
- policy- and strategy-making
- people management
- partnerships and resources
- processes, products and services

- people results
- customer results
- 'impact on society' results
- key organizational results.

The first five of these factors are labelled 'enablers' (essentially critical success factors) and the last four are the performance results.

PQASSO has been promoted by the Charities Evaluation Services (now part of The National Council for Voluntary Organisations – NCVO) in the UK to provide third sector organizations, in particular charities, with a tool to demonstrate to funders that they provide high-quality services.

The PQASSO model for non-profit organizations includes the following building blocks:

1. Planning
2. Governance
3. Leadership and management
4. User-centred service
5. Managing people
6. Learning and development
7. Managing money
8. Managing resources
9. Communications and promotion
10. Working with others
11. Monitoring and evaluation
12. Results.

Source: www.ces-vol.org.uk/PQASSO/pqasso-the-basics/how-pqasso-works (accessed on 23 December 2014)

Take-up of PQASSO outside the UK has been more limited – in some countries, the third sector is considered to be too weak to be ready for quality management. Indeed, many local councillors and funding agencies are glad when non-profit organizations simply manage to 'survive', so they hesitate to demand that they demonstrate that their activities meet quality criteria or make a significant difference. In other contexts, the funding of non-profit organizations is determined by political considerations, which reduces the usefulness of external quality certification such as the PQASSO Quality Mark.

Quality management initiatives

Many managers take the view that quality needs to be measured and controlled (sometimes even going as far as to use the old maxim 'If you can't measure it, you can't manage it'). We believe that this is going much too far. Even though measurement and quality control (more realistically 'quality influencing') are important tools for improving quality in public administration, they are only part of the process. Experience in the UK – where until recently there were more inspectors, auditors and regulators than taxi drivers (Hood *et al.*, 1998) – suggests that a strong focus on measurement and monitoring can easily create a new bureaucracy in the public sector without much improvement in public services (Travers, 2007). We have to acknowledge that, ultimately, not all aspects of quality can be measured, and that *sensing* quality, with determination to follow up and correct those areas where it feels inadequate, may be at least as important as gathering 'objective' evidence (also see chapters 11 and 14).

But how can quality improvement be put into practice? Does it really need high commitment from the top, as many quality gurus believe, or can quality management be implemented as a bottom-up approach? Case example 12.2 suggests that implementation depends strongly on the existence of 'champions' at all levels of the organization.

Practice tells us that quality initiatives are difficult to sustain. A good example of a transformed public agency which has managed to sustain its improvement trajectory is the Agency for Land Surveys and Geo-Data in Wiesbaden which started its quality journey 20 years ago – see Case example 12.3. Often, however, quality initiatives are simply imposed from above, sometimes through engagement of an external consultant, and seen as an 'add-on' process, irrelevant to 'the staff who do the work'. As Gaster (1995: 9) stresses, quality management has to be embedded within an organization's values, otherwise it is bound to fail.

So getting the systems right – developing quality assurance and assessment systems and providing staff training in customer service – is only one aspect of implementation: when moving from public service quality to governance quality, the negotiation of values with different stakeholders becomes a crucial issue for quality management.

From quality of public services to quality of life and quality of governance

There is empirical evidence that many citizens who are reasonably satisfied with the quality of the public services that they receive are, at the same time, cynical about, and mistrustful of, government, Parliament and the civil service (see chapter 4). This indicates that there is no linear relationship between service quality and trust (Bouckaert and van de Walle, 2003).

From this wider perspective, an excellent public organization does not simply have the characteristics of an excellent service provider. It must also be excellent in the way in which it discharges its political and social responsibilities (see chapter 15). As Manning and Wetzel (2010: 163) observe:

> ironically, it is possible that the institutional and public management reforms that have delivered the performance improvements carried the seeds of distrust within them. There is a sense that the ends may be seen to have outweighed any concern for the means, while citizens in OECD countries appear to be increasingly insistent on ethical standards (and monitoring these), rather than on capabilities, in government.

Case example 12.2 The Courts Service, UK

A new Chief Executive took over in the Courts Service in 1998, with a mandate to produce major improvement in the Service. He immediately appointed an experienced change consultant, who had worked with him previously, to carry out a benchmarking exercise. It was seen as important that her work should be seen as credible, independent and 'owned' as far as possible by staff, many of whom (including all the directors) were interviewed during the exercise. The EFQM Excellence Model was used as a framework for the analysis. Strengths and weaknesses ('areas for improvement') were highlighted.

The two main strengths identified were the 'can do' culture – staff were willing to work long hours to solve delivery problems – and staff commitment – staff cared about quality, results and customer service. The 'areas for improvement' were built into a comprehensive action plan, with nine 'strands', including strategic planning, leadership, putting people first, focusing on customers and the needs of the business, developing internal and external partnerships, centre/field relationships, resourcing and targeting for success, IT to support the business and communications. 'Strand leaders' were appointed to lead developments in each of the nine strands, generally comprising one senior member of headquarters (HQ) and one senior member of field staff. They were supported by cross-cutting steering groups, with people from HQ and the field, and were empowered to take the issue forward however seemed best, as long as it helped develop the new organizational culture and included consultation with people from throughout the organization.

A Change Manager was appointed from internal staff, who was supported by the external change consultant. The programme was publicly launched in early 1999, with a series of events involving about 1,000 staff. The Chief Executive also visited about 80

locations in his first year, which made him and the programme very visible.

The benchmarking exercise was repeated by the same consultant in late 2000, again based on the EFQM Excellence Model. It found that many improvements had already occurred, particularly in strategic planning, leadership development (a top priority in the first phase), internal communication and the achievement of Charter Marks. Local improvements had often been driven by local staff who had accepted the role of 'change champions'.

However, the exercise highlighted that more still needed to be done on customer service, project and programme management, implementing the IT strategy, managing external relationships and involving more staff at every level.

Source: Adapted from Bovaird *et al.* (2002)

Consequently, quality indicators should not only focus on measuring service quality as provided by an individual organization. At the very least they should also cover the quality of services provided by the overall service system and the overall quality of life in a

Case example 12.3 The Agency for Land Surveys and Geo-Data in Wiesbaden, Germany

The Agency for Land Surveys and Geo-Data in Wiesbaden (in the state of Hessen) has been driving a far-reaching transformation process since 1999. In the first phase, many public services provided by the Agency were privatized. In 2005, the local offices of the Agency were further merged and the Agency reduced staffing numbers by 30 per cent within eight years through an employment freeze. The Agency is expected to lose a further sixth of its staff by 2016 due to retirement (as the average age of staff is now about 50).

Staff are expected to continue the transformation process to deal with challenges such as:

- increasing demand, e.g. in land consolidation processes across farms, transport planning, environmental protection and climate change projects;
- new ICT solutions for geo-data and the EU INSPIRE-Directive, on which the Agency has to advise local government and state agencies;
- reform of the heritage tax in Germany and the internationalization of the real estate market, generating new and increased demands for assessing real estate;
- the need for continuous ICT investments to keep up with rapid technological change.

The Agency has agreed a change strategy with the state government, defining the key modernization reforms for 2011–2016.

Strong staff involvement has always characterized the change management process of the Agency, as a key element of the Total Quality Management philosophy introduced

in the Agency in 2003. The Common Assessment Framework (CAF) has been used to bring about culture change and drive quality improvement in the Agency. The Agency piloted the CAF in 2003 and repeated the self-assessment in 2006, 2008, 2011 and 2013.

The following improvements have resulted from the CAF self-assessments:

- a knowledge management system;
- the introduction of process management;
- a new marketing concept;
- a customer survey;
- improving human resource planning;
- the consolidation of quality standards;
- improvements in the internal suggestion system, through incentives for good ideas;
- the introduction of a complaints management system.

The Vice-President of the Agency, Herr Köhler, suggests that each of these initiatives may only represent piecemeal improvement but he suggests the following analogy:

> An art lover who visits Michelangelo observes that the painter is about to put the finishing touches to a painting. 'The changes you are making are only minor,' he says. 'Of course, they are only details,' replies Michelangelo, 'but it is the details which bring perfection and perfection, you will admit, is not a small thing.'

Source: Adapted from Köhler (2013)

specific area. Quality of life indicators will therefore be needed for a wide range of dimensions of the quality of life – e.g. see the 'national well-being' indicators published for the UK (Box 12.2).

Box 12.2 National well-being in the UK (% of responses given by UK residents in recent surveys)

Personal well-being – 77 per cent rate their life satisfaction between 7 and 10 out of 10

Relationships – 87 per cent had a spouse, family member or friend to rely upon if they have a serious problem

Health – 59 per cent were somewhat, mostly or completely satisfied with their health

Where we live – 91 per cent were very or partly satisified with their accommodation

Education and skills – 9 per cent (of those aged 16–64) had no qualifications

Economy – £20,725 was the real net national income per head

Governance – 24 per cent said they 'tended to trust the government'

What we do – 17 per cent volunteered more than once in the last 12 months

Source: Adapted from Randall *et al.* (2014)

Moreover, a high-quality public administration must not only be able to increase customer satisfaction with public services but also to build trust in public administration through credible governance processes. To do so, conventional business concepts of quality, which regard public agencies as service providers and citizens as customers, must be enriched by a more political concept of the quality of governance processes in the new era of public governance. In Box 12.3 we suggest some of the areas in which future quality indicators will need to be developed in order to assess the quality of local governance processes – and many of these will also be relevant at national level to assess the quality of public governance in a country as a whole. These ideas are taken further in chapter 15.

Box 12.3 Quality indicators for governance processes

- Strength of political institutions – voting, party membership, activism.
- Strength of civic institutions – membership, volunteering, office-holding, fundraising, donations.
- Strength of sharing and collective behaviour – environmental protection, social care, crime prevention, sharing of household work.
- Achievement of equity and equality – of opportunity, income, outcome, etc.
- Respect for diversity, tolerance of difference.
- Level of openness and transparency in organizations – in public, voluntary, private sectors.
- Levels of honesty and integrity in public domain.
- Ability of the community to manage itself and meet needs not met by the state.
- Sustainability of public activities in the light of resource constraints.

Source: Adapted from Bovaird *et al.* (2003)

Summary

Not so long ago, quality was regarded as a topic that was essentially subjective and therefore not amenable to rational analysis – it was assumed that it was essentially 'a matter of opinion'. In recent years, many different ways have been found to bring the discussion of quality management into the centre of managerial decision-making.

However, although there are now many useful tools and techniques available to examine quality in the public sector, it is essential that we remember that the essence of quality lies beyond that which can be described or measured. Consequently, we need to leave a space, in all our quality management systems, for the appropriate use of judgement and subjective assessment. The study of management is now much richer because this is better understood and accepted than it used to be.

In the future, we are likely to see discussions of 'organizational excellence' being extended beyond assessment of the quality of services towards assessment of the quality of life outcomes to which public organizations and their partners contribute, and assessment of the quality of public governance processes.

Questions for review and discussion

1. Consider the approach to quality which suggests that its appreciation lies beyond language and quantification (the approach that believes that quality involves 'passionate emotional involvement'). Are there any public services where this might be the most appropriate approach, in your view? If this approach were taken to quality management in one of these services, how do you think the achievement of better quality could be ascertained?
2. What are the arguments for using more than one approach to defining quality in an organization? How do you think the organization could avoid confusion in its subsequent quality management initiatives?

Reader exercises

1. Consider the different approaches to quality accreditation. Find a public agency in your area that has recently won accreditation under one of these schemes. Do you think that this has made any obvious difference to the quality of the service which it provides? If yes, think about how you have assessed the quality of service in your own mind – what definition of quality have you used? If no, think through the possible reasons why the accreditation process has not made a difference.
2. Examine the indicators of 'national well-being' in Box 12.2. Which of these do you consider are good indicators of the quality of life of citizens? Would any of them be better described as indicators of 'quality of service' or 'quality of governance'?

Class exercises

1. How do you think quality should be defined in a university or college? Given this definition, how do you think it ought to be measured? What dangers do you think might emerge from such a measurement process? How would you suggest that they be minimized?
2. Divide into groups. Each group should find and examine a service charter and suggest ways in which its achievement could be assessed – either quantitatively or qualitatively or both. Groups should then critique each other's suggestions in a plenary session.

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13
Process management in public sector organizations

Kuno Schedler and Utz Helmuth

Introduction

With the increasing popularity of quality management as well as information and communication technology in the private sector, business processes and their optimization have become an important issue for business. But does this also apply to the public sector, which is subject to different demands and restrictions from business? In this chapter, we will show that business process thinking has indeed found its way into the public sector, offering many advantages. In particular, it helps to eliminate wasteful activities inside organizations and to redesign processes so that they add more value for the organization's external customers, especially users. However, radical approaches to improving process management continue to be a challenge for traditional work patterns and hierarchical structures in public agencies.

Learning objectives

- To understand what a process is.
- To distinguish different processes from each other.
- To learn how processes are measured and optimized.
- To understand the challenges which process management entails for public management.

The paradigm change from a hierarchial to process-oriented organization

Let us think of the classical organization paradigm: as with companies, public agencies were traditionally organized in a top-down manner. This form of organization, typically described as a *hierarchical structure*, is marked by a pronounced internal orientation, as well as long communication and decision-making chains. Work tasks are typically delegated by line managers from top to bottom, and decisions are presented for authorization from bottom to top.

The major advantage of hierarchical organizations is that all parties involved know what they have to do – e.g. in army chains of command – and that knowledge is reliably managed in a paper-based public administration. This form of organization, however, suffers from two decisive disadvantages: First, decision-making times are relatively long and, second, internally focused staff are not responsive to customers, nor much interested in their needs and preferences. Their working world exists inside rather than outside the organization.

In view of the increased competition faced by many public sector organizations since the 1970s, they have increasingly taken up various private sector approaches to environmental analysis, such as SWOT analysis (strengths, weaknesses, opportunities and threats) and Porter's value chain analysis. In these approaches, the organization is not viewed as a hierarchical alignment of individual functions of a company but rather as a production process. Organization functions are assigned to the production process as primary or support activities. This new perspective has considerable organizational consequences. The vertical view of the organization (top-down line management) has changed into a horizontal view (input–output relationships) (see Figure 13.1). This organizational form is called a *process-oriented organization*.

Following the establishment of process thinking in many companies in the 1980s, a second wave in the 1990s, particularly influenced by Champy and Hammer (1993), promoted the idea of a *re*-engineering of processes to make them more customer-oriented (so-called *business process re-engineering*). In the following, we will use the simplified term 'process management'.

This private sector discourse must be adapted appropriately before it can be transferred to a public sector context, as public agencies are subject to quite different requirements and regulation. From a legal perspective, for instance, there may be situations where it is necessary, at least formally, to organize a public agency on hierarchical lines. Elected politicians, for example, may believe that only the subordination explicit in hierarchy can ensure that they are able to control the administration. However, such considerations may conflict with the pressure for more process-driven approaches, arising from the financial pressure to use resources more efficiently and the consequent pressure on public agencies to prioritize efficient service delivery (see chapter 11) and quality management (see chapter 12).

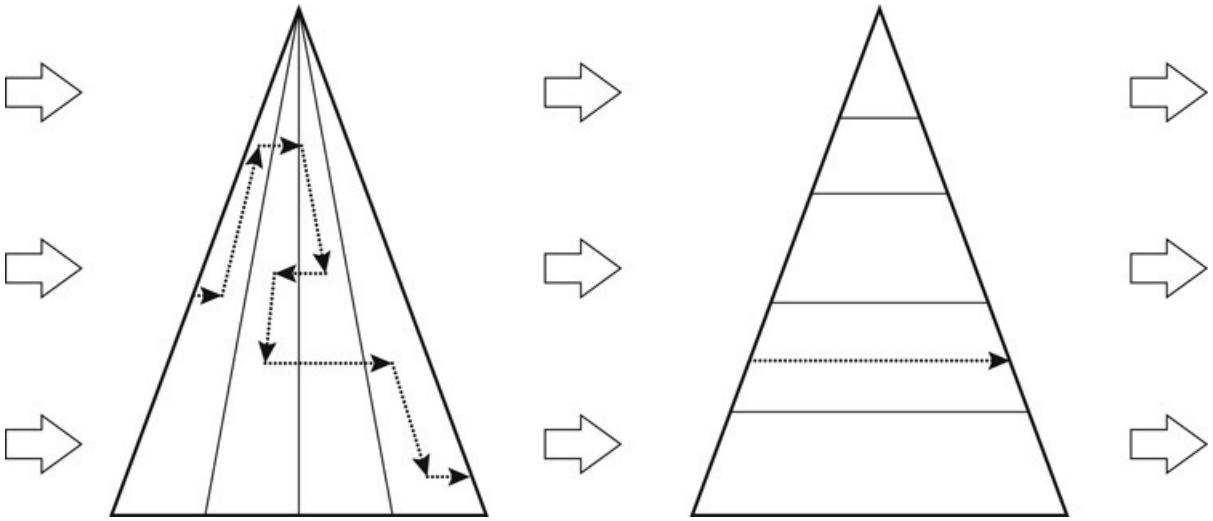


Figure 13.1 90° rotation from hierarchical to process-oriented organization.

Of course, most public agencies provide services, rather than manufactured goods. Here, the development of information and communications technology (ICT) stands public organizations in particularly good stead, because information and data processes typically constitute the core of the 'production process' in a service. Through the development of uniform communication protocols, data and database standards, the triumphal march of ICT is smoothing the way for a business process orientation in public agencies (see also chapter 10). Thanks to integrated ICT systems, different departments in different locations can access the same data simultaneously. Second, electronic data management considerably reduces decision-making and process throughput times. Furthermore, through the Internet, customers can link up to processes within public agencies and receive services directly, without having to go through other intermediaries or other interfaces, which can greatly speed up and streamline the service that the public service organization offers to its customers. On the other hand, Stemberger and Jaklic (2007) highlight that business process change is an imperative for the introduction of Electronic Government. Thus, ICT and process optimization seem to go hand in hand.

The nature of a process

What exactly is a process? In terms of the process organization outlined earlier, one can visualize a business process as a recipe for achieving results in coordinated organizations. As in a cookbook, it documents step-by-step who has to undertake which activities in an organization in order to achieve a particular goal. A process proceeds chronologically from input to output, i.e. from the provision of resources to the delivery of the service. The fundamental components are 'events as triggers' and the activities that follow them. These activities are often assigned to organization functions (also called organizational 'roles'). These roles may be crucial to the success of process management, as is demonstrated by Ongaro (2004) who analyses the experience of two Italian cities in implementing one-stop shops. He finds that assigning processes to so-called 'process owners' within the administration leads to clear responsibilities and thus easier implementation of optimized processes.

What is a business process?

The logical organization of people, materials, energy, equipment, and procedures into work activities designed to produce a specified end result.

Source: Pall, 1987

When looking at a public organization, different types of process can be observed. It is useful to make the distinction between core processes and support processes (Porter, 1985). A *core process* in an organization is one that makes a *significantly higher* contribution to the *perceived* customer benefit than is the case in a potentially competing organization. *Support processes*, by contrast, have more unspecific, supportive functions and do not need to be produced in one's own organization – indeed, in the eyes of many, they could be outsourced (see chapter 7).

This distinction, originally developed for manufacturing industry, can be transferred to the public sector, as shown by the value chain of a hospital (Figure 13.2). Processes such as the treatment of patients can be considered as core processes, while the facility management of a hospital can be seen as a support process.

However, in the public sector, process analysis is not based only on efficiency arguments. In many cases, the shape of processes is predefined by legal norms. These guarantee legal rights of citizens in their contacts with the government. For example, most processes related to building applications include time limits for possible legal objections. Shortening these 'waiting times' may be seen as better process management but it also involves potentially sensitive reductions in citizens' ability to mount a well-reasoned objection. A significant part of perceived 'public value' (see chapter 5) arising from public sector processes often lies precisely in this intertwining of organizational action and existing laws, rules and norms. In many cases, this means that certain government processes cannot easily be privatized or outsourced. For example, in most European countries it is considered impossible to privatize criminal courts, as only the state is seen as a legitimate guardian of the norms underlying the operation of court processes.

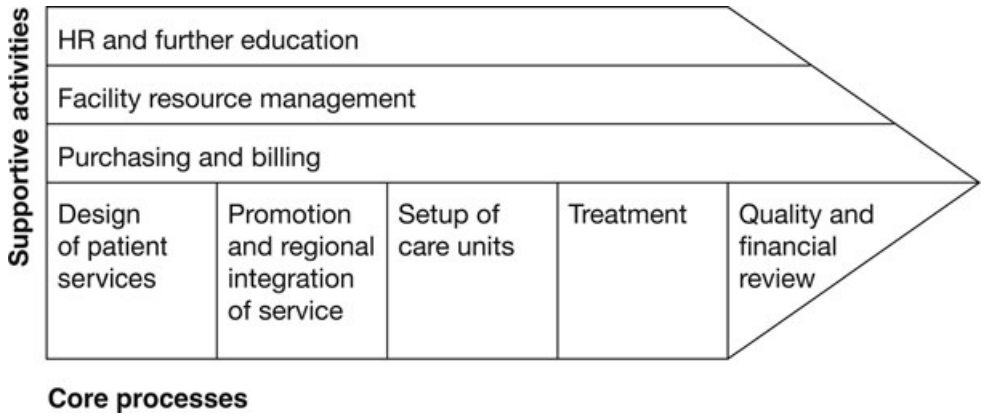


Figure 13.2 Value chain of a hospital.

Source: Adapted from Porter (1985)

Lenk (2007) suggests a further distinction between well-structured *production processes* (e.g. dealing with a tax return) and open-ended *decision-making processes* (e.g. dealing with a planning application). The latter processes grant considerable degrees of freedom to administrative officers. Both sets of processes occur in public agencies, but only the former is suitable for full process mapping and standardization. Moreover, in decision-making processes, team-based working may be preferable to sequential process cycles, and the ICT approach may need to take this into account, e.g. the setting up of a virtual round-table or discussion forum for the architects and planners involved in processing a planning application.

The process chain needs to consider the interaction between the parties concerned, e.g. different professional groups, managers and citizens. In public services, it is rarely appropriate to model the supply chain as simply a vertical, continuous sequence of activities linking suppliers to their customers. Often service users and other citizens are involved in several stages of the 'supply chain', e.g. in co-designing or co-managing or co-delivering certain activities (see chapter 23). Consequently, customers and other stakeholders of public agencies need to be modelled in separate strands (or 'swimming lanes', as we shall call them later).

Analysing a process

The first step in process analysis is the recording of processes. This helps not only to identify weaknesses in processes, and the potential for optimizing them, but in documenting them for quality assurance or for replicating them elsewhere.

The second stage is to consider alternative process chains for achieving the same customer benefits. This can be done by reconfiguring existing processes or by *de novo* analysis (e.g. in business process re-engineering). A key element of service redesign is to determine the information that is required for the analysis. Returning to the metaphor of the cookbook, different dishes and preparation methods have to be chosen, depending on whether a dish is intended for a vegetarian, child or sick person. Table 13.1 provides an overview of possible information to be considered in the recording and analysis of processes. In determining the relevant information, the intended objectives and target groups of the process are key. Managers who want to bring about a radical improvement in the efficiency of a process require different information to the supervisors who are responsible for making the process run smoothly. However, as most processes in public administration involve several organizational units, comprehensive information is usually not at hand and often has to be collected in advance or through special investigation.

Table 13.1 Information dimensions for the structured recording of processes

Feature of the process	*Information that is likely to be required*
Parties involved in process	Internal organization units, customers, other external parties
Resources and events used in the	Input, output, activities, media, data, ICT, environmental conditions in

process	
Sequential aspects	Sequence of activities, frequencies of different activities, throughput times for different activities
Quality of the process	Importance of the process for the value-added to the customer, frequency of service failures or customer complaints or need for customer revisits/retreatment

For the recording of information, a combination of written survey and interviews has proved to be of value. Questionnaires help to establish in a structured manner the basic features of a process, such as the people involved, activity sequences and information flows. In a second step, the person doing the recording should have the opportunity to clarify potential ambiguities with the staff concerned.

Such a multiplicity of recorded information inevitably leads to the question of how this information can be meaningfully reproduced. A simple description in text form, as in a cooking recipe, quickly reveals serious limitations. An alternative is provided by the graphical depiction of business processes, introduced by Fritz Nordsieck (1932). In particular, process sequence and parties involved are immediately apparent from such an illustration. Through formal symbols, rules and abstractions, further information can be depicted in these business process diagrams. Moreover, such diagrams aid comparisons between business processes. The audience being addressed should be taken into account – highly formalized business process diagrams designed to help the software programmer will probably not be understood by top managers. A remedy to this problem is provided by subsets, which allow different levels of detail to be shown to different stakeholders. A subset represents a window into the underlying process, using a selection of the information available.

In Figure 13.3, such a subset is illustrated for the process of passport application in a Swiss city. It uses the internationally accepted methodology of the non-proprietary standard *business process modelling notation* (BPMN). For purposes of modelling, BPMN uses flow objects, connecting objects and artifacts. *Flow objects* describe *what* is happening: in the form of circular *events*, they describe the start, interruption and end of a process. Rectangular *activities* stand for the tasks in a process and show sub-processes (marked by a '+'). Diamond-shaped *gateways* mark the diverging and converging of processes. *Connecting objects* join flow objects through arrows. Unbroken arrows indicate the process flow, broken arrows indicate information flows between different organizations, and broken lines represent associations. Finally, the example also shows *artifacts* in the form of *data objects*, which are used to describe more closely data used by activities. These are symbolized by a sheet of paper with the upper right-hand corner folded over. The various parties involved are separated from one another by 'swimming lanes' (within an organization) or 'pools' for different organizations (see Figure 13.3).

Optimizing a business process

The third stage in process analysis is process optimization – choosing the right option for process improvement. Every optimization is inevitably normative. The chosen goal provides the line of attack for the optimization procedure. Such goals can take very different shapes

the line of attack for the optimization procedure. Such goals can take very different shapes according to the stakeholder concerned. While politics normally insists on its primacy ('the administration should push through its policies'), the general legal framework demands that decisions of the administration should above all be correct in terms of the law and the law should be the same for all. Customers, too, push for their own needs ('decisions should be made as quickly as possible and should take into account our special circumstances'). The definition of the goal of process optimization therefore usually requires a choice between contending interests, which have to be weighed up against each other.

In the following, we will concentrate on four *business management optimization dimensions*: the internal organizational dimensions of (1) effectiveness and (2) efficiency, and the environmentally influenced dimensions of (3) adaptivity (or 'fit') to the legal framework or environment and (4) customer benefit of the process (see Figure 13.4).

Effectiveness describes the degree to which a goal is achieved. Imagine a street-cleaning programme – this is said to be effective if the city streets appear clean. (For a production process, the key indicator of effectiveness would often be the 'defect' rate.) *Efficiency*, by contrast, measures the input–output ratio (see chapter 11). If Team A is able to clean an area in one week using nine workers while Team B requires ten workers, Team A is more efficient. What is then important is the interplay of both factors: the work of the two teams can only be fully compared if one brings in how well they clean the streets (effectiveness). If the streets of Team A constantly have to be recleaned, owing to frequent complaints from residents, then the performance of Team B might, on balance, be judged the better.

An indicator that reflects both the effectiveness and the efficiency of a process is the *total throughput time*. This incorporates not only the actual processing, but also post-processing times that are caused by quality failure, appeals, etc. The total throughput time may be lengthened, for example, if a file remains untouched for too long (since additional clarification has to be asked for), or if a decision is contested owing to flaws in the process. However, it is important that cases that in one sense are lower priority should not be completely overlooked. The demand for efficiency is itself subject to the efficiency paradigm: reorganizing processes is costly and should be subject to efficiency considerations, too. Consequently, putting in significant resources to optimize a very rare process is likely to be less efficient than optimizing one with a high number of cases, especially if those cases relate to high-priority groups. It is not surprising that services such as tax collection or issuing of driving licences tend to be the most successfully transferred to online platforms, as they exhibit the quantities necessary for efficient reform. In addition, the Accenture (2006) public sector survey shows that, in many countries, the utilization of e-government services offered by government is lagging clearly behind Internet penetration and, even in the countries categorized as 'developed', only 16 per cent of respondents regularly use e-government services.

The example of street cleaning above also shows why quality management is so inherently linked with process management. An effectively cleaned street requires good quality management in order to achieve the goals of cleanliness. Optimized processes inevitably

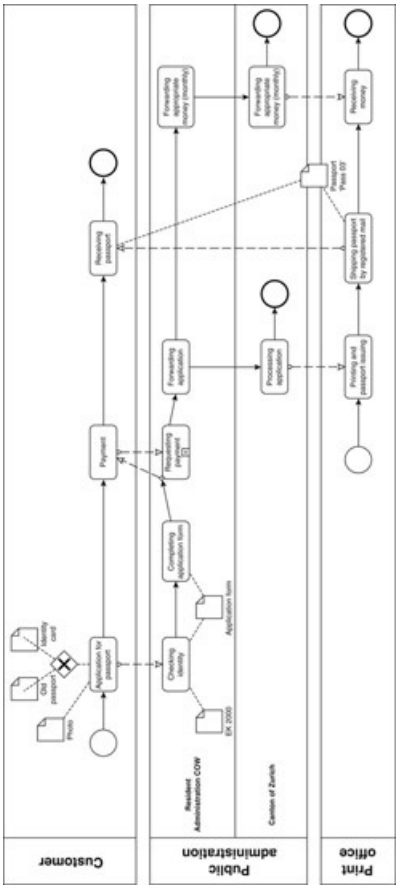


Figure 13.3 Process map for application for a Swiss passport in the city of Winterthur.

require advanced quality management processes. Conversely, techniques of process management such as clear documentation of processes (inherent in the implementation of International Organization for Standardization – ISO – norms) are important building blocks in successful quality management (see chapter 12). Table 13.2 cites several process-oriented process optimization initiatives that are well suited to the public sector.

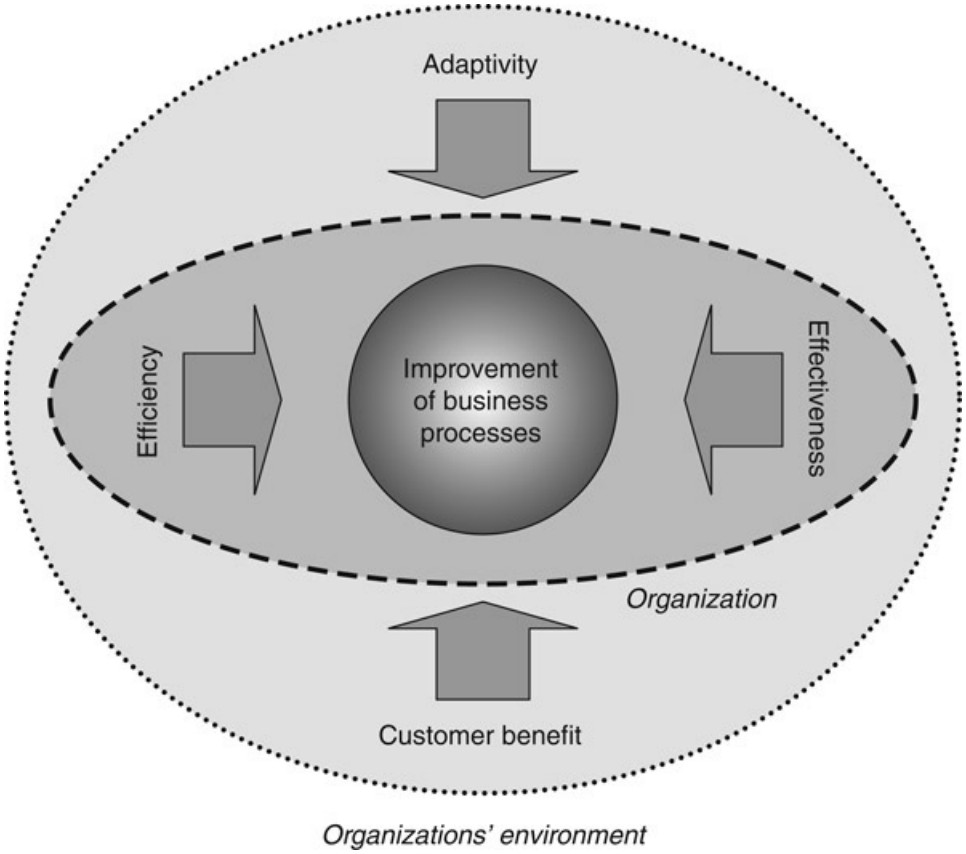


Figure 13.4 Dimensions influencing the optimization of business processes.

Although shortcomings in, and potential improvements to, processes may be obvious to external observers, within organizations there is often a fatal tendency for sub-optimal processes to creep in (see Case example 13.1). As the contrast between self-assessment and external assessment usually shows, internal perception of an organization is quite different to that of an external observer – sub-optimal business processes can become a 'blind spot' and, even when the 'blind spots' are detected, a solution may be some way off – organizations can become locked into fatal routines or mired in competitive wrangling, and many other, quite natural social patterns of behaviour can cause or prolong poor business processes. Established models for business process optimization in combination with a clear mission can be a great help in tackling this. Lodge and Bamford (2008) report a significant reduction of radiology waiting times in a UK National Health Service (NHS) hospital trust after analysis showed weaknesses in current processes. Basic standard operating procedures were developed for all planning and control processes in radiology treatment, resulting in waiting time cuts of up to 50 per cent.

When considering optimization, the question inevitably arises: how much change is acceptable in the organization? Are there unchangeable rules or 'sacred cows' that cannot be touched? Business process engineering is so controversial precisely because it designs

Box 13.1 Indicators for ineffective and inefficient public processes

Ineffective processes:

- strong variance in the service quality;
- unusually high death rate (health care);
- high crime rate (police and public safety organization);
- poor results in the Organisation for Economic Co-operation and Development (OECD) Pisa study (school system);
- low place in research rankings (university system);
- high number of successful appeals or complaints against administrative decisions (e.g. for a planning authority).

Inefficient processes:

- high number of activities which have to be redone;
- arbitrary process flow due to unclear responsibilities;
- 14 signatures needed for each draft (responsibilities too spread out);
- work that is not value-adding (double examinations in health care);
- outmoded teaching methods (getting all students to write out standard notes);
- delays in treating high-priority cases (no triage system when customers register);
- unnecessarily expensive purchasing (e.g. due to corruption).

changes at the drawing board and is therefore detached from the established business culture and the constraints that this imposes. However, diverse demands are placed on the organization and its processes by the environment – and it can be dangerous for the organization to preserve its 'sacred cows', refusing to respond to these pressures. Success of processes is not

Table 13.2 Overview of process optimization approaches

Initiatives	*Implementation*
Omit	Seek and cancel unnecessary work steps
Standardize	Standardize work steps with comparable content, thus making them transferable
Improve use of resources	Are all resources used in such a way that the total throughput time is reduced? Are any areas under-capitalized, thus causing generally higher costs through uneconomical maintenance measures (e.g. outdated ICT equipment or transport fleet)?
Replace with other processes	Does it make sense to replace a process with another, thus avoiding duplicate work?
Do activities in parallel	Reduce the process duration for the customer through the simultaneous processing of several sub-processes
Outsource	Transfer processes that are uneconomical and/or do not reach a critical number of cases to other administrative units or external service providers

Avoid doubling back	Implement quality measures so that post-processing becomes superfluous
Collaboration	For complex, non-sequential decision-making processes, structure collaboration such that the relevant stakeholders are integrated from the outset

merely determined by their effectiveness and efficiency, but also by their *adaptivity*. Optimized processes are of no use if the organization's environment is changing, unnoticed, and now needs entirely different services. Process-oriented organizations therefore have to design their processes to take into account the dynamic needs of customers and other stakeholders, in a sustainable way. This means that organizations need *dynamic capabilities* – those capabilities that equip it to adapt all other organizational capabilities quickly and appropriately to changing circumstances. We have to be realistic, though, and admit that this adaptivity is often harder for public agencies, in spite of repeated and heartfelt efforts for reform, given the many limitations at *political level* that lie outside the influence of public managers.

Case example 13.1 BPR in the Housing Development Board in Singapore

The Housing and Development Board (HDB) is the public housing authority of Singapore. It was established in 1960 with the mission to provide affordable housing of a high quality and to help build communities. By 1998, 86 per cent of Singapore's 3 million people lived in HDB flats. HDB builds 30,000 flats a year and manages more than 730,000 units of residential properties, about 50,000 commercial and industrial properties and over 500,000 parking lots.

Before re-engineering, HDB had a matrix structure, mixing geographical with task-oriented structures, which led to complicated reporting to at least three departments. The branch offices provided services to residents through five types of specialized counters, and residents had to shuttle from counter to counter to obtain relevant services.

After re-engineering, a one-stop service was provided, merging the five types of specialized counters. Seven new information systems were developed, and existing information systems were enhanced to support the new work processes. Waiting times were reduced, unanswered calls eliminated, on-line information enabled officers to answer telephone calls directly and customer satisfaction increased dramatically.

Some of the most important lessons drawn by Thong *et al.* (2000) can be summarized as follows:

- Public organizations are highly resistant to change. Social and political changes are the main pressures on them to re-engineer their processes.
- Nominate a steering committee to gain approval of redesigned procedures.
- Locate the re-engineering team at the pilot site as it helps overcome user resistance to change.

- Validate the documented work process with operational staff to ensure its accuracy.
- Set benchmarks for improving the current processes, e.g. by adapting performance indicators from the private sector.
- Review staff training needs for the redesigned jobs.
- Revise the incentive structure to support the redesigned processes.
- Start with a successful pilot implementation, which will help to obtain approval for the main funding.
- Plan the rollout of redesigned processes throughout the organization carefully.
- View reengineering and ICT as an integrated strategy.

Source: Adapted from Thong *et al.* (2000: 245–270)

Limitations to process optimization

In federal countries such as Australia, Austria, Germany, Switzerland and the USA, or states with relatively autonomous regions such as Belgium and Spain, the scope for action between central, regional and local levels of government tends to be clearly legislated. Processes that cross jurisdictions cannot be optimized at the stroke of a pen – no matter how attractive the potential process improvement (e.g. partnership procurement, virtual team-work) may be. In this way, process improvement can be constrained by the constitution. Nevertheless, there are normally mechanisms for interjurisdictional working – and where these are insufficient, the option of constitutional change is sometimes a long-term possibility. The range of action in most public agencies – aside from major national reforms, e.g. the recent reform of the German federal system – therefore focuses mainly on administrative units. Nevertheless, there are now many efforts to optimize processes across public agencies, e.g. intermunicipal cooperation has become a big issue in Germany,

Switzerland, the UK and the USA, allowing small councils to save resources by pooling processes.

Of course, such process change within partnerships meets lots of difficulties in practice. At the organizational level, the first step in optimization – the determination of one party as responsible for the overall process, the *process owner* – may be difficult, or even impossible. At the technical level, there is the inherent problem that very different approaches and standards are already established, which even in the long term can only be rationalized with great difficulty (e.g. very different interface channels between the organizations and service users). This argument, however, should not be misunderstood as a general objection to efforts towards optimization in the public sector. Rather, we must beware of unrealistic expectations (e.g. that partners' services can be 'joined up seamlessly' within a year or two) and be alert to the dangers inherent in their practical implementation (e.g. assuming that some parts of processes are mandatory, however inefficient or ineffective, and therefore ignoring them in the optimization dialogue).

Finally, the perceived *customer benefit* needs to be central to process improvement, a concept that is increasingly gaining in importance in the public sector. An example of this is

the widespread attempt to provide single contact points for citizens to deal with public agencies in their area, with e-enabled know-how, such as contact centres ('call centres'), one-stop shops on the Internet, citizen bureaus and centralized inward investment promotion agencies (e.g. www.ukinvest.gov.uk). Thereby, customer benefit is not limited to economic perspectives: when, in Australia, the first one-stop shops were created in the 1970s, their main purpose was to enable social welfare recipients to receive the help they were entitled to – without having to know all about the administrative responsibilities and red-tape requirements.

Process change as a challenge

If processes in public institutions are changed, then managers face a great challenge. Each existing system defines routines, power and responsibilities to which employees have become accustomed, so changes in this system initially trigger uncertainty, as both managers and employees cannot completely foresee what the future system will bring. This raises the question of how social processes that are triggered by process optimization can be managed (Willcocks *et al.*, 1997).

Empirical investigations into the management of change processes unfortunately do not provide a consistent picture, although it appears that participatory management tends to have positive effects on performance and job satisfaction – albeit to a more limited extent than is commonly assumed (Wagner, 1994). Thomas and Davies (2005) showed, in a qualitative study in the British public service, that employees may boycott changes in work organization during the introduction of new public management, if they do not understand the background to the changes. They believe that resistance by employees is brought about not only by changes that they see as unfounded and pushed through by management – i.e. as their reaction to perceived repression – but above all by feeling that their identities are being called into question by the change. Conversely, in an investigation into the introduction of a new computer system in a British authority, Symon (2005) points out that the resistance, although damaging for the employer, can in itself create a sense of identity for those affected.

Case example 13.2 Process optimization of public procurement in the state of North Rhine-Westphalia

The public procurement portal for awarding contracts in the state of North Rhine-Westphalia (www.evergabe.nrw.de) in Germany provides an example of process optimization at the micro level in a highly regulated sector. The Internet platform allows publication and downloading of tender documents and electronic submission of bids. It is intended to realize the four dimensions of process optimization discussed previously – efficiency, effectiveness, adaptability and customer benefit.

The process places very high-quality demands on the organizations involved, as they have to adhere to comprehensive form requirements, confidentiality and encoding requirements laid down by the EU and the German Federal Government. The public

agencies could be liable for substantial damages if they do not comply with the agreed procedures (e.g. by sending incomplete documentation), and prospective contractors can be excluded from the tender if they do not conform to the procedures. Both the administration and the companies concerned therefore have considerable interest in an optimization that helps to avoid potential errors in the tender process.

The solution adopted, as shown in Figure 13.5, resulted in considerably reduced costs for both sides. Instead of searching in many publications for suitable tenders, as was previously the case (1), the bidders are now automatically informed about suitable tenders via email. The fee for the duplication of documents is dropped (2). The bidder merely authenticates himself/herself once (3) in order to download the tender documents (4). This saves not only the fee, but also a great deal of time. In the non-digital procedure, by contrast, bidders had to wait for the contractor to check that payment had been received (5), copy the tender documents (6), check that everything was complete (7), where necessary rectify (8) and finally send the documents (9). In addition, the placing of bids is facilitated as it occurs electronically (10), thus saving postage time and enabling the bidder to gain confirmation in real time that the bid has been submitted within the deadline. In addition, the public agency can now make electronic comparisons of the bids (11).

This process optimization has demonstrated that both sides can benefit from a shortening of the procurement deadlines, which can reduce the duration of the whole process by up to 20 per cent. Moreover, both the parties concerned can make considerable savings because, as shown in the process diagram, they can reduce their inputs.

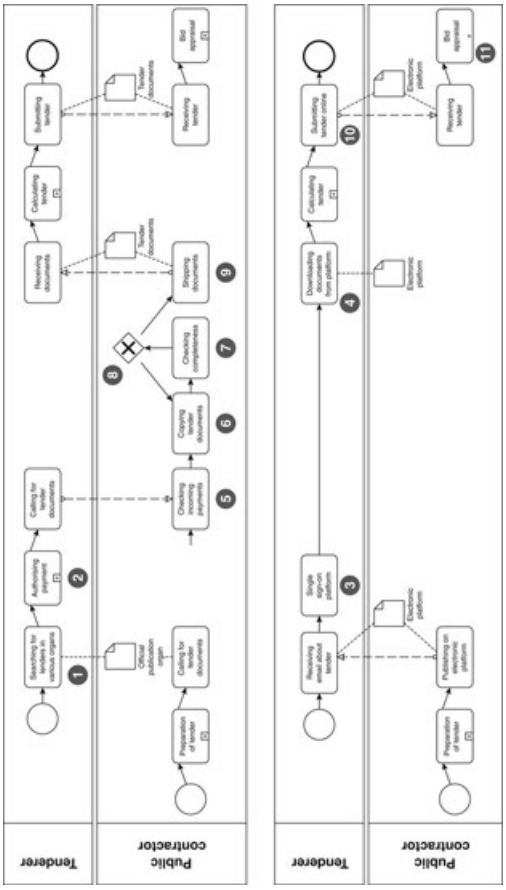


Figure 13.5 Process optimization in awarding contracts in North Rhine-Westphalia.

Summary

Process management provides a new angle to the traditional, hierarchical view of public administration. From this 90-degree shift in perspective, organizational action is analysed as steps towards the creation of public value – steps that cross organizational units and hierarchical levels. Optimizing processes in public administration leads to greater efficiency and effectiveness, but also to better quality. There are, however, certain limits to the potential scope for reorganizing, determined by legal requirements that guarantee the democratic and/or legal rights of citizens and others affected.

Traditionally, bureaucracies have been seen as machine-type organizations with strict intra-organizational boundaries and task divisions. Modern public management, however, is multilayered, multidisciplinary and collaborative. Public managers are challenged to structure their organizations along lean processes that allow for responsive, cost-effective and timely government services. Administrative processes are clearly one area that continues to offer great potential for optimization – and the struggle to find ways of achieving this has been at the heart of many public sector reform programmes around the world in the last 25 years.

Questions for review and discussion

1. Distinguish between activities, processes and services. How are they related to customer benefit?
2. How do process maps relate to strategy maps (chapter 11)?
3. Why do democratic and legal requirements limit the potential for process optimization?

Reader exercises

1. Think of the last activity that you undertook with a public agency (e.g. making a passport application, applying for a grant or social insurance benefit). Can you think of any ways in which the process could have been made more efficient? More effective? Faster? Why do you think those improvements have not already been introduced?
2. Find an article in a local or national newspaper or magazine about problems arising from changes taking place in a public sector organization. Examine the article to find evidence of whether process changes have played a role in generating these problems.

Class exercises

1. Divide into groups of four to six people. Each group should identify one key process of your university/school that leads to an important end result which a student has to undertake as part of his or her studies (e.g. passing an exam, submitting high-quality assignments, making job applications, etc.). Draw up a process map for this process and suggest ways in which the process might be improved to add value to students and to the administration of the programme. Each group should present its findings in a plenary session to the other groups.

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14
Public services inspection

James Downe and Steve Martin

Introduction

One of the most noticeable features of public sector reforms of recent years has been the increasing role played by external performance assessment. Pollitt (2000) identifies performance targets and standards as one of the six core features of the new public management (NPM) reforms that have been evident in most Western countries, and a range of scholars see the rise of performance auditing and value-for-money assessments as important tools of NPM implementation (Pollitt, 2003; English and Skaerbaek, 2007). There has also been a proliferation of performance management frameworks at municipal level in many European countries (Jeanrenaud and Martin, 2005). For example, local authority associations and central governments in the Netherlands, Sweden and France have agreed national benchmarking schemes (Hendriks and Tops, 2003; Smith, 2007; Fouchet and Guenoun, 2007). Meanwhile, in Germany, where there is a tradition of voluntary performance management by local government (Reichard, 2003), the Länder have begun to scrutinise municipalities' accounting and budgeting processes and have imposed a system of output-oriented performance management known as '*Produktorientierte Haushalt*' (Bloomfield, 2006). This 'audit explosion' (Power, 1994) has been particularly evident in the UK, where performance improvement regimes now play a pivotal role in the management of a wide range of local public services including schools, hospitals, social care, the courts, police and the probation service (Downe and Martin, 2007).

This chapter uses the example of English local government as a case study through which to analyse the rise and role of public services inspection in contemporary public management and governance. Policymakers in England have taken public services inspection further than their counterparts in other countries and it provides an interesting test bed for learning about the potential and limitations of externally imposed performance frameworks.

Learning points

This chapter will look at the following key issues:

- What is the nature and role of public services inspection?
- How does external inspection differ from sector-led performance assessment?
- How well does public services inspection perform – and what have been its impacts?

Box 14.1 Definitions

Audit – External audit is the periodic scrutiny of corporate governance and

management; financial statements and underlying financial systems; and performance, performance management and reporting of public bodies.

Inspection – Inspection is periodic, targeted scrutiny of specific services, to check whether they are meeting national and local performance standards, legislative and professional requirements and the needs of service users.

Regulation – Focuses on providing a licence to operate, enforcement of legislation and regulations and monitoring the quality of services provided. Regulation may also include elements of service inspection and can be designed to drive up quality as well as to enforce standards.

Scrutiny – For our purposes, external scrutiny is 'An investigation, a close and continuous watching or guarding critical inquiry' and can encompass audit, inspection and regulation.

Source: Adapted from Scottish Government (2007)

What is public services inspection?

The terms 'audit', 'inspection' and 'regulation' have been used in different ways by different writers. Box 14.1 provides a useful set of definitions from the Scottish Government.

Much of the academic literature defines regulation in broad terms, seeing it as a suite of different activities through which governments seek to shape the behaviour of individuals, professions, organisations or institutions. Baldwin and Cave (1999: 2) for example define regulation as 'sustained and focused control exercised by a public agency over activities that are valued by a community', whilst James (2000: 327) defines it as 'Achieving public goals using rules or standards of behaviour backed up by sanctions or rewards of the state'. Hood and Scott (1996: 321) define regulation in the public sector as 'processes by which standards are set, monitored and/or enforced in some way, by bureaucratic actors who are somewhat separate from units or bodies that have direct operational or service delivery responsibilities' and Hood *et al.* (2000: 284) develop the very useful concept of 'regulation inside government', which they define as 'Oversight of bureaucracies by other public agencies operating at arm's-length from the direct line of command, the overseers being endowed with some sort of official authority over their charges'.

Audit and inspection have traditionally been seen as quite distinct activities. Conventionally, audit has provided assurance about the stewardship of public money and the financial health of public bodies. It is concerned primarily with probity, financial regularity and value for money and provides regular checks of an organisation's accounts and financial management systems. By contrast, public services inspection has traditionally been concerned with service quality and outcomes. It focuses on managerial practice and competencies and involves episodic and selective checks that services are meeting minimum standards as defined by law and/or best practice. As a result it aims to provide assurance to the public and politicians. However, the rise of performance and value-for-money auditing in many Western democracies has meant that auditors have taken an increasing interest in performance management systems and corporate governance (Pollitt, 2003). Meanwhile, inspectorates have moved beyond their traditional focus on the management of individual services and become increasingly concerned with the leadership and performance management of whole organisations. As a result there has been a blurring of the distinction between the two kinds of regulatory activity; what Power (2003: 189) describes as a 'homogenization and standardization of audit and inspection processes in terms of focusing on systems' as inspectors and auditors have sought to 'blend their respective concerns with quality and efficiency' (Midwinter and McGarvey, 2001: 843).

Along with the rise of audit and inspection, scrutiny by politicians and/or the public has become an increasingly important feature of the management of local government and other public services in England. This can take a variety of forms including scrutiny committees, which have been established to hold local authority executives to account, and user/citizen surveys and panels (see chapter 22).

Local government inspection in England

External inspection of public services in England is nothing new. Rhodes (1981) traces its origins back to the eighteenth century. The first schools inspectors were appointed in 1839 and Her Majesty's Inspectorate of Constabulary (HMIC) dates from the Police (Counties and Boroughs) Act of 1856. However, the level and intensity of inspection have increased markedly in recent years. According to Hood *et al.* (1999), the number of inspectorates covering core public sector and local public bodies increased by 18 per cent (from 57 to 67) between 1976 and 1995. This trend has accelerated since 1997. Nine major new public inspection services were created between 1997 and 2002, and the costs of public service inspection more than doubled (from £250 million in 1997 to £550 million in 2002/2003) and the numbers of inspection visits carried out rose to more than 52,000 per annum (OPSR, 2003).

The Audit Commission was originally created in 1983 to appoint and regulate external audit of local government and health services in England and Wales. However, it soon began to use a combination of statutory performance indicators and 'value-for-money' studies to compare the performance of local authority services. Similar developments have been in evidence in public sector reforms in other countries (Pollitt and Bouckaert, 2000). In the late 1990s the 'New Labour' Government in the UK picked up enthusiastically where the New Right had left off. It placed particular faith in external inspection, backed by intervention in services that were deemed to be failing. Inspectors were required to assess public services' current performance and their prospects of improving in future. Their verdicts carried considerable weight because inspection reports were published and used to compile performance league tables which differentiated between the best and worst providers (colloquially known as 'naming and shaming'). The Audit Commission played a key role in this process (see Box 14.2). It began undertaking joint reviews with inspectors of schools, health and social services in the 1990s. In 2000 it was given responsibility for inspecting all local government functions and from 2002 its remit was extended to include judging a local authority's overall performance using a methodology known as 'Comprehensive Performance Assessment' (CPA) which rated each local authority on a five-point scale from 'poor' to 'excellent'. In 2008 CPA was replaced by Comprehensive Area Assessments (CAA), which covered health, police and fire services, as well as local government. The Audit Commission and other inspectorates reached joint judgements about the ways in which services were working together to achieve targets set out in community strategies and Local Area Agreements.

The Coalition Government, elected in 2010, abandoned CAA and announced that it would be abolishing the Audit Commission (Martin, 2011). However, service-based inspections continue in schools, health and social care, which account for the bulk of government spending on local public services. The Office for Standards in Education (Ofsted) continues to exert considerable influence and generate significant media attention. The Care Quality Commission (CQC), which was set up in 2009 as the independent regulator of all health and social care services in England, has been criticised for a series of high-profile service failures and was recently vilified by the Chair of the House of Commons Health Committee as 'a case study in how not to run a regulator'. However, it has continued to receive ministerial support,

albeit under new leadership.

Box 14.2 The rise and fall of the Audit Commission

1983 – Audit Commission established to appoint and regulate the external auditors of local authorities in England and Wales.

1990 – Its remit was extended to include the external audit of the National Health Service (NHS).

1996 – The Commission started joint reviews of social services working with the Social Services Inspectorate.

1997 – Joint reviews of local education authorities were conducted jointly with Ofsted.

2000 – The Best Value regime in England and Wales led to the Commission conducting universal inspection of local government services.

2002 – The Audit Commission was responsible for undertaking a Comprehensive Performance Assessment (CPA) of each local authority.

2004 – The auditing of fire and rescue services fell under the Commission's responsibilities.

2009 – CPA was replaced by Comprehensive Area Assessment (CAA), where the Audit Commission and other inspectorates made a joint judgement about how well local public services in an area were working together.

2010 – The Coalition Government announced that CAA would stop and that the Commission would be abolished.

2015 – The Audit Commission is expected to be formally disbanded.

Why inspect public services?

Inspection of public services – in the UK and internationally – is useful to policymakers for at least four reasons.

First, it has been closely linked to the New Right's critique of the post-war welfare state. Governments in the UK and elsewhere have looked to external performance assessments to root out inefficiency in the hope that this would exert downward pressure on public spending (Pollitt, 1995).

Second, the hollowing out of the state has produced a fragmented patchwork quilt of public service provision. Inspection provides a means whereby policymakers can exercise arm's-length control over new devolved, decentralised and dispersed organisational forms (Rhodes, 1994; Power, 1997).

Third, demand for inspection has been fuelled by the desire for increased 'transparency' in the governance of public services, echoing earlier discourses in which, by virtue of their apparent 'independence', auditors and inspectors had been portrayed as important guardians of the public interest.

Fourth, inspection is a reflection of declining public confidence in the ability of professions, such as social workers, teachers and medics, to safeguard the interests of their clients, pupils and patients, which has led to a 'shift from relations based on trust and status to those based more explicitly on contractual relations' (Hughes *et al.*, 1997: 301).

How does inspection perform?

The Blair Government developed principles governing how the process of inspection should be conducted (see Box 14.3), but there has been less attention given to its impacts. In theory, it may have a range of benefits. The existence (or threat) of inspection could encourage managers to take greater care than they might have done had external checks not been in place. It can help to ensure that minimum standards are achieved and statutory obligations are fulfilled. By pinpointing failing services, it may help to protect the interests of both service users and taxpayers. And to the extent that inspectors are able accurately to diagnose the reasons for failure, they may be able to assist a service to improve and enable others to avoid similar mistakes. Thus inspection might be expected to encourage greater self-awareness, increased capacity for self-evaluation and an appetite for interorganisational learning in public services. However, there has been very little empirical testing of whether it actually achieves these benefits (Boyne, 2003).

Box 14.3 Principles of public services inspection

The Government's 'principles of public service inspection' (OPSR, 2003) stated that public services inspection should:

- pursue the purpose of improvement
- focus on outcomes
- take a user perspective
- be proportionate to risk
- encourage self-assessment by managers
- use impartial evidence, wherever possible
- disclose the criteria used for judgement
- be open about the processes involved
- have regard to value for money, including that of the inspecting body
- continually learn from experience.

Traditionally, inspection was seen as a way of providing assurance that services were safe and meeting minimum standards. In recent years it has increasingly been seen as a means of driving or supporting improvement, and there is evidence to suggest that the performance of public services in England increased rapidly following the imposition of CPA and other forms of external assessment. National performance indicators, public satisfaction surveys and CPA scores also showed steady improvements in the years immediately following the introduction of the Best Value regime and CPAs (Downe *et al.*, 2010). In 2002 51 per cent of local authorities were rated as 'excellent' or 'good' by CPA inspectors. By 2004 this had risen to 67 per cent and

by 2006 79 per cent of single and upper-tier authorities were rated as being in the top two performance categories. When asked about what had enabled this improvement, a large majority of local authority officers cited external inspection as the most important driver of change in their organisations (Downe and Martin, 2007). The UK Government points to a similar improvement in social care, where 'the Commission for Social Care Inspection (CSCI) performance ratings have shown a year-on-year improvement since they were first published in 2002' (CLG, 2006: 116). Comparisons of educational attainment and hospital waiting times between England and Wales (which eschewed CPA, league tables and other star ratings) also suggest that performance assessment can drive improvement (Bevan and Wilson, 2013).

However, inspection has been criticised on a number of grounds. The improvements noted above occurred at a time of unprecedented year-on-year increases in public spending. Overall spending grew from £24 billion in 2003/2004, to £40 billion in 2004/2005 to £61 billion in 2005/2006 – an average growth of 5.25 per cent per annum in real terms. Spending on the NHS trebled in the early years of the twenty-first century, whilst local government budgets increased by almost 40 per cent in real terms. It may well be that it was this munificence, rather than inspection, which enabled local authorities to perform better. Second, it has been argued that inspected bodies are likely to 'game' inspection frameworks by focusing on aspects of performance that are measured, to the detriment of those which are not. There are numerous examples of such goal displacement and the undesirable consequences for service users and tax payers (see for example Bevan and Hood, 2006). Third, it has been argued that the judgements reached by inspectors depend on the criteria they use, particularly when it comes to judgements about overall improvement and of prospects for improvement, and that the criteria used in CPAs were blind to contextual factors such as deprivation and levels of expenditure (Cutler and Waine, 2003; Jacobs and Goddard, 2007).

Moreover, inspectorates can make mistakes, and some inspection reports are just plain wrong. A recent report from the BBC on the CQC, the social care inspection body, found serious errors in the calculations they used to rank General Practitioner practices in terms of patient safety risk (see www.bbc.co.uk/news/health-30344455). The CQC has been forced to apologise to hundreds of GPs for giving incorrect patient safety risk assessments, 60 practices have been taken out of the highest risk categories and four surgeries labelled as 'low-risk' are now found to be in need of early inspection. The BBC discovered that one indicator (whether patients could get an appointment with a GP or nurse the last time they tried) has such flawed calculations that it had to be removed altogether, and a further four indicators had to be refined, based on new data. Clearly, ironclad quality assurance is essential if inspection is to maintain credibility.

Perhaps the most significant concern is the cost of inspection. The direct costs of employing inspectors spiralled upwards under the Blair Governments, more than doubling between 1997 and 2001 (Byatt and Lyons, 2001), as new inspectorates were created and existing agencies had their remits extended. In 2005, the direct cost of inspecting English local government was in excess of £90 million per annum (ODPM/HM Treasury, 2005).

In addition there are a range of indirect costs which are borne by inspected bodies (Boyne *et al.*, 2002). Four are particularly worth noting. First, the costs of staff time devoted to preparing for, managing and responding to inspections and opportunity costs associated with activities that are foregone as a result of the time taken up by inspection. Hood *et al.* (1999) have

estimated that these compliance costs at least double the direct costs of inspection. Second, inspection entails opportunity costs because inspected bodies prioritise activities and outcomes that are monitored and measured by inspection regimes and give less attention to what may be equally important but are less intensively scrutinised actions. Third, critics claim that inspection may stifle innovation and experimentation and be insensitive to local needs and priorities. Finally, inspection may damage staff morale as the sense of being 'checked up' on and the 'bureaucratic burden' of preparing for inspection may demoralise staff. Being dammed as a 'poor' performer may make it more difficult to recruit and retain staff, thus leading to a further decline in services. It was partly on grounds of costs that the Coalition Government justified its decision to abolish CAA and the Audit Commission. It claimed that the Commission had moved away from its core function of regulating local audit and become an expensive improvement agency (Institute for Government, 2014), and the government suggested that abolition would save the taxpayer £50 million a year.

Sector-led performance assessment

Following the abolition of CAA, the Local Government Association (LGA), which represents English local authorities, introduced a programme of 'corporate peer challenge' designed to help councils to identify their strengths and weaknesses and ways of improving services (LGA, 2011). The process builds on the LGA's experience of facilitating peer reviews over a number of years and, in contrast to inspection, is entirely voluntary. A local authority is entitled to one visit which usually takes up to a week and involves a team of experienced peers including a local authority leader, a chief executive and at least one other senior officer. The process combines elements of external inspection and consultancy. The team checks on the authority's corporate capacity (including issues such as its leadership, strategy, finances and performance management systems) and provides advice on issues or services on which the authority has asked for feedback. Local authorities are able to determine the timing of the visit and have a significant say in the composition of the team which visits them.

An evaluation of the first 40 peer challenges found that local authorities reported that they derived significant benefits from the process (Downe *et al.*, 2013). They liked the way in which it was tailored to local needs and priorities and they valued and took seriously the feedback they received from the challenge team. A large majority compared peer challenge favourably with external inspection. They reported that it was more likely to encourage learning because it focused on facilitating improvement rather than monitoring past performance. This encouraged a more open and honest process of self-assessment and was less likely to provoke defensive posturing or gaming.

However, there are downsides to sector-led approaches like corporate peer challenge. The voluntary nature of the process means that it cannot provide the same public assurance as inspection. The lack of public reporting and performance ratings means that it does not provide the level of transparency or public assurance to which the CPA and CAA aspired. Nor does it allow performance comparisons to be made between authorities. There is a risk that councils frame the process in a way which produces a favourable report, and there are concerns that the process is not as 'stretching' as inspection. Local authorities which had been through the process worried that those which chose not to may have something to hide, and the continuation of inspection in education and social care shows that, when it comes to services for vulnerable users, central government is unwilling to rely on the sector to regulate itself.

The future of public services inspection

External inspection plays an important role in the governance and management of local public services in a range of countries. However, inspection is not, as its proponents sometimes imply, a 'politically neutral' response to purely technical problems of promoting service improvement or ensuring accountability. It is, in fact, concerned with 'articulating values, with rationalising and reinforcing public images of control' (Power, 1994: 17).

The chapter has shown how a period of intense external inspection of English local authorities coincided with measureable improvements in their performance. Local government managers reported that CPA played a significant role in driving improvement in their organisations. However, direct and indirect costs of public service inspection were high. Some opponents of external inspection of local government argue that it is wrong in principle, since it detracts from local democratic decision making. Others take a pragmatic approach, arguing that the costs cannot be justified during a time of austerity when 'frontline services' are under severe financial pressure. Even some proponents of inspection argue that CPA and CAA had done their job by improving the management and leadership of local authorities to the point where they could be trusted to take more responsibility for their own performance. However, it seems extremely unlikely that public services inspection is about to be swept away, and there have been interesting moves in the opposite direction in some other sectors and other parts of the UK. A major review of regulation, audit, inspection and complaints handling of public service (Scottish Government, 2007) was undertaken in Scotland, and a review of audit, inspection and regulation took place in Wales in 2014, where ministers have toughened up inspection, adopting school banding and a number of processes reminiscent of the approach adopted by the Blair/Brown Governments. Meanwhile in England both Ofsted and CQC are changing their approach to inspection and moving towards unannounced inspection and more 'risk-based' approaches.

There are a number of significant questions about public services inspection which policymakers and researchers might usefully address in future. We need to develop a better understanding of the impacts of inspection. Does it really drive improvement as its advocates claim and, if so, how does it do this? It would also be useful to find ways of integrating different inspection frameworks more effectively than has been achieved so far and it would be useful to define more rigorously the qualities and skills needed to become inspectors. The Institute for Government (2014) has highlighted some confusion, whereby an organisation can be an inspector with no statutory regulatory powers; an agency for improvement without being an inspector or regulator; and a regulator without being an inspector. There needs to be clarity of purpose for each scrutiny body, in order to reduce possible duplication and bureaucracy, to increase transparency and to ensure that the principles of public service inspection (set out in Box 14.3) are being met.

Another important challenge concerns the impact of inspection on the public. The Audit Commission and the New Labour Government in the UK emphasised the importance of citizen- and customer-focused inspection (Audit Commission, 2007), and the various public service inspectorates tried through the 'Oneplace' website to bring together information on

how local public services were performing across England, whether they provided value for money and where they could improve. However, this costly initiative was abolished after just seven months. The Coalition Government's approach has also emphasised the role of citizens in holding local authorities to account. The Secretary of State explained that he wished to see an 'army of armchair auditors' scrutinising service providers. However, there is very little evidence to suggest that the public have an appetite for playing such a role.

Following the abolition of the Audit Commission and pruning of national performance indicators, the lack of audited comparative performance data in the system is also a problem. This makes it difficult to benchmark in order to identify good practice or to provide public assurance and calls into question the ability of central government or the local government sector to know which organisations are at risk of running into serious difficulties. The LGA has recently introduced 'Inform' as a voluntary system and non-comprehensive benchmarking data service. As Lord Michael Heseltine, who as a minister in the 1980s was responsible for establishing the Audit Commission, suggested recently, 'If you want to make comparisons authority by authority, you have to prescribe the information that you want to collect, and that can only be done centrally' (Parliamentary Debates (*Hansard*), House of Lords Official Report, 17 June 2013). Peer challenge has attractions but is undoubtedly seen as being a 'softer' alternative to the top-down model of external inspection. It may only take a small number of failures by local authorities to call into question the future of a sector-led approach to improvement and lead to the reintroduction of external inspection.

Summary

Audit, inspection and regulation of public services have traditionally been seen as quite distinct activities. However, over the past two decades there has been a blurring of the distinction between all kinds of regulatory activity, as each extends its remit into most aspects of performance assessment. The move towards greater inspection has been driven by a range of factors, picking up support from all shades of the political spectrum – inspection has long been seen as a way of providing assurance that services were safe and meeting minimum standards, and, in more recent years, as a means of driving or supporting improvement.

On the other side of the balance, however, although there is evidence to suggest that the performance of public services in England increased rapidly following the imposition of external assessment mechanisms, it is not clear to what extent they were related. Moreover, the costs of inspection in the English system up to 2010 have given rise for concern. Nevertheless, UK government still seems to value the independent assurance given by external inspection and is not convinced that this can be replicated by sector-led performance assessment.

Questions for review and discussion

1. What conditions have driven the ‘audit explosion’ in public services – in the UK and other countries?
2. What are the benefits and problems of external inspection?
3. What do you think are the implications of the Audit Commission being abolished for public services?
4. Can a sector-led approach (like corporate peer challenge) lead to improved public services?
5. What can other countries learn from the experience of inspection in English local government?

Reader exercises

1. Obtain a report from an external scrutiny agency. To what extent is it shaped by any of the issues discussed above?
2. How many forms of scrutiny has the organisation in which you work (or in which someone you can ask works) experienced in the last few years? What are the different forms of scrutiny?
3. Talk to someone who has recently experienced external audit, inspection or evaluative scrutiny in their work. What are the key features of their experience? What aspects are working well and why is this?

Class exercises

In small groups, consider the questions about audit and control below.

1. Auditing public services:

    - To what extent can the objectives of the organisation be clearly and simply specified – e.g. what is a council for?
    - To what extent is the performance of the organisation measurable – e.g. can performance indicators measure the success of a council?
    - To what extent is organisational performance a closed system in which outcomes reflect the effect of organisational activity – who or what else contributes to 'results'?
    - To what extent can comparability be guaranteed between organisations – what unmeasured or unmeasurable factors within or outside organisations may influence organisational performance?

2. Controlling public services:

    - How might governments evaluate the provision of public services if they did not use external scrutiny agencies?
    - How might relations of trust be constructed between publics, governments and public services?

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Part III
Public governance

The third part of this book focuses explicitly on governance as an emerging trend in the public domain. It examines a number of themes central to public governance and suggests how they are interlinked with public management and how these themes may evolve in the future, if public governance continues to acquire increasing importance.

Chapter 15 examines the relationship between governance and government. It suggests that the growing interest in public governance has arisen at least partly because of the modern necessity for governments to work in partnership with and to co-manage networks of external stakeholders.

The subsequent chapters explore how public policymakers and managers have moved from being largely concerned with the management of public organizations to a wider conception of their role: the role of politics and politicians in democratic governance (chapter 16); working within partnerships (chapter 17), through agencies and decentralized management systems (chapter 18), and through networks (chapter 19); how the role of leaders has been reconceptualized as being distributed between different layers of the organization and between organizations (chapter 20) and how leadership for improved performance requires a subtle appreciation of how the components of a strategy will work differently in different organizations (chapter 21); how public agencies are finding new ways to engage with citizens (chapter 22) and how this can often lead to service user and community co-production of public services and outcomes (chapter 23); the implications of the growing demand for transparency in government (chapter 24); and the changing agenda for management of equalities (chapter 25), new concerns with and approaches to ethics and standards of conduct in public sector organizations (chapter 26) and evidence-based approaches to developing and refining policy and practice in the public domain (chapter 27).

15
Public governance in a network society

Elke Loeffler

Introduction

There is now a huge academic literature on public governance, public policy networks and network management in the public sector – and new variations on these ideas keep being invented – but much confusion remains about these concepts and, for most practitioners, they don't mean much at all. Does this mean that concepts of good governance are simply the abstract invention of political scientists and international organizations and are of little importance in practice?

I want to argue that the reality is quite the opposite – governance is really critically important. However, it is indeed the case that most public managers and citizens are not interested in fancy 'wish-lists' of governance principles – it is specific governance issues affecting perceived public outcomes and the quality of life of citizens that get their attention.

As this chapter will show, public decision-making and the delivery of public services have undergone fundamental changes in the last 15 years or so. This is partly because we now have a more fragmented state, with far more public agencies (see chapters 2, 4 and 17). It is also partly because citizens now expect different types of information (see chapter 11), better communication (see chapter 6) and, in some limited (but sometimes very vocal) cases, are keener to engage in public decision-making processes (see chapter 22). Perhaps most important of all, it has come about because of 'wicked' policy problems, which make partnership working (see chapter 17) and co-production with citizens and communities (see chapter 23) key for all public sector organizations and other public service providers.

As a result, public organizations no longer just have to be good at getting their internal management systems right – e.g. financial management, human resource management, ICT (information and communications technologies) and performance management – but they also have to manage their most important external stakeholders well in order to achieve the desired policy outcomes. In other words, network management has become a key competence for public sector organizations.

Learning objectives

This chapter will help readers:

- to distinguish key concepts in public governance;
- to identify the most important stakeholders in public governance;
- to understand network management as a specific mode of public governance.

Sorting it all out: key governance concepts

Governance is not a new term. Indeed, it was first used in France in the fourteenth century where it meant 'seat of government' (Pierre and Peters, 2000: 1). The term became much more popular when the World Bank 'reinvented' governance in a World Bank Report of 1989 (see Box 15.1). This use of the term governance signalled a new approach to development, based on the belief that economic prosperity is not possible without a minimum level of rule of law and democracy. At the same time, use of the seemingly apolitical term 'governance' was valuable in preventing criticism that the World Bank was trying to interfere in the political decisions made by debtor countries.

Today, governance is a highly topical issue for international organizations – the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the Council of Europe all produce policy-relevant advice and research on governance issues. For example, the Council of Europe recently endorsed a Strategy on Innovation and Good Governance at local level, aimed at mobilizing action by national and local authorities through a public commitment to 12 Principles of Good Democratic Governance. This initiative particularly hopes to improve public governance through external certification for local authorities – the European Label of Innovation and Good Governance (ELoGE – see the 2007 Valencia Declaration, www.coe.int/t/e/legal_affairs/local_and_regional_democracy/Main_Bodies/Conference_Specia 15(2007)5final_EN.pdf). Case example 15.1 shows how this good governance initiative has supported an internal drive for improving governance in the local authority of Time in Norway.

Such initiatives indicate the topicality of 'good governance'. However, it is interesting to observe that a previous, high-profile European governance initiative, widely promoted in a White Paper on Governance (European Commission, 2001) has now been 'archived'.

Box 15.1 Definitions of governance

> The exercise of political power to manage a nation's affairs.
>
> (World Bank, 1989: 60)

> Governance is the process whereby societies or organizations make important decisions, determine whom they involve and how they render account.
>
> (Canadian Institute on Governance, www.iog.ca)

> Public governance is how an organization works with its partners, stakeholders and networks to influence the outcomes of public policies.
>
> (Governance International, UK, www.govint.org)

> The pattern or structure that emerges in a socio-political system as a 'common' result or outcome of the interacting intervention efforts of all involved actors. This pattern cannot be reduced to [the outcome produced by] one actor or groups of actors in particular.
>
> (Kooiman, 1993: 258)

In contrast to this enthusiasm for governance amongst international organizations, and national aid donors dealing with developing countries, the concept of good governance is given much less priority by most old European member countries (except perhaps in formal speeches at political gatherings). This can be seen, for example, in the fact that there are very few staff in public organizations with the job title 'governance officer' – and, where such a post exists (as in some UK public sector organizations), it is often a relatively junior post limited to undertaking 'tick-box exercises' for reassuring regulators and auditors. It appears that governments find it more congenial to recommend good governance to others than to deal with uncomfortable governance issues themselves. In particular, in times of austerity there is an even greater reluctance to invest in 'fuzzy' governance initiatives. Nevertheless, governance crises, such as corruption scandals or government pay discrimination on grounds of gender, ethnicity, etc., put public governance issues firmly on the political agenda from time to time. For example, the UK government gave a high profile to the Nolan Public Standards Committee after issues of 'sleaze' in public life achieved high media attention (see chapter 26). We can also observe the emergence of a wide range of new think tanks and consultancy organizations aimed at fostering governance in the public domain.

Case example 15.1 Improving local democracy through ELoGE: Time's good governance journey in Norway

For the municipality Time (18,000 inhabitants) in the scenic Stavanger Region on the south-west coast of Norway, a local voter turnout of 67 per cent was not seen as good enough. The local council therefore decided to pilot the *European Label of Governance Excellence* (ELoGE) in 2012 to get a full picture of the state of local democracy in the municipality.

EloGE is a tool launched in 2008 by the Council of Europe in Strasbourg to promote its Strategy for Innovation and Good Governance by providing its 48 member states with an assessment framework for good governance in local government. It is based on a common vision, expressed in 12 Good Democratic Governance Principles at Local Level, agreed by the Committee of Ministers of the Council of Europe:

1. fair conduct of elections, representation and participation
2. responsiveness
3. efficiency and effectiveness
4. openness and transparency
5. rule of law
6. ethical conduct
7. competence and capacity
8. innovation and openness to change
9. sustainability and long-term orientation
10. sound financial management
11. human rights, cultural diversity and social cohesion

12. accountability.

Based on these 12 principles, the Centre for Local Democracy of the Council of Europe developed three sets of questionnaires to assess the state of good governance from the perspective of three stakeholders: local government officers, citizens and local councillors. Local authorities wishing to obtain EloGE certification have a site visit by external evaluators to verify the results provided by a self-assessment done by the local authority. If the scoring of the external assessment meets a predefined minimum standard for each of the 12 good governance principles, the EloGE certificate is awarded.

For Time municipality the key objective of piloting EloGE was to gain new insights from working with this comprehensive tool. At the same time, gaining the external certification was seen as important in motivating everybody involved to invest time, resources and commitment in delivering the resulting governance improvement plans.

Source: Adapted from Wetås de Jara and Loeffler (2014)

Many governmental and non-governmental organizations have also focused on the attributes that they believe constitute 'good governance' (see Box 15.2).

It might be thought that the multiplicity of views on what constitutes governance in a positive and normative sense make it a less than useful concept. However, almost all definitions contain some common elements which show that governance (Bovaird and Loeffler, 2002):

- assumes a multiple stakeholder scenario, where collective problems can no longer be solved only by public authorities but require the cooperation of other players (citizens, business, voluntary sector, media, etc.) – and in which practices such as mediation, arbitration and self-regulation may often be even more effective than public action;
- recognizes the importance of both formal rules (constitutions, laws, regulations) and informal rules (codes of ethics, customs, traditions), but assumes that negotiation between stakeholders seeking to use their power can alter the importance of these rules in specific situations.
- no longer focuses only on market structures as steering mechanisms, as in conventional 'New Public Management' approaches, but also considers hierarchies (such as bureaucracies) and cooperative networks as potential facilitating structures in appropriate circumstances;
- employs reasoning not only in terms of the logic of ends and means, inputs and outputs, but recognizes that some characteristics of key social interaction processes (transparency, integrity, inclusion, etc.) are valuable in themselves;
- is inherently political, concerned as it is with the interplay of stakeholders seeking to exercise power over each other in order to further their own interests – and therefore cannot be left just to managerialist or professional decision-making elites.

The big challenge in practice is how to bring about 'good governance'. The definitions above make it clear that it cannot be achieved by good government alone. For example, in order to reduce crime it is important that the police service has sufficient resources, that it is efficiently

managed and that it behaves in a fair and honest way and avoids racial and gender discrimination. If these prerequisites are not in place, crime levels can get out of hand in particular areas and inappropriate police responses may result in riots, an increase in lawlessness and unwillingness to give the police information. However, the long-term solution to the problem of crime may not be within the power of the police or achievable even by means of better designed interventions on the part of government or other public sector organizations. At the root of the problem may be insufficient integration of immigrants, insufficient work and stimulating leisure opportunities for young people or simply a high rate of unemployment in a particular area. In this case, good governance requires the cooperation of all relevant stakeholders in tackling the underlying problem. This is likely to include actions by various public organizations such as schools, health providers and local authorities – but also by community groups, etc. As Case example 15.2 shows, the police may even involve business in order to become more effective in tackling crime.

Box 15.2 Definitions of 'good governance'

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

(United Nations Economic and Social Commission for Asia and the Pacific, www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp)

Five principles underpin good governance and the changes proposed in this White Paper: *openness, participation, accountability, effectiveness and coherence.*

(White Paper on European Governance, http://europa.eu/rapid/press-release_DOC-01-10_en.htm)

Good governance has to be defined as context-specific. Given that it is impossible fully to implement all desirable governance principles at the same time, stakeholders need to agree on strategic governance priorities.

(Governance International, UK, www.govint.org)

Case example 15.2 Police train shop assistants to reduce shop-lifting

Under a pilot scheme in the London Borough of Camden, police officers gave six staff members of two local stores from the Dixons group of electrical products the same training as the Metropolitan Police's 765 part-time officers. The trial was judged to be highly successful. Antony Rumming, 22, a Dixons team leader in Camden, said that the training had helped him to catch 20 potential fraudsters in the last year. 'It helps knowing what they are going to do and the patterns involved,' he said. A recent survey estimated that retail crime costs the industry £2.25 billion annually. The police have already announced further measures to give civilians special roles in major investigations, including murder inquiries.

Source: Adapted from the *Guardian* (Saturday, 30 October 2004)

So government may no longer necessarily be the central actor, but only one actor in the policy process (Scharpf, 1978). As Rod Rhodes (1997: 57) puts it: 'the state becomes a collection of inter-organizational networks made up of governmental and societal actors with no sovereign actor able to steer or regulate. A key challenge for government is to enable these networks and seek out new forms of co-operation'.

In other words, the importance of public governance means that the question 'How much state?' must be complemented by the follow-up question 'Which state?' This suggests that we have to deal with the state as the interaction of multiple stakeholders, each of whom has some public responsibility to influence and shape decisions in the public sphere.

Moreover, the move from government to governance requires all stakeholders to play a much more imaginative role in shaping the decisions in their communities or policy networks and contributing to publicly desirable outcomes. This is exemplified in relation to local governance in Table 15.1.

Table 15.1 The move from local government to local governance

Local government needs to consider not only …	*… but increasingly also …*
Organizational leadership	*Leadership of networks and partnerships*
Developing organizations	Developing communities
Ensuring policy coherence across organizational departments and services	Ensuring policy coherence across organizational and sectoral borders and levels of government as well as over time (sustainable development)
Creating a set of values and a sense of direction, which leaves room for individual autonomy and creativity for mid-level managers and employees	Creating a set of values which are consistent with the expectations of citizens, partners, firms and other stakeholders, leaving room for their autonomy and creativity
Policy and strategy	*'Politicking': balancing strategic interests*
Focus on the needs of customers	Activating civil society (through information, consultation and participation) in local policies and management
Separation of politics and administration	Governance as a process of interaction between elected officials, politically appointed officials, ad hoc advisors, career civil servants and external stakeholders
Annual plans, concentrating on current expenditure	Long-term plans, incorporating activity plans, capital budget plans and asset management for the whole community

People management	*Management of the labour market and its implications*
Increasing labour productivity through efficiency drives	Improving staff contribution to all the goals of the organization
Getting staff to focus on quality of service	Getting staff to focus on quality of life, in terms of quality of service outcomes for users and other stakeholders and also quality of working life for fellow staff
Motivation through more objective evaluation systems and more flexible pay systems	Motivation by allowing staff to contribute a wider range of their skills and aptitudes to the work of the organization and community
Recruiting and retaining qualified staff through transparent hiring processes	Recruiting, training and promoting staff in ways that increase the diversity of the public service in terms of gender, ethnicity, age and disabilities
Making better use of staff resources within the organization	Making better use of staff resources by increasing mobility within the public sector and also between other sectors and other areas

Resource management	*Resource and knowledge management*
Budget formulation as a top-down exercise (with fixed ceilings on total expenditure)	Preparation of local budgets with active participation of local community representatives, including councillors and mobilizing all assets in the community
Measurement of unit costs for performance improvement and performance monitoring	Measurement of money and time costs of the organization's activities, as experienced by both the organization and its stakeholders
Transparent financial reporting	'Fiscal transparency' to communicate with external stakeholders (business, citizens, media, etc.) on the value for money of activities
Improving technical efficiency	Improving social efficiency, including equitable distribution of budgets and services
Making ICT available to all staff for efficiency-enhancement purposes	Generating and sustaining new knowledge through knowledge management, both for staff and for other stakeholders interacting with the organization (including making ICT available to all stakeholders to improve effectiveness)

Processes	*Internal and external relationships*
Internal improvement processes ('business process re-engineering')	Improved management of processes beyond organizational borders, including intergovernmental relations and constraints
Competing for tendered tasks	Managing multiple contracts and supplier relationships; building and maintaining accountable partnerships, with other organizations; co-production of services with users and communities

Measurement of objective and subjective results	*Measurement of multidimensional performance*
Reporting systems based on needs of public managers and government oversight bodies	Publishing of performance information based on the needs of stakeholders in the community (social, ethical and environmental reporting)
Benchmarking results, internal processes or organizational performance against other local authorities	Involving stakeholder groups in the definition of performance standards and comparison of performance against results achieved in other communities
Use of performance information for control purposes	Using performance data for innovation and learning at individual, organizational and network levels
Improving the functioning of the local authority	*Developing good local governance*
Improving the internal efficiency of local authorities	Improving the external effectiveness of local authorities and improving local outcomes and the quality of life
Increasing user satisfaction in relation to local services	Building citizen trust in local government through transparent processes and accountability and through democratic dialogue
Serving the community by producing policies, services and knowledge (community leader)	Enabling the community to plan and manage its own affairs and co-produce its own services (community developer)

Source: Adapted from Bovaird and Loeffler (2002: 21–23)

Important stakeholders in public governance

If governance is much more than government, does this mean that governments no longer have an important role to play in local politics and service delivery? Or, as the public governance experts Jon Pierre and Guy Peters (2000) ask provocatively: 'Does government still matter?'

Such questions are misguided, as they consider governance issues out of context. More meaningful governance questions are rather: When does government still matter? What functions could public organizations share with other stakeholders – and which can they not share? What are the roles of different stakeholders, including the public sector, in solving different problems in society?

The concept of stakeholders originally just included people who have a stake (or share) in a particular issue, service or organization – i.e. those who are *affected* in some way by the actions of the organization. However, the concept of stakeholder is nowadays usually widened to cover also people whose actions *affect* the organization concerned. Stakeholders can be groups of people, organizations or individuals.

Typically, public governance issues are likely to involve the following key stakeholders (amongst others):

- citizens (as individuals);
- community organizations that are loosely organized;
- non-profit organizations (including charities and major non-governmental organizations), which are often quite tightly organized;
- business;
- media;
- public agencies (e.g. different levels of government/Parliament, including international levels);
- elected politicians;
- trade unions.

Obviously the stakeholders who are most important in any public governance issue will vary, depending on the policy area, the geographic area and the community concerned.

In order to solve 'wicked' policy problems successfully it is important to identify the most relevant stakeholders – one powerful way to do this is by drawing up a stakeholder power-interest matrix (see Figure 6.1 in chapter 6). The first step is to brainstorm all stakeholders who are believed to have a stake in the organization concerned or to be affected by the organization's actions. The second step is to allocate these stakeholders into one of four categories by determining:

- their power over your organization/service/project (are they powerful enough to do your organization harm? Or are they so weak that your organization does not care much what they think about your organization?);

- the interest that they have in your organization/service/project.

The position of stakeholders in the matrix helps managers to understand how best to engage with them.

Clearly, not all stakeholders are equally important and relevant in relation to a given action by the organization. This insight may seem contradictory to the principle of 'equal treatment' which is commonly associated with 'good governance'. However, the fact is that effective governance requires priority-setting, including deciding which of your stakeholders matters most to any decision that has to be taken in a given situation.

This is all the more important, but also more difficult, because there is still great uncertainty about the relative role of different stakeholders in improving quality of life, solving the 'wicked problems' in society and ensuring that public governance processes are improved. We cannot yet be clear about 'what works, where and when' in addressing these issues. It is important, therefore, that we make appropriate use of the evidence available, and take steps to improve that evidence on public governance (see chapter 27), including, for example, experimentation around alternative approaches.

As part of this learning-based approach, public sector organizations increasingly recognize that they have to work together with their key stakeholders at all stages of the policy cycle in order to improve services and outcomes. This means that policy-making is no longer seen as a purely 'top-down' process but rather as a negotiation between many interacting policy systems. In practice, this means that public sector organizations have to share the activities of service commissioning, design, management, delivery and assessment with relevant stakeholders. When these other stakeholders are organizations, we will call such joint activities 'collaboration' or 'partnership' (see chapter 17). Similarly, services are no longer simply delivered by professional and managerial staff in public agencies, but rather co-produced by users and their communities (see chapter 23).

Networks as a specific mode of public governance

For some academics, public governance refers to 'self-organizing, inter-organizational networks' (Rhodes, 1997: 53). Yet, as Pierre and Peters (2000: 14–26) point out, although networks have become an increasingly important aspect of public governance, they are only one specific mode of public governance. There are also other governance mechanisms that remain significant in the public, private and voluntary sectors, so that the list should read:

- hierarchies
- markets
- organizational networks
- communities.

This means that public governance not only involves cooperation but also competition and conflict management. The key governance issues are not simply how to develop and maintain networks, but which governance mechanisms are appropriate in which context.

However, we must ask: what do we mean by 'networks'? In general, policy networks consist of a variety of actors who all have their own goals and strategies but who are dependent on each other to achieve the desired public policy outcomes. There is no single actor who has enough power to ensure the achievement of the policy outcomes himself/herself. Obviously, the operation of networks will differ depending on the distribution of power and the institutional context, which determines incentives or obstacles for cooperation (Kickert and Koppenjan, 1997: 41ff.). One famous categorization of policy networks comes from Rhodes (1997) (see Table 15.2). Policy communities are at one end of the continuum and involve close relationships between a limited number of participants, while issue networks are at the other end and involve loose relationships between many participants with fluctuating interactions.

Table 15.2 The 'Rhodes typology' of policy networks

Type of network	*Characteristics of network*
Policy community/ territorial community	Stability, highly restricted membership (usually including strong political links), vertical interdependence, limited horizontal articulation
Professional network	Stability, highly restricted membership (usually with very weak political links), vertical interdependence, limited horizontal articulation, serves interest of profession
Intergovernmental network	Limited membership (usually including political representatives), limited vertical interdependence, extensive horizontal articulation
Producer network	Fluctuating membership (usually with weak political links), limited vertical interdependence, serves interest of producer

Issue network	Unstable, large number of members (usually including political representatives), limited vertical interdependence

Source: Adapted from Rhodes (1997: 38)

As the public sector has become more fragmented and the boundaries between public, private and non-profit sectors have become more blurred, the nature of networks has changed. In the UK, functional policy networks based on central government departments have expanded to include more actors, most notably from the private and voluntary sectors (Rhodes, 1997: 45). At the same time, the number of networks has increased significantly.

As a result, the implementation of public policies has had to adapt, placing more emphasis on the need for integration and coordination. Hierarchical, top-down policy-making typically does not work in networks, particularly as they have no obvious 'top' (see chapter 19). In the academic literature, network management is seen as consisting of two major elements (Kickert and Koppenjan, 1997: 46):

- direct management of interactions within networks (so-called *game management*);
- influencing the institutional arrangements in order to improve conditions for cooperation indirectly (so-called *network constitution*).

If public policies are the result of the interactions ('games') between several actors with different goals and perceptions, improvements in public policies can be achieved through the effective management of these games. Klijn and Teisman (1997) identify three key network management strategies to improve the game management and the network structuring – see Table 15.3.

Given that the actors of a network have different goals and perceptions, there is a need to create some degree of alignment between the perceptions of different actors in relation to what needs to be done, which resources can be used and the circumstances in which certain actions are acceptable. This process of identifying similarities and differences in actors' perceptions and the opportunities that exist for goal convergence is referred to as 'covenanting'. Whether or not a network achieves the jointly agreed outcomes depends on whether or not it includes all those actors who possess indispensable resources and also those actors who have the power to undermine achievement of the network's goals, if they have been left out (see Scharpf, 1978). Last but not least, actors have to agree on institutional arrangements that facilitate the coordination of their activities. These arrangements may be highly formalized (e.g. covenants between different levels of government) or informal (e.g. agreements on working procedures within project teams).

Table 15.3 Key network management strategies

	Perceptions	*Actors*	*Institutional arrangements*
Game management	Covenanting	Selective (de)activation	Creating and implementing rules of the game
Network constitution	Reframing perceptions	Formation of new networks	Changing the rules of the game

Source: Adapted from Klijn and Teisman (1997: 106)

In contrast to the game management strategies, changing the constitution of existing networks involves longer-term strategies. Where different actors with indispensable resources are unwilling to cooperate, or even to communicate with each other (as has happened sometimes, e.g. in Belfast or in Jerusalem), it may be necessary to engage in activities to change the perceptions of these actors. In other cases, there may be a need to reconstitute a network and to bring in new actors. This is typically a problem in citizens' consultation exercises, which may be dominated by 'the usual suspects'. In many cases, minorities and 'inarticulate' groups find it hard to get a platform and to make known their perceptions (see chapters 22 and 25). Furthermore, existing institutional arrangements may prove to be weak in protecting the interests of the actors of a network. For instance, in e-government the major players may be 'techies', fascinated by the technology requirements to make e-government work, and 'marketeers', driven by the desire to promote government services online to their current users. In this case, a serious digital divide can open up, in which non-users of ICT services (often very vulnerable people who are actually high-priority clients of the services concerned) are seriously disadvantaged in the debate about service design and service delivery mechanisms (see chapter 10).

Assessing public governance

I start from the belief that any definition of public governance has to be *context-specific* and is likely therefore to differ between stakeholders and countries. However, for the purposes of this chapter, I will use a specific definition of public governance which makes it particularly easy to explore how different stakeholders can be involved appropriately in the assessment of the quality of public governance – the Governance International definition from Box 15.1:

> Public governance is how an organization works with its partners, stakeholders and networks to influence the outcomes of public policies.

Furthermore, by 'good governance' I will mean:

> the negotiation by all the stakeholders in an issue (or area) of improved public policy outcomes and agreed governance principles, which are both implemented and regularly evaluated by all stakeholders.

From this definition of good governance it is clear that there are two key areas in which assessment is required:

- improvements in public policy outcomes; and
- implementation by all stakeholders of a set of principles and processes by means of which appropriate public policies will be designed and implemented.

Consequently, we should try to measure the success of public interventions in terms of their 'outcomes', i.e. the quality of life changes that they bring for those affected by them, rather than the quality of the activities themselves. This means, for example, that we should assess:

- the level of community safety as seen by citizens, rather than the quality of policing;
- the level of income and conditions of working life, rather than the performance of economic development programmes;
- the level of health and social well-being experienced by citizens, rather than the quality of health and social care services;
- the quality of environment which people experience rather than the quality of environmental protection services;
- the level of access which people enjoy to facilities that they wish to experience, rather than the quality of the roads or public transport services;
- the comfort which people enjoy in their homes, rather than the quality of housing management services;
- the quality of the leisure and cultural experiences which citizens enjoy, rather than the quality of the recreation, sports and arts services provided.

Of course, this does not mean that there is no longer an interest in the quality or quantity of services provided by the public sector. However, these must be seen as instrumental, rather than as ends in themselves.

Building on categorizations of the main public governance principles and processes by

Kooiman (1993), Rhodes (1997), Bovaird and Loeffler (2003) and ELoGE (see Case example 15.1), we suggest that there is a need to assess at least the following principles of 'good governance':

- citizen engagement
- transparency
- accountability
- human rights
- the equalities agenda and social inclusion (gender, ethnicity, age, religion, etc.)
- ethical and honest behaviour
- equity (fair procedures and due process)
- respect for the rule of law
- fair conduct of elections, representation and participation
- ability to compete in a global environment
- ability to work effectively in partnership
- staff competence
- organizational efficiency
- openness to change
- sustainability.

It is important to note that these principles and processes of public governance are not absolute – their importance is likely to vary between contexts and over time, and different stakeholders are likely to have differing views on what they mean and how important they are in practice.

One example of how this approach can be used to assess the quality of public governance in practice is shown by the case of local governance in social housing estates in Carrick, a district council in the south-west of England (Bovaird and Loeffler, 2007). The methodology required measuring the gap between what local stakeholders expected and the performance of local agencies, both in terms of *quality of life* (against four key dimensions, namely liveable environment, community safety, health, social well-being and disability issues, and education and training) and *principles of public governance* (including transparency, partnership working, sustainability and honest and fair behaviour). These dimensions of quality of life and principles of governance were selected as being high priority in discussions with the Board of Carrick Housing and were subsequently confirmed in focus group discussions.

The core of the methodology was discussion in 12 focus groups with different stakeholders, centring around one quality of life issue and one governance principle, selected as particularly relevant to that focus group. Four key questions were addressed to each focus group in relation to each topic:

- the current *state* (e.g. 'How safe do you feel on your estate?');
- the *trend* (e.g. 'Has safety on this estate improved or got worse in the last couple of years?');
- *proposals* (e.g. 'What do you think communities and organizations in your area can do to deal with the community safety problems you have identified?');
- *commitment* of participants ('What would *you* be prepared to do in order to help these

proposals to get implemented?').

The results of the discussions about the current state of the quality of life and governance issues are shown in Figure 15.1. The multi-stakeholder assessment process provided greater insights than are available from most measurement approaches and also brought the stakeholders into the process in such as a way as to increase their commitment to find solutions to the problems identified.

The governance scorecard approach in Figure 15.1 has the conceptual advantage of covering the two key areas of governance identified earlier in this section where assessment is required, namely improvements in public policy outcomes and implementation of a set of agreed governance principles and processes. However, in practice evaluations of outcomes have been undertaken rather more frequently than evaluations of how well governance principles have been implemented. Moreover, in the UK the move during the last decade to outcome-based commissioning (Bovaird *et al.*, 2012; Willis and Bovaird, 2012) has given a strong impetus to the determination of outcome frameworks and assessment of outcome achievement, but there has been not been a corresponding formal move towards assessment of government principles.

However, it is interesting to observe that these two different dimensions of governance have not been so easy to divorce in practice. For example, an early set of broad outcomes for adults proposed by the UK government included, along with such quality of life outcomes as improved health and economic well-being, some 'outcomes' which are more obviously 'implementation of governance principles' – e.g. freedom from discrimination or harassment; exercise of choice and control (DH, 2005). More recently, Lord Darzi in a major review of the National Health Service (NHS) echoed this duality of what a service is designed to achieve and how it is experienced: 'High quality care should be as safe and effective as possible, with patients treated with compassion, dignity and respect' (Darzi, 2008: 11), where these final attributes of treatment clearly relate to governance principles. Finally, the outcomes framework for adult social care in England has for some years contained the outcome 'carers feel that they are respected as equal partners throughout the care process' (DH, 2014), which is clearly a governance principle rather than a quality of life outcome.

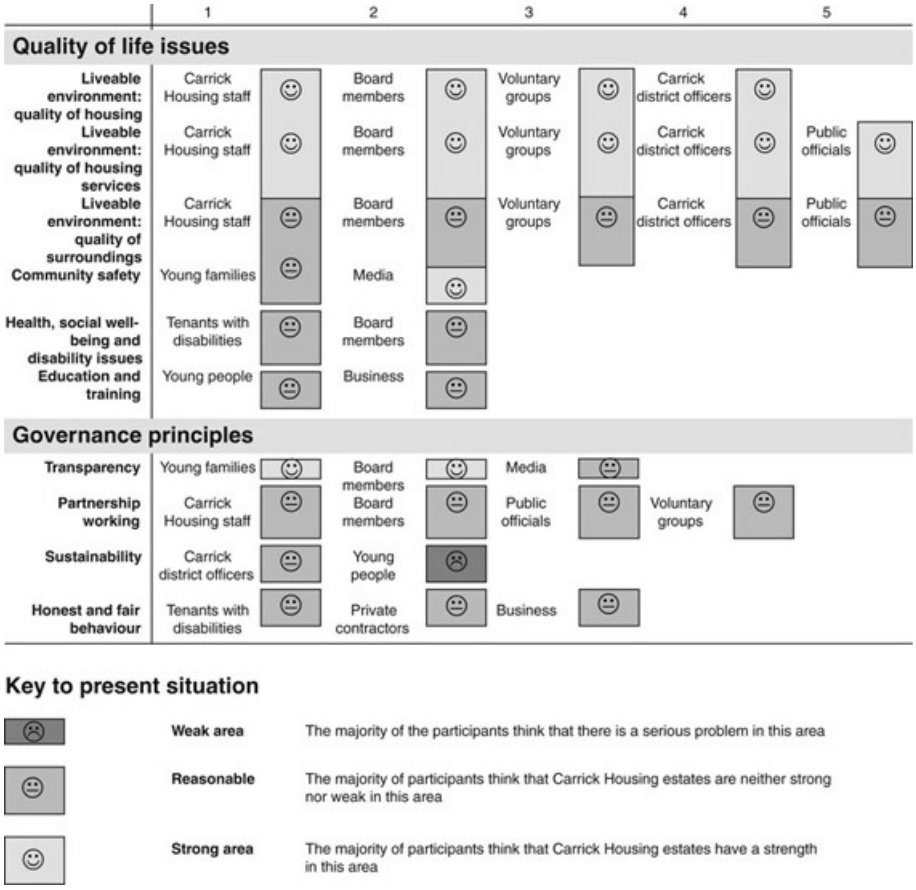


Figure 15.1 Governance scorecard of quality of life and governance principles in Carrick public housing estates. Source: Bovaird and Loeffler (2007) (unpublished annex)

Summary

This chapter has stressed that the concepts of 'governance' and 'good governance' are contestable, but that they are central to an understanding of the way in which government and the public sector relate to their society.

Government is not enough, since governance is enacted by many other stakeholders. However, good governance in society and in the polity will usually require good government. By the same token, of course, good governance will require positive contributions from all other important stakeholders.

The key question for government is: Which role should it adopt in which context? Whereas in some situations it may be appropriate to take a leadership role, there may be other contexts in which stakeholders do not trust government sufficiently, or where government does not have the necessary competence. In such cases, it may be more effective for government to adopt the role of a collaborator, e.g. as a co-producer enabling users and their communities to be *part* of service planning and delivery.

The other question for government (and any other stakeholder) is to choose the right mechanism – market, hierarchy, organizational network or community – to deal with a problem. In some cases, the problem at stake can be solved through market mechanisms; in other cases, the problem should be delegated to groups in the community or other networks. But there are still problems, such as national defence, that are best dealt with by hierarchies.

Questions for review and discussion

1. What does ‘good governance’ mean for you? Try to think of a number of attributes of good governance and how each of them could be operationalized in order to allow you to assess the quality of public governance.
2. Describe how network management differs from the management of hierarchical organizations.

Reader exercises

1. Choose an organization with which you are familiar (e.g. your college or your employer). Undertake a stakeholder analysis for that organization by identifying all the stakeholders who have affected it or may be affected by it. In a second step, decide who are the stakeholders to whom most attention needs to be paid by allocating them into a power-interest matrix.
2. Think of one key public policy area that concerns you. What are the main mechanisms by which non-governmental stakeholders can influence the outcomes? What are the main ways in which their influence could be strengthened?
3. Take a copy of a serious newspaper (note: be careful, this exercise could reveal a lot about you!) and identify the major public governance issues that surface in its stories (e.g. transparency, integrity or honesty of staff in public agencies; engagement of non-governmental stakeholders in policy decisions; ability to work in partnership with other agencies, etc.). Do the stories suggest any mechanisms by which these governance issues might better be tackled?

Class exercises

1. Identify in class an important 'wicked' public policy problem that affects your quality of life (such as high pollution in your city, high levels of crime in your neighbourhood, discriminatory behaviour against the group to which you belong, etc.). In groups, discuss which stakeholders are likely to be most successful in solving this problem. Then discuss the obstacles that exist to giving these stakeholders the power needed to allow them the opportunity to implement their solution. In the class plenary session, compare your analyses.
2. In groups, discuss which stakeholder(s) should take the lead in producing a healthier population in your city and why. Compare your answers in a plenary session of the class.

Further reading

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16
Democratic governance
The role of politics and politicians

Abena Dadze-Arthur and Chris Skelcher

Introduction

Politics and politicians are central to public management and to the nature, form and extent of the policies and programmes delivered to citizens, business and other groups in society. Whether these politicians are in democratic or autocratic/non-democratic countries adds an additional dimension, potentially affecting transparency, accountability, policy continuity and turnover.

Public managers sometimes feel that politicians are an obstacle to good public services, or seem to have little relationship to their work. Yet an essential part of a manager's development is to understand this other world, the more so as they are promoted into senior positions where contact with politicians is the norm or work in areas of high political and public salience. In spite of this, such an understanding forms, at best, a marginal part of the education and training of many public sector professionals or managers.

What politicians do, why they are motivated to become politicians and how they see their relationship with public managers and citizens is clouded with a veil of ignorance. Similarly, public managers often lack a comparative perspective on governance and democratic systems, thus limiting their ability to think critically about how the system in which they work could be enhanced.

Learning objectives

This chapter will help you to:

- be aware of the plurality of political systems internationally, so you can better understand the system in which you live and/or work;
- have insight into the approach to politics in liberal democracies, autocracies and hybrid forms of government and their relationship to citizens and public managers;
- understand the implications of new forms of democracy and citizen activism, especially e-government and social networking;
- recognize the relationship between politicians and public servants;
- understand how new collaborative and network forms of governance are affecting democracy, and the roles of politicians and public servants.

Fundamentally, governance and democracy are to do with the rights of citizens, the ways in which wants and preferences are expressed, the process through which conflicts between different groups in society are resolved and the institutions by which a society decides who gets what. These questions are central to the day-to-day experience of individuals in many parts of the world that lack stable and effective systems of democratic governance, but also confront societies that have developed these institutions.

Where does democracy fit into public services?

When we consider the relationship between democracy and public services in a global perspective, the dominant model is one where representative government, constituted by popular election, has responsibility for directing, controlling, funding and scrutinizing the work of public administrators and others involved in public service delivery. The theory of this electoral chain of command is that public administrators are the servants of politicians, who in turn are subject to intermittent but regular electoral contest through which citizens express their opinion on their promises and performance. This generic model conceals a number of important distinctions about societal attitudes to democratic politics and the relationships within political institutions and those between politicians and citizens.

Consensual and majoritarian democracies

A fundamental distinction is between consensual and majoritarian democracies, reflecting societal attitudes to political activity, with important implications for public management (Lijphart, 2012). Consensual democracies are founded on the idea that decision-making by government, and possibly other institutions, should be based on a broad coalition reaching across political parties (if any) and social groups. This may be reflected in multi-party coalition governments. Scandinavian countries and the Netherlands have often been cited as exemplars, although there is some discussion about whether this approach is as strong now as in the past. Another less well-known example is the four-centuries-old consensual democracy of the Oromo people, who are found in Ethiopia, northern Kenya and parts of Somalia. Whereas the consensual democracies of Scandinavia or the Netherlands elect multi-party coalitions across political views and socio-economic attributes, the consensual democracy of the Oromo people, in contrast, is based on an inter-generational coalition government – political power is distributed across generations, which means that elected fathers, sons and grandsons must reach consensus on matters of public interest (Legesse, 2000). Notwithstanding the fact that all three examples are consensual democracies, each governance model is clearly underpinned by different societal attitudes to politics and public management. Whereas the Scandinavian and Dutch models emphasize political, social and economic equity, the Oromo model prioritizes inter-generational equity among decision-makers in government.

In contrast, majoritarian democracies such as the UK or the USA operate through adversarial, partisan politics in which a party's ability to gain a majority in an election gives them authority to implement their political programme. They may decide to take note of the views of the opposition on a particular issue – but they do not have to do so. Essentially, the majoritarian system is designed to establish a government that does not have to compromise with the opposition, as would be the case in a consensual model. Of course, compromise may be necessary within the governing party, although the slimmer their majority the more they are likely to be able to suppress internal dissent. For public administrators, the virtue of the majoritarian system is that it is clear which party holds political power, and thus whom they

should serve. They are less likely to become involved in cross-party negotiations than under a consensus system, where coalitions tend to be the norm.

Other things being equal, one would expect public policy under consensus democracies to be more stable than in a majoritarian system, since the principle of gaining widespread acceptance prior to making a decision would dampen any tendency to major policy shifts. Conversely, changes of party control at elections in majoritarian systems are likely to result in significant policy change, as the new ruling party seeks to show the electorate that it is able to deliver its promises, and hence build support for re-election.

Presidential and parliamentary forms of government

A second distinction is between presidential (or 'separation of powers') and parliamentary forms of government. In the former, the constitution creates clear boundaries between the three arms of the state: the legislature, the executive (i.e. the president or equivalent) and the judiciary. The classic example is the USA. The purpose of such a system is to avoid a concentration of power by creating constitutionally enforced checks and balances, although one consequence is that decision-making can become very slow or even blocked as some actors can exercise a veto, even when President and Congress are of the same party. Moreover, even decisions that are agreed can subsequently be open to constitutional challenge through the courts (see Case example 16.1). This model has different variants. For example, in France (unlike the USA) the President appoints a prime minister and thus in theory delegates to a greater extent.

Parliamentary systems, as in Australia and the UK, blur the roles of the different parts of the governmental system. The majority party in the legislature forms the government (i.e. executive) and thus is able to secure authority for its decisions where votes are on partisan lines. There may also be a lack of clear separation between the judiciary, the legislature and the government. In the UK, senior members of the judiciary sit in the House of Lords, the upper chamber, although by convention they have refrained from speaking on matters of controversy, and recent legislation has moved towards a separation of their powers from that of the legislature. Typically, the parliamentary system provides a mechanism through which major policy change can be enacted more swiftly than under a presidential system but as a result concentrates power in ministers, individually and collectively.

The political organization of local governments often reflects these presidential and parliamentary models. 'Strong' and 'weak' mayor models of US city government tell us something about the formal authority of this position in relation to the elected city council, with the strong mayor model having greater power over appointment of officials, approval of ordinances and budget (Nelson and Svara, 2010). The appearance of the title 'mayor', however, does not necessarily imply independent electoral authority. Committee or commission forms of local government, as in some parts of the UK and the USA, may elect one of their number to this post, in which case they may chair meetings and be a civic figurehead but without additional executive powers.

Citizenship rights in a democratic system

Underlying these distinctions is a set of principles about the rights that should be available to citizens in relation to their participation in the democratic process. Indeed, without these rights, democracy can be said to be partial or absent. One of the key thinkers in this liberal democratic tradition was T. H. Marshall (see Marshall and Bottomore, 1992), who argued that citizenship in England had emerged through the gradual acquisition by the population (or groups within the population) of the civil rights of association and free speech, the political right to elect representatives and social rights by which the state took responsibility for minimum levels of education, health and welfare provision. For Marxists, however, such questions are secondary to the rights of workers to control the economic mechanisms that are the fundamental driving force in society, either directly through industrial democracy or by means of gaining control of the state. Feminists, too, have argued that Marshall's formulation failed to take account of the differential rights available to women and men, arising from more deep-rooted problems of patriarchy.

Case example 16.1 Veto-players and constitutional challenges in Obama's gun control reforms

The long-standing debate about gun control in the USA reached a turning point after the shooting of children and staff at Sandy Hook Elementary School in 2012. Reflecting a tide of public concern, President Obama proposed measures to strengthen background checks on gun purchasers and a ban on military-style assault weapons and magazines holding more than ten rounds of ammunition.

These measures, requiring Congressional approval, were immediately repudiated by a number of legislators and state governors, on the grounds that they would contravene citizens' Second Amendment right to carry arms. Mississippi Governor Phil Bryant called on the legislature to make it illegal to enforce the new federal gun control measures: 'We are here to assure Mississippians that we are going to continue to fight for their Second Amendment rights to bear arms', Gunn said. 'These are dangerous times, and people have a constitutional right to protect themselves and their property'.

This response continues a dispute as to the correct interpretation of the Second Amendment to the Constitution which, as passed by Congress, states:

> A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.

However, the version ratified by the states and authenticated by Thomas Jefferson, then Secretary of State, omitted the comma after 'militia', thus potentially changing its meaning.

A number of Supreme Court judgments have pronounced on the meaning of the Second Amendment and the extent to which a citizen's right to bear arms can be circumscribed. Thus, even if the President is able to overcome the veto power of Congress, other veto players – in the shape of the Supreme Court, may come into play.

The case illustrates that, although a formal constitution and separation of powers offers a mechanism for checks and balances, it also introduces a mechanism that can

limit change due to the number of veto points.

Although Marshall's ideas about citizenship rights are contested, they nevertheless address basic and very practical questions faced in constitutional design, for example in determining the age or other characteristics of individuals eligible to vote, as well as in debates about regulation of the media and the Internet, and whether immigrants should have the right to access public services. In this sense, the allocation of rights says something about one's status as a citizen. Apartheid in South Africa embedded a clear distinction in citizenship rights depending on an individual's accident of birth, and similar distinctions are drawn in countries that experience ethnic, religious or other divisions, including those that otherwise would call themselves liberal democracies. Rights, then, are about power *before* the ballot box. They determine *whose* democracy this is.

Politics and politicians in non-democratic states

Case example 16.2 A global perspective on political rights and civil liberties

The *Freedom in the World* survey provides an annual evaluation of the progress and decline of freedom in 195 countries. The survey measures freedom according to political rights and civil liberties.

In the 2013 report, 90 countries covering 46 per cent of the world's population are classified as *free*, because there is open political competition, a climate of respect for civil liberties, significant independent civic life and independent media.

A *partly free* country is one in which there is limited respect for political rights and civil liberties. In 2013, 58 countries covering 23 per cent of the world's population were partly free. These states frequently suffer from corruption, weak rule of law, ethnic and religious strife, and a political landscape in which a single party enjoys dominance despite a certain degree of pluralism.

A *not free* country is one where basic political rights are absent and basic civil liberties are widely and systematically denied. A total of 47 countries covering 34 per cent of the world's population are in this category.

Region	*Free*	*Partly free*	*Not free*
Americas	24 (69%)	10 (28%)	1 (3%)
Asia-Pacific	17 (43%)	14 (36%)	8 (21%)
Central and Eastern Europe/Eurasia	13 (45%)	9 (31%)	7 (24%)
Middle East and North Africa	1 (6%)	6 (33%)	11 (61%)
Sub-Saharan Africa	11 (22%)	18 (37%)	20 (41%)
Western Europe	24 (96%)	1 (4%)	0 (0%)

Source: Adapted from Freedom House (2013)

It is important to remember that representative democracy is not universal and that in many parts of the world the politics of public services are not able to be resolved through electoral or other forms of democratic expression (Case example 16.2). Just over half the world's population live in states without effective civil rights and democratic institutions, or where these institutions are ineffective in assuring transparent, public interest government. Regionally, Europe, followed by the Americas, has the highest proportion of states with functioning liberal democratic systems. The picture in other regions is very varied, with year-on-year changes, for example in the light of the Arab Spring.

However, we also need to be aware that this judgement is made from the normative basis of Western liberal-democratic theory and that the work of organizations and states to promote this model of democracy is not without its critics. Liberal democracy challenges established power structures based on ethnic, tribal, religious, caste and regional distinctions. It is also associated with the promotion of individualism and the capitalist market economy that cuts across forms of communal identity, craft industry and collective conservation of resources.

In essence, the attempt to extend Western liberal democracy can be understood as a hegemonic project that goes well beyond the political ideals of 'one person, one vote' into a deeper restructuring of the culture and economy of societies. This is due in no small part to the fact that Western liberal democracy is deeply entrenched in the historical traditions, social values and normative worldviews of Western cultures. It means that other societies have to modify their own cultures and beliefs to a certain extent in order to fit in a Western model of democracy. Consequently, there are challenges with regard to the effectiveness and durability of transplanting liberal democracy, and its associated institutions, into non-Western contexts. The practical difficulties and adverse effects of importing liberal democratic governance models into Asian, African or Latin American countries are well documented, along with a catalogue of failed policy outcomes (Grindle, 2011). For that reason, critics argue that political institutions must be rooted in a nation's own system of values, which reflects its history and culture (Zhu Majie, 2002). This is, for example, the rationale behind China's insistence on 'Asian values' when justifying its authoritarian regime; or behind Zimbabwe's implementation of 'indigenization' reforms within its public sector.

In contrast to liberal democracies, authoritarian governance models are defined by a centralized concentration of power, vertical lines of hierarchy and the repression of political challengers. In authoritarian polities, the citizens submit to non-elected ruler(s), which they do in some cases affectionately but in others under duress. Authoritarianism can be seen as an inverted normative conception of the appropriate relationship between group and individual members (Duckitt, 1989). Unlike Western liberal democracies, authoritarian societies promote collective goals, social cohesion and conformities, as opposed to individual rights and personal expression. It is commonly known that many authoritarian governments, such as Egypt's regime under Hosni Mubarak, fail to provide their citizens with adequate public services and opportunities for improved living conditions. However, not all governments that espouse an authoritarian governance model are by default ineffective and corrupt public service providers, which only line the pockets of the ruling elite (see Case example 16.3).

Case example 16.3 A different perspective: politics and politicians in one of the world's purest autocracies

As an absolute monarchy with no democratically elected institutions, no political parties, no press freedom and documented cases of human rights abuse, the Emirate of Abu Dhabi represents 'one of the purest autocracies in today's world' (Davidson, 2006). The people of Abu Dhabi submit to a patrimonial monarch, who is affectionately viewed as a father figure, and legitimized by a God-given mandate (Al Fahim, 1995). Abu Dhabi believes that a Western-style system of political representation with confrontational

election campaigns, public naming and shaming and aggressive advocacy would not work for its society. Abu Dhabi's Bedouin culture of 'saving face', negotiating compromise, practising patience and forgiveness, and upholding tribal traditions and family honour above all else does not lend itself to the reform-seeking debates, controversial publicity and mudslinging circus that comes with selecting political representatives in the West (Heard-Bey, 2005).

Abu Dhabi is unlike some other oil-rich states, such as Nigeria, which has a presidential form of democratic government yet hoards the rent revenues of its significant oil and natural resource wealth, while over half of the population live on less than $1.25 a day. Instead, the Abu Dhabi Government makes sure that the benefits from oil receipts and other government revenues trickle down to its citizens, by means of, for example, free education, free health care, etc. The government's ample public spending, coupled with its modern and forward-looking investments in the society's social and economic development, fosters not only widespread support for the monarchy but also limits the demand for political representation and government accountability.

In 2007/2008, the government of Abu Dhabi began the implementation of its wide reaching reforms to modernize public administration practices and government performance. Abu Dhabi Government's vision is to 'become one of the best five governments in the world' (Abu Dhabi General Secretariat, 2010). The reform efforts of Abu Dhabi Government are aimed at increasing the quality of services, improving the experience of service users and contributing to the Emirate's specific social and economic outcomes.

However, unlike the Western liberal-democratic governance approach, Abu Dhabi's model is not intending to achieve egalitarian objectives, tackle a democratic deficit or enhance governmental accountability. Nevertheless, Abu Dhabi's monarchs want to engage the public in the reform process not only because, traditionally, the Sheikhs have always sat down and listened to their people. Moreover, public engagement is close to the hearts of Abu Dhabi's authoritarian leaders because they are keen to understand people's personal experiences of policies and services, and to harness the power of the public for service improvement. This does not mean, however, that the government wants to engage the public for collective discussions of the political questions that lie behind policies and services.

The top-down public management style prevalent in authoritarian governments operates according to well-understood rules of procedure, as often found in military structures (Hood, 1998). Leaders and politicians at the helm of authoritarian governments need not take into account many stakeholders' views, let alone negotiate a consensus among a variety of different interests. As a result, the implementation of public service reforms happens sometimes more quickly and efficiently in authoritarian regimes than in liberal democracies.

Hybrid systems – between democracy and autocracy

The distinction between 'democratic' and 'non-democratic' states is not necessarily clear-cut. Hybrid systems where executive authority is not subject to popular electoral contest can exhibit other aspects of liberal democracy. The governance of the Hong Kong Special Administrative Region is undertaken by a chief executive indirectly elected by a 1,200-member electoral college, subject to ratification by the government of the People's Republic of China, and assisted by an appointed Executive Council. A directly elected Legislative Council passes laws, approves budgets and taxation, and scrutinizes the government. One of the notable features of the Legislative Council is that it is elected from both geographical and functional constituencies, the latter representing economic, cultural and professional communities of interest. Thus it could be argued to offer a more sophisticated form of representation of a complex society than the purely geographical electoral districts typically employed in elections elsewhere. It is likely, however, to contravene the commonly accepted political principle of 'one person, one vote', as people belonging to several functional constituencies may have more opportunities than others to elect members of the Council.

The Republic of Singapore, a hybrid regime with both authoritarian and democratic elements, can be considered a *de facto* one-party state, the ruling party having held power since 1959. Singapore's hierarchical chain of command and authoritarian approach to public policy implementation catapulted the island nation to a position of global leadership in customer-centric government services. Singapore implemented its e-Government Action Plan (eGap) between 2000 and 2007 with so much success that it was awarded the United Nations Public Service Award for several consecutive years. Despite its one-party rule, Singapore is regarded as having effective governmental institutions and low corruption, in stark contrast to many other one-party states, although there are concerns about freedom of the press and electoral campaigning.

E-government and social networking – beyond representative democracy

Although representative democracy is the form most commonly adopted, other models of democracy can be found. There is currently considerable interest in the development of deliberative and e-democracy. Deliberative democracy is based on the idea that political differences can be resolved through the search for new solutions, informed by open and respectful debate between different viewpoints and where the individuals involved commit to searching for a way ahead rather than defending their pre-existing positions. Such approaches may be more appropriate to some types of problem than others, but globally there is considerable momentum behind these new collectivist approaches to democracy.

One of the most profound contemporary developments is to use information and communication technologies (ICTs) to facilitate e-democracy and thus to overcome the constraints of access to individuals and information. ICTs are now central to participating in social and political life. This is an umbrella term to cover tools such as mobile phones and the Internet, as well as Web 2.0 technologies such as widgets, mashups and RSS, which in turn make it possible to have platforms such as blogs, wikis or social media networks. ICTs facilitate the rapid accumulation and dissemination of information, group interaction, communication and collaboration between individuals, government, civil society, media and businesses (see chapter 10).

The term 'e-democracy' was first introduced at the turn of the millennium, initially in the context of e-voting, and then later in the context of e-participation or wider citizen engagement in decision-making and public governance (Grönlund, 2004). E-democracy refers to the use of ICTs and strategies within the context of political processes happening in local, regional and global communities (Clift, 2003). More recently, the rapid rise of social media around the world has connected e-democracy to 'e-revolution'. Following the Arab Spring, where social media platforms, such as Facebook, Twitter or YouTube, were used to disseminate information and to organize revolutions in countries such as Yemen, Tunisia and Egypt through to the anti-Wall Street protests, which have shaken the Western world, social media have gained a reputation as a powerful instrument for citizen engagement in the democratic process.

Governments and politicians at all levels are under pressure not only to make public data available to everyone, but moreover to regularly use social media to engage with their constituencies in debate and collaborative governance. This shift in the implementation of government to an open, collaborative, cooperative arrangement with open consultation, open data, shared knowledge and mutual acknowledgement of expertise is referred to as e-government, Gov 2.0 or digital government.

In a world that is characterized by increased global interdependencies, extended use of market-based mechanisms and technological mediation, e-democracy allows an expansion of 'rule by the people' according to the societal changes of the information age (Antiroiko, 2003). Whereas representative democracy has been criticized for being too elitist, distant and even

untrustworthy, e-democracy is seen as having the potential to complement and strengthen the quality of deliberation and democratic decision-making. It may enable citizens effectively to impact the decision-making process in real time and to interact within and between institutionally, politically or geographically distinct networked communities. This creates a new cohesion among communities that rally around particular issues irrespective of time, place or hierarchies. The horizontal character of e-democracy promotes informality, equality and expertise, and professionals change their practices as a result of online engagement. E-democracy encourages new players, who traditionally remain disengaged in representative democracies, for example the young or the disabled, to enter the public arena. It also gives rise to new forms of transparency and accountability, which disrupt existing power balances. Advocates of e-democracy expect that, eventually, e-democracy will lead to increased self-regulation and self-organization among groups by developing in citizens autonomous capabilities for solving social problems.

While e-democracy has the potential to enhance democracy, however, it can also open doors to infringement of political rights and civil liberties (Shirazi *et al.*, 2010). When, for example, millions of young Iranians sent text messages in support of their chosen candidate during presidential elections in 2005, clerics and hardliners appealed to the Ministry of Justice and ensured a ban on text messaging. Another reality is that increased opportunities for wider communication and political participation enable the effective promotion of 'hate speeches', religious fundamentalism, fraud and terrorist activity. Some governments, such as China, Singapore or Syria, have used this as a justification to censor Internet sites and ban some aspects of digital communication. Other potentially adverse effects of e-democracy include the exclusion of some groups with limited skills and resources from participating in electronic forums; an over-reliability on information in the public arena; and privacy infringement as a result of the highly sensitive information that is made publicly available. Future challenges include devising legal frameworks that regulate privacy infringements without creating a 'big brother surveillance' apparatus or stifling transparency. New institutional frameworks must be underpinned by teaching values and morals that guide digital government and 'cyber behaviour'.

Collaboration and networks: implications for democratic governance

Traditional models of government and public administration were organized on a vertical basis, with executive politicians heading up bureaucracies staffed by public servants. In recent years there has been growing interest in the development of collaborative or network forms of organizing public services through horizontal relationships across government departments and agencies and out into business, not-for-profit and community organizations. Such collaborative arrangements place public policy-making and the delivery of services at arm's length to elected politicians.

The implications for representative democracy can be understood through four conjectures (Klijn and Skelcher, 2007). The *complementary* conjecture proposes that network governance enables a wider range of voices to be heard than is possible through conventional representative democratic methods. It achieves this by creating new mechanisms to involve citizens, civil society organizations and business actors in the public policy process. Operating at arm's length from politicians gives public administrators the scope to be creative in designing the new forms of democratic engagement.

By contrast, the *incompatibility* conjecture posits that representative democracy and governance networks conflict because each is predicated on a different set of institutional rules. In governance networks, political representation is transformed from an expression of the people's will, mediated by the elected office holders, to a fluid terrain contested between a multitude of public and private actors. This cuts across the idea, found in traditional theories of representative democracy, that government and civil society operate as distinct realms, with defined structures for interaction. The implication for public administrators is that they operate in a world where there is a high degree of ambiguity regarding the processes of democracy and the roles of different actors.

The *transitional* conjecture suggests that the relationship between representative democracy and governance networks is changing, as state-centric government gives way to decentred, distributed authority. This evolution generates frictions between one system of governance (representational democracy with vertical lines of accountability and power) and another (governance networks with horizontal forms of accountability and power). The environment for public administrators is similar to that of the incompatibility conjecture. However, they are also actively engaged in promoting this change as they capitalize on the greater discretion available to them under network governance.

The *instrumental* conjecture views governance networks as a medium through which powerful governmental actors can increase their capacity to shape and deliver public policy in a complex world. This is a much more critical view of the relationship between governance networks and representative democracy. It starts from the premise that the interests of governmental actors are relatively immutable and exist prior to any wider engagement with stakeholders. Governance networks provide a means of reinforcing these dominant interests (Davies, 2002). The instrumental conjecture locates public administrators as the agents of

political principals, but operating beyond public bureaucracies in public–private partnerships and other forms of network governance.

Summary: changing democracies, changing public managers

It is important to understand the consequences of new forms of governance for the democratic fabric of communities, societies and nations. The development of more diverse forms of democratic expression as well as the transition away from traditional public administration and towards new public management (NPM) and network/collaborative approaches change the structure of power, advantage and access through which the politics of public policy operate, and thus the outcomes for different groups. Recent developments such as participatory budgeting, deliberative polling and e-democracy engage citizens in new ways with the politics of policy-making, but also impact on those politicians willing to trust to the 'wisdom of the crowds'. Beyond the policy-making process itself, the growth of social media reduces the barriers to social movement formation and increases citizens' ability to mobilize and to create alternative forms of political activity.

These changes pose questions about the relationship of public managers to politicians. Peters (2009) explores this by distinguishing between neutral and responsive competence. Neutral competence positions the public servant as a functionary of the state, undertaking the tasks allocated by the executive politician or determined by legislation. Thus, this individual is neutral with respect to political values, parties or outcomes. Recruitment is on the basis of ability to do the job. Responsive competence, on the other hand, involves recruitment on the basis of a commitment to the partisan programme of the politician or government. What matters here is the individual's willingness to make the political programme a reality. This does not necessarily require party membership, but the capacity to drive the programme forward.

The changing nature of the political process suggests a third possibility. This can be termed civic competence. NPM, network governance and the applications of ICT are exposing public managers to much greater visibility than in the past and placing them in arenas that previously would have been the reserve of politicians. This requires public managers who are competent in engaging with media, citizens and other actors outside government, yet retain an acute awareness of the responsibilities of their role and relationship to politicians. Through intention or accident, public servants become the buffer between publics and politicians. This requires a different set of skills to those of the neutral civil servant or politically responsive cadre: one which will be essential to develop regardless of the system of government applying in a country.

Questions for review and discussion

1. What are the main advantages and disadvantages of the ‘separation of powers’?
2. Explain the differences between representative and deliberative democracy. Which is more likely to generate trust of citizens in politicians?
3. What are the main mechanisms in non-democratic states for the aspirations and concerns of citizens to be brought into the decision-making process? What are the main strengths and weaknesses of these mechanisms?

Reader exercises

1. Interview a member of political party known to you. Ask this person:

    a. How closely do they think the party represents their interests?
    b. How much influence they have over the party's decisions.
    c. Whether they think that effective government is more likely under a strongly adversarial party system or in a consensual system.
    d. What they believe their party should do to increase public respect for, and trust in, politicians.

2. Examine a recent copy of a quality newspaper in your country. Look for examples of politicians being portrayed as leaders of public opinion, as being influenced by public opinion or as ignoring public opinion. Does the newspaper portray these examples as desirable or undesirable political behaviours and why? Do you think the newspaper is correct to take this approach?

Class exercises

Work as a team with two or three other students:

1. Research sources in the library or Internet to find an example of a legislature overturning a proposal from the executive (e.g. the government or a president) and imposing an alternative solution.
2. Identify the main weaknesses which legislatures have in contesting government proposals in this way – and suggest how these weaknesses might be tackled to give legislatures more power.
3. Come together in class to compare examples and identify any common elements in the proposals to give legislatures more power over the executive. Discuss whether you think this would be a desirable improvement.

Further reading

One of the most comprehensive books on the different ways of thinking about and practising democracy is:

D. Held (2006), *Models of democracy* (3rd edn). Cambridge: Polity Press.

There are valuable chapters on the relationships between politicians, politics and public managers in:

B. Guy Peters (2009), *The politics of bureaucracy* (6th edn). London: Routledge.

Current developments in democratic practice are explored in:

Graham Smith (2009), *Democratic innovations: designing institutions for citizen participation*. Cambridge: Cambridge University Press.

The problems and possibilities of democracy in a diverse world are debated in:

Iris Marian Young (2002), *Inclusion and democracy*. Oxford: Oxford University Press.

Research on the changing place of politics and politicians is presented in:

Michael Saward (2003), 'Enacting democracy', *Political Studies*, 51 (1): 161–179.

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Arend Lijphart (2012), *Patterns of democracy: government forms and performance in thirty-six countries* (2nd edn). New Haven, CT: Yale University Press.

Zhu Majie (2002), 'Western civilization: its essence, features, and impact', in Yu Xintian (ed.), *Cultural Impact on International Relations*, *Chinese Philosophical Studies*, *XX Cultural Heritage and Contemporary Change*, Series III, Asia, Volume 20. Washington, DC: The Council for Research in Values and Philosophy, chapter V.

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Kimberly L. Nelson and James H. Svara (2010), 'Adaptation of models versus variations in form: classifying structures of city government', *Urban Affairs Review*, 45 (4): 544–562.

B. Guy Peters (2009), *The politics of bureaucracy* (6th edn). London: Routledge.
Farid Shirazi, Ojelanki Ngwenyama and Olga Morawczynski (2010), 'ICT expansion and the digital divide in democratic freedoms: an analysis of the impact of ICT expansion, education and ICT filtering on democracy', *Telematics and Informatics*, 27 (1): 21–31.

17
Partnership working across public and private sectors

Tony Bovaird and Erik-Hans Klijn

Partnerships – love them or hate them?

This chapter looks at partnership working across the public and private sectors, particularly (but not exclusively) between public sector and private sector organizations. So, be careful – this topic can damage your health. There is probably no other issue in this book which is so prone to turn previously quiet, gentle citizens into apoplectic fire-breathing ideologues. A tip for starters, therefore – before you finally make up your mind about the issues considered here, read the chapter, dip into the further reading and do the exercises. And along the way, observe your own reactions and ask yourself what exactly is it that drives most of us to feel passionately about these issues. In that way, there is a good chance that the energy you release will generate some light and not just heat!

Partnerships – hang together or hang separately?

Now everyone wants to work in partnership. You might think it has always been so, but this would be wrong. Until very recently – certainly until the early 1990s – it was common for public agencies to be inward-looking, assuming that their core task was to get right their *own* business, leaving others to stick closely to *their* businesses, in similar vein. And, if this inbred way of thinking dominated the public sector for so long, surely it is right to be suspicious of whether the recent outbreak of 'partnerships' and 'collaborations' is always as 'joined up' as it claims. This chapter will explore how and why the move to partnership has occurred and whether it is always as thorough-going as it appears.

Learning objectives

This chapter is intended to help readers:

- to understand the different types of partnership that cross public and private sectors;
- to understand their benefits and limitations;
- to probe under the surface of partnerships to see the level of 'jointness' which they exhibit;
- to identify the key governance principles which underpin partnership working.

A typology of public-private partnerships

First, let us admit that public sector organizations form a huge number of different types of partnership – e.g. with organizations from the public sector, the private sector and the third sector (and even with groups of citizens). In this chapter, we will focus mainly on partnerships with the private sector – so-called public-private partnerships or PPPs. However, we will sometimes stretch the concept of 'private' in PPPs to cover also the third sector, especially where third sector involvement aims more to generate extra resources rather than to pursue its core social purposes.

The academic literature tends to focus on the *form of organization* on the one hand (is the partnership strongly formalized, e.g. around a contract, or looser in form?) and whether the public sector and private actors have more of an equal relationship (principal to principal) or behave like a principal attempting to control its agents (see Osborne, 2000; Hodge *et al.*, 2010; Weihe, 2008) – these alternatives are set out in Table 17.1.

When the form is tight and embodies a strong principal-agent relationship, we find approaches like the design-finance-build-operate (DFBO) contracts which are typical of the Private Finance Initiative (PFI) (Cell 1). Here, the contractual character of PPP is stressed and

the actors typically expect to the partnership to add value because it allows lower costs of coordination between the various actors (often expressed as 'efficiency' or 'value for money' gains). PFI partnerships originated in the UK, e.g. to design, build, finance and operate facilities like new motorways, private health clinics, or secondary schools. In the UK, there were over 700 formal PFI-type PPPs current in 2014.

Table 17.1 A typology of PPP forms

Type of relation / *Organizational form*	*A principal-agent relationship*	*More equal (principal-principal) relationship*
Tightly formalized	1. Design-finance-build-operate contracts (PFI-like partnerships)	2. Consortium (like an Urban Renewal Company)
Loosely coupled	3. Intensive general cooperation between public and private actors (e.g. in policy programmes)	4. Network-like partnership

As a private consortium typically gets a PFI contract for operating the facility for up to 30 years, it has an incentive to use more sustainable (expensive) building materials to save on future maintenance costs. The payment system from the public sector 'commissioner' to the private consortium usually rewards the quality of services from the infrastructure – e.g. the 'availability' of roads or the functionality of the buildings – rather than just paying for the costs of construction (although such contract calculations often appear later to favour the contractors, who are better at 'second-guessing' future costs than public sector commissioners). The long-term commitment of the contractor to the project promotes the search for innovative solutions and may circumvent typical public sector aversion to the risks of untested approaches. Of course, all contracts presuppose that the commissioner can specify the goals clearly at the beginning of the project – an assumption which is not always unproblematic. Indeed, there may be an element of contradiction in seeking both to achieve innovative approaches and also tight contractual procedures. In practice, the evidence on the success of PFI is still rather scant, and some critics have asserted that PFI has been cumbersome, slow, unresponsive to the needs of public sector clients and inflexible.

In Cell 2 of Table 17.1 we have a situation of a more equal principal-principal relationship between public and private actors but still in a tightly formalized arrangement – e.g. the type of Urban Regeneration Companies that were long exemplified by London Docklands Development Corporation or many university Science Parks.

In Cell 3, we have a much more loosely coupled form and a principle-agent relationship – e.g. where private or third sector agents pursue policy outcomes specified by the public principals or where they help in formulation of national policy. Can this still be considered as a partnership? Authors such as Weihe (2008) argue that it can and, indeed, the looseness of the relationship may allow for considerable collaboration in the search for innovation.

Cell 4 contains principal-principal relationships within a loosely coupled organizational

form – here, we find partnerships with a network-like character, with fairly intense interactions which only occasionally are concretized in contracts or other organizational forms. This type of partnership is more common between different public sector organizations but can also be found in PPPs for complex developmental projects – e.g. in major city-centre regeneration programmes or in social partnerships where governments work together with a range of partners (often strongly third sector in composition) to tackle 'wicked' problems like obesity.

Why people like partnerships ... and why they don't

Some people enthuse about partnerships (Box 17.1) – and some people don't (Box 17.2)

In the cut-and-thrust of debate within different contexts, the proponents of each set of arguments have learnt from each other and partly changed their positions. For example, many proponents of the public sector now advocate more risk-taking and innovation within public sector organizations, to obviate the need for cumbersome cross-organizational arrangements to respond to new needs and technologies. On the other side, legislation and regulation in the UK now provide some protection of employment rights for transferred and newly recruited staff, to respond to staff concerns about PPPs.

Box 17.1 Partnerships are liked by organizations because ...

- They help organizations to tackle 'wicked problems' that they could not address successfully on their own.
- They allow gaps to be filled in the services on offer to users ...
- ... and thus can allow more integrated service delivery and policy implementation.
- They provide cost reductions by allowing sharing of expertise and other resources and by giving rise to economies of scale not available to their individual members.
- They allow joint risk-taking and experimentation.
- Working with partners, especially from other sectors, may give access to organizational cultures and experiences that encourage learning in ways not otherwise available.

Box 17.2 Partnerships may be seen as undesirable because ...

- They may lead to fragmentation of structures and processes ...
- ... and this may lead to blurred responsibilities and accountabilities.
- Staff may lose their jobs or experience worse conditions of service within the

new partnership.

- Politicians may fear losing control over policy-making and service decisions.
- Service users and citizens may fear becoming objects of a profit-making calculus rather than a public service ethos.
- Voluntary organizations and non-governmental organizations (NGOs) may be reluctant to swop their independence and critical roles, just to become public service providers.

Source: Adapted from Bovaird (2004)

The context: the international emergence and growth of PPPs

Partnerships are not as new as you might think. Although public-public partnerships are a relatively recent phenomenon – associated with the 'joined-up government' movement in the UK (late 1990s), the 'whole of government' approach in Australia (after 2000) and the 'franchise government' movement in the USA (1990) – public-private partnerships have a much longer history. During the seventeenth century one of the largest trading and shipping companies in the world was the VOC (United East Indian Company), joint venture of several rich merchants and the municipality of Amsterdam (which partly financed Amsterdam city hall in 1662). Both in the UK and in the early USA, roads were funded and constructed by local turnpike trusts that charged tolls.

However, it was only in the 1970s that PPPs began to attract much wider notice internationally as an alternative to the two main sectors (Fosler and Berger, 1982). While the US public sector has a long history of contracting out to the private sector such activities as waste disposal, highways construction and maintenance, ambulance services, vehicle fleets and professional services (e.g. architecture, engineering and legal advice), these services were usually externalized through standard contracts. More recently, genuinely collaborative PPPs have become important in US transportation, water and many aspects of social policy.

Similarly, in recent years, there has been increasing interest in PPPs around the world (Bovaird, 2010). In particular, major international financial institutions, such as the IMF, World Bank and European Bank for Reconstruction and Development, have been supporting and promoting PPPs. PPP growth has sometimes been dramatic and they are now actually written into legislation in many countries (for example, urban policy legislation in the UK and USA, into national industrial policies in France and into economic development policies in Italy, the Netherlands and the UK).

The partnership-influenced urban development programmes in the USA in the 1960s were closely observed in Europe but did not inspire immediate copying. However, by the 1980s there was a flood of PPPs in almost all EU countries and in many sectors. There are few patterns observable in this remarkable change-round – it seems that the route travelled in each EU country was significantly different, although the destinations had strong similarities.

Many PPPs at the local level in the EU are transport projects, while many others deal with urban development, as in the USA. Others typically deal with environmental issues, technology innovation, knowledge development and information and communications technologies (Teisman and Klijn, 2000). The mechanisms used for PPPs differ greatly throughout Europe. Spain, Portugal, Finland and the Netherlands have the most advanced PPPs of the PFI-type (Ball, 1999). The use of earlier mentioned design-finance-build- operate contracts (or variants such as build-operate-own) is also quite popular in Europe as a technique by which consortia of constructors and financiers can become involved in financing, constructing, operating and maintaining major infrastructure (Li and Akintoye, 2003). However, these are not always 'partnerships' in the full sense, as many operate essentially on contract management lines.

In the EU the notion of partnership has become one of the organizing principles of the

Structural Fund programmes. This EU notion of 'partnership' refers to a broad local alliance between public authorities, private organizations, 'the social partners' and the population. As the years have gone by, the Commission has increasingly required the partnership principle to be taken into account in applications for joint funding from Europe. It now encourages PPPs in virtually every field and is willing to support them not only from the Structural Funds but also from a wide range of smaller initiatives (e.g. Resider, Konver or Interreg).

In practice, however, the main focus has been on trans-European networks (TENs) and, to a lesser extent, energy and telecommunications networks. Indeed, since the 1980s there have been a number of world-renowned PPPs in transport in Europe – the Channel Tunnel, the Oresund connection between Denmark and Sweden and some transnational high-speed railways and stations. Some of these are concessions, with the return for the private investor coming from customer payments. In other forms of service and infrastructure, PPP payments to the private sector are made by the public sector client partner.

More recently the EC has also prioritized projects centred on employment creation and on education and training (Jones, 1999: 295). Nevertheless, the role of the EU should not be overstated. Its projects make up only a small number of the PPPs in most member states and have not noticeably catalysed the major PPP developments in those states. Furthermore, its own competition rules have proved a barrier to the development of partnership working in some cases. All EU member states, however, have to follow EU legislation when developing and managing PPPs.

It is instructive to look at one particular EU country in some detail. France has a strong claim to be the historical home of PPPs – since the seventeenth century many canals and bridges have been built by granting concessions, and this system still continues in much of the transport network. Moreover, many more public services such as water, sewage, refuse collection and treatment, urban transport, mass housing and facilities for culture, sports and social affairs have been operated by private companies since the nineteenth century. Famous examples include the water companies Compagnie Générale des Eaux (called Vivendi since 1998) and Lyonnaise des Eaux (now called Suez), which have not only survived but, from the 1980s onward, have led the international movement to bring the private sector into water services.

By far the most important institutional form of private involvement in public services in France is the Société Économie Mixte (SEM), dating from 1926, when local authorities received a general power to run local services, either directly or through financial participation in firms (Burnham, 2001: 51). For much of the post-war period they have been the main vehicle for the planning and construction of housing and other development. The local authority retains majority control and funding but involves other partners – historically the major player being the public sector bank, Caisse des Dépôts et Consignations (CDC). Burnham (2001: 49) estimates that in 2001 there were about 1,215 SEMs in existence and about one-third of local authority investment was made through a SEM. They have the advantage of allowing the small and fragmented French communes to garner economies of scale in service provision, unlike in-house providers.

In spite of this long experience with private sector involvement in public service provision, Le Galès and Mawson (1994: 64) concluded that cross-sectoral collaboration in France has been more restricted than in the UK – they suggest that, in general, at the local level, mayors

provide the main source of local leadership and do not wish to share it with private partners. This may be because PPPs have been institutionalized in France mainly through the SEMs, in which the public sector has a significant degree of control and influence compared with the private sector. Moreover, West (2005) detects the beginning of a shift in the governance of public service exchange relationships from a relatively non-contractual and bilateral approach to more formal contractual arrangements.

After 2000 there was significant growth in PPPs in Europe, according to the European PPP Expert Centre (www.eib.org/epec). While its figures may exaggerate the role of contractual partnerships and are biased towards very large infrastructural projects, it suggests that the number of partnerships, both in number of contracts and financial value, rose till 2007 and then fell back in 2010–2011 to the 2003 level. This pattern of a decline of PPPs in Europe was especially fast in countries like Greece, which was clearly related to the economic problems arising from the financial crisis of 2008.

However, the Expert Centre also points to new initiatives in the field of social partnerships, e.g. in health and education. Although such initiatives also have a long history – for example, the EU Leader programme for rural development has supported innovative partnership projects across many EU countries since the early 1990s – they appear to have become particularly important as economic growth in the EU has faltered, even in the UK, the home of PFI partnerships for 20 years. Moreover, this seems to be coinciding with a move from top-down contractual partnerships dominated by public actors to partnerships which connect and achieve synergy from bottom-up local initiatives, based on network-like forms of governance rather than contracts.

Theoretical rationale of partnerships

In understanding the role of partnerships in the public sector, we need to examine the very different conceptual frameworks that are frequently used to examine inter-organizational behaviour in the public sector and private sector.

Central to the new public management (NPM) is the traditional economic argument that resource allocation is most 'efficient' when arranged through markets in which potential suppliers compete with one another to cut costs and attract customers by improving the quality of the goods or services. When applied to the public sector from the 1980s onwards, this analysis gave rise to experiments in privatization, outsourcing and internal market mechanisms for the provision of public services. Competition between providers was seen as key to these cost and quality benefits being achieved. There has therefore been a strand of thinking in UK government policy since the 1980s that emphasizes the value of competition, rather than collaboration.

However, in the NPM approach, commissioners or purchasers of public services were also seen to have the potential to achieve economies of scale or economies of scope if they worked with one or more other agencies – e.g. economies of scale from buying in bulk through purchasing consortia for the purchase of paper, furniture, etc., or economies of scope through the sharing of some expertise, e.g. specialist music teachers, consumer fraud enforcement staff, etc. Such partnerships were seen by economists as potentially efficient.

Consequently, NPM approaches accept that partnerships can sometimes play a useful role, but partnership working must be scrutinized very carefully, to ascertain if it masks anti-competitive behaviour. Where private partners are brought in to provide public services, it is important to ensure that the public sector is not simply trying to raise maximum revenues by granting monopolies to private firms (as was certainly suspected in the case of some UK privatizations in the Thatcher era, in spite of the regulation of prices and terms of service).

Some loose ends in the economic analysis of these propositions did give some concern, when NPM was gaining ground in the public sector. For example, some public choice theorists continued to be sceptical of any argument for public sector intervention in markets and therefore saw PPPs as only 'half-way' solutions, preferring outright privatization.

More importantly, transaction cost analysis (Williamson, 1996; Walsh, 1995) argues that, where contracts are complex, the high costs of designing, letting, monitoring and enforcing these contracts mean that organizations might well be better off undertaking many activities in-house (even where they are relatively bad at these activities) unless relational contracts can be set up. Relational contracts involve links between the contracting parties that are long lasting and complex, so that the original agreement between the parties ceases to be important and the relationship itself becomes the key focus – in a real sense, the parties 'make it up as they go along', rather than always seeking guidance from a specification (which is always incomplete and is likely to become increasingly out-of-date over time) (Williamson, 1986; Bovaird, 2006). Relational contracts therefore rely on trust (rather than the purely economic incentives in traditional or 'transactional' contracts), which forms the basis for these long-term relationships – although Williamson himself is not very fond of trust, which he calls a

confusing concept (Williamson, 1996: 485). Relational contracts can apply at all levels from strategic partnerships, right through to outsourcing small-scale services to sub-contractors – the basic criterion for moving to a relational contract is whether the transaction costs of detailed, specification-based contracts can be avoided through such a relationship, while still ensuring the desired behaviours.

This analysis suggests that traditional public sector contracting has often been fundamentally misguided, leading to confrontational contracting based on the mutual attempt to take advantage of each other (see chapter 7) and on the assumption (coming from agency theory) that close monitoring of the partner is necessary. It suggests a new partnership-based approach to contracting, in which both parties may find it advantageous to find ways of helping each other to be more successful. This approach, though, only accepts the potential value of PPPs where it can be demonstrated that there is a complementarity of resources – in particular, it is highly suspicious of those UK PFI schemes that appear only to be proposed because private sector funding is made mandatory by public sector financing rules ('marriage for money'), rather than because there is any natural match between the different types of expertise brought by the public and private sector 'partners'.

Another theoretical justification of the value of partnerships comes from the 'resource dependency' perspective. This suggests that, the more dependent partners are on each other for acquiring and sustaining resources that are key to their success, the greater the need for organizing the interactions between them (see Mulford and Rogers, 1982**)**. Partnerships are thus initiated because partners hope to harness each other's resources – and the stronger is the resource dependency, the tighter the form of organization which is needed. This is consistent with transactions cost analysis – if partners are investing heavily in their relationship with each other, they incur specific transaction costs for this relationship, which will mean that they are likely to maximize the transactions which are kept internal to this arrangement, rather than bought in from external providers in the market. However, this could be achieved either by 'tight' formal contracts (to stop partners capturing more than their 'fair share' of the resultant benefits of the partnership) or by relational contracts (where they trust each other to maximize the joint value created in the partnership).

Meanwhile, the strategic management literature on strategic alliances, joint ventures and consortia (Bovaird, 2004) reinforced the importance of partnership and collaborative working, as opposed to competitive behaviour (although they can also provide opportunities for 'cost dumping' and 'benefits raiding'). This literature (Bovaird, 2014) suggested that partnerships can contribute to competitive advantage by:

- providing *economies of scale* (and perhaps critical mass) in the provision of services;
- providing *economies of scope* (i.e. the ability to exploit more fully the complementary capabilities in the partner organization) in the provision of services;
- providing *opportunities for mutual learning* between the partners (in the long-term dynamic process of interaction between the partners).

It may be that only when all participants have become expert in achieving 'collaborative advantage' with their partners will the partnership as a whole be able to gain competitive advantage against other rival partnerships (Huxham, 1993). This has been the aim of some UK PPPs, in which local authorities have joined forces with major private sector suppliers of

business services (such as contact centres, financial processing centres, etc.) with the hope that the PPP will win business from surrounding local authorities (and other public agencies) so that the costs of the service fall, giving significant benefits to the local authority concerned and higher profits to the private partner.

From the mid-1990s, the emerging public governance and network paradigm reinterpreted key strategic management concepts in NPM. In this governance perspective, it is not so much the organizational characteristics (arm's-length relationships, the contractual form, contract monitoring and enforcement arrangements) which make partnership succeed, but rather managerial efforts ('network management') (see Klijn, 2010 and Chapter 19 by Koliba and Koppenjan in this volume):

- *Decision-making has to become shared* within partnerships, which implies trust-building and capacity-building activities, so that different members of the partnerships and networks play their agreed roles.
- *Accountability has to become shared* within partnerships, so that both democratic accountability of politicians and managerial accountability are reinforced, not undermined, by the shared responsibilities for partnership activities.
- *Goals and plans have to become coordinated and integrated*, so that partners have to show sensitivity towards each other's goals, which may change over time. (This is not the quite same thing as having 'shared' goals – as long as their goals are complementary, a successful partnership can exist between partners who have quite different goals.)
- *Extensive relationship contracting should be used, rather than in-house provision or transactional contracts with external providers*, so that there is less emphasis on 'clear divisions of labour for actors' and more on partnership working (see chapter 7).
- *Management of the strategic change process should be joint*, typically in the form of cross-agency teams and project groups.

In summary, the mode of management in public governance has to change from attempting to impose strategic control on stakeholders towards the negotiation of overall strategies within which decisions of partners will mutually influence each other, in a process of strategic experimentation and diversity. The importance of this is likely to increase if more social and bottom-up partnerships become common in the future, instead of the large contractual partnerships which were common in previous decades.

Governance of partnerships

Partnerships must not only help to deliver the objectives of the public sector and solve the 'wicked problems' with which they are faced, but their working has to be based on principles of good governance – the ends (public sector objectives, publicly desired quality of life outcomes) do not justify the means (the ways through which objectives and outcomes are achieved). In Table 17.1 we set out some of the differences, from a governance perspective, which we would expect to see between genuinely collaborative partnerships (between any organizations, whatever their sector) and those relationships which simply involve the 'partners' respecting the contracts to which they are legally committed.

Obviously, the emphasis between the criteria by which good governance is judged may vary from partnership to partnership. The criteria highlighted in Table 17.1 have been selected as the 'lowest common denominator' from the approaches to good governance that have been advocated by major international and multinational agencies in recent years.

These criteria are demanding – as they are meant to be. It is therefore to be expected that, on occasion, they will bring howls of protest from partnerships which feel that it is too difficult to comply with them. However, the importance of these criteria is already being brought home to many partnerships that have suffered severe damage to their reputations and lost the confidence of their funders and customers, because these principles have been ignored – e.g. through unfair employment practices for staff transferring into partnership bodies or lack of transparency on profits earned by private partners.

Interestingly, Kort and Klijn (2011) show in their research on Urban Renewal Partnerships that good governance practices, involving active network management (such as keeping partners well connected to each other, establishing agreed rules for internal decision processes, etc.), are related to good performance (whereas organizational characteristics are not).

Whatever criteria are given highest weight, public sector managers and politicians in every country can expect that their actions will be judged against good governance principles (Bovaird and Loeffler, 2007). However, the fact that these principles might differ significantly between different contexts in the public sector poses a major challenge. In particular, accountability in partnerships tends to be quite different from classic public accountability, where an elected office holder is held responsible for decisions made. A city council manager initiating a partnership, for instance for urban regeneration, involving citizen/tenant groups, private investors, shop owners and council departments, is already accountable both to line managers in the bureaucracy and elected city politicians.

Table 17.2 Partnerships from a governance perspective

Governance principles	*Transactional contractual relationships*	*Collaborative partnerships*
Citizen engagement	Consultation with citizens and other stakeholders	Participation of citizens and other stakeholders in decision-making

Transparency	Limited to areas where stakeholders have a 'need to know' in order to monitor the contract – and, even then, limited by 'commercial confidentiality'	Open book working in respect of all partners (including user and citizen representatives, where appropriate) as a critical element of building trust
Accountability	The contractor must account to the purchaser in line with all performance-reporting procedures agreed in the contract, particularly in relation to budgetary and cost control	Partners must be prepared to account to each other for their actions and performance on all issues that arise – and must be prepared to account to other stakeholders for the overall performance of the partnership
Equalities and social inclusion	These issues will only be considered in so far as they are included in the contract specification (although some firms may, independently, be committed to improving their record of corporate social responsibility)	Accepted as core values in the working of the partnership – partners are expected actively to seek innovative ways of improving performance against these principles
Ethical and honest behaviour	Staff must act legally and within professional codes of conduct	Accepted as core values in the working of the partnership – partners must actively seek innovative ways of improving performance against these principles
Equity (fair procedures and due process)	Staff must act within organizational procedures, which must ensure consistent treatment of all individuals within any group and must accord priority to different groups as set out in the contract	Accepted as core values in the working of the partnership – partners must continuously seek innovative ways of improving performance against this principle
Willingness/ability to collaborate	Valuable but not essential characteristic of relationships with other parties (mainly means keeping to the contract)	Critical success factor for all partners, without which partnership is unlikely to continue
Ability to compete	Critical success factor for the provider in the contract (incorporating both cost consciousness and customer focus)	Critical success factor for the partnership as a whole (incorporating both cost consciousness and customer focus)
Leadership	Necessary in each organization to ensure good contract management – timely, accurate and efficient meeting of contract specification	Necessary at all levels of the partnership as a whole, in each of its constituent organizations and in the communities that it serves
Sustainability	The contractor must demonstrate conformity with all sustainability criteria set out in the contract	Partners must continuously seek improved ways of increasing the sustainability of policies and activities

Now, however, he/she is also accountable to the other actors in the network, e.g. to affected citizen groups. Moreover, this might involve quite different accountability mechanisms, some

of which might be quite informal, such as an expectation by community groups for 'fair play' in negotiations – this, of course, makes the accountability more complicated and can increase the (already large) potential for conflicts between governance principles.

From this, one lesson is immediately clear – partnerships usually mean heterogeneity, not tidiness. Indeed, some authors (e.g. Loeffler, 1999) have gone further, suggesting that a major problem with the partnership approach to public issues is that it brings *fragmentation of structures and processes*, which in turn leads to *blurring of responsibilities* and of *accountability* – as each agency has sacrificed some of its sovereignty in joining the partnership, it can also claim that the partnership, rather than itself, is the accountable body – yet there is often no direct mechanism by which these partnerships can be held accountable in a proper fashion. Such problems can be all the more acute when the partnership is reluctant to divulge information to outsiders on grounds of 'commercial confidentiality' (particularly in the case of partnerships that involve private firms) or 'data protection' (which can be used as a ground for secretiveness in virtually all partnerships).

Moreover, ensuring achievement of the principles of good governance in Table 17.1 is often very difficult in practice, even if they are agreed by all the actors. For example, PPPs are often claimed to have a design that will ensure that the public sector procuring body remains ultimately accountable – e.g. because it has responsibility for specifying outcomes and standards and monitoring performance. However, the dynamics of organizational behaviour mean that the actual level of 'control' between the procurer and the provider is often difficult to establish, with plenty of room for games-playing on both sides. We are still far from being able to assess the balance of achievements of partnerships in terms of 'good governance'. All the more difficult is it to judge the overall cost-effectiveness of partnerships, weighing up both the governance and service improvement dimensions. And even where there is no alternative for partnerships, e.g. because policy problems require 'joined-up' activities of various actors, we need to decide which forms of partnership are likely to achieve the right balance between service improvements and good governance principles.

Summary

This chapter has argued that there are major advantages to partnership working in the public domain – but also some important dangers that need to be understood. Just as many case studies demonstrate that partnerships can have very successful outcomes, and that some problems can probably only be tackled by partnerships, often involving private sector partners, there are also some horror stories of where partnership working has gone wrong.

It is important to recognize that most public service partnerships are still young and their success is not yet clear. For the moment, it is important to experiment with them, as with other approaches to managing the public good – and to watch the results with care, not simply monitoring their efficiency and cost-effectiveness but also subjecting them to stringent tests of how well they comply with appropriate criteria of public governance.

As the novelty of the 'partnership' fad wears off, it is likely that many partnerships will be seen to have been inefficient, even unnecessary. We can therefore expect to hear more often in the future the advice 'Say "no" to partnerships, where they don't help!' Similarly, strategic partnerships will have to learn that it is not strategic to try to use partnership working for all activities that occur within their area.

Moreover, there is a big question mark over the degree of genuine 'partnership' that is the norm in many partnerships. The language of 'relational contracting' and 'partnering' may often be used in such arrangements, but actual relationships often appear to reflect traditional 'transactional' or even 'confrontational' contracting (Bovaird, 2004).

Perhaps the key concern about partnerships, especially PPPs, is the extent to which their governance is appropriate for bodies that have command over the use of public money. The greatest challenge for partnership working is therefore to demonstrate that it can achieve the potential arising from collaborative efforts across many different types of organization, while still conforming to the basic principles of public governance.

Questions for review and discussion

1. What are the main reasons why partnerships may provide better results in the design and delivery of public services than agencies working alone?
2. What are the main governance issues that tend to make PPPs more controversial than other forms of public sector partnership working?

Reader exercises

1. How would you distinguish between the concepts ‘partnership working’, ‘collaboration’, ‘cooperation’ and ‘coordination’? Find authors in the literature who agree with your definitions and authors who disagree. Identify what factors seem to lie behind these disagreements.
2. Examine copies of high-quality newspapers in your country and identify stories about services that are being delivered by a public service partnership. Can you identify any ways in which the transparency of these services has been hindered by virtue of their partnership form?
3. In this chapter you will find many phrases which appear to praise PPPs and many which appear to criticize them. Examine them and try to identify the images which are used to make partnerships appear more – and less – attractive. How many of these images do you think could be justified by a rigorous evidence-based analysis – and which are likely to remain simply as ‘nudges’ to evoke emotional reactions in their audiences?

Class exercise

The class should break into groups of four to six people. Each group should identify a public service that is now being delivered by a partnership. For that partnership, the group should consider why a partnership might in theory be a better arrangement for the design and delivery of this service and should then collect evidence to see whether this potential has been borne out in practice. The groups should then compare their conclusions in a plenary discussion.

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18

Decentralized management

Agencies and ‘arm’s-length’ bodies

Christopher Pollitt

Introduction

Decentralization is tremendously fashionable. In Western Europe and North America you can hardly hear a word against it (just think – are you really in favour of '*centralization*'?). Yet you should be aware that this is just the current turn of a wheel of fashion that has been going round for many decades. Centralization will probably be back (Hood and Jackson, 1991; Pollitt, 2005a), although not right now – or, at least, only in heavily disguised forms.

So decentralization is 'in'. And the fashion has real and important consequences, which this chapter will seek to interrogate. It expresses itself in a wide variety of forms and discourses – so many that they cannot all be examined in one chapter. So here I will focus on one particular manifestation of decentralized management – the idea that all sorts of benefits will be gained if public sector activities are put 'at arm's length' from the centre of political power, whether that be the ministry or the municipality. This has been a very popular idea indeed. During the past two decades it has, for example, fuelled programmes for creating semi-autonomous agencies in Canada, Jamaica, Japan, the Netherlands, Tanzania, the UK and the USA (Pollitt and Talbot, 2004; Pollitt *et al.*, 2004).

Learning objectives

The learning objectives for this chapter are that you should:

- understand why the arguments for 'arm's-length' public bodies have recently proved attractive in many countries;
- assess the evidence underpinning this fashion;
- become able to identify some of the key contextual factors that help or hinder successful decentralization;
- become equipped with a set of useful key questions with which to interrogate proposals for the decentralization of managerial authority to arm's-length bodies.

Definitions

First we need to deal with the question of definition. Let us begin with the general concept of *decentralization*, because it encompasses arm's-length bodies (and much else besides). What was written half a century ago remains true today:

> It is impossible to standardize the usage of the word decentralization by seeking to give it meanings that would be acceptable universally. The English language took the word from Latin; it shares it with the Romance languages … it is a word that is not confined to public affairs and to formal organization in government or business. It is used in every walk of life. It must be accepted as a word of innumerable applications. Throughout all of them, however, runs a common idea, which is inherent in the word's Latin roots, meaning 'away from the centre'.

(Macmahon, 1961: 15)

Those of you who want to explore definitions in greater depth are referred to my work elsewhere (Pollitt, 2005a), but for present purposes I will short-circuit further debate by specifying the working definition that I will use in this chapter. It is that decentralization occurs when:

> authority is spread out from a smaller to a larger number of actors.

Thus, taking part of a ministry and turning it into a semi-autonomous executive agency is an act of decentralization in so far as the staff of the new agency are able to take authoritative decisions (e.g. about money, staff, cases) that previously they would have had to clear 'up the line' within the ministry. Of course, this *could* also mean that, while the chief executive of the new agency gained authority, s/he used it to exert even tighter control over rank-and-file staff. So decentralization *to* an arm's-length body certainly does not automatically mean that everything *within* that body is decentralized. (A famous example was once Herr Franz-Josef Strauss, who lobbied German Federal Government successfully to locate many federal agencies throughout Bavaria, the state where he was Minister-President, while keeping most Bavarian state bodies located in the state capital of Munich.) Note that this definition also implies that decentralization can take place without any arm's-length bodies being created at all. Internal decentralization can occur if a ministry (or any other organizational unit) decides to give increased spending or personnel authority to middle managers, or to give increased discretion in case-handling to desk/street-level staff. Decentralization may also take place at local levels when public services are no longer provided by the local authority but by newly founded public agencies, which enjoy managerial discretion but are still accountable to the local council. For example, in the state of North Rhine-Westphalia in Germany, the number of semi-autonomous public agencies at local level has increased from 736 in 1997 to 941 in 2007. It is important to note that the degree of decentralization does not go in hand with the legal autonomy of the new agency. Indeed, legally autonomous agencies at local level in Germany (so-called *Zweckverbände* or *öffentlich-rechtliche Anstalten*) may sometimes have less managerial freedom than local authority agencies without an independent legal status (so-called *Eigen-* or *Regiebetriebe*).

A second definitional question is, what is an 'arm's-length body' (or 'agency', or 'QUANGO' – quasi-autonomous non-governmental organization)? Again, I am afraid I am largely going to dodge this, with good reason. The question has been debated endlessly, both in the academic literature (Pollitt *et al.*, 2004: 7–11) and in official reports at the national and international levels. But no great progress towards an agreed definition has been made. What has been revealed by these debates is a whole zoo full of differing titles, concepts and legal frameworks. In different countries, different species of arm's-length bodies are termed agencies and non-departmental public bodies (UK), crown entities (New Zealand), special operating agencies (Canada), administrative corporations (Japan), *mydigheter* (Sweden), *établissements publics* (France), *zelfstandig bestuurs organisaties* (ZBOs) (Netherlands), *autorita amministrative independente* (Italy) and many other things (the Organisation for Economic Co-operation and Development – OECD – has nearly given up and has invented a covering term, 'distributed public governance' [OECD, 2001]). Each of these types has a somewhat different set of powers and a somewhat different relationship to its own political

system (themselves differing enormously). Since national systems of law are also different, the researcher cannot find refuge in some universal legalistic definition. And even within individual countries, policies for creating agencies have often been fairly inconsistent, so that successive attempts at rationalization have become necessary (Verhoest *et al.*, 2012: 435–436). For the purposes of this chapter my (imperfect and general) working definition will be that an arm's-length body is an organization that:

- has its status defined principally or exclusively in public law (though the nature of that law may vary greatly between different national systems);
- is functionally disaggregated from the core of its ministry or department of state;
- enjoys *some* degree of autonomy that is not enjoyed by the core ministry;
- is nevertheless linked to the ministry/department of state. For semi-autonomous agencies this may still permit ministers/secretaries of state to alter the budgets and main operational goals of the organization. For more fully autonomous bodies (such as Dutch ZBOs), ministers may not be able to do this, because the arm's-length body has some kind of statutory independence that means it can only be given general directives by the political level, not case-specific instructions;
- in some way exercises public authority (e.g. by regulating activities, providing a public service or exercising quasi-judicial authority);
- is not a commercial corporation.

Arguments in favour of the decentralization of authority to arm's-length bodies

I will first list some of the key arguments that have been used – both by academics and practitioners – in favour of decentralization. One reason why decentralization is so popular is its property of being able to link up with many other arguments and concepts. It is therefore persuasively useful for several different reform agendas at the same time. It appears to bring both administrative and political benefits, and is therefore a kind of 'magic concept' (Pollitt, 2005a; Pollitt and Hupe, 2011).

Thus decentralization can be political as well as administrative. Although we are here more interested in management issues, it is necessary to be aware of the political arguments, since in practice these are often thoroughly intermingled with their administrative brothers. Some arm's-length bodies include their own political element – for example, a wholly or partly elected board. Others may be purely administrative in form, but nevertheless seek to establish participatory mechanisms with citizens (e.g. through residents' panels, user advisory boards, regular open meetings).

If you look at the arguments listed in Boxes 18.1 and 18.2 you will realize that decentralization sounds wonderful! It seems to solve a whole host of administrative and political problems. However, you probably won't be surprised to hear that:

- none of these benefits arrives automatically: 'the devil is in the detail';
- there are some potential tensions or even contradictions between some of the different claimed benefits;
- there are also some alleged drawbacks to decentralization – and therefore some good arguments in favour of centralization.

I will take these points one by one.

Box 18.1 Arguments in favour of administrative decentralization

1. Decentralization (both vertical and horizontal) speeds decision-making by reducing the overload of information that otherwise clogs the upper reaches of a centralized hierarchy. Faster decision-making is more efficient.
2. Decentralization means that decisions are taken closer to the users/consumers of an organization's products and services, and this, in turn, means that decisions are likely to be more responsive to those users.
3. Decentralization improves the ability of an organization to take account of differences between one local context and another. Services can be better 'tuned' to local conditions.

4. Decentralization may be used as one way to reduce political intervention in matters that are best managed without political interference in details (e.g. case work with individual citizens, regulatory functions, etc.).
5. Decentralization encourages innovation (because new ideas no longer have to find their way all the way up the hierarchy to the centre to be approved and authorized).
6. Decentralization improves staff motivation and identification. They feel that they can 'belong' to a smaller, more comprehensible organization, rather than just being a cog in a gigantic bureaucratic machine.

Barriers to decentralization of authority to arm's-length bodies

The benefits are not automatic

There is nothing automatic or inevitable about the benefits listed above. Much depends on *context* and on *clear-sighted design and implementation.*

Box 18.2 Arguments in favour of political decentralization

1. Devolution of political power puts it closer to the citizen.
2. Devolution of political power makes politicians less remote, more visible and more accountable.
3. Devolution of power encourages more citizens to play some active part in the democratic process – by voting, attending meetings or even standing for office.
4. Devolution of political power allows for greater expression of legitimate local and regional differences.

An example of *context* would be the establishment of many agencies in Latvia soon after independence from the Soviet Union at the beginning of the 1990s. As in many other East European countries, in the wake of the immensely centralized, slow-moving bureaucracy of communist times, decentralization was a hugely appealing idea. The problem, however, was the contextual one that, at that time, the ministries had neither the skills nor the resources to steer these agencies properly, and both financial and staffing irregularities resulted (Horvath, 2000). An autonomous public agency that is not properly accountable and transparent in its operations, and that operates without a clear policy direction from the government, can be a very dangerous animal indeed. As for skills, the point is that managing arm's-length relationships – from either end of the arm – requires a different set of skills and norms from those for managing within a comfortable, traditional hierarchy. Agency management has to learn not to abuse its (semi-)autonomy, and the senior civil servants left in the parent ministry have to learn not to interfere on petty issues in the way that perhaps they used to. Evidence from a number of countries indicates that getting the balance right is very difficult indeed (Pollitt, 2005b; Verhoest *et al.*, 2012). In many cases there seems to be a prolonged tug-of-war in which each party thinks the other is not honouring the bargain they thought they had made – from the point of view of the arm's-length body either there is too much interference or, in some cases, too little guidance.

Clear-sighted design and implementation imply that the policymakers will be clear about their intentions, and the implementers will be vigorous leaders over the considerable periods of time usually needed to get new organizational forms up and running. Sometimes these conditions are met; often they are not. For example, Van Thiel records considerable vagueness

among politicians about what the aims of QUANGO creation in the Netherlands really were (Van Thiel, 2001: 9–14). And, in Eastern Europe, the stability and continuity requirements were often breached during the 1990s and 2000s, because governments and their appointees rose and fell within quite short intervals.

But, even if politicians are clear in their objectives, and the political system is largely free of the problems that have hampered Eastern European administrations, there are still considerable design hurdles. The modern idea of an agency is founded on the notion that, while it will enjoy managerial freedoms, it will do so within a contract-like steering framework of policy objectives, associated operational targets and performance indicators that measure how far those targets have been achieved (Pollitt *et al.*, 2004: chapter 2). This framework should ensure that both strategic steering (by ministries/ministers) and public accountability (to legislatures, citizens) are feasible. But designing a comprehensive set of measurable and meaningful indicators is a major technical challenge, and several important pieces of research have revealed that indicator sets are frequently deficient (see Case example 18.1).

There are tensions and contradictions

If you look again at the lists of arguments in favour of decentralization, some tensions leap out. For example, how can moving to arm's length simultaneously promote freedom from political interference *and* more local participation? Local participation is almost bound to be, to some extent, political in nature – particular interest groups pushing for the favoured solutions, local business people trying to exert influence, and so on. It may not be party politics on the model of national parties, but it is certainly interest-group politics.

Case example 18.1 Getting performance indicators to fit the objectives

Talbot (1996) surveyed the executive agencies 'parented' by the Home Office and the Department of Social Security. All these agencies had sets of key performance indicators. But 47 per cent of their official aims and objectives were not covered by these indicators, and a further 31 per cent were only partially covered. Neither were the indicator sets stable over time. During the first half of the 1990s there was a 70 per cent 'churn rate' (turnover) of indicators, with new indicators being introduced and existing indicators modified or dropped. This made it very difficult to follow performance over time. High churn rates have also been noted among New Zealand agencies.

In such a situation (some objectives not covered by performance indicators, indicators changing rapidly) it is an open question how well public accountability can work, and even how well the ministry can steer the agency.

Or again, how can decentralization speed decision-making if it also leads to the participation of more local groups and consumers in policy-making? Wider, deeper processes

of consultation usually lead to longer, not shorter, decision-making cycles (see chapter 22).

Arguments against decentralization to arm's-length bodies

Now consider the following:

1. Centralization enables organizations to benefit from economies of scale.
2. Centralization enables organizations to retain a critical mass of experts in central think tanks and the 'technostructure' (Mintzberg, 1979). Small organizations do not have the resources to do this.
3. Centralization, in the form of standardization, leads to greater equity. All citizens in similar circumstances receive the same service. Autonomous local services are more prone to inequities – both intentional and unintentional.
4. Centralization makes the coordination of policies and programmes (especially those that cross sectoral or organizational boundaries) easier to accomplish. 'Joined-up' government can be substituted for 'hollowed-out' government.
5. Centralization makes the line of accountability clearer and more easily understood by citizens. In highly decentralized systems, patterns of accountability are complex, and there are too many opportunities for blame-shifting.

These are not inconsiderable advantages that are attributed to centralization. Better coordination ('joined-up government') and clearer lines of accountability are by no means trivial issues. In fact they are among the central aims of many contemporary governments (see, e.g. Perri 6, 2004; Perri 6 *et al.*, 2002). Perhaps they can be achieved through decentralized networks of many arm's-length bodies – that is the hope of many current reformers and of some academics – but the possibility is by no means yet proven and is clearly not always achieved (see Case example 18.3). Indeed, in 2002, a UK review of the Next Steps agency programme came to the conclusion that one of the effects of the creation of so many executive agencies over the previous 15 years had been some fragmentation and loss of policy coordination (Office of Public Services Reform, 2002). This anxiety about fragmentation is by no means confined to the UK (Verhoest *et al.*, 2012).

Case example 18.2 Loss of accountability in German arm's-length agencies at local level

Recent functional and organizational decentralization in German local authorities has meant that the budget of arm's-length agencies now often exceeds the rest of the budget of the local authority, and there can be similar patterns in employment levels – e.g. in the state of North Rhine-Westphalia, 200,000 staff work in local arm's-length agencies, and 220,000 staff continue to work in local authorities. Clearly, decentralization and privatization of local public services have been popular mechanisms for dealing with budget deficits at local level in Germany. However, there have been some concerns about the consequences of this movement. Local arm's-length agencies are always in

danger of becoming an easy income-earner for ex-politicians who are often given top management or board positions, although lacking any professional qualifications. Furthermore, elected councillors are often appointed as board members to local public companies, providing a potential conflict of interest with their council role as a guardian of public interest. Board members legally need to safeguard the interest of the company and therefore may not disclose commercially sensitive information to third parties – which sometimes means that they cannot inform other elected members about important business issues with wider political implications.

Source: Adapted from Hanspeter Knirsch (www.knirsch-consult.com)

Evidence about the effects of creating arm's-length bodies

Given the number of claims that have been made for the benefits of arm's-length bodies, you could be forgiven for believing that there must be – somewhere out there – a body of firm empirical evidence that this type of decentralization does indeed bring these claimed benefits. If so, your belief would be mistaken. In fact the evidence is complicated and patchy, and does not seem to tell one simple story (James, 2003; Pollitt, 2005a). It is hard to weigh up. On the one (positive) hand there are some local success stories such as the IB Groep in the Netherlands, where an organization that had been part of the Ministry of Education was converted into an arm's-length ZBO (self-steering organization) and soon improved the quality (but not necessarily the efficiency) of its services (Van Thiel, 2001: 143–165). Or in the UK one might cite the fact that in 1995/96 agencies met, in aggregate, 79 per cent of the 1,091 key performance targets set for them by ministers (Chancellor of the Duchy of Lancaster, 1997: 1). On the other (negative) hand, however, there is also a crop of disaster stories such as those concerning the Child Support Agency in the UK or the Prison Service (Gains, 2004) – see Case example 18.3. And we should not forget Case example 18.1, that meeting targets is only part of the story – there are also the questions of (a) whether those targets are meaningful and (b) whether they cover all the agency's objectives.

Case example 18.3 Things can go wrong

HM Prison Service became an agency in 1991, having formerly been a department of the Home Office. Derek Lewis, the first Chief Executive, was appointed from the private sector, and declared himself to be in favour of a more performance-oriented culture. Less than three years later he was dismissed by the Home Secretary, Michael Howard, following two highly publicized escapes of dangerous prisoners. Howard thus brushed off responsibility for this 'operational' failure. Lewis, however, had achieved almost all the performance targets he had been set. He contested Howard's interpretation of events and subsequently sued the Home Office for wrongful dismissal. He was eventually awarded an out-of-court settlement of £280,000 (Lewis, 1997).

Nevertheless, the prison service has remained an agency. Despite further high-profile escapes, and other difficulties, subsequent chief executives have managed to avoid the kind of political clash that occurred between Howard and Lewis.

Furthermore – and most worrying – there does not seem to be any systematic before-and-after study to demonstrate that (a) major advantages have accrued and (b) these may safely be attributed to the process of decentralization. On the contrary, academics have searched for such evidence and not found it (James, 2003: 130–132; Pollitt *et al.*, 1998; Talbot, 2004; Van Thiel, 2001; Verhoest *et al.*, 2012: 430). There is therefore always the suspicion that, even where definite improvements are found, they may be caused by factors other than the

decentralization. For example, was the Dutch IB Groep's investment in much better software for its grant-giving services a result of its becoming a QUANGO, or would it have happened anyway – because there was media exposure and public pressure on the organization stemming from its previous poor levels of service?

It is also the case that governments themselves have acknowledged that decentralization can have negative as well as positive effects. In a review of more than a decade's experience with UK Next Steps executive agencies, the Office of Public Services Reform found much to praise, but also acknowledged that 'in too many cases their work has become disconnected from the increasingly well-defined aims of their ministers'. In fact the review concluded that 'the gulf between policy and delivery is considered by most to have widened' (Office of Public Services Reform, 2002: 3 and 6). In order to remedy this gulf, some English agencies have been brought back into the relevant ministry (e.g. the Courts Service), even where their operational performance has been considered successful.

Finally, we should note that a number of analysts have suggested that the presence or absence of particular factors help to make the attainment of the promised gains from 'agencification' more or less hard to achieve. Among these suggestions we may pick out the following:

- If an agency exists within a stable network or policy community, it is more likely to survive and do well (Gains, 2004). If it has to play its role within a weak or rapidly changing network, it is more vulnerable.
- It is easier for agencies to prosper if the political sensitivity of their main activity is medium or low (e.g. forestry, weather forecasting). If it is high (e.g. prisons, payment of social security benefits), the temptation for politicians to intervene is great (Pollitt *et al.*, 2004). This does not necessarily spell disaster by itself (Gains, 2004; Verhoest *et al.*, 2010), but it creates a tension that, if combined with other problems, can lead to serious difficulties.
- It is easier for agencies to be steered if their outputs are fairly standardized and easily measured (Pollitt *et al.*, 2004). In those cases (e.g. issuing driving licences, warehousing stock or maintaining vehicles), the supervising ministry can more easily set quantitative targets that encompass the core task and then leave the agency management to get on with finding out the most efficient way of organizing that task (Pollitt, 2003). The more ambiguous or difficult it is to measure the outputs, the more challenging is the role of the supervising ministry. For example, delivering mental health counselling to disturbed teenagers is a highly unstandardized task where, apart from counting the number of 'sessions' delivered (fairly meaningless), it is hard to find good measures of what has been done, still less what has been achieved.
- It is easier for politicians to remain 'hands off' if the total budget size of the agency is small or medium. The reason here is that really big budget agencies inevitably attract the attention of ministries of finance/treasuries whenever the macro-economic cycle means that public expenditure cuts have to be made. This is one reason why researchers found that agencies responsible for paying social security benefits (big budget) tended to be 'interfered with' in greater detail and more often than small-budget agencies such as meteorological offices (Pollitt *et al.*, 2004).
- Broader cultural factors may also play a part. In Japan, for example, it has been

> suggested that, despite considerable legal autonomy, the new administrative agencies will not, in practice, have much independence because most of them are headed by senior civil servants who are likely to continue to observe the strongly hierarchical and obedient Japanese civil service traditions (Yamamoto, 2004).

Of course, these various factors do not all pull in the same direction. A small-budget agency can be very politically sensitive. An agency with standardized outputs might be large budget, or might exist within a very weak network. So, for any given agency (or proposed agency), one needs to look carefully at a variety of contextual factors. One academic attempt to do this in quantitative terms turned out, unsurprisingly, to have an exceedingly complex and uncertain set of findings (Verhoest *et al.*, 2010).

Summary

The idea of decentralizing public authority to arm's-length bodies of one sort or another has proved to be a very appealing one in many countries. Many arguments – not all of them mutually compatible – have been put forward in its favour. However, the practice of doing this has produced a tremendous variety of results, ranging from policy reversal to on-going crisis, to disappointing sameness, to incremental change, to major improvements in efficiency and/or quality of service. It seems, therefore, that there must be intervening factors that determine the degree of success or failure. Research has pointed towards what some of these might be, but the picture is as yet incomplete, and the complexity of possible interactions is high.

Questions for review and discussion

1. Taking into consideration the factors mentioned above, choose two functions, one of which would be a good candidate for agency status and one which would, because of its characteristics, be high risk.
2. Why have politicians been so keen to set up new agencies when the evidence on results is so patchy?

Reader exercises

1. Find an example (e.g. in a newspaper or on the Internet) of a public agency in your country that is in the news for some failure or other. Examine the story for evidence of whether this failure has been caused by the agency's poor internal management or because of its inappropriate relationship with its 'home' ministry or local authority, or for other reasons. (And don't assume that the news source necessarily has the right diagnosis! Is the story (a) internally coherent and (b) *prima facie* likely?)
2. In relation to the same agency (or another of your choice), examine the managerial qualifications of the top management of the agency and the qualifications of the board members. What do you think this tells you about the relationship of agencies and the 'home' ministry or local authority?

Class exercise

List as many reasons for creating decentralized agencies as you can think of. Then discuss how many of these reasons apply to each of the following:

- a unit that gives grants to university students;
- a unit that conducts driving tests and issues licences to successful candidates;
- a civil service recruitment agency;
- an immigration office;
- a rural development agency.

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19
Managing networks and complex adaptive systems

Christopher Koliba and Joop Koppenjan

In this chapter we address a persistent and often obtuse element of public administrative practice: grappling with the complexity of "wicked" problems. We offer a deeper look at the nature of wicked problems, recommend complexity theory and governance networks frameworks as useful analytical tools, and posit a definition of "situational awareness" that provides practicing public managers with some avenues for negotiating the complex systems that confront them.

Introduction

The notion that the work undertaken by public managers unfolds amidst a complexity that defies simple steering and control has been with us for a very long time. Whether considering how best to balance administrative and political functions, how best to make decisions constrained by bounded rationalities, or seeking answers as to why policy solutions so often result in suboptimal results, public managers are left to grapple with this complexity. There is long-standing understanding in public administration that managing and leading any organization, particularly *public* organizations, is made more difficult because of the challenges posed by the very nature of public problem solving and service delivery.

Learning points

In this chapter, you will learn to:

- distinguish "wicked problems" from those problems that can be understood through a "linear" logic;
- identify the governance networks that function as complex adaptive systems;
- understand the constraints and the opportunities that exist when complexity is taken into account.

Context

Over 40 years ago, two urban planners, Rittel and Webber (1973) coined the term "wicked problem" to describe the persistent challenges posed by the nature of the problems faced by public managers. Wicked problems are inherently nonlinear. They are confounded by multiple perceptions of the nature of the problem and how best to develop policy solutions to handle them. Wicked problems also tend to dominate the public manager's landscape, particularly in those areas where the challenges are especially steep: public health, public safety, social service delivery, emergency management, transportation, land-use planning, environmental management, etc.

In an attempt to address these increasingly wicked problems, public officials have broken from the traditional paradigm of the single public organization or bureaucracy being tasked with implementing public policies to one in which additional sets of actors are added to the mix. Privatization and contracting-out have led to the expansion of actors involved in the governing of society to include the private and not-for-profit/nongovernmental sectors. Public managers may now be found working within nonprofit organizations or agencies, or required to interface with private contractors who are now responsible for the delivery of many public goods and services.

New intergovernmental arrangements, whether in the expansion of the European Union or the devolution of responsibilities to regional and local government scales, have added layers and levels of complexity, as public managers are increasingly faced with challenges associated with tensions and conflicts (between areas, agencies, and groups), compromises and emergent possibilities. New opportunities for partnership and collaboration have opened up, leading to the development of both simple and elaborate public-private partnerships (PPPs) and collaborative governance arrangements. Consequently, public managers are pressed simultaneously with mobilizing resources from multiple sources and facilitating collaborative arrangements, while balancing the needs and expectations of a myriad of public officials and citizens. In other words, contemporary public management unfolds within a complex network of actors, organizations and interorganizational arrangements. Some of these networks function as "complex adaptive systems" (CAS).

The idea of a CAS has been used to analyze social, biological and natural systems. This chapter shows how CASs can be viewed through the lens of public management. In particular, we take the "governance network" as the unit of analysis and the object of action which is of greatest interest to public managers. We will show how the complexity of governance networks can constrain their effective management and governance. At the same time, recognizing this complexity opens up possibilities for innovation and adaptation. We will show that governing and managing networks is a dynamic process and that treating governance networks as complex adaptive systems helps in understanding the constraints and opportunities surrounding them.

The properties of a complex adaptive system

Using a complexity lens to study systems was an approach pioneered within the natural sciences. Problems associated with predicting the weather inspired Edward Lorenz's groundbreaking work on "strange attractors" during the 1950s and 1960s. Complexity theory also has roots within the field of computer science, pioneered by the research of John Holland. Holland defines CASs as "systems that have a large number of components, often called agents, that interact and adapt or learn" (2006: 1). Complexity theory attempts to capture the dynamic, adaptive, and emergent properties of a system. Those who study complex adaptive systems are "basically concerned with problems of relationships, or structure, and of interdependence rather than with the constant attributes of [individual] objects" (Katz and Kahn, 1978: 211). Complex adaptive systems are "robust patterns of organization and activity in systems that have no central control or authority." These patterns of organizations tend to persist over time.

> We have corporations—or, for that matter, human bodies and beehives—that maintain a recognizable form and activity over long periods of time, even though their constituent parts exist on time scales that are orders of magnitude less long lived.
>
> (Miller and Page, 2007: 7)

A CAS is a system

> whose component parts interact with sufficient intricacy that they cannot be predicted by standard linear equations; so many variables are at work in the system that its overall behavior can only be understood as an emergent consequence of the holistic sum of all the myriad behaviors embedded within.
>
> (Levy, 1993: 34)

In formal language, a complex adaptive system is *dynamic*, meaning that it exists within, and changes over, time. CASs are "path dependent," meaning that their structures, functions, and outcomes depend on "the results of certain combinations of activities that take place over time" (Pierson, 2004: 34)—consequently, history matters to which outcomes are achieved. CASs are shaped by *emergent* properties (structures, functions, and outcomes), in which "well-formulated aggregate behavior arises from localized, individual behavior" (Miller and Page, 2007: 46), but where "reasonable" variations in those individual behaviors do not significantly change the patterns. The emergence of new structures and functions out of existing conditions occurs through the "interaction of autonomous agents" over time and space, operating under "simple rules" that lead to the generation of new macro, aggregated structures, functions, and outcomes (Morcol, 2012: 68).

Simply put, a CAS is dynamic (it changes) and emergent (changes in particular ways into particular things). However, if a CAS changes *all* of the time, it would be likely to collapse—the result of chaotic forces. A CAS is also marked by sustained stability. According to Donella Meadows, structurally and functionally, this stability persists in the form of "sub-systems" that "can largely take care of themselves … and yet serve the needs of the larger system." A mutual co-dependency exists across levels of organization: "while the larger system coordinates and enhances the functioning of the sub-systems, a stable, resilient, and efficient

structure results" (Meadows, 2008: 82).

In social systems, individual people form groups, which in turn form whole organizations, forming a nested hierarchy. Within the kind of nested social system with which public managers deal, the individuals are stakeholders involved in public policy and public service delivery. Groups are the teams, committees, taskforces, and departments that are organized to carry out particular activities. These groups, in turn, form the basis of organizations and institutions ranging from public bureaucracies, nonprofit organizations, private firms, and the like (Koliba et al., 2010). In such social systems, there is heterogeneity in terms of agents' goals, mission, resources, power, and authority.

Paradoxically, then, a CAS, as a creature of time and emergent behaviors, is ever evolving, while simultaneously being stable enough to sustain itself over an extended period of time. This fluctuation of CASs between stability and emergent behavior both poses a threat and offers opportunities to a public manager's daily practice. However, before studying this further, we need to place CASs within the governance networks in which public managers operate.

The governance network as a unit of analysis and a space for action

Framing complex governance arrangements in terms of networks helps network managers who are implementing policies designed to tackle wicked problems by providing an analytical structure for their thinking. Although these networks are called by many different names, we have settled on describing them as "governance networks." A governance network is defined here as a

> relatively stable pattern of coordinated action and resource exchanges; involving policy actors crossing different policy areas, drawn from the public, private or nonprofit sectors and across geographic levels; who interact through a variety of competitive, command and control, cooperative, and negotiated arrangements; in order to realize their objectives, which they cannot accomplish by their own given limited resources and interdependencies.
>
> (Koliba et al., 2010: 53)

Governance networks are expected to carry out functions within specific policy domains, such as healthcare, crime, energy, etc., so we may think in terms of health service delivery networks, public safety networks, energy distribution networks, etc. These networks are united in a common pursuit of some kind of public good or service or the achievement of some policy goal.

In network analysis, we study a governance network as comprised of "nodes," "resources," and "ties." A network will have two or more nodes or actors—these are the entities that undertake actions, typically individuals, informal groups, organizations, or sets of organizations. Within public policy, most governance networks involve at least one governmental entity. Interactions among actors result in resources flowing between these nodes over various types of "ties." These resources include: funds, information, knowledge, human resources, material goods, and services. Enduring interactions may result in institutionalization of flows and strengthening of ties (relationships), development of joint arrangements, shared rules, joint outlooks, common language, and mutual trust (or distrust).

Networks which are complex adaptive systems possess the important property of self-organization. This means that they are not exclusively steered by some higher authority or control mechanism. How does this come about? In theoretical terms, the collective outcomes of a governance network emerge as the result of interactions between actors as they act upon their interdependencies by exchanging resources. In practice, the dense inter-connections between actors result in a form of "social control" which may not be intentionally planned, or even explicitly formulated, but which can be very important to guiding network activity.

Social systems differ from other systems in that their actors are reflective, and behave in a conscious way—they base their interactions on how they perceive the situation they are in, the problems and opportunities they are aware of, and the cost and benefits of their actions (Dixit and Nalebuff, 1993). However, actors' behavior cannot simply be explained by "rational" cost–benefit calculations—bounded rationality constrains their capacity to make such calculations. Furthermore, individuals are not simply rational—often they are rule-following ("just following orders"), emotional ("I feel that this is the best way to do things"), or ideological ("I

don't care what arguments you use, I don't believe in that way of doing things"). Groups, too, can behave "irrationally"—they are often driven by group dynamics that can lead to "group think." Organizations and alliances are corporate actors, whose behavior is driven by organizational procedures, routines, and bureaucratic politics (Allison and Zelikow, 1999).

As a result, taking together these characteristics of individual, group, and organizational behavior, the emergent behavior of the network as a whole may differ greatly from that aimed at by any of its constituent actors. On the one hand, it may culminate in effective problem solving and actions—but, in other cases, it may also be highly dysfunctional and result in inertia, or unwanted and unexpected effects both within and outside the network.

This self-organizing property of networks means that hierarchical interventions can be ineffective, since they ignore the complexities, dynamics, and emergent behaviors of network processes. In order to effectively manage these networks, network governance approaches involve "coordinating strategies of actors with different goals and preferences with regard to a certain problem or policy measure within an existing network of inter-organizational relations" (Kickert et al., 1997: 10). Network governance may also be seen as "promoting the mutual adjustment of the behaviour of actors with diverse objectives and ambitions with regard to tackling problems within a given framework of interorganizational relationships" (Kickert et al., 1997: 44).

Network governance needs network managers who understand the workings of the governance network of which they are a part. In the next section we discuss what this involves in more depth.

Managerial constraints arising from complexity

The complexity of modern governance arrangements makes steering and controlling them difficult for three main reasons:

1 Substantive complexity

Substantive complexity refers to the wickedness of the problems with which governance networks are confronted, covering two dimensions (Koppenjan and Klijn, 2004):

- *Information shortage* in relation to the problem, its causes, the nature and implications of possible courses of action, and the structure and processes of the network of actors involved. Here, actors involved agree on the nature of the problems and the values involved, and it is believed that, in principle, the information shortage could be rectified, and this type of complexity reduced, through appropriate research and information gathering.
- *Ambiguity*, where there is uncertainty and conflict over the nature of the problem, often exacerbated by the absence of consensus over the norms and values involved. Here, it is hard to arrive at a joint problem definition, and knowledge and expertise may be contested. This dimension of substantive complexity cannot be overcome by information gathering and research, which indeed often lead only to "report wars" and information overload.

Most problems within governance networks and complex adaptive systems are characterized by ambiguity, in the sense that knowledge is uncertain and values are contested, but some networks may suffer from only one or other of these problems (Table 19.1).

Table 19.1 A typology of the wickedness of problems

		Conflict over values	
		Low	*High*
Uncertainty of knowledge	*Low*	Tame problems *(information shortage)*	Moderately wicked problems *(political conflict)*
	High	Moderately wicked problems *(uncertain knowledge)*	Wicked problems *(Ambiguity: uncertain knowledge and conflict)*

Source: Hoppe (1999)

2 Strategic complexity

Another source of complexity that constrains how governance networks can be governed, led, or effectively managed derives from the complex set of actors involved, with their different perceptions and interests. These differences may lead to dissimilar framing of problems, diverging priorities, and conflicts of interest (Rein and Schön, 1992). Actors partly base their actions on calculations of cost and benefits of solutions, given their perception of the problems involved and the anticipated behavior of other actors. However, these perceptions (frames) are far from static (although they may be hard to change through deliberate interventions). Furthermore, they do not determine behavior, since "nonrational" factors also play a role, which makes strategies hard to predict. Moreover, if actors start anticipating the reactions of other actors, behavior becomes volatile and highly unpredictable.

Other variables may also affect the strategic behavior of actors, such as accustomed organizational routines, personal emotions, group processes, the hype created by the mass media (including nowadays social media such as Facebook and Twitter), and the eruption of highly political "blame games" (Allison and Zelikow, 1999; Kingdon, 1995; Hood, 2010). As a result, the strategic behavior of actors may be highly unpredictable and result in strategic complexity that is hard to handle by actors within the governance network and by those developing governance strategies.

3 Institutional complexity

Governance networks are also often characterized by a high level of institutional complexity (Koppenjan and Klijn, 2004):

- Network actors may come from different cultures and diverse backgrounds. Actors may have different outlooks, norms and values, they may speak a different language or operate in different ways. For instance, physical planners use maps in order to document their plans but representatives from water boards typically don't use maps to communicate, so they often have a hard time getting their arguments against new plans affecting the water system accepted by physical planners (Van Eeten, 1999).
- In particular, collaboration between actors coming from public and private domains may be problematic, given the different characteristics of these domains. Jane Jacobs (1992) speaks of public and private "syndromes," and the risk of the creation of "monstrous hybrids." Depending on how great are the differences between the two sectors (see Table 19.2), institutional complexity can be a major issue, if networks include actors from multiple sectors, as often is the case.
- Networks are embedded in a larger environment in which there are many other networks, so that actors may be included in various networks at different levels of the system (Tsebelis, 1990). The inter-relationships between developments in these networks may have important impacts in each network.

Table 19.2 Differences between public and private sector actors

Public sector	*Private sector*
Long-term orientation, aimed at the realization of the common good and public values	Short-term orientation aimed at the realization of profit and business continuity
Taking: spending attitude, aimed at redistributing wealth	Trading: entrepreneurial spirit propelling economic growth and prosperity

Source: Inspired by Jacobs (1992)

The limitations of governance

An individual person acting within a *complex governance network*, i.e. a governance network which is a complex adaptive system, is limited in her or his reach, influence, authority, and power. The actions and decisions of one person, even a national president, or premier, or the CEO of a major company, are likely to have limited impacts on the direction of the governance network as a whole. Emergent, adaptive behaviors arise through the interactions of many agents, constraining the capabilities of any one agent effectively to steer the course of action of the network as whole. Therefore, speaking of "leading" a network is generally a contradiction in terms, and the idea of "control" over a network is usually an illusion (or even a delusion). It should be noted, however, that governance networks will vary in their degree of complexity, with some networks decidedly simpler in configuration and dynamic, which will allow for greater control by an individual leader.

Although all of these factors constrain our capacity to effectively govern or steer a complex governance network, many of these constraints can be overcome. Some of our ignorance of how complex adaptive systems work can yield to more education, better research, and more sophisticated and accessible theories. Indeed, we have, as a field, come a long way toward deepening our understandings of complex governance networks. We have good reason to believe that these understandings will grow further over time. However, not all complexities can be reduced by greater knowledge, since they are caused by normative differences and emergent behavior. Uncertainty and ambiguities are likely to persist. The solution here is to understand this uncertainty better and to develop systems of governance to deal with this type of complexity. We may even begin to appreciate complexity less as a factor to mitigate or get rid of and more as a force for creativity and innovation, demonstrating emergent possibilities: something to be harnessed (Axelrod and Cohen, 1999).

Managerial opportunities associated with complexity

A variety of approaches to public management have emerged that either explicitly or implicitly operate on the premise that a manager's role lies in fostering greater cooperation and collaboration between interdependent actors within complex networks. Managing complex adaptive systems like governance networks requires developing strategies for dealing with the three types of complexities that we discussed in the previous section.

1 Managing substantive complexity within governance networks

Relatively simple problems can be dealt with by the traditional methods of policy analysis: information gathering, clarification of the nature of the problem, setting goals, developing solutions, etc. However, wicked problems will not be tamed in this way, due to their dynamics and the absence of shared values and meanings. To deal with these type of complexities, other approaches are necessary:

- *Learning about "frames" and consensus building*—exploring the frames that actors use to think about a problem and initiating interactions in which they communicate about their frames and the norms and values that underlie them. Many specific tools have been developed to support these processes of "unfreezing," reflection about frames used, consensus building, and developing joint meanings (Fischer, 2003). Nevertheless, the literature also acknowledges the limitations of consensus building, given the diversity of values and objectives of actors.
- *Win–win situations and enhancing variety*. Finding common interests and realizing win–win situations can circumvent the need for consensus or joint problem definition. Innovative solutions can develop "package deals" that succeed in meeting a variety of goals, while differences of opinions and a plurality of values and objectives persist. This requires strategies that are aimed at creating a variety of ideas and approaches, rather than "one best way"—indeed, attempts at consensus building may be counterproductive, since they may suppress the variety of approaches that is essential to managing complexity (see Koppenjan and Klijn, 2004).
- *Enhancing the authoritativeness of experts and research.* Actors may be tempted to commission their own research and involve their own experts in order to convince others. However, this will generally not work, given differences in values and objectives. Often the objectivity of the "experts" and the research will become a focal point of conflict and the "report rain" from these efforts will lead only to information overload and reduced trust in experts and research. The answer may lie in furthering joint research and joint selection of experts, so that there is a greater chance that their knowledge will be considered authoritative (Collins and Evans, 2007).

2 Managing strategic complexity

Dealing with strategic complexity may involve facilitating interaction and negotiation between network actors to constrain erratic behavior and to reduce the unpredictability of emergent behaviors and processes.

- *Bonding through facilitation.* Once ties are established between actors, they require effective facilitation to create lasting and effective bonds. To accomplish this, network managers need facilitation skills for bringing actors together and ensuring the proper flow of information and development of joint actions between actors. This usually requires incentives and implicit agreements on common norms and standards (Reed and Koliba, 1995). Successful facilitation skills can create "procedures for ongoing interaction, discussions, negotiations, and decision-making" to which agents feel bound (Schaap, 2008: 1126–1127)—these skills have also been referred to as "reticulist" skills (Reed and Koliba, 1995), i.e. skills in creating, servicing, and manipulating communication networks.
- *Bonding through negotiation.* Since conflict, differences of opinion, goals, and objectives are an inevitable feature of complex governance networks, facilitators need to be skilled in the art and science of negotiation. Skilled negotiators seek to create value by crafting creative deals that bridge differences, especially where agreement over coordinated action is likely to be difficult to come by. They channel the flow of the negotiation process to build momentum in promising directions, paying special attention to:

    - sensitivity to early interactions: the beginning of negotiations sets the tone for future interactions;
    - threshold effects: some small incremental moves result in large changes in the situation;
    - feedback loops: established patterns of interactions among actors readily become self-reinforcing (Watkins, 1999: 255).

3 Managing institutional complexity

Institutional complexities result from the diversity and number of actors that are part of the network, and the various organizational and cultural differences that they embody. Management strategies therefore address these complexities through ensuring the right structure of the network, bridging of organizational and cultural differences through the set of rules that guide interactions among network actors, and managing the feedback mechanisms.

- *Network formation and change by boundary spanning.* The art and science of building and maintaining social networks of any kind hinge on the capacity of individuals within the networks to forge new ties and deepen others. The emergent behavior of social networks depends on the skills and actions of "boundary spanners," i.e. those people who link one network to another, creating new ties and making the assets

found in one network more accessible to another network. The value of bridging networks is predicated on the notion of the "strength of weak ties" first put forth in the 1970s (Granovetter, 1973). Weak ties open up new possibilities, new ways of doing things, and new resources, without imposing major costs of interaction. The strategic establishment of new ties is one of the most critically important features of network management (Wenger, 1998: 109), so that knowing when, where, and how to add new members to a network is a core competency for boundary spanners.

- *Enhancing and changing institutional rules*. Interactions among actors within networks are supported by formal and informal rules that they share and that guide their interactions. Without these institutional rules, usually developed during earlier interactions, organizational and cultural differences among the actors would hinder interactions. Various categories of rules can be found in the literature; for example, Nobel Prize laureate Elinor Ostrom (1990) distinguished between:

    - position rules (rules that define roles);
    - boundary rules (rules for entering/exiting roles);
    - authority rules (rules that determine who is allowed to do what, when);
    - aggregation rules (rules on how decisions are taken and conflicts are regulated);
    - scope rules (rules that set the boundaries of the network);
    - information rules (rules on who gets what information, from and to whom, in what way, and when);
    - pay-off rules (rules on appropriation rights and provision duties).

- These rules may be supported or codified in formal laws, contracts, covenants, charters, etc., or may be agreed just informally. Often rules simply emerge in repeated interaction, and actors are not even aware of them—until they break them. New participants have to go through a process of socialization in order to internalize these rules, which is why introducing new actors may be a sensitive and difficult process. Absence of rules, dysfunctional rules, or confusion over rules may be a reason to install, confirm or change them ("renegotiating the rules of engagement"), although the success of these attempts is far from guaranteed, even if actors agree, since rules have to become rules-in-use, i.e. they are emergent in nature.
- *Managing internal and external feedback mechanisms*. Institutional complexity also stems from the fact that a network is typically embedded in other networks and wider technological, societal, and political systems, often spanning many different sectors or even countries. Theories of complex adaptive systems suggest at least three additional approaches to managing feedback from other networks: adaptive management, promoting negative feedback, and the distortion of systems.

    - *Adaptive management*. Here, management tries to "surf along" with the changing dynamics that result from external and internal feedback, adapting strategies to the evolving system (Pahl-Wostl, 2007).
    - *Dampening positive feedback*. Positive feedback in a system means that the effects of a small disturbance are increased in magnitude in each succeeding

round of changes, so it is destablising. In highly dynamic situations in which positive feedback builds up, e.g. where some stakeholders are mounting a social media campaign which is going viral, it may be very hard to design a deliberate, well-informed managerial strategy (Baumgartner and Jones, 2009). Here, it may be important to promote negative feedback loops, e.g. by establishing countervailing power in the network which uses other communication channels to challenge the social media "feeding frenzy." Positive feedback due to the connection to other systems may also be reduced by deliberately disconnecting the network from other systems, at least for a time.

- The opposite strategy is that of creating "disturbance" and enhancing positive feedback, particularly when the aim is to open up relatively closed networks and gain entrance or change their decisions (Baumgartner and Jones, 2009). Establishing or strengthening ties to other networks may also further this strategy.

These strategies will generally not be applied in isolation, but in combination. Nevertheless, there are no guarantees of success. What will work will be contingent on the specific situations around each network. Moreover, behavior within networks is emergent, with actors constantly anticipating and responding to management initiatives and thus giving rise to feedback loops which thwart the intended effects. Consequently, management strategies must constantly adapt to changing situations. Again, actors may be hostile towards the network manager, giving him or her a hard time. Finally, bounded rationality, limited resources, organizational routines, emotional reactions, and simply wrong judgments may all limit the effectiveness of network management.

Management skills

Network managers need "situational awareness" to steer a complex adaptive system like a governance network. Situational awareness, "is the perception of the elements in the environment within a volume of time and space, the comprehension of their meaning, [and] the projection of their status in the near future" (Endsley, 1995: 34)—it should help in explaining dynamic goal selection, in the light of critical cues from the current situation and expectations about future developments.

Situational awareness hinges on a combination of systems thinking, acquisition and filtering of information, and the application of "descriptive patterning," that is developed through extensive experience built up over time. Those with situational awareness rely on "pattern-matching mechanisms to draw on long-term memory structures that allow [...] them to quickly understand a given situation" (Endsley, 1995: 34).

Successful network managers must have an understanding not only of what the current status of the governance network is likely to be but of what its status *could be* in the future and they therefore have to understand how certain actions undertaken might influence emergence of new situations. For this, they need *structural* knowledge, i.e. knowledge of how the variables in the system are related and how they influence one another (Radin, 2007: 24). This knowledge can often be acquired using methods and tools such as social network analysis, stakeholder analysis, visualization techniques, computer-based modeling, serious gaming, and the like.

An effective network manager will also need to have tacit knowledge: an informal, implicit, and intuitive understanding of how processes and feedback mechanisms within networks evolve, acquired by intensive training and years of socialization and experience. This tacit knowledge has to be complemented with specific competences and skills (Polanyi, 2009).

Taken together, these explicit skills and tacit knowledge allow a realistic approach to be taken to the very real constraints that complex governance networks impose. Network managers must have a desire to understand and learn about the complexity in such networks. In particular, they must have a positive attitude towards uncertainty and ambiguity, and be able to exercise patience and some risk taking as the learning process unfolds. These same attitudes will also help in approaching the inevitable conflicts and other challenges associated with managing within a complex governance network. Since a network manager is but one person within the network, he or she must appreciate the limits imposed by bounded rationality and restricted authority. In the absence of "control," an effective network manager will understand where power, resources, and authority are located in a network and how to mobilize and influence them to steer a complex governance network.

Summary

The ability of public managers to take the complexity of governance networks into account as they negotiate cross-sector and cross-jurisdictional terrain must be informed by their capacity to "see" this complexity for what it is. There may be a tendency for some to view complexity as a serious challenge to overcome, throw their hands up, and do all they can to ignore it. While this approach may work for the individual public manager, the overall performance of the governance network may suffer. The tools and perspectives introduced in this chapter are designed to provide the public manager with new insights into this complexity and how to deal with it.

Questions for review and discussion

1. Think of a network of which you are a member (e.g. a sports association, your Facebook or Twitter account, an environmental lobbying group, etc.). Using a nodes and ties or flow diagram, describe what you think this network looks like and how it functions. Does it have any characteristics of a complex adaptive system? To what extent do you think the members of this network can be influenced by "strong leadership," as exercised by its "network officers"?
2. Give examples of the kinds of problems which might fit into each of the four boxes in Table 19.1.

Reader exercises

1. From your experience, find examples of substantive complexity, strategic complexity, and institutional complexity. What managerial strategies would you suggest for dealing with each of these?
2. Discuss how you would explore the cost-effectiveness of the managerial strategies that you suggest in the previous exercise.

Class exercises

1. Working in groups of three or four, identify the different experiences and expertise represented within your class in relation to public management and governance. Thinking of your class as a network, how might the class as a whole make use of these different groups of experience and expertise? To what extent does that happen at the moment? What are the barriers which hold this back?
2. In the class as a whole, discuss how the learning experience of different individuals and groups in the class could benefit from the class being turned into a complex adaptive system aimed at improving the learning experience of class participants.

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20
Public leadership

Mike Broussine and Richard F. Callahan

Introduction

In today's interconnected and interdependent world, public leadership has to be more than just leading public sector organizations. 'Wicked' problems that cross organizational boundaries can only be addressed successfully by networks of public, private and non-profit organizations, community groups and citizens and other inter-organizational arrangements (see chapter 15).

Public leaders are also required to manage the consequences of 'austerity' measures that feature in the fiscal policies of many governments, involving unprecedented programmes of public spending cuts. The leadership challenges are not simply balancing the budget in the short term – new institutional responses and new strategies have had to be developed.

In this context, public managers are expected to ration or cut services (often with great impact on vulnerable groups) and restructure public services leading to *de facto* privatization. The unprecedented scale and speed of these public expenditure cuts has created ethical pressures whereby many feel that they have to make decisions at odds with their professional and moral values. The leadership challenge in working to develop public support for new strategies can be described as 'moving beyond magical thinking' (Callahan, 2012) that previously expected increased public services while simultaneously rejecting increased fees or taxes.

In order to solve complex problems, public leaders have to be able to initiate concerted action not only within their own organizations but among stakeholders with different and competing interests. A shift to viewing leaders as facilitators of stakeholder and civic engagement implies that hierarchical and formal forms of authority do not fully explain the contemporary features of public leadership. Just as there are many multifaceted challenges in the public sector, likewise there is no one perspective that fully defines leadership (Yukl, 2002). It is better to see leadership as a complex multifaceted phenomenon. The complexities of leadership are driven both internally by personal learning and development of resilience, as well as externally by the variedness of people, organizations and institutions (Bennis and Biederman, 2009).

The range of views about leadership is represented in this chapter by the boxed quotes from actual public leaders. Because most people agree that leadership is key to an organization's effectiveness, this chapter provides an opportunity for you to develop your own leadership map, navigating varied perspectives found within this uncertain terrain (Raadschelders, 2011).

There are four factors that complicate the study of leadership. The first is that leadership does not just reside with the women and men at the top of organizations, but is exercised throughout – by team leaders, senior practitioners, teams of managers and professionals. A second issue is that the language of organization has been shifting away from management towards leadership: yet both of these functions are necessary. Third, there is a need to lead outside the organization, often across the public, private and non-profit sectors, with leadership as a catalyst for problem solving. Fourth, leaders are human – neither omnipotent, nor omniscient, working under conditions of unpredictability and flux – a significant feature of today's public service organizations.

Box 20.1 Leadership is …

… subtle, nuanced and contextual.

(Libby Lee, Principal, Ralph Allen School, Bath, UK)

… Political leadership to me is about developing a vision, and a direction, that will captivate and inspire those around to transform it into a reality.

(Mike Whitby, Leader, Birmingham City Council, 2008)

Learning objectives

This chapter will help readers to understand:

- the current emphasis on leadership in public governance;
- the differences between leadership and management;
- the interrelationships between leadership, power and politics;
- gender and diversity dimensions in leadership;
- effective practices for learning as a leader.

The emphasis on leadership in public governance

Box 20.2 Leadership is …

> What we have at our disposal as leaders consists of people, things and ways of doing things – that is to say, our human, our technological and our system assets. In the end, only people count.
>
> (Mark Kroeker, former LAPD Deputy Chief, Portland Oregon Police Chief of Police, and United Nations Police Commissioner)

The emphasis on leadership in public services during the past 20 years has been remarkable. An Audit Commission inspection report of a UK city council's corporate governance mentioned leadership 28 times in 48 pages. The OECD (2001: 13) suggested that a changing environment requires a new type of leadership because:

- the growing need to address interconnected problems in a public policy context of shared power demands that leaders pay more attention to policy coherence;
- a knowledge-intensive economy and public sector call for a new type of leadership that inspires others to create and share knowledge;
- there is a continuing need for public sector organizations to adapt.

The OECD concluded that the managerial skills that have been emphasized since the 1980s are not sufficient to cope with future challenges.

Box 20.3 Leadership is …

> … about challenging everyone in the organization to raise their game. It is about creating the energy and enthusiasm necessary to take the organization forward. The leader's role is to create, and then manage, the tensions between the short and the long term, current performance and future ambition, restructuring and revitalization. It is about injecting the necessary idealism and foresight to imagine possibilities of a better future for the organization combined with the pragmatism to recognize that whilst some people and systems may be outdated they still have a contribution that they can make.
>
> (Hugh Burnard, former Regional Head, Her Majesty's Customs and Excise)

In similar vein, Hartley and Allison (2000: 35) looked at the role of leadership in the modernization of public services, asking 'Is [leadership] simply a mantra, or is there some logic to the promotion of leadership in public services?' They began by outlining how important leadership seemed to be in thinking about the improvement of public services. For instance, the Labour government in the UK (1997–2010) promoted the setting up of new leadership academies – for schools, for the National Health Service (NHS), and for local councillors.

In the United States, the nearly $800 billion 2009 American Recovery and Reinvestment Act (ARRA) called on federal executives across a range of functions to develop networks across federal agencies, as well as across the public and private sectors (Callahan *et al.*, 2012). The ARRA lessons suggest the importance of leaders who can take the initiative in developing new or expanded public policy and programmes, identify and mitigate risk, move with urgency, leverage existing assets, act with great transparency, and embrace public accountability for performance.

Moreover, there is an urgency to addressing leadership challenges. In the United States, the lessons from inadequate federal, state, and local government responses to Hurricane *Katrina* in the City of New Orleans suggest that leadership challenges in addressing 'wicked problems' in the public sector have four features (Kettl, 2006):

1. high cost of failure;
2. urgency to act;
3. need to work across political boundaries;
4. need to overcome depleted intellectual capital with new ideas.

The influential Performance Improvement Unit (PIU) report on leadership (UK Cabinet Office, 2001) started with the assumption that good leadership is scarce in the public sector. While admitting that there were many examples of good leadership, it suggested that there was a scarcity of 'top-level' leaders, and that the demands on leaders were growing.

More recently, the Ministerial Foreword in a UK Government report (BIS, 2012) suggested that 'Strong leadership and management is a key factor in fostering innovation, unlocking the potential of the workforce and ensuring organizations have the right strategies to drive productivity and growth' and that 'too many of our organizations, both private and public, are failing to achieve their full potential: managerial shortcomings and a lack of strategic thinking are holding them back' (p. 4).

Many pronouncements on leadership are concerned with leaders *at the top* of their organizations. Leadership is often presented as predominantly, first, the attribute of an individual person or role; and second, a top-down process. Such a view implies that leadership is not exercised anywhere else in the organization. The UK Coalition Government's recent attempt to introduce elected executive mayors in larger local authorities assumed that effectiveness depended on having a powerful leadership figure at the top of the organization – people 'with clout', 'visibility' and 'with the space to think for the long term' (speech by Minister Greg Clark, MP, DCLG, 2012a).

This top-down view suggests a limited perspective of organizations that does not accord with reality. As Hartley and Allison (2000: 36) point out, while the role of individual leaders in shaping events is clear, the 'lionization' of the individual leader assumes that she or he has pre-eminent capacity and power. Vaill (1999: 121) writes: 'Leadership is not the behaviour of a person at all but rather a property of a social system'. Defining leadership as only the qualities of individual leaders tells only half the story, if that. A more effective definition of leadership that we offer is that *it mobilizes the capacities of others inside and outside the organization.*

Strategy allows public sector leaders to develop a process of engagement with those inside and outside the organization. The strong connection between leadership and strategy is illustrated by the reform of the largest health care provider, the federal US Veterans Health

Administration. The leadership of Under-Secretary Dr. Kenneth Kizer (1995) connected strategy, organizational change and accountability to transform a highly centralized, top-down organization to one with bottom-up decision-making in regions, emphasizing the quality of care received by patients.

A brief history of the study of leadership

Box 20.4 Leadership is …

> The key quality of effective leaders in political environments is that they were outcome oriented, always looked for results and were willing to ask for hard evidence to see if they had gotten the desired outcomes. They were persistent, truth-tellers, and did not walk away from conflict. They stayed engaged until the outcome was achieved.
>
> (Elisabeth Kersten, Former Director, Senate Office of Research, California State Legislature)

An engaging summary of the various approaches to the study of leadership from the 1920s was given by Gareth Jones (1998: 81–82):

> There have been three major schools of leadership study. The first is called *trait theory*, where behavioural scientists tried to identify effective leaders by looking at what they had in common. Trait theory broke down when an expensive American study stated, with a straight face, 'We have studied 400 effective leaders and we can conclude that they are either above average height or below'.
>
> By then the behavioural scientists had a new toy, the camera. They started to film people and said that effective leaders had a distinctive *style*. This approach was particularly associated with the human relations movement in the 1940s in America. … Then the 1950s came along and, with the world on the edge of thermonuclear destruction, a whole new leadership style seemed appropriate: the Cold War warrior. … That was the end of style theory ….
>
> Then it was decided to study not leaders but leadership …. You first have to ask who you are trying to lead, then identify the critical parameters of the task. Finally you look for characteristics of the situation that can be turned to your advantage. These three issues form the basis of the latest and best theory, sometimes called *situation leadership theory*.

The advantage of situational or contingency theories is that we can see how leadership depends on a relationship between the leader and the context that the leader is working in, including her or his followers.

Leadership can therefore vary according to the situation – for example, the British electorate rejected its wartime leader, Winston Churchill, in 1945, preferring new leaders in the immediate post-war era. This gives us a more realistic view of leadership (though admittedly a more complex one), because we now have to deal with several factors in addition to the charisma or strength of the individual leader. Furthermore, more recent research takes us away from what can be seen as simplistic notions of leadership towards a wider and more sophisticated – but perhaps a bewildering – range of newer paradigms (see Van Wart, 2013, for a comprehensive overview of these) e.g. distributed leadership, collaborative and network leadership, ethical leadership.

The complexity of leadership studies has not translated into a deep appreciation of the challenges in developing leadership skills. Discussions in the popular press – and sometimes in central government thinking – typically do not emphasize the years of training needed to develop skills in public sector leadership. Indeed, in a document entitled *50 ways to save – Examples of sensible savings in local government* (DCLG, 2012b), the UK Government's ambivalence about the development of leaders was apparent (p. 10): 'End expensive "leadership" courses'. In addition, there is often an underappreciation of the different

leadership skills called for in the varied levels of leadership – individual, team, organizational, community and institutional (Callahan, 2008). Moreover, the variedness of public organizations means that lessons and research findings from one level of government or one type of organization may not be applied readily across contexts (Raadschelders, 2011).

Box 20.5 Effective leaders …

… ensure that they have good followers. The most important qualities required are understanding, empathy, boldness and authenticity.

(Carolyn Downs, Chief Executive, Local Government Association)

Table 20.1 Management versus leadership

Managers	*Leaders*
Focus on the present situation	
Organize current resources so that we can use them effectively	Focus on the future
Have a keen eye for detail	Invent an image of the future that is so persuasive that we are willing to commit our efforts, time and resources to turn image into reality
Think of ways of stretching resources further	

Source: Based on Gabriel (1999: 139)

The differences between leadership and management

Any serious attempt to understand organizational leadership needs to distinguish between leadership and management, which are now broadly agreed to be different (see Table 20.1). To put it succinctly: *Leadership shapes the future; management delivers it.* As Gabriel (1999: 139) notes: 'It is possible to manage inanimate objects – a diary, a farm, a stamp collection – but it is only possible to lead people'.

The distinction between management and leadership frees us to ask questions such as whether or not organizations are over-managed and under-led and whether or not the roles of leadership and management are invariably held in the same person. Both leadership and management are important to an organization. The challenge is the fit between the person, the management or leadership skills needed internally and the demands of the external environment.

Leadership, power and politics

The complex interactions between power and organizational politics profoundly impact understanding about how leadership works, or does not work. The authority, power and legitimacy of leaders are potentially contestable, and conflict suffuses organizational functioning. This applies especially to public services, where it is difficult to see the 'bottom line' and where there is much scope for disagreement on aims and means. There is always a political (small 'p') dimension to leadership: organizational members will often seek 'to mobilize support for or against policies, rules, goals, or other decisions in which the outcome will have some effect on them' (Robbins, 1987: 194).

Box 20.6 Leadership is …

- providing direction for the organization;
- delivering results;
- building capacity for the organization to address current and future challenges;
- acting with integrity.

(Roy Stephenson, Deputy Director, Cabinet Office)

The formal authority that goes with a leader's role is an important, usually hierarchically based, source of power (note that formal authority may be an attribute of a team, board or committee, not just a person). However, *formal role authority* is just one power base for organizational leadership. Burnes (2000: 178–179) lists four other kinds:

- *coercive power* – the threat of negative consequences should compliance not be forthcoming;
- *remunerative power* – the promise of material rewards as inducements to cooperate;
- *normative power* – the allocation and manipulation of symbolic rewards;
- *knowledge-based power* – the control of unique information needed to make decisions.

You can understand an organization's politics and power structures by seeking to find out who is included in, and who is excluded from, decision-making. Except in the most authoritarian organizations, authority for decision-making will be delegated throughout the organization. Similarly, the five power bases, to greater or lesser extents, may be distributed through all levels of the hierarchy. Knowledge-based power, especially, goes with the professional expertise that is the basis of much front-line work of public services. However, 'constructive dissent' among workers may not be listened to by formal leaders, so that solutions to organizational problems – already known to the workers – take a long time to implement:

> a solution to excessive waiting times and chronic staff shortages is to allow the 'subordinate' nurses the freedom to solve the problems that they could have solved years ago – if only someone had thought to ask them.

(Cabinet Office, 2001: Annex D)

Leadership occurs through groups as well as highly placed individuals. Power is more diffuse than we might imagine and does not operate only through orthodox hierarchy. A corollary is that leadership is exercised in a political environment – a seen and unseen network of relations and tactics that people employ in order to either commit to, or dissent from, decisions that affect them. Effective leadership in a political environment often calls for working with opposition and/or embracing dissent.

Box 20.7 Leadership is …

… about creating a sense of purpose and direction, communicating and legitimizing belief and passion.

… creating, not consuming, energy … fostering creativity … and most of all it's about building, winning and retaining … trust.

(Lord Michael Bichard, ex-Director of the Institute of Government, UK)

The gender dimension of leadership

It is important to study leadership from the gender point of view for several reasons. First, a large number of public service employees are women. Second, public service organizations often have a stated commitment to advance equal opportunities. Third, the main users of many public services such as health and social care, as well as other services, tend to be women. For these reasons, you might expect that women are at least equally represented in the leadership of UK public services as men – but, if so, you would be wrong: take a look at Reader exercise 3 at the end of this chapter and see also Chapter 25.

The belief that there are distinguishable 'male' and 'female' styles of leadership is widespread. Many people feel, for example, that women especially hold 'people skills' and skills associated with bringing about transformational change. Care is needed in jumping to such conclusions. Women in a UK local government study (Fox and Broussine, 2001) emphasized that they did not have a monopoly of these skills and attributes. The idea of male and female approaches to leadership could itself be stereotypical, denying both men and women the opportunity to exercise different skills. Furthermore, appreciation of womanly qualities (usually described as caring and relational) could be another way of restricting women to certain kinds of role, for example, careers in human relations. Nevertheless, despite such cautions, for many female senior managers, and their male colleagues, the gendered distinction in leadership styles was based in some kind of reality.

This study also showed that the range of blatant and subtle discriminatory behaviours that many women experienced had the effect of marginalizing or belittling their authority as leaders. Even in organizations with good equal opportunity initiatives, the informal organization could continue to transmit cultural messages about the 'proper place' for women. Almost all women chief executives reported that, even after they had been in post for a while, they often felt under scrutiny and judged in different ways to men.

The growth of performance targets and other managerialist approaches may create more 'macho' – individualistic and competitive – organizational cultures. In addition it is likely that traditional so-called 'male' command-and-control assumptions about leadership are perpetuated by the emphasis on 'strong' leadership in the 'modernizing government' agenda. A consequent question facing junior women managers is whether opportunity for promotion in an organization is real, or as found in an in-depth research of a large US public organization, the reality was more an 'illusion of opportunity' (Ospina, 1996).

Community leadership

As we have emphasized, public leadership is as much about relationships with external stakeholders and communities as it is about mobilization of internal organizational capacities. In the public services, this is not easy because of the range of stakeholders (citizens, service users, customers, community groups, individuals) and the diversity of needs (see also Chapters 16 and 17).

Case example 20.1 demonstrates how community leadership may be seen as the mobilization of others' leadership capacities. We may see public leadership therefore as *working at boundaries*, developing effective relationships between professions, between agencies and organizations, and between communities. There is an important distinction between leadership 'with' as opposed to leadership 'over' an organization or a group, resulting possibly in new and unexpected forms of leadership.

Box 20.8 An effective leader is …

… a connector, a convener, a communicator, and a listener. A leader is a trusted individual who gives people the opportunity to dream about what their community can be and helps them develop and implement action steps to get there. A leader is a problem solver who knows the key is to work *with* people to address their challenges, not to do *to* them or *for* them.

(Gloria Rubio-Cortes, President of the National Civic League, the home of the All-America City Award)

Box 20.9 Leadership is …

… to look far ahead without losing sight of where you are – not only hearing but listening, not only working but creating.

(Prof. Dr Marga Pröhl, Director-General, European Institute for Public Administration, Maastricht)

The leadership skill set for working across communities or in inter-organizational networks starts with recognition of the different types of network. Research in the past 20 years has identified four different types of networks (Milward and Provan, 2006):

1. service implementation;
2. information diffusion;
3. problem solving;
4. community capacity-building.

Often referred to as collaborative leadership, the skills needed to design and lead networks place a premium on the ability to negotiate, to work through uncertainty in funding and to

engage a wide range of stakeholders, clients and funders, as well as influencing other public sector leaders (both appointed and elected – see also Chapter 18).

The relationship between organizational leadership and political leadership

Case example 20.1 Solving local problems through community leadership

In a major residential area of Falmouth in Cornwall, professionals in the local authority, Carrick District Council, and the health authority, working together with a small number of activists in the community, helped to initiate major improvements to the condition of local housing, especially heating and insulation. As residents saw the improvements in quality of life brought about by this programme, they started working on a series of further initiatives on the estate, covering estate management, housing repairs, crime watch, youth training schemes, etc. These schemes were largely led and managed by the residents themselves. As the initiatives proved successful, the strength of resident involvement grew and some of the residents decided to become politically active on a formal basis, e.g. getting elected as councillors. One of the strengths of the approach was that residents always had a majority on the project management committee, which was an independent legal entity, but the committee also included all the main public sector organizations with responsibilities for services provided in the housing estate.

Source: Bovaird and Owen (2002: 57–73)

Another challenge in studying public leadership is that it is exercised in a political context, where elected politicians play important roles. This is one of the principal distinguishing features of public services compared with the private sector. One of the difficult and controversial questions in this political context is about precisely who exercises leadership, over what and whom.

Box 20.10 Leadership is …

… an opportunity to serve, it is not a trumpet call for self-importance.

(Bernard Melekian, Director, Office of Community Oriented Policing Services, United States, Department of Justice)

Morrell and Hartley (2006: 484–485) have usefully summarized the basis for political leaders' claims to authority. They define political leaders as:

- democratically elected;
- representatives;
- vulnerable to deselection;
- operating within, as well as influencing, a constitutional and legal framework;
- having authority that is based on a mandate;
- requiring the consent of those whom they govern and serve.

The relationship between organizational and political leadership can be fraught with challenges and even peril. Only occasionally do we get insights into 'power struggles' and tensions between politicians and civil servants or officers – for example, from Richards (2000: 21):

> The tensions began almost as soon as Labour got into power. Some permanent secretaries departed at the earliest possible moment. Senior press officers went even more quickly. The clashes seemed to subside, but, in reality, they just faded from public view.

Such conflicts and struggles may be seen as attempts to dominate and subordinate. They may have a range of causes such as an incoming administration wishing to exercise control over civil servants or officers; or an anxiety that one side will 'lose out' in a new restructuring proposal or as a result of a renewed call for strong political leadership. For some observers of the UK local government scene, there exists the equal and opposite possibility of 'weak' elected local politicians who, in their disempowerment, become increasingly dependent on an increasingly important professional officer cadre, bringing the danger that managerialism takes over and authorities lose touch with the needs of communities (Broussine, 2001). The same principles apply to the relationships between civil servants and their political 'masters' – listen to this *cri de coeur* from an American commentator (Shoop, 2004: 70):

> It's clear now that the chaos in Iraq could have been at least mitigated if the political leaders in the Bush administration had listened to the civil servants who work for them. Instead, they consistently failed to heed the advice of people who have devoted their careers in government to analyzing situations like the one that unfolded in Iraq and giving leaders the information they need to make informed decisions.

In the American context, the tension between administration and politics is not limited to the presidential level. At the state and local levels this tension between administrative and elected spheres plays out in countless ways. No one approach to structuring the relationship guarantees invariable success. Rather, individual leadership skills, on both sides, often explain the success in balancing the inherent tension between politicians and administrators.

UK research suggests that the local authority chief executive's capacity to work with the political dimension demands the most emotional energy and ability, and presents the greatest degree of paradox, ambiguity and risk. Chief executives seek to manage the relationship with their elected members in a range of ways, including (Broussine, 2000: 502–503):

- knowing where their role ends and that of politicians starts;
- mixing one's own ideas with political reality;
- balancing what is 'rational' and what is 'political';
- turning members' ideas into something realizable;
- facilitating elected members' understanding of the needs of communities;
- asking politicians to look ahead and decide what they want to achieve;

- dealing with elected members' changing expectations;
- maintaining an appropriate relationship with the Leader of the Council;
- building relationships and trust;
- spotting potential political trouble by working informally with members.

A visit to practically any local authority, or a candid discussion with a senior civil servant, will reveal that this form of boundary working requires a great deal of sensitivity and skill. Greenwood (2000: 65) reported how both Tony Benn and Margaret Thatcher – coming from completely opposite ends of the political spectrum – used to complain about civil servants imposing their wills on ministers. Tony Benn saw the civil service as part of the 'establishment' (e.g. traditionally from British private schools), while Margaret Thatcher regarded civil servants as too wedded to 'big government'.

This boundary working, or relationship handling, has its comedic side – the BBC TV series *Yes Minister* is required viewing for the student of public leadership – but the intersection between political and organizational leadership brings both stress and competitiveness to key players on both sides of the political/managerial divide.

The effective and smooth running of public services can be characterized by key organizational and political leaders playing their respective roles in a situation of mutually understood interdependence, each acknowledging the other's legitimacy. Broadly, political leaders need to be able to exercise political judgement in developing policy and strategy, while organizational leaders have to be able to lead, manage and develop the organization's effectiveness in the pursuit of its goals. The idea that there can be a collaborative model of political and organizational leadership may come as a surprise to some who works in the public services, but Case example 20.2 shows that this is not just a theoretical possibility.

Key learning for public leaders

We arrive finally at the question of what leaders need to learn if they are to be effective. Given the complexities of public leadership, our contention is that *leadership and learning go together*. This approach suggests that leaders derive their effectiveness from their ability to learn and to develop the organization's capacity to learn.

This view is not often mirrored in practice. Leaders are often set up, or set themselves up, as people with all the answers. Their followers become highly dependent and wish to hear the 'path to the future' articulated with confidence and eloquence. Such leaders present themselves as leaders who can 'take a grip' and, consequently, may mask uncertainty and fallibility.

Case example 20.2 How good officer/member relations sustained culture change in St Helens Metropolitan Borough Council

St Helens was one of five case study local authorities that participated in a study of exemplary practice in developing gender equal cultures (Fox and Broussine, 2005). The importance of leadership was emphasized time and again in interviews and focus groups with elected members, the Chief Executive, managers and front-line staff. One of the factors that was felt to be important was the appointment of a woman Chief Executive some 12 years before the study. However, what was notable in addition was the sense of collaboration and empathy that pervaded the organization, which respondents attributed to good relations between top managers and councillors. The consistency with which the group of organizational leaders – the Chief Executive and Leader of the Council, Corporate Management Team members (male and female) and elected members – espouse and enact values supporting equality and performance sent powerful explicit and subliminal messages through the organization and in its dealings with groups and organizations in the community:

> Leaders – the Chief Executive and the Leader of the Council – provide strong models. They call people by their first names.
>
> (Female middle manager)

> There is lots of communication in the authority including from the Leader and the Chief Executive who get themselves around the place including talking to front-line staff.
>
> (Male senior manager)

> There's a good officer/member relationship here – we need each other to do our jobs. The member training includes equalities. There are some from the 'old school', but you can be challenging of them. Members recognise people; on the whole they're extremely supportive and appreciate staff. The female Leader is very approachable, and praises the team.
>
> (Female middle manager)

Box 20.11 Leadership is …

… sometimes about stepping out in front of the crowd offering a vision to follow. More often it's about carving out and holding open a space for the ideas and expertise of others to grow and take shape. This is the challenge – leadership is about making a space for the leadership of others to come through.

(Liz Kidd, former Planning and Development Manager, Children and Families Division, Wiltshire County Council)

In such situations leadership is the antithesis of learning. Indeed admission of a need to learn may threaten the image of certainty and security offered by these leaders.

An alternative view holds that uncertainty pervades any complex human system. Leaders need to acknowledge this and to engage with uncertainty in positive and resilient ways. The ability to learn is a vital tool in the context of change and uncertainty (Vaill, 1999). Of course, this view of leadership differs considerably from that of the charismatic decision-maker. So what capacities do today's public leaders need to learn in practice? They need the capacities to:

- thrive in conditions of ambiguity and uncertainty;
- recognize the impossibility of omniscience;
- maintain personal perspective and self-knowledge;
- critically reflect – to ask oneself continuously whether current ways of leading need changing according to new circumstances;
- develop leadership throughout the organization and in the community;
- watch out for 'dependency cultures';
- recognize that leadership and learning go together.

Broussine and Ahmad (2013: 3) suggest

> that it is now *especially* important for public leaders to move beyond acting as 'reflective' practitioners (though this remains essential), to embody 'reflexive' practice, that is to say to consciously work out their relation to other individuals (employees, service users and citizens), to critically engage with questions of what their role is in a complex and diverse society and to encourage and support those they manage/lead to act in more critical and ethical ways.

The combined skills of reflection (to advance personal leadership learning) and of reflexivity (to increase learning in relationship to others) can help leaders to advance their understanding and practice of leadership. As public services continue to change rapidly, organizational leaders need increasingly to have self-knowledge, inner confidence and a 'good enough' sense of identity. They need to be able to think … but also to move from analysis to action.

Summary

We need to look critically at some of the assumptions and language about leadership. Leadership is not just the property of one person. Leadership can be found at all levels of the organization, as well as outside the organization in the community. It is carried out by teams and committees. The distinction between management and leadership clarifies the varied skills needed to accomplish different organizational goals.

Public leadership occurs in the turbulent, challenging and complex political environment at the heart of governance. Leaders need to account for the different bases of power, both visible and invisible, at different levels of the hierarchy. In addition, challenges that cross political and organizational boundaries to address intractable societal problems need a view of leadership that goes beyond formal authority and hierarchy. However, classical, orthodox and 'male' views of leadership – especially 'command-and-control' – prevail in the public services when the challenges can be better met by developing strategy from the bottom up, not relying too heavily on formal authority or models of top-down leadership.

More inclusive views of leadership need to be developed in the public services. There is growing recognition that, in a complex and changing system, we need to see leadership and learning as simultaneous activities. The ambiguity and complexity inherent in a range of public sector challenges are better served by leaders being seen as 'inquirers': developing the right questions, facilitating civic and stakeholder engagement. Inquiry invites dialogue that in turn invites engagement and collaborative problem-solving. In a very real sense, leadership can be viewed as the mobilization of stakeholders – inside and outside public organizations, including their financial and people resources, with particular emphasis on their expertise and 'everyday' knowledge and their willingness to cooperate to solve interconnected problems that create new possibilities in their lives, in their organizations and in the communities they serve.

Questions for review and discussion

1. Explain the limits of the *command-and-control* approaches to leadership. Why does this approach remain influential in some public agencies in the twenty-first century?
2. How can leaders lead when they don't know everything that's going to happen?
3. What leadership practices would you recommend to facilitate collaborative relationships between political and organizational leaders in central and local government?
4. Identify a significant 'wicked problem' that public leaders need to address. If you were in a leadership position, how would you approach that problem?

Reader exercises

1. Interview two organizational leaders, one in the private sector and one in the public sector.
   You might ask them:

   - Do you see yourself as a *leader* or as a *manager*?
   - How would you describe the responsibility of being a leader?
   - What do people expect of you as leader?

2. Pick out two of the boxed *Leadership is …* quotes that seem to contrast with each other in some way. What are the assumptions and values about leadership in each quote? What are the differences?
3. Explore the UK statistics on female representation in leadership of public sector organizations at www.equalityhumanrights.com. What are the statistics for your particular public service organization and in your country?

Small group exercise

Work as a team with three other students in this task:

1. Research sources in the library or Internet to find a 2010 or later article or paper reporting research on public leaders responding to new challenges.
2. Write and present a summary of this research to your colleagues, including what you have learned about teamwork and your own leadership approach in this exercise.

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21
The PerformanceStat leadership strategy

Robert D. Behn

History, examples, and definition of "PerformanceStat"

It is not conceptually complex; but implementing *it* is challenging. *It* is not a big expense in the budget; but in the leadership's time, *it* is quite costly. A number of public executives have found *it* to be effective; but in any new organization, *it* requires adaptation. *It* can improve performance and produce results; but *it* does so only if it is implemented with subtlety and persistence—and with a focus on purpose.

This *it*—the PerformanceStat leadership strategy—comes in many forms. *It* began in 1994 with CompStat in the New York City Police Department and expanded to police departments across the United States and also in Canada and Australia (Moore, 2003; Moore and Braga, 2003; Mazerolle et al., 2011). *It* was soon adapted by a number of public agencies in New York: the Human Resources Administration created JobStat (Smith and Grinker, 2005), and the Administration for Children Services developed ChildStat (Helbig, 2010). Then public agencies elsewhere in the U.S. began to use the strategy. For example, Philadelphia and Baltimore each developed their own SchoolStat (Patusky et al., 2007), and the Rhode Island Department of Education established its EdStat.

Meanwhile, *it* was also being adapted by entire jurisdictions. The city of Baltimore, Maryland created CitiStat (Behn, 2007). Then numerous other municipalities (and a couple of states) created their own adaptations: for example, Atlanta, Georgia, created ATLStat; Washington State designed its GMAP (for Government Management Accountability and Performance); and Rotterdam in the Netherlands designed its own MaasStat (named for its Maas River). Even agencies in the U.S. national government chose to employ the strategy: HUDStat at the Department of Housing and Urban Development, FEMAStat at the Federal Emergency and Management Agency, and FDATrack at the Food and Drug Administration. For all of these adaptions of this leadership strategy, I coined the word "PerformanceStat."

What, however, is this *it*—this PerformanceStat? There is, of course, no one "model" that everyone can copy. There exists no "system" that a manager can drop cleanly into an organization, push the start button and walk away, self-satisified that the "system" will automatically produce wonderful results. Each PerformanceStat is different—with those differences depending upon the purposes that the organization's leadership team seeks to accomplish, the results it wants to produce, and the resources (from money, to personnel, to culture) with which to produce those results. Still, effective PerformanceStats—not the MimicStats that are little more than on-line dashboards or mere show-and-tell presentations—have a lot of *its*—a lot of moving parts. Here's the definition:

> A jurisdiction or agency is employing a PerformanceStat *leadership strategy* if, in an effort to achieve specific public *purposes*, its leadership team *persists* in holding an ongoing series of *regular, frequent, integrated meetings* during which the chief executive and/or the principal members of the chief executive's leadership team plus the director (and the top managers) of different sub-units use *current data* to *analyze* specific, previously defined aspects of each unit's recent *performance*; to provide *feedback* on recent progress compared with *targets*; to *follow-up* on previous decisions and commitments to produce *results*; to examine and *learn* from each unit's efforts to improve *performance*; to identify and solve *performance-deficit* problems; and to set and achieve the next *performance targets*.
>
> (Behn, 2014)

None of the components of PerformanceStat is original or unprecedented. None is conceptually complex. All have been used by numerous public agencies—many over centuries. The uniqueness of PerformanceStat comes in the implementation—in how the organization's leadership combines these components plus the diligence, constancy, subtlety, creativity, and tenacity with which they are employed.

Still, there are six aspects of PerformanceStat that distinguish it from other approaches to performance management:

1. *It* is not budget driven: PerformanceStat is not driven by the annual budget process but by an independent analytic staff who concentrate not on allocating funds but on producing results.
2. *It* is not purely punitive: PerformanceStat relies on an analytic team that not only evaluates sub-unit performance but also seeks to *learn* from the successes of positive deviants (Spreitzer and Sonenshein, 2004) to help the sub-units *improve* performance, and to *motivate* individuals and teams to do so.
3. *It* is not fleeting: PerformanceStat is not a temporary fad but an enduring leadership strategy for the ongoing management of an agency or jurisdiction that continues over years.
4. *It* is not randomly episodic: PerformanceStat is part of the regular routine and rhythm of the chief executive's leadership team and their management of their organization.
5. *It* involves regular, frequent follow-up: PerformanceStat requires more than meetings and questions, staff and data, a room and technology; it also requires the chief executive's leadership team and the PerformanceStat staff to follow up on the issues analyzed during each meeting, not only at the next meeting but also immediately after each meeting.
6. *It* is not uni-directional: PerformanceStat creates *mutual responsibility* (Behn, 2001: 120–140) with sub-unit directors responsible to the executive for concentrating their sub-unit's efforts on improving performance, as judged by the executive's key indicators, and with the executive responsible to each sub-unit for ensuring it has the resources and flexibility necessary to produce the desired results.

Too often, too many public executives launch—with much fanfare—a fancy new initiative to improve performance. Maybe it is some high-tech performance-measurement software purchased from an aggressive vendor. Maybe it is a high-tech but "citizen-friendly," on-line database. Maybe it is a new—"get tough on the bums"—accountability system.

Improving performance is not, however, simple. Producing results that matter to citizens is not easy. To keep a public organization focused on producing results that matter to citizens, the leadership needs to engage everyone in a variety of initiatives, activities, analyses, and projects—all selected and designed to help achieve their key purposes.

Learning objectives

This chapter will help readers:

- to identify the key features of the PerformanceStat leadership strategy;
- to discern the subtleties of these features and grasp how they work and reinforce each other to produce results;
- to appreciate the role of data and analysis in identifying key performance deficits;
- to understand the necessity of establishing performance targets;
- to comprehend how the strategy can motivate teams and individuals to work not only harder but also smarter;
- to recognize the importance of feedback and follow-up;
- to grasp the need to adapt the strategy to different purposes and different circumstances;
- to implement PerformanceStat leadership in their organizations.

Leading the PerformanceStat way

Performance measures and performance deficits

Every organization has performance deficits (Behn, 2006). These are places along its value chain—from inputs, to activities and processes, to outputs, to outcomes—where there exists a problem that hinders or hurts the organization's ability to produce improved results. Thus, if this performance deficit can be eliminated or at least mitigated, the organization will be able to improve its performance.

For a company that is manufacturing cars of inferior quality, a performance deficit might be the car's design or the layout of the production line. It might be the deficiency of a vendor's ignition system or inferior work on the production line. To improve its performance, the firm needs to identify and eliminate or mitigate its key deficits. In the public sector, however, identifying performance deficits is not such a mechanical process. Some might think the key performance deficits are obvious; others might find that they are much more subtle.

For example, the Civil Aviation Authority (CAA) of the United Kingdom seeks to "enable civil aviation to best meet the needs of its users and society in a safe and sustainable manner." Not very surprising. This mission provides, however, absolutely no basis for measuring, managing, or improving performance.

What performance measure is most useful? Deaths from airplane accidents is the ultimate measure. Any single death is certainly a failure in performance. Still, this measure doesn't really help CAA executives improve performance. Nor does it help its users evaluate them. After all, in any given year, a very safe aerospace system might have a major accident; conversely, an unsafe system might escape with zero accidents. The very low probabilities of any accident mean that the CAA could have improved and yet this year's fatalities could go up. Or it might be precisely the reverse.

To manage the CAA, its executives need some other measure—something that focuses attention on a current and significant problem, something that can have a causal impact on fatalities, something the CAA can do something about. For example: near misses. If the CAA can reduce the number of near misses, it will also reduce the probability of deaths. Nevertheless, the relationship between near misses and deaths will always be uncertain. The number of near misses can go down, and deaths can still go up. Still, the CAA could decide that its most significant performance deficit is the number of near misses.

Then, an analysis of last year's near-miss data might uncover a large number in a particular category. There might be more near misses at specific airports or at a particular time of the day. If the CAA can identify that near misses are significantly above the normal in particular circumstances, it could focus on this as a specific and important performance deficit that it needs to eliminate or mitigate.

Every organization has multiple performance deficits. Thus, its leadership team needs to choose a few on which to focus. And this choice is a judgment. It reflects the particular performance problems facing the agency, and its leadership's analysis about which ones to

tackle first. The CAA in the United Kingdom and the Federal Aviation Administration in the United States have essentially the same responsibilities. Yet in any given year, the two organizations might have quite different performance deficits. Thus, the leadership teams of the CAA and of the FAA might focus on fixing quite different problems.

By specifying a particular performance deficit that needs to be eliminated or mitigated, the leadership team can focus the entire organization on what it needs to do next to improve performance.

Data and analysis

Of course, the organization cannot identify its performance deficits unless it has data that reveal the problem. If neither the CAA nor the FAA is collecting near-miss data, neither will have any idea how many it has. And it certainly will be unable to conduct any kind of analysis to determine whether near misses are a significant threat and, if so, which category of near misses is potentially the most dangerous.

Actually, the US FAA does have such data. In 1976, it created the Aviation Safety Reporting System, a voluntary and anonymous process that is actually operated by the National Aeronautics and Space Administration to ensure the confidentiality of those who report a near miss to which their own behavior or error might have contributed. Thus, to improve its performance and to reduce the number of near misses (and thus the probability of an accident), the FAA could analyze these data.

Every day, the New York City Police Department (NYPD) gets lots of data—data on its outputs (arrests) and on its outcomes (crimes). Moreover, these data can (when analyzed) reveal specific performance deficits. Moreover, NYPD has a simple, first-order analytic tool for identifying its performance deficits: the dots on a map, with each dot representing a specific crime. The spatial clustering of dots reveals a problem—a hot-spot of crime that needs attention (Braga and Weisburd, 2010). To observe such patterns, no one needs any training in statistics. (Of course, having identified the hot-spot, the police still have to develop a strategy for eliminating or mitigating this deficit—for attacking the particular crimes that the dots represent.)

Most other public agencies, however, are not so lucky. Unlike the police, they don't collect data simply by going about their regular, daily business. And when they do manage to collect some data—data that might be in some way related to their performance—it often isn't obvious what kind of analysis will—or even might—reveal some significant performance deficits. For most public agencies, the performance deficits do not jump out of their data.

Thus, a PerformanceStat leadership strategy requires not only data: input data, process data, output data, and/or outcome data. It also requires one or more clever analysts who can sift through the data, identify categories of data that appear (potentially) interesting, parse these data to see what kind of relationships they reveal (between, for example, activities and outputs), and suggest the performance deficits to attack next. Clever analysts—those who not only understand data but also know something about the organization's operational challenges—might even be able to offer some ideas about the tactics that might be most effective in eliminating or mitigating those deficits.

Performance deficits and performance targets

An operational performance deficit provides the focus that a multitude of performance measures dilutes. It reflects a significant problem that the organization faces. And it drives the organization to do the analytic work necessary to determine the causes of this deficiency plus the operational work necessary to eliminate (or, at least, to reduce) it. But it is not enough. For after the leadership has identified an important performance deficit to attack, it still needs to specify how it will know whether or not it has satisfactorily eliminated or mitigated it.

Thus, to improve performance—and to demonstrate that it is improving—the agency needs some performance targets (Behn, 2003). Such targets not only provide a standard against which to measure success. They also motivate people and, when achieved, provide a sense of accomplishment. When William Bratton was first appointed commissioner of the New York City Police Department in 1994, he set three performance targets: to reduce crime by 10 percent in the first year, by 25 percent over two years, and by 40 percent over three years (Bratton, 1998: 194 and 202). By identifying a consequential performance deficit—plus the target to be achieved in the next year—the leaders of a governmental jurisdiction or public agency provide a basis for both measuring and motivating their own performance.

On *how many* targets should a leadership team focus? Not too many. Maybe just one or two. And should this target be an outcome—such as Bratton's target for the reduction in crime? Or should it be an output target? Or should it (could it) be an activity or process target? As usual, there is no right answer. It all depends upon the nature of the performance deficit.

And how can an agency's managers choose their targets? Again, this decision will depend upon the agency's "performance deficit": the significant aspect of its work that it has decided it needs to improve next. A police department can choose an outcome target because its work can produce a change in this outcome in a year (or sometimes even less). But a local department of mental health lacks the capacity to produce a noticeable change in its community's mental health so quickly. It will have to identify performance deficits earlier in the value chain and focus on them—relying on their understanding of cause-and-effect relationships between activities and outcomes to corroborate the effectiveness of their strategy.

The delegation of responsibility plus management discretion

Who, however, will actually achieve the target? Who will eliminate or mitigate the performance deficit? Who will produce the desired results? It won't be the leadership team in headquarters. Few police chiefs actually arrest a bad guy. Few directors of mental health departments conduct therapy sessions. The actual results will have to be produced by the organization's sub-unit managers, its front-line supervisors, and its front-line workers. These are the people who do the organization's actual work.

Thus, one of the challenges facing the leadership team of any governmental jurisdiction or public agency that seeks to improve performance is clear: how to motivate everyone to achieve their targets? This is never easy, though the creation of a specific target is an important first step. For it gives everyone something specific to aim for. And, when people achieve their target, they gain a sense of accomplishment.

The existence of a significant performance target creates intrinsic motivation (Deci, 1975; Grant, 2007). It gives everyone the opportunity to earn some esteem—the self-esteem and the esteem of others that comes only from accomplishing something significant (Maslow, 1943).

Unfortunately, this intrinsic motivation—this opportunity to earn some esteem—is negated or even eliminated if those achieving the result are mere robots, obsequiously carrying out the precise orders and sycophantically following the detailed procedures set down by their bosses. Minions don't get much of a sense of accomplishment.

If however, the sub-units are given targets plus the discretion in developing their own strategies for achieving those targets, they can earn a sense of accomplishment. Moreover, excellent sub-unit managers know more about the details of their own performance deficits—the crimes committed in their precinct; the mental and emotional challenges facing those who visit their clinics—and thus should be able to develop more nuanced strategies for dealing with them. Specific targets combined with managerial discretion can provide people with both the opportunity and the motivation to develop and implement intelligent strategies for achieving those targets.

Meetings, follow-up, and feedback

Many of the MimicStats that lack the potential to improve performance are missing the meetings and their essential activity—the opportunity for significant follow-up and real feedback. Some do not hold any meetings at all.

Others do hold meetings, but they are essentially show and tell, in which one of the organization's managers describes all of the wonderful things that his or her sub-unit is doing. The organization's leadership team has not prepared for the meeting. They have not conferred beforehand to decide what issues to raise. They have not asked their analysts (that is, if they have any analysts) to provide them with some assessment of the sub-unit's progress. They might not even have thought about what progress for this sub-unit might mean, because they have not specified what the sub-unit's purpose is, what results it needs to produce, what its performance deficits are, let alone what its performance targets should be.

Consequently, this organization's leadership team (if you can call it a "leadership" team) can do little more than sit passively listening to the sub-unit's presentation, which (of course) consists of a series of anecdotes (sprinkled with a few bits of data) suggesting that the sub-unit is doing a fantastic job. Some members of the organization's leadership team might be able to ask a penetrating question that exposes a performance deficit or two and pushes the sub-unit to do something before the next meeting. Otherwise, everyone leaves the meeting with the warm and fuzzy feeling that they are all performing quite terrifically.

Still, even such a show-and-tell meeting accomplishes a little. For the sub-unit manager does not want to look like a complete idiot. He or she has to prepare. And that preparation may force the sub-unit manager to, if nothing else, think about the questions that might be asked. Then, having identified potential questions, to do something. Doing something might be nothing more than developing a suitable response for each predictable question. But this manager might—but only might—actually do something so that, when a logical question is asked, he or she can report how the organization has anticipated this issue and actually done something about it.

At an effective PerformanceStat meeting, however, the members of the leadership team will probe. They have met with this sub-unit before. Indeed, they have met on a regular basis many times before. Maybe just two weeks ago; in Baltimore City Council, every department has its own bi-weekly CitiStat meeting. Maybe it was three months ago; in the U.S., the *Government Performance and Modernization Act* (United States Congress, 2011) requires every department to hold "quarterly priority performance reviews." If the members of the organization's leadership team have been diligent in using these meetings to scrutinize performance deficits and to drive significantly improved results, they will remember (regardless of how frequently these meetings are held) the questions asked and the answers given. They will know what they want to ask at the next meeting; they will know of whom to ask it; and they will know what answers are acceptable and which are not. Moreover, just in case they forget some detail, they have an analytical staff to remind them.

Thus, one of the things that distinguishes a serious, results-producing PerformanceStat leadership strategy from mere MimicStat is the essential follow-up. Indeed, the absence of follow-up is one of the "big errors" that many make (Behn, 2008). For the meetings and their follow-up provide an important impetus to create the continual performance improvement: "What's the performance deficit?" "What are you doing about it?" "What improved results do you anticipate will result?" "When do you expect to be finished doing that?" "I look forward to your progress report at the next meeting."

Then, at the next meeting this discussion will continue. If the sub-unit has not made the promised progress, the question moves to who must do what: Does the sub-unit need to change its approach? Does the leadership team need to provide a missing but critical resource (money, talent, flexibility, training, guidance)? What is the revised timetable for the anticipated improvements? Or, if the sub-unit has indeed produced the promised progress, the question will shift to the next performance deficit that needs to be addressed.

All the while, the leadership team is providing useful feedback. The PerformanceStat analysts are scrutinizing the data for progress and problems, and calling both to the attention of the leadership team. Thus, at the meetings (and in between too), the leadership team is able to publicly recognize the accomplishments of those who have proven successful, thus confirming that significant successes are possible and valued. The leadership team can also offer advice, assistance, and encouragement for those who are striving and making progress, but have yet to achieve their targets.

At the same time, if an organization's leadership team is serious about improving performance, it cannot tolerate sub-unit managers who resist either actively or passively. Indifferent, incompetent, or insubordinate behavior by sub-unit managers automatically undermines the morale and the motivation of everyone else. Fortunately, PerformanceStat has a built-in opportunity both for dramatizing that such behavior is unacceptable and for reproving the recalcitrant and punishing the saboteurs: Simply ask follow-up questions, and more follow-up questions, and then even more follow-up questions.

These are quasi-public meetings. Citizens, legislators, and journalists may not be in the room, but subordinates and peers are. Thus, when probing questions are asked, the managers who respond with detailed explanations of what they have done and coherent descriptions of what they plan to do next will earn attention and praise. Conversely, the inability to provide adequate answers is, itself, embarrassing. By regularly questioning sub-unit managers about

their lack of analytical insight, operational effectiveness, or strategic coherence, the leadership team can ensure that everyone in the organization understands that dedicated and competent work is valued and that indifference, ineffectiveness, incompetence, and insubordination are unacceptable.

Developing organizational competence

PerformanceStat is often described as being all about accountability. As all public employees know, this means: "When they do something good, nothing happens. But when they screw up, all hell can break loose" (Behn, 2001: 3). But if the middle managers, front-line supervisors, and front-line workers lack the operational capacity to produce the desired results, no amount of accountability will improve performance. "Accountability cannot coerce competence" (Behn, 2010).

Yes, for the slackers, some traditional accountability may be necessary (if only to convince the conscientious that their efforts are appreciated). Still, when an organization's leadership team seeks to ratchet up performance, it needs to be sure that those who are most directly responsible for producing the desired improvements have the required resources, necessary operational capacity, and essential organizational competence. This means that the PerformanceStat meetings are often a negotiation: What does a sub-unit need in order to achieve a higher level of results? What results could a sub-unit achieve with a higher level of resources, capacity, or competence?

Does the organization need new equipment? Does it need new training for its front-line workers? Does it need the flexibility to redesign tasks and modify work-unit assignments?

Does it have the latitude to reassign front-line supervisors who may have attained their positions through seniority but lack the skills to lead and motivate their units? Does it need to send its middle managers off for some appropriate executive education? Results-producing sub-units may have already acquired these prerequisites for their current level of performance. Nevertheless, even for them to ratchet up results to the next level, they are likely to need something more, be it resources, capacity, or competence.

When a leadership team puts pressure on sub-units to improve performance, it needs to ensure that these sub-units actually have what is necessary to produce the desired results.

Adaptation is necessary!

The New York City Police Department is unique. No other police department on the planet is precisely like it. Indeed, today's NYPD is not identical to the NYPD of 1994 when it created CompStat. Thus, the CompStat strategy that NYPD employs today is different in a variety of ways, large and small, from the original. It has to be. Similarly, every other police department's CompStat is different too. Yes, all of them have data and analysis. All have meetings, follow-up, and feedback. Yet exactly how they employ these essential components of the strategy depends on their unique aspects of their situations. All have the purpose of reducing crime. Yet, their performance deficits are different because the nature of their crimes —the patterns of their crimes; the circumstances of their crimes—are different.

Similarly, every CitiStat is different. Baltimore's CitiStat today is different from the original 2000 version; indeed, it is now on CitiStat 3.0 (Behn, 2012). Although Somerville based its version of PerformanceStat on Baltimore's CitiStat, SomerStat is different. It has to be. Baltimore has a population of 600,000 and, for example, in 2010 had 223 murders; Somerville has a population of 75,000, with zero murders in 2010. The problems these cities face are different, the results their mayors seek to produce are different. And thus their versions of PerformanceStat also have to be different.

Certainly, the most visible features of all PerformanceStats are similar: the meetings, the data (sometimes on maps), the performance deficits and performance targets; the meetings with follow-up and feedback, some kinds of questions (whether rigorously probing or permissively indulgent). Nevertheless, the purposes that each organization's leadership team is attempting to achieve are different. They have to be; their organizations are different. And thus how they employ their PerformanceStat strategy to achieve these purposes—to eliminate or mitigate their performance deficits and to produce the results they desire—will be different.

Indeed, if you have seen one PerformanceStat, you have seen one PerformanceStat.

The individual components of the PerformanceStat leadership strategy are quite ordinary. All have been discussed in a multitude of public administration textbooks. Their implementation, however, requires a subtle appreciation of how these components can work in this particular organization to have an impact on people and on their efforts to achieve specific results. Then the leadership team has to experiment with how to make these components work within their own circumstances. Moreover, they have to figure out how to combine those individual components into a coherent strategy.

It is not MimicStat. MimicStat doesn't work.

Questions for review and discussion

1. In creating a PerformanceStat for a governmental jurisdiction (e.g. a state or a local authority), what are the key decisions that the leadership team must make?
2. In creating a PerformanceStat for a public agency (e.g. a national passport agency or a local unemployment advisory service), what are the key decisions that the leadership team must make?
3. What are the differences between a JurisdictionStat and an AgencyStat? What are the comparative advantages and disadvantages of each?

Reader exercises

1. Identify an important performance deficit for a governmental jurisdiction in which you live. Specify a performance target that, if achieved, would eliminate or significantly mitigate this performance deficit.
2. Identify an important performance deficit for a public agency whose services you use. Specify a performance target that, if achieved, would eliminate or significantly mitigate this performance deficit.

Class exercises (in small groups)

1. For a governmental jurisdiction or public agency with which you are familiar, develop a list of potential performance targets (including how demanding you will make them). For each target, specify its advantages and disadvantages.
2. Design a PerformanceStat leadership strategy for a governmental jurisdiction or public agency with which you are familiar. Determine the key decisions that you must make—including key performance targets—and then specify them as explicitly as you can.

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22
Citizen engagement

Elke Loeffler and Steve Martin

Introduction

Current attempts to strengthen democracy and improve public governance have placed citizen engagement centre stage. Policy-makers in Western democracies appear united in the belief that increased engagement by citizens can both rebuild trust in government and improve social cohesion. Yet, putting these ideas into practice is still a challenge for most public sector organizations and is perceived by some as a threat to the role of elected representatives. Progress has been made in implementing citizen-centred approaches. However, the fuzzy relationship between representative, participatory and direct democracy remains problematic in practice and theory.

The availability of new digital technologies, such as smart phones and social media, now provides citizens with new opportunities to communicate with each other and to organize themselves. New terms such as 'liquid democracy' indicate that governments can no longer 'manage' public participation in the age of 'open government'. The outbreak of the 'Arab Spring' in 2010, and the street protests against Eurozone austerity policies in Athens in recent times, suggest a new quality of citizen engagement which challenges both governments and civic society to rethink public governance.

At the same time, declining voter turnout, dwindling participation in traditional civic organizations, and growing cynicism towards politics, politicians and political parties all point to a need to reinvent the relationship between the citizen and institutions of government, if a 'crisis of legitimacy' is to be averted.

Learning objectives

This chapter considers five key issues:

- the concept of citizen engagement;
- forms of citizen engagement, including informing, consulting, participation and co-production;
- whom to engage;
- arguments in favour of citizen engagement in public decisions and services;
- challenges to effective citizen engagement and ways of overcoming these.

Forms of citizen engagement

Successive UK governments have emphasized the importance of 'consultation', 'listening', 'being in touch with the people', 'involving users', 'devolving power to neighbourhoods', strengthening 'accountability to local people' and 'empowerment', as if these often very different types of activity were synonymous. In fact, they represent a wide spectrum of different types of citizen engagement.

One of the most widely quoted typologies is the 'ladder of participation' of Sherry Arnstein (1969) (see Figure 22.1). On the lower rungs of the ladder are manipulation (getting citizens to think the way you want them to think) and therapy (telling them just enough to make them feel good). What Arnstein saw as 'tokenistic' activities – 'informing', 'consultation' and 'placation' – are in the middle section. At the upper end are three approaches that in her view genuinely empower the public – partnership, delegated power and citizen control.

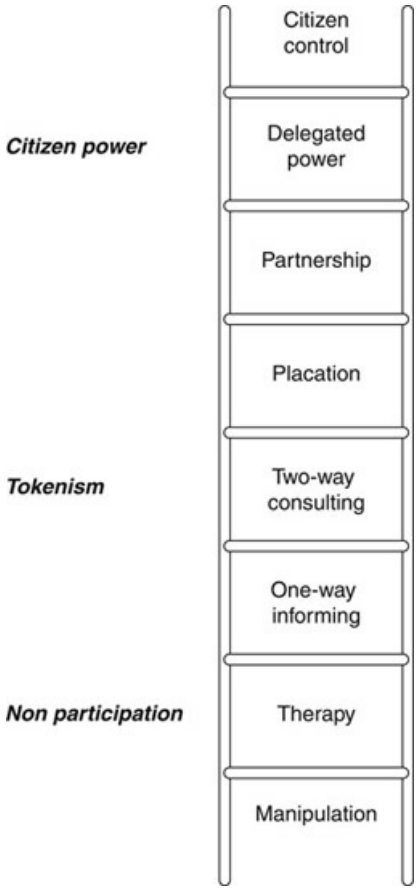


Figure 22.1 Ladder of engagement.

Source: Adapted from Arnstein (1969)

This typology, however, implies that some forms of engagement are inherently superior. In practice, what matters most is that the form of citizen engagement is fit for purpose (Tritter and McCallum, 2006). In fact, not everybody wants to be engaged in everything at all times.

Many citizens are content to just let service providers 'get on with the job'. A less normative typology of citizen engagement is shown in Figure 22.2, distinguishing between different intensities of citizen engagement:

1. *Information* – a one-way relationship between governments and citizens. Traditionally, governments provide citizens with information, but with social media it can be the other way round, with citizens sending information to trigger government interventions.
2. *Consultation* – a two-way dialogue between public organizations and citizens whereby citizens are given a voice on an issue. They have no guarantee, however, that they will be listened to, let alone that the decision-makers will implement what the majority say, so the 'dialogue' may still appear rather one-way.
3. *Participation in public decision-making* – a more intense interaction between public organizations and citizens where each party has a role in decision-making (e.g. in relation to laws, policies, priorities, regulatory sanctions, etc.) and an influence upon the final decision.
4. *Co-production of public services and outcomes* – the most intensive form of engagement, where both citizens and professionals harness each other's resources and capabilities to take actions which improve public services or achieve publicly desired outcomes.

In most engagement processes, citizens and governments will move between the four types of engagement, depending on the willingness and ability of each party to engage – see Table 22.1.

Information: approaches and evidence

While noting Arnstein's scepticism about insincerely motivated forms of citizen engagement (e.g. the 'manipulation' and 'therapy' rungs of her ladder), it is clear that honest and effective informing of the public is a legitimate and necessary function, providing people with the means to engage effectively with public organizations. At the very least, citizens need clear information about a range of issues, including the services for which they are eligible (and how they can complain and seek redress), the decisions which affect them that are being made by their representatives, the issues on which they will be consulted (and the 'rules' of the engagement process) and, most importantly, the limits of engagement. Indeed, some rights to information are enshrined within Freedom of Information legislation in many countries. However, providing the right information on the right issues to the right people remains a challenge to most public organizations.

Table 22.1 Forms of public engagement

	Information	*Consultation*	*Participation in public decision-making*	*Co-production of public services and outcomes*

Direction	One-way	Two-way	Two-way	Two-way
Activity	Information giving	Listening	Joint decision-making	Joint action

Source: Adapted from Arnstein (1969)

A key challenge is that information is often provided in bureaucratic language which is incomprehensible to many citizens. There is now a strong drive by governments across the world to use 'simple language'. The use of 'jargon' risks excluding some groups from the conversation. However, using a reduced vocabulary, with simple terms, may lose precision and fail to convey the complexity of the issues that are being considered. It is therefore important to tailor language to the needs of the specific groups receiving the information in order to get the message across in terms that they can understand. It is increasingly recognized that the medium is also important and that this need not be 'text' – some groups understand an issue better and faster through graphics, videos and anecdotes, and prefer oral to written communication. This means that information officers need a range of communication skills and to be able to act as intermediaries between public organizations and the public.

Governments at local and national levels use a wide variety of media to provide information to the public. Traditional approaches include noticeboards, council newspapers, service directories, videos, roadshows, exhibitions and public awareness campaigns. More recently, digital devices have provided new ways of disseminating information – including websites, community information points (e.g. in libraries) and mobile phone apps (see chapter 10). Some public agencies see the Internet as particularly important in serving the needs of sparsely populated areas and citizens who are relatively immobile. Interestingly, Tolbert and Mossberger (2006) found that members of the public who use public sector websites expressed higher levels of confidence in both federal and local government than those who did not.

In the UK, more and more public organizations recognize that social media are not only a useful way of informing citizens but also of inviting their views and getting information from them – see Case example 22.1.

So, what are the benefits of providing information to citizens and which approaches work best? This is not a well researched topic, but one interesting study (Coulter and Ellins, 2006: 21) found that inadequate health literacy in the USA is a significant barrier to citizen engagement. Affecting around 90 million adults, it has potentially serious consequences for their health. However, the researchers also report that studies show that, despite various initiatives to improve the quality and availability of health information, patients and the public want more information than they currently receive and that health professionals tend to overestimate the amount of information they supply.

Interest in the power of information-giving has been greatly stimulated in recent years by the realisation that many public policy issues can only be addressed effectively through prevention rather than cure. Governments therefore need to become better at informing public attitudes and influencing behaviour. Long-term gains in health, for example, depend as much as on changes in lifestyle (diet, smoking habits, exercise, etc.) as they do on advances in the treatment of acute illness (see chapter 23). Similarly, levels of educational attainment depend not just on the skills of teaching staff and their teaching methods but also on the attitudes of students and their parents. To encourage a focus on behaviour change, the UK government in

2010 set up a Behavioural Insights Team (known unofficially as the 'Nudge Team'), as the world's first government institution dedicated to the application of behavioural sciences. It has now become a joint venture social purpose company (see www.behaviouralinsights.co.uk), attracting finance based on what are claimed to be impressive early results (see www.theguardian.com/politics/2013/may/02/nudge-unit-has-it-worked).

While the results of the 'nudge' approach have not as yet been fully evaluated, it has attracted considerable interest and the evidence appears encouraging. Gerry Stoker (2013: 34), for example, concluded from a series of experiments that 'the evidence suggests [nudges] can be decisive in changing people's minds', although he cautioned that 'Most of our nudges worked in a modest, rather than transformative, way'.

Case example 22.1 CamdenTalking – the social media platform of London Borough of Camden

The London Borough of Camden took a pro-active approach towards social media and has reaped the benefits of being an early adopter. Alasdair Mangham (former ICT Manager) explained in an interview: 'Finally, we can listen to what they are actually saying about us'.

Elke Loeffler: Are social media just another hype or will this transform local government?

Alasdair Mangham: In Camden social media have completely changed the way we communicate with the public. In the past, our conversation was based on the idea that we need to push our message out – either through leaflets, flyers and other paper-based information or through the website and emails. Since we have been using social media, we now engage in on-going conversations with citizens on a more-or-less permanent basis, which is very different.

Elke Loeffler: How do you use social media in Camden?

Alasdair Manghan: In a variety of ways – for example, our complaints management now uses Twitter to listen to what people say about us and to feedback quickly what we have done about complaints. So, for example, when we had a lot of snow this winter, one resident on Twitter complained that his local park hadn't opened that day. We tweeted him explaining that some parks staff hadn't been able to get into work because of the snow but that we were working to get the parks opened anyway. When his park was open, we tweeted back to tell him – and he retweeted this message to all his followers, adding that he thought this was super service and how impressed he was. Invaluable!

But we also use social media to launch campaigns. For example, last Christmas we ran a very effective 'Love Camden' campaign to urge shoppers to do their Christmas shopping in Camden. We used 'crowdsourcing' to generate ideas on how to support the campaign and won over some local celebrities to back the campaign.

Elke Loeffler: Where do you see the limits of social media?

Alasdair Mangham: Of course, social media do not overcome the digital divide. Today, more than 70 per cent of residents in Camden have access to a PC – but

obviously we need to keep in touch with the other 30 per cent, too. Actually, social media also open up a new digital divide, since their use is very uneven in the e-literate population. For example, we know that not many 20–30 years olds use Twitter, so we need to invest in a mix of media to engage with various groups.

Source: Adapted from a Governance International Interview with Alasdair Mangham in 2010, www.govint.org/good-practice/interviews/alasdair-mangham-interview

Consultation: approaches and evidence

Consultation differs from information provision in that it involves two-way communication between governments/service providers and citizens. It covers a wide range of activities involving differing levels of engagement.

It is often important to consult about consultation. Where people have an early chance to shape the subsequent consultation exercise, they are more likely to regard an exercise as genuine and productive. However, where a public agency just wants to check that it has not forgotten anything or misinterpreted the public mood, it may be appropriate simply to allow a period for people to respond to a well developed set of proposals. There are circumstances in which either of these approaches may be useful and appropriate.

However, consultation is not always seen in a favourable light. In some cases, the public is presented with a narrow range of options and asked to decide which it prefers, leaving many people feeling that they are being 'railroaded'. Where consultation has become mandatory (as is increasingly the case in the UK), many exercises appear tokenistic: consultation occurs at such a late stage that citizens believe that the key decisions have already been taken. Moreover, long-drawn-out consultation processes are sometimes used by policy-makers simply to defer difficult decisions (OECD, 2001). And many public agencies fail to provide adequate feedback to consultees, sometimes on grounds of cost.

All these problems mean that, in practice, 'consultation' can become a one-way flow of information. Worse still, in some cases the results of 'consultations' which are run by staff low down in the hierarchy or by external consultants do not reach more senior decision-takers for whose benefit they were theoretically designed. And many consultations involve fairly narrowly defined groups of the 'usual suspects'. There is much talk in the UK of 'consultation fatigue'. However, in practice, it is only some groups that are 'over-consulted' while the views of others are still not heard. Indeed, so-called 'hard-to-reach' groups often find that it is the public service providers who are 'hard to reach' – and even when they are reached, public agencies can be hard to engage with, as they often want to keep control and have the last word.

A recent survey of UK public sector consultation specialists (Consultation Institute, 2012) found that traditional consultation methods still predominated – 93 per cent reported use of written consultations and 83 per cent reported use of public meetings. However, 84 per cent reported using focus groups (greatly increased on a decade earlier) and 42 per cent reported using deliberative events – in general, a move towards more deliberative methods was discernible. The major change they noted has been in the use of surveys: although these were

relatively rare until the early 1990s, almost all local councils, and many other local service providers, now regularly conduct residents' and users' surveys to gauge public satisfaction with existing services. In the Consultation Institute survey, 87 per cent of respondents reported use of online surveys, 74 per cent postal surveys, 65 per cent face-to-face surveys and 40 per cent telephone surveys.

Many local councils, police forces and health authorities in the UK have used citizens' panels (with representative samples, typically of 1,000 to 2,000 local people) as regular sounding boards on key policy issues. Panels of service users and particular communities are also now commonplace. The Consultation Institute survey reported that 60 per cent of respondents were using such panels and communities. Almost as important, at 57 per cent, were social media channels (and this was by far the most common approach highlighted for greater use in the future). Other Internet-driven communications are also growing.

Other methods in use, although on a smaller scale, include 'visioning exercises' or community appraisals, 'listening days' (during which senior managers and councillors talk in the streets to shoppers and householders), opening up council meetings with scheduled regular public question times, web broadcasting of committee meetings, free phone lines so citizens can record comments and suggestions, and Internet-driven information kiosks. In the Consultation Institute survey, 16 per cent of respondents had been involved in participatory budgeting exercises on priorities for public spending. However, there now appears much less use of citizens' juries, often used in the UK, the USA and Germany in the 1980s and 1990s (Renn *et al.*, 1995), although some agencies have developed what are in effect larger citizens' juries, often called 'public scrutiny workshops' or 'consensus conferences', to explore key policy issues.

Central government has also invested heavily in recent years in surveys of the general public (see Box 22.1). However, these surveys have often changed considerably over time, reducing their usefulness for comparing policy performance. In some cases, they have been developed at considerable expense and then abolished. For example, the Department for Communities and Local Government (DCLG) in the UK developed a Place Survey, interviewing a large sample of the population in 2008 about their attitudes to the place they live, their quality of life and the service outcomes that they experience on a wide range of dimensions. The new government then abolished it after just one running, in spite of the widespread belief in local government that it was valuable. Many commentators assumed that this was because DCLG expected the survey results to become more unfavourable as austerity hit public spending programmes.

So, does consultation make a difference? Strangely, this is not well researched. An overview of the effects of consultation in education settings (Noell and Witt, 1999: 34) concludes that 'relatively little is known about the extent to which teachers implement interventions as a result of consultation'. Although, when researchers ask teachers if they have implemented the changes suggested from the consultations, they generally report that they have, Noell and Witt point to studies which suggest that these accounts may not match what appears to have actually happened. Whether such findings are valid more generally is not clear.

Participation in public decision-making: approaches and evidence

Earlier in this chapter, we defined participation as a more intense interaction between public organizations and citizens, where each party has a role in decision-making (e.g. in relation to laws, policies, priorities, regulatory sanctions, etc.) and influence upon the final decision.

Box 22.1 Major surveys in the United Kingdom

The Office for National Statistics runs an annual Crime Survey for England and Wales, interviewing 38,000 people in their own homes to assess attitudes to and experiences of crime, the police and the courts.

NHS England commission Ipsos MORI to conduct a GP Patient Survey to provide information on patients' experience of primary care services. Over 2.6 million questionnaires were sent out across two waves in 2013 and 2014, yielding over 903,000 completed responses (a response rate of 34.3 per cent).

The National Rail Passenger Survey has run twice a year since 1999 to provide customer views on rail company performance (e.g. regarding the punctuality and frequency of trains, and level of ticket prices), allowing comparisons between the various companies which can be built into the franchising contracts with train companies. In Spring 2014 nearly 30,000 questionnaires were returned (a return rate of 31.1 per cent).

The arguments for public participation in decision-making have been strengthened by the weakening of *representative* forms of democracy, reflected in low, and falling, levels of turnout in elections in many European countries. Participatory democracy may take many forms – e.g. the development of a 'participation infrastructure' in the Swedish local authority, setting out how citizens can use participatory opportunties, Falun or the 'rule book' for public officers and councillors in the City of Heidelberg on when and how to involve citizens in specific decision-making processes. Nor is this simply a local phenomenon – central governments also seek the views of the public on legislative and policy change, increasingly using ICT. Famously, in 2001 an Estonian Government website allowed citizens to comment on draft laws and submit their own ideas for new legislation. However, only one new law was actually proposed, accepted and passed through this mechanism (Coleman and Gøtze, 2001).

How common is such participative activity in public decision-making? While much talked about, a literature review for the Scottish Government (Albert and Passmore, 2008: 5) reminds us that 'evidence of a public appetite for participating in the design and delivery of public services is mixed', although 'there is some support for more radical forms of engagement, such as lay involvement on the governing boards of public services'. Indeed, research suggests that only 3 per cent of the UK population believe that they are involved with its local authority to some degree (Box 22.2) although 20 per cent would like to engage more closely with their local authority and only 1 per cent say that they are not at all interested in what their council does. Moreover, participation mechanisms to bring local people into public decision-making continue to be developed and refreshed – see Case example 22.2.

And what difference does it make? Gaventa and Barrett (2010: 3) analysed 100 research studies of four types of citizen engagement, mainly of the participation type, in 20 countries

and conclude that 'citizen participation produces positive effects across [several] outcome types, though in each category there are also examples of negative outcomes'. The outcomes which they considered were the construction of citizenship, strengthened practices of participation, the building of responsive and accountable states, and more inclusive and cohesive societies. They concluded that the outcomes varied according to the type of citizen engagement and to political context, although they did not find that participation 'success' and 'level of democratization' were strongly linked nor that citizen engagement was more likely to lead to government response in more democratic than in less democratic states.

Box 22.2 Public attitudes to participation

- I'm not interested in what the Council does, or whether they do their job – 1 per cent.
- I'm not interested in what the Council does as long as they do their job – 16 per cent.
- I like to know what the Council is doing, but I'm happy to let them get on with their job – 57 per cent.
- I would like to have more of a say in what the Council does and the services it provides – 21 per cent.
- I already work for/am involved with the Council – 3 per cent.
- Don't know – 1 per cent.

Source: Martin and Boaz (2000: 51)

Although there is a lack of clear evidence about its impacts, there is now a stronger body of knowledge about how to implement public participation, its potential and pitfalls both in the UK and in many other Western countries (see, for example, Petts and Leach, 2000; Abelson and Gauvin, 2006). However, public service providers often fail to tap this reservoir of existing knowledge about good practice or to reflect properly on their own experiences of public participation (see chapter 27). The result is that they risk 're-inventing the wheel' and repeating mistakes made elsewhere.

Case example 22.2 Communities First programme in Wales

Communities First is a Welsh Government community-focussed programme intended to tackle poverty amongst the most disadvantaged people in the most deprived areas of Wales, by improving health, learning and economic prosperity. It is based on small groups of communities working together and sharing resources to tackle local issues. These Communities First clusters (originally 150 but reduced to 52 after 2012), have a population of between 10,000 and 15,000 people. Community involvement is an essential feature but each cluster has flexibility to develop the involvement structures that suit the area, based on a Community Involvement Plan, bringing local people and community

organizations into planning and delivering work with all key partners to support all aspects of the programme.

Source: Adapted from http://wales.gov.uk/topics/people-and-communities/regeneration/communitiesfirst/faqs/?lang=en

Co-production

Public service co-production means providing services *with* and not just *to* citizens. This means treating citizens not simply as passive recipients of services but harnessing their knowledge, experience, skills and willingness to make a contribution to improve their own outcomes or outcomes of other people. As noted above, the efficacy of many public services depends not only on the performance of the providers but also the responses of users and the communities in which they live. Many services therefore benefit from the active involvement of users in design and delivery. It can help to increase the chances that services meet users' needs. It can also play an important role in changing lives, e.g. of people with learning disabilities, increasing their self-esteem and self-confidence and changing the image others have of them. Co-production therefore seeks to go beyond an attempt to attune public services to the wishes of passive recipients. Its aim is to empower users to take greater control over, and responsibility for, their lives through their interaction with the public sector and public service providers. This topic is discussed in much more detail in chapter 23.

Engagement by whom?

Another important issue is *who* should engage with governments and service providers (see also chapters 6 and 15). There are three key groups:

- *Customers* – in some cases the views of users/clients will be the most valuable form of input to decision-making, e.g. in informing service providers about their satisfaction with a service received.
- *Citizens* – in other cases, citizens as a whole have an important stake in the decision-making process. For example, taxpayers who do not use a service themselves (such as prisons) may nevertheless have a legitimate interest in the costs of alternative service delivery approaches and may well have different preferences to those of service users.
- *Communities* – in the case of initiatives designed to benefit particular neighbourhoods or sections of the population, it may be important to engage with specific communities of place, identity or interest.

Combining the three types of interaction identified in Figure 22.2 with this threefold categorization of the main stakeholder groups provides a useful typology of different modes of engagement (see Figure 22.2).

Experience suggests that it is important to be clear from the outset about what are the objectives of each public participation exercise, because this helps to ensure that the right tools and techniques are used and the right groups are involved. It can also help to clarify what level of influence is being offered to the public, thus reducing the risk of disillusionment among those involved. It also helps to highlight the kind of feedback that those involved can expect. This is important because engagement is only sustainable if stakeholders see that their views have at least been listened to.

Drivers and potential benefits of citizen engagement

While there is still a long way to go before all governments see 'citizens as partners' (OECD, 2001), the debate about citizen engagement has evolved quickly – most policy-makers and senior public service managers in OECD countries now like to portray themselves as 'listening to citizens' or even 'engaging citizens in public decision-making processes'. This means that the focus has shifted from normative 'Why?' questions, to issues of 'How?' (to engage the public effectively) and 'Towards which end?'

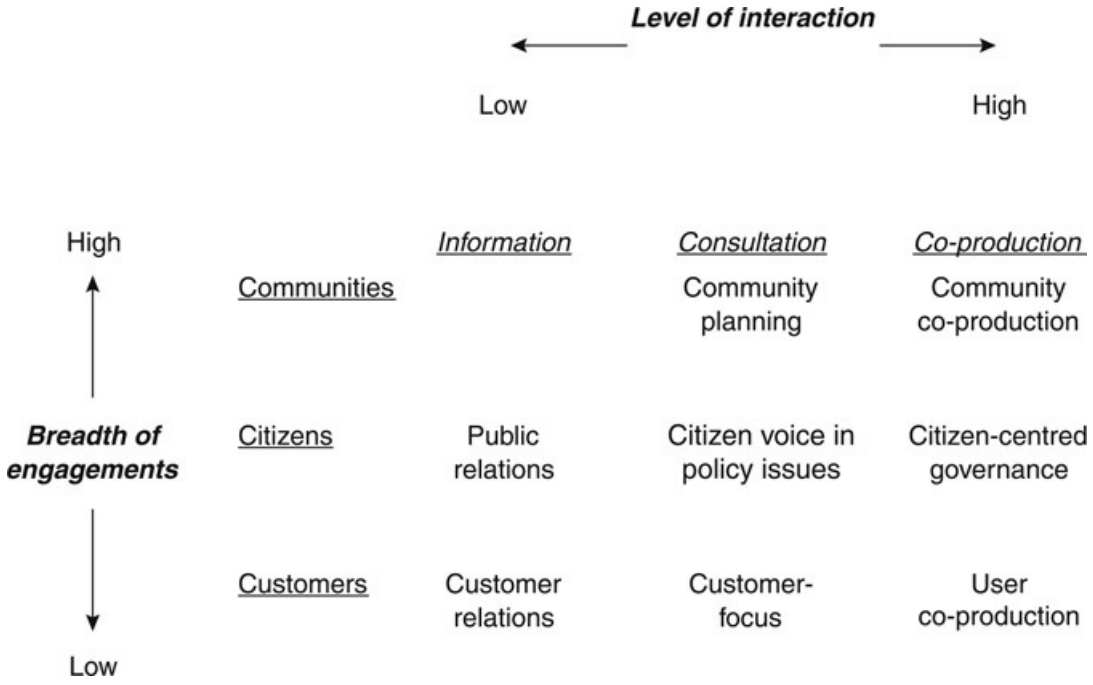


Figure 22.2 Modes of public participation.

Source: Adapted from Martin and Boaz (2000)

Box 22.3 Citizen engagement agendas at global, national, regional and local levels

Since the foundation of the Open Government Partnership in 2011, 65 countries have endorsed the Open Government Declaration, committing themselves to 'foster a global culture of open government that empowers and delivers for citizens, and advances the ideals of open and participatory 21st century government' – see www.opengovpartnership.org.

In 2013 the UK National Health Service (NHS) launched a new initiative, 'the NHS Citizen', to strengthen citizen engagement in health care – see www.nhscitizen.org.uk.

At local government level, the Swedish Association of Local and Regional Authorities (SALAR), together with the Ministry of Integration and Gender Equality, ran a project

during 2008–2013 to develop, test and spread methods that employ IT Solutions for Civic Dialogues – see http://skl.se/tjanster/englishpages/activities/dialoguewithcitizens/itsolutionsforcitizensdialo

So what are the drivers of wider and deeper citizen engagement? Jones and Gammel (2009) explain the increased appetite for consultation in terms of:

- growing awareness of the democratic deficit;
- the rise of evidence-based policy-making;
- the 'transparency' trend; and
- changing expectations of citizens.

This means that citizen engagement is now driven both top down, e.g. by the desire of some politicians to remedy the democratic deficit, and bottom up, by citizens wishing to make their voices heard.

But why do citizens get engaged? The Dutch Scientific Council for Government Policy (WRR, 2012: 11) suggests that they first respond to challenges by resisting change, trying to keep things the way they are. However, their second response is exploration – they start looking for better alternatives to the existing situation, which may lead to learning and innovation. Consequently, citizens not only get engaged when policy-makers invite them to do so but increasingly on their own initiative, through more direct channels such as social media. Some forms of citizen engagement seek to balance these top-down and bottom-up drivers, such as the 'participatory budget' in Berlin-Lichtenberg (see Case example 22.3).

In order to make citizen engagement sustainable, all key stakeholders need to gain benefits. The OECD (2001) argued that strengthening citizen-government relations was 'core to good governance'. Building on its analysis, the benefits from citizen engagement can include:

- improving the quality of policy-making by allowing government to tap wider sources of information, perspectives and potential solutions;
- facilitating greater and faster interaction between citizens and governments;
- increasing accountability and transparency, which in turn increase …
- … representativeness, legitimacy and public confidence.

Case example 22.3 Citizen proposals and citizen-led neighbourhood budgets in Berlin-Lichtenberg

The Borough of Berlin-Lichtenberg is one of 12 boroughs in the City-State of Berlin, with about 265,000 inhabitants. Its citizen engagement process was formally started by an all-party decision in 2004, with the strong support of the directly elected mayor. Citizens were invited to submit and then discuss proposals related to the public services within the responsibility of the Borough, in a five-stage process:

- a launch meeting for all Borough residents (September 2005);

- five citizen meetings in decentralized Borough neighbourhoods, where residents could submit and vote on proposals;
- a one-day meeting of 'citizen journalists' to edit and aggregate the 20 most popular proposals from each of the five neighbourhood meetings;
- a general citizen assembly in January 2006, an Internet vote and a written vote to select the overall 20 best proposals from the set submitted by the 'citizen journalists';
- a citizen survey to check the reactions to the prioritized proposals by citizens who had not previously participated.

At the end of this process, the Borough Council debated the proposals at several public meetings and took final decisions on the proposals in May 2006.

Although known as the Berlin-Lichtenberg 'participatory budget', the citizens do not, strictly speaking, set the budget, but rather the service and outcome priorities in the annual budgetary process. Since 2006, the process has been developed further. In particular, the Borough drew up smaller neighbourhoods so that they seemed more relevant to citizens – an important lesson for other countries (like the UK) where 'neighbourhoods' are often very large. Again, since not everybody is up for strategic deliberation – some people just want to *do* things for and with other people around them – in 2010 the Borough introduced 'neighbourhood budgets' (Kiezfonds), currently of about €7,000 in each neighbourhood, managed by citizen committees. This provides citizen activists with seed funding to organize events, tackle local environmental problems or take other actions which improve key outcomes at neighbourhood level. The Berlin-Lichtenberg approach is now the longest-standing 'participatory budgeting' approach in Germany and is strongly supported by the new mayor, elected in 2015.

While this may sound impressive, these 'fuzzy' benefits are difficult to assess. For example, in order to generate evidence that citizen engagement leads to better public decisions, experiments would be needed (ideally, randomized control trials) which would compare the effects on public decisions in areas with and without citizen engagement – this would be difficult to put into practice. Consequently, it is often hard for engagement officers and participation-oriented policy-makers to make a business case for citizen engagement. This is particularly awkward in times of austerity, when sceptics are especially likely to demand evidence that investment in citizen engagement 'makes a difference' and is worthwhile. This may be one of the reasons behind the volatility in government policy towards citizen engagement – see Case example 22.4. We will now consider approaches to each of the forms of engagement – information, consultation, participation and co-production – and look at some of the empirical evidence.

Case example 22.4 Volatility of government policy on citizen engagement in the UK

The emphasis on increased public involvement in the planning and delivery of local

services in the UK was reflected in Clause 3.1 of the 1999 Local Government Act, which required local councils, police and fire authorities and a range of other statutory agencies to consult not only service users and taxpayers (both individuals and businesses) but also anyone else whom they deemed to have legitimate interest in the area (which might, for example, include commuters, tourists and representatives of voluntary and community organizations).

These requirements undoubtedly increased both the scale and scope of engagement by local authorities with local people. Many councils in England introduced consultation into services where there was previously little direct contact with the public and adopted new, more interactive approaches to reach communities and groups with which they had traditionally not engaged (Martin *et al.*, 2001).

Some years later, UK ministers preached the need for 'double devolution', whereby power would be dispersed from central to local government and local councils, which would then hand over increased control to neighbourhoods and local communities. The Local Government and Public Involvement in Health Act 2007 gave local authorities a new duty to 'inform, consult and involve' local people.

The policies of the new coalition government elected in 2010 showed some continuity with these earlier policies. Its Localism Act 2011 publicly espoused 'localism', introducing new Community Rights to Challenge (to provide any service currently provided by a council) and the Community Right to Bid (to run local community facilities) (Bovaird, 2012). However, it also abolished many of the key instruments for community involvement, including the duty to inform, consult and involve, the national survey of citizen satisfaction with local areas and local authorities, and the national collection of outcome indicators. It also launched the complete redesign of the recently instituted system of local citizen involvement networks (LINks), although these were later abolished. While it simultaneously committed itself to empowering the 'Big Society', this policy, in turn, did not survive long.

Obstacles to effective engagement

Power to the people?

Increased public engagement does not enjoy unqualified support among public officials and politicians. Not surprisingly, some see it as a threat to their professional judgement or democratic legitimacy, fearing 'government by referendum' in which their role is reduced to that of 'rubber-stamping' decisions made by the public or brokering the views of different groups in the community. Some authors have even argued that participation (admittedly, mainly in the context of development and poverty alleviation) is tyrannical, in that it allows the illegitimate and/or unjust exercise of power by unrepresentative groups (Cooke and Kothari, 2001).

> Unravelling the interests of different groups in our services will be one of the key roles of councillors; their job will be to act as community leaders and to act as brokers, balancing the different interests of different groups and developing integrated policies which meet local needs best.
>
> Source: City of York Council

However, in practice, engagement with service users and citizens does not obviate the need for professional expertise or for political judgement. In most cases, it simply provides more information about the range of (often conflicting) views and priorities among the public. Politicians and officials still need to decide how best to reconcile competing interests and to allocate resources accordingly, as the quote from York City Council demonstrates.

Have we got the right approach?

Many public sector organizations focus a great deal of effort on choosing the 'right' approach to public participation. In practice, however, there is rarely one correct method. Some of the approaches adopted, for example public meetings, citizens' juries and focus groups, offer high levels of interaction but reach only a small proportion of the population. They are also relatively costly, time-consuming and require skilled facilitation. Other methods, such as surveys of residents and citizen or user panels offer breadth of coverage and can be relatively cheap, but provide less in-depth interaction.

Most organizations therefore need to have a balanced portfolio of approaches that fit:

- the objectives of engaging with users and citizens;

- the resources available to those managing the process;
- the timescale for the decision-making process; and
- the capacity of the respondents.

Let's work together

It is quite common for several local agencies, or even international organizations, to pursue very similar consultation exercises in parallel with each other, unaware that their efforts are being duplicated. In some cases, organizations repeat consultations unnecessarily, not realizing that they already have the information on file. This is problematic for two reasons. First, it is a waste of resources. Second, it increases the risk of 'consultation fatigue' among the public.

> We usually ask a question ten times and use the information once. We must learn to ask once and use the answer ten times in different settings.
>
> Source: Local authority Chief Executive

In order to avoid duplication and bring together disparate initiatives, some organizations have developed databases of previous consultations. And in some areas joint consultation strategies are being developed by local councils, health authorities, the police and other agencies to ensure that they coordinate their initiatives better or, better still, pool their resources.

Overcoming apathy

We have already reported research that suggests that one in five UK citizens wants to engage more closely with their local authority (Box 22.2). By definition, the minority who do get involved are unlikely to be representative of the community as a whole, particularly because the most vulnerable groups, those on lower incomes, young people, older people, members of households with a disabled person and members of ethnic minority communities, are usually the least inclined to be involved. Moreover, most people express a strong preference for relatively passive forms of engagement. A survey in the UK showed that the public strongly favoured one-off consultations conducted via postal surveys and face-to-face interviews. Very few were prepared to participate in in-depth consultations – only 13 per cent said they would be willing to go to public meetings, just 6 per cent said they would participate in a citizens' panel and only 3 per cent would take part in a citizens' jury (Martin and Boaz, 2000).

One way of alleviating this problem is to focus on those policies and issues that citizens say matter most to them – usually issues such as community safety, street cleaning, leisure facilities for young people. Almost all citizens care about at least one issue or service – but sometimes service providers do not take sufficient care to ensure that they are consulting each citizen about the things in which that citizen is most interested. Given that local supermarkets

can now send customers highly relevant offers, based on their recent spending, it seems odd that their local council can't tailor its communication and engagement strategies to individuals' needs.

Another approach is to use the consultation methods that members of the public say they are most comfortable with – and avoid those they dislike. For example, participatory budgeting in the UK has put a strong focus on public meetings, even though this makes it very hard to attract those people who usually do not get engaged in any form of consultation.

It is also vital to give feedback on how results are used – what decisions were taken and why – so that people can see their views were taken seriously and made a real difference. This need only involve short flyers with attractive layouts (ideally including photos of consultees and the issues consulted on), with the clear messages 'This is what you said' and 'This is what we are going to do'. This means reducing the number of consultation exercises in order to do a smaller number properly, but this may be a price worth paying.

Finally, some public service providers that have made important strides in engaging with the public have been less adept at consulting their own staff. This is a missed opportunity, because front-line staff often live locally, and they and their families therefore use local services and are in a position to provide valuable feedback.

Ensuring it makes a difference

A major reason for citizens' unwillingness to engage is scepticism about whether governments and public service providers will respond to public opinion. And, indeed, in many cases the scope for action is constrained because an agency has only limited control over a policy area. Local authorities in the UK, for example, have little or no direct influence over many of the key issues about which local people feel most strongly, including health, community safety and employment, and may have limited room for manoeuvre even in their own services due to centrally determined performance targets and 'ring-fenced' budgets. Indeed, even a former Mayor of London expressed scepticism about how much citizens can achieve in the face of central government 'control freakery' (see insert).

> If voting changed anything, they'd abolish it.
>
> Source: Ken Livingstone, Mayor of London (2000–2008)

It is therefore important to make clear at the outset what the parameters of engagement are, what issues are up for negotiation, what changes are possible and what is 'off-limits'. It is also crucial that there is effective communication with users and citizens throughout the process and, where possible, that some early 'wins' are achieved and celebrated – communities often complain that decision-making processes are too slow, and they lose interest if improvements do not materialize fairly rapidly.

Summary

Engaging service users and citizens in policy-making and in design and delivery of public services can take many forms. Less interactive approaches involve a one-way flow of information from policy-makers and public service managers to the public. More interactive approaches include consultation – a two-way flow of information, views and perspectives between policy-makers/managers and users/citizens – and participation in policy-making. The most interactive approach is co-production, in which providers and the public harness each other's resources to improve services and outcomes.

Engagement may include a range of different stakeholder groups. In some circumstances it is appropriate to engage first and foremost with service users. In others it is necessary to involve the public as a whole. In some cases it is important to work with particular communities of place or interest.

There is a vast array of techniques for public engagement. What matters most is that the tools used by an organization are fit for purpose and appropriate to its own capacity and that of the groups with which it is seeking to engage and that the organization considers carefully the scope for coordinating with other local agencies.

Citizen engagement offers a range of potential benefits but also entails formidable challenges. There is a lot of experience that can be tapped from across a range of services and different countries. It is important that policy-makers, politicians and public service managers take enough time and are sufficiently open-minded to draw upon this growing body of evidence when developing their own organization's approach to public engagement.

Questions for review and discussion

1. In what ways can engagement with citizens enhance public policies and public services?
2. What are the benefits of representative democracy? How can these be reconciled with increasing citizen engagement in policy decisions?

Reader exercises

1. Think of your own experience as a user of public services. What services or issues would you like to have more influence over? How might the organization(s) responsible for these services engage most effectively with you?
2. Interview a local councillor to get his or her views on how his or her role has changed as a result of more public engagement.

Class exercise

Work in groups on this exercise.

Access information provided to residents by a local authority (ideally the council where you study, work or live). You may want to look at:

- its website;
- the information it provides with council tax bills;
- the council newspaper (if it has one);
- information about council services provided in libraries or council offices.

Write a short report on the strengths and weaknesses of the council's communications, taking into account questions such as:

- How easy was it to obtain information?
- How user-friendly is it?
- Is it sufficiently comprehensive?
- In your view is it likely to be useful to local people?
- Is there adequate provision for those with particular communication needs (e.g. are translations and large-print versions available)?
- Does it communicate a clear sense of the organization's values and mission?
- Does it make clear how local people can contact the council with queries and complaints?
- Is there provision for people to feed back their views to the council easily?
- Does it invite people to engage more intensively in further participation or co-production activities?

Draw up an action plan to address the weaknesses that you have identified in the council's communications approach. Explain your proposals to the other groups.

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23
Co-production of public services and outcomes

Elke Loeffler

Introduction

Co-production is not a new concept. What is new, however, is the widespread interest in using co-production to extend involvement with service users and local communities in to improve public services and outcomes. Fascinating case studies are emerging of young people commissioning services for other young people, working alongside public officials and local councillors in LB of Lambeth; older people are being trained as 'public safety advisors' to support the police in preventing crime in Mettmann in Germany; and people with learning disabilities are working as peer assessors in social care in Warwickshire County Council.

Each of these examples represents different kinds of activity by citizens, working with the public sector. However, each reveals contributions, made by citizens, to the outcomes of public services which up to now have remained largely invisible.

These contributions by citizens are sought by the public sector for several reasons – e.g. in order to improve public service quality by harnessing the knowledge and expertise of 'experts by experience' or perhaps to improve unsatisfactory outcomes or simply to cut costs in the public sector, by making service users do more for themselves or others (Loeffler *et al.*, 2008). In particular, the renewed focus on prevention in health and social care has driven health organisations to engage local communities more intensively, so that they can later avoid crises in cost-intensive services. Consequently, we need to look at co-production case by case and not simply assume that it is a cost-cutting exercise or praise it as a panacea against austerity and demographic change.

Learning objectives

This chapter will consider:

- What are the conceptual roots of co-production and how does it differ from citizen engagement and partnership working?
- Why does co-production matter in public services?
- What are the benefits and risks of co-production?
- What are the enablers and barriers to spreading co-production across services and within local areas?

Why has co-production become such a topical issue?

So, why co-production? And why now? Clearly, one reason is the impact of public sector austerity in many countries. Moreover, there is now increased awareness that policy agendas such as climate change, renewable energies and the reduction of health inequalities simply cannot be tackled by public agencies alone – they require contributions from active citizens. Here it is the public sector which has recognised that it needs to encourage more citizen co-production.

However, co-production may also emerge from citizen-led initiatives, which eventually also involve the public sector. For example, in Sweden 10–15 percent of all child care is provided by parents' cooperatives which rely heavily on parent participation (Vamstad, 2012). The open government movement has also promoted bottom-up forms of co-production, as open data made available by government allows users to create new content for each other – e.g. the interactive forum of the Dutch Agency for Unemployment Benefits (www.forum.werk.nl), which enables job seekers to answer each other's questions and discuss job-related issues with each other. So, are these examples 'co-production' – or just self-organising activities by citizens? Well, both are indeed co-production: the Swedish child care cooperatives get public funding, while the Dutch agency provides support from 14 staff members, who facilitate the discussion and provide answers to questions not answered by other users (Meijer, 2012).

Do such examples mean that co-production will be the future of all public services? Or is it just a fad – an austerity strategy for coping with reduced public budgets until economic growth resumes? We believe that it is too early to answer this question in respect of the longer-term future. However, in the context of current public policy, we are sure that there is an urgent need for policymakers to take more account of the existing empirical knowledge about co-production and for researchers to undertake more empirical research into its functioning, potential and limitations.

This chapter discusses definitions of co-production and differentiates it from citizen engagement (see also chapter 22), partnership working (chapter 17) and social marketing (see chapter 6). It explores the conceptual roots of co-production and identifies different approaches. It uses existing research evidence on co-production to highlight its potential benefits and limitations, its enablers and drivers, and the likely barriers to scaling it – and suggests how the evidence base could be enhanced.

What is co-production?

For us, co-production is not about multi-company productions, Hollywood films or TV shows but about relationships between citizens and professionals in a public service context. There are many different definitions of co-production, as Box 23.1 shows.

In each of these definitions, although they are quite different, the 'co-' part of the word stresses that 'it takes two to tango', i.e. professionals and citizens working together. This highlights that co-production is not only about 'user involvement' but also about (front-line) staff participation (see chapter 9). This means that human resources (HR) has a key role in enabling staff to make use of their own ideas, skills and experience and to support their clients to make a contribution to improve outcomes. (Consequently, I would change one word in John Alford's definition below to read 'is conjoint with agency production or is independent of it but *matched* by some action of the agency', in order to emphasise that the original activity could be initiated by *either* party, not always prompted by the public agency.)

Box 23.1 Co-production definitions

> In pure coproduction ... the client does some of the ... work which could conceivably have done by the service company.
>
> (Normann, 1984: 81)

> Co-production is any active behaviour by anyone outside the government agency which:
>
> - is conjoint with agency production, or is independent of it but prompted by some action of the agency;
> - is at least partly voluntary;
> - either intentionally or unintentionally creates private and/or public value, in the form of either outputs or outcomes.
>
> (Alford, 2009: 23)

> A relationship where professionals and citizens share power to plan and deliver support together, recognising that both partners have vital contributions to make in order to improve quality of life for people and communities.
>
> (Slay and Stephens, 2013: 3)

> Co-production is about professionals and citizens making better use of each other's assets, resources and contributions to achieve better outcomes or improved efficiency.
>
> Governance International (www.govint.org)

As the term 'co-production' becomes increasingly popular, it naturally also becomes blurred. For example, it is often used as a 'catch-all' term for all forms of working together with partner organisations or all examples of citizen engagement. Using the term to describe relationships between organisations is unfortunate, given that we already have good terms for such relations – e.g. 'partnership' or 'collaboration'. So in this chapter, the use of the term co-production will be confined to collaborative relationships between public services (regardless whether these are provided by public sector, third sector or private sector organisations) and

citizens, either in their roles as individuals (e.g. service users) or as local communities.

Differentiating co-production from citizen engagement is more challenging. In chapter 22 citizen 'engagement' is explored as a generic concept, describing all forms of involvement of citizens with the public sector, even where citizens don't make any significant contribution (e.g. the 'information' rung, typified by the UK government sending letters to notify over-60-year-olds of their forthcoming 'winter fuel' subsidy payment). Co-production is a particular form of citizen engagement in which citizens *do* make significant contributions to actions which improve public services or publicly desired outcomes. So co-production is a more intense form of engagement – consequently, it would usually be placed towards the top of the Arnstein (1969) ladder of participation (see chapter 22).

Like social marketing (see chapter 6), co-production aims at behaviour change to improve outcomes. However, co-production goes beyond traditional awareness and interest-raising publicity campaigns. It involves joint action by public services and citizens as practised through the Manchester Community Health Trainers – see Case example 23.1.

Case example 23.1 How Community Health Trainers in Manchester enable positive lifestyle change

The idea behind the Community Health Trainers is not to tell local people how to live a healthier life but to empower them to develop and use their own skills to change their behaviour.

The National Health Service (NHS) launched the Health Trainer Programme in 2006 in the UK in order to strengthen prevention in communities at risk and to enable vulnerable and marginalised individuals to achieve and maintain positive lifestyle changes, For these people, it represents a significant new pathway into the NHS. Moreover, becoming a Health Trainer in this programme offers a new employment opportunity for local people who want to support others to improve their health.

Manchester was one of the 12 national pilots. By February 2014 the Manchester Public Health Development Service had trained up and employed 16 Community Health Trainers who provide personalised support to those most at risk of ill-health, helping them to access a healthier way of life. Each full-time Health Trainer has to make 15 client contacts per week and contract with 85 unique clients over a 12-month period.

The relationship between Health Trainers and clients is collaborative, equal and non-judgemental. By offering practical support and guidance on key topics, they help clients to make small changes that will make a big difference to their quality of life and life expectancy.

A recent evaluation (Royal Society for Public Health, 2013: 9) shows that a key strength of this co-production approach is that the Health Trainers are being drawn from the populations they serve. Out of nearly 1,000 trainers, 34 per cent came from the most deprived quintile of the population and a further 22 per cent came from the second most deprived quintile.

Source: Adapted from Lawson *et al.* (2014)

Of course, this does not mean that public service providers should always strive to achieve co-production, just as it is not always right to aim to reach the 'top level' of the Arnstein ladder. However, it's important to decide what is the right step on the ladder for any particular form of citizen engagement.

In Table 23.1 I show another way of conceptualising what is co-production and what isn't. Depending upon the circumstances of a specific activity which achieves publicly desired outcomes, the involvement of either citizens or public service staff can be either active or passive. Full co-production (Cell A) occurs when both service providers and recipients are active and make a joint contribution to the outcomes to be achieved – this has perhaps been most evident in the past in the case of personal public services such as education, health and social care, although examples will be given later in this chapter from many other public services. However, more common in public services is the scenario where professionals provide services for rather passive (or passively treated) service recipients (Cell B). In Cell C we find activities which achieve publicly desired outcomes through social groups organising themselves to provide self-help. Cell C also covers many cases of volunteering – only when volunteers work closely with service professionals does this become 'co-production', rather than an aspect of self-organising communities. Cell D characterises scenarios where neither professionals nor citizens contribute much to publicly desired outcomes, e.g. where marginalised citizens suffer from low access to public services and social exclusion from their local community – these are people who are often regarded by public services as 'hard to reach', although they themselves may rather perceive that it is the public services which are hard to reach.

Table 23.1 What co-production is and isn't

		Involvement of service users or communities in activities to achieve publicly desired outcomes	
		Active	*Passive*
Involvement of service professionals in activities to achieve publicly desired outcomes	Active	A Full co-production	B Professional-led service provision (new public management)
	Passive	C Self-help and self-organising communities	D 'Hard-to-reach' and socially excluded individuals or groups

Source: Adapted from Löeffler and Birk (2010)

Co-production – both a positive and normative concept

So far, we have described co-production as a positive concept. However, it is important to

highlight that some proponents of co-production tend to see it as a normative concept, built upon desirable values, enshrined in a set of principles for how service providers and people using services should work together. We suggest a set of such principles in Box 23.2.

Box 23.2 Co-production principles

- Citizens and communities are people with capabilities and resources, not just needs (this is also referred to as an 'assets-based' approach).
- Citizens and communities can contribute significantly to services and outcomes.
- Elected politicians and public officers should work collaboratively with citizens and communities, rather than paternalistically.
- Outcomes for citizens and communities are more important than public services – so co-production should emphasise social innovation and behaviour change, not just better or cheaper services.

We can trace these twin faces of co-production – positive and normative – from the origin of the concept. The term 'co-production' was coined originally at the University of Indiana in the 1970s when Professor Elinor Ostrom (the first woman to be awarded the Nobel Prize for Economic Sciences), was asked to explain to the Chicago police why the crime rate went up when the police came off the beat and into (apparently more mobile) patrol cars. Her empirical research identified that this move broke the all-important link between the police and the public (Ostrom *et al.*, 1977). With the police in their fast cars, the public seemed to feel that their intelligence, support and help were no longer needed. In fact, it turned out that the police needed the community as much as the community needed them. Ostrom called this joint endeavour at the heart of all services *co-production*. Subsequently, co-production grew from a concept in urban public services to infiltrate the thinking of wider social science scholars, particularly in the USA.

The positive analysis of co-production derives much from the services management literature – as Normann (1984) points out, production and consumption of services are inseparable. From this perspective, quality in services is essentially secured during the act of service delivery (what Normann calls 'the moment of truth'), in the interaction between the customer and provider, rather than just at the end of a series of 'production' processes which end with the performing of the service 'on' the customer. Because they are integral to the service production process, customers do not evaluate service quality solely on the outcomes (e.g. the success of a medical treatment in a hospital) – they also consider how the overall process felt (e.g. how friendly and responsive were the hospital medical staff and how comfortable was the ward). This means that co-production is intimately related to quality management (see chapter 12). Nevertheless, conventional quality excellence models have often failed to see 'customers' and 'society' as 'enablers' of service quality, portraying them rather as at the receiving end in the quality management chain.

Coming from this positivistic services management perspective, which assumes that all services require contributions from both service provider and service user, it is a natural

conclusion that all services are co-produced (Osborne *et al.*, 2013). However, this does not get us very far – the interesting questions from this perspective are whether greater or lesser contributions from citizens (or from service providers) would bring better results and how the interaction between citizens and staff can be made more effective. These are key questions to which we return later.

A different source for the concept of co-production can be located in the US civil rights movement, which has a more normative understanding of co-production. In particular, the US social activist Edgar Cahn has promoted the concept of co-production behaviour as resulting from a set of mutual obligations fundamental to human relationships, rather than as a purely instrumental set of transactions arising from occasional opportunities for people to exchange favours with each other (Cahn, 2004). He particularly promotes time-banking for putting co-production into practice (although we need to recognise, harking back to Table 23.1, that some time banks may simply involve local communities, with no public services involvement, so that they are pure self-help rather than co-production) – Case example 23.2 presents a UK example.

Moreover, the normative concept of co-production has long been a key element of the 'social model' of well-being for people with disabilities and, in particular, people with learning disabilities (Loeffler et al. 2013). This approach rejects the 'medical model' of disability, which sees these people as 'deficient' in some abilities and instead emphasises the different strengths, assets, talents, gifts, resources (all these words are used in different variants of the approach) which such people have to offer to others and which can also help them in improving their own well-being. This approach consequently stresses the value of co-production as a way of enhancing social inclusion and respect between different groups – it sees co-production not as just one service delivery model among others but rather as a core value to be observed in all public services. This normative approach is well illustrated in Case example 23.3.

A final normative source for the concept of co-production is sometimes suggested to be the Roman Catholic Church principle of *subsidiarity*, which holds that social problems should be dealt with at the most immediate or local level which is able to solve them. A version of this principle is embedded in the European Charter of Local Self-Government, and a version of it was adopted by the European Union in 1992. However, so far this appears in practice to have played a limited role in promoting user and community co-production of public services.

Case example 23.2 The Spice time credit model

Spice grew out of the Wales Institute for Community Currencies (WICC), a partnership project funded by the European Union to develop new social currencies for communities in ex-mining areas in South Wales. When this programme ended in 2009, Spice was established to develop its work over a wider geographical remit, to develop programmes that included the voluntary, public and private sector, and to create a national network of local timebanks.

Timebanks do not trade money – their currency is time. People earn so-called time credits by giving their time to other individuals, groups or organisations. One time credit is earned for each hour of time given and acts as a 'thank you' for the contribution

made. People can then 'spend' time credits to access events, training and leisure activities provided by public, community and private organisations, or donate them to others.

Example: integrating time credits into population-wide prevention

In one area GPs were being encouraged to offer health checks to their patients but there was a low take-up, both of GPs wanting to participate and of patients having the checks which were offered. The original process involved GPs sending out a single letter, offering the check to patients. The local authority commissioned a new service, to be embedded within GP surgeries to signpost people to advice and encourage them to have a health check. Volunteers have been involved in delivering this service, earning time credits for their time. It has been running since April 2014, with immediate success. More GP surgeries have agreed to offer health checks, they no longer have to co-ordinate signing people up and more patients have been taking up the offer of health checks.

Source: Adapted from Apteligen (2014: 55)

Why does co-production matter in public services?

If co-production is not a new concept, why is it now arousing so much interest, both in research and practice? Cynics might say that interest in co-production follows the business cycle, with peaks during times of severe austerity such as in the early 1980s and the recession after 2008. However, as Box 23.3 shows, co-production has more drivers than just austerity.

Co-production as an alternative service model

As public service providers in many OECD countries have faced the challenge of achieving major budget reductions since 2008, they have been more willing to consider alternative service models based on co-production between public services and citizens. Consequently, change agents have often been able to use the current crisis as an opportunity to initiate public service transformation and social innovation. The EU Research Programme LIPSE has demonstrated that public officials and citizens have increasingly acted as co-creators of

Case example 23.3 The co-production model and co-production standards of Mosaic Clubhouse Lambeth

The Clubhouse Model seeks to address through co-production the social isolation, the loss of confidence and skills and the educational and vocational disadvantages that accompany a diagnosis of mental illness. There is an international network of over 330 Clubhouses in 30 countries. People who are referred to Clubhouses are called 'members'.

Specific objectives of the Clubhouse Model are:

- to encourage Clubhouse members to provide mutual support in their journeys towards recovery;
- to assist members to regain self-confidence, self-belief and self-esteem by identifying their current strengths and developing new skills;
- to enable members to achieve their own personal goals and improve their employability.

In particular, Clubhouses provide opportunities to return to paid employment and voluntary employment. Clubhouses also encourage their members to access basic, further and higher education.

Mosaic Clubhouse Lambeth was established in Lambeth in 1994 as a partnership between the London Borough of Lambeth and NHS Lambeth. At the time, the borough was experiencing six times the national average level of psychosis. The non-clinical co-production which is a key characteristic of the Clubhouse Model means that doctors and psychiatrists don't visit the premises, and there is no group therapy. Instead, Mosaic

Clubhouse provides its members with:

- a place to come
- meaningful work
- meaningful relationships
- a place to return.

In particular, Mosaic Clubhouse aims to bring structure to the lives of its members with an eight-hour work day – paralleling typical business hours. Staff and members work side-by-side to carry out the work of Clubhouse – from administration to cooking meals in the Clubhouse kitchen. The model is deliberately understaffed which means that the work that members do is genuinely needed and valued.

There are 36 recovery and co-production standards that govern all Clubhouses (see www.iccd.org/quality.html). Performance against the 36 standards is assessed very closely by the international Clubhouse faculty and includes a lengthy self-assessment and a three-day visit by a faculty staff and faculty member. This then gives a 'licence to operate' for 1–3 years, depending on adherence to the standards. Particularly interesting is Standard 9: '*Clubhouse* staff are sufficient to engage the membership, yet few enough to make carrying out their responsibilities impossible without member involvement'.

As a result, the Clubhouse required 428 hours per week of paid support workers' time in 2014. This is supplemented by Clubhouse members providing 1,263 hours per week, making the service affordable and effective.

The latest satisfaction survey of Mosaic Clubhouse from 2014 shows that

- 76 per cent of members feel valued and supported and have gained confidence while attending Mosaic.
- 75 per cent of members feel that they participate in meaningful work opportunities.
- 75 per cent of members feel that they are given a choice about the work they do at the Clubhouse.
- 68 per cent of members feel that Mosaic has helped them think about educational opportunities and assisted them to make choices around courses.
- 75 per cent of members feel that they are learning new skills or remembering old ones by attending Mosaic.

Source: Adapted from Ness (2014)

social innovation in a number of EU countries, although differently from country to country ('contexts matter') – for example, the government tradition of Denmark offers more room for co-creation than that of Slovakia (Tummers, 2015). However, as Christopher Pollitt (2015) warns, innovation is a conceptually unstable and normatively loaded term, not always associated with desirable outcomes, so prudent managers have been right to demand evidence that co-production works before investing in it.

Demographic change

Box 23.3 Drivers of co-production

- Need to reduce public budgets;
- demographic change;
- willingness to work with service users as 'experts by experience';
- value change amongst citizens, more willing and confident to share their capabilities;
- growth of 'wicked problems' that are not able to be solved by 'experts' alone;
- understanding by citizens and service professionals of the need for behaviour change in order to tackle health, social and environmental problems;
- opportunities offered by digital technologies (tele-care, tele-health, social media) and open data.

Demographic changes are also pressing for a redesign of public services to meet the needs of the 'ageing society'. What does that mean? First, it means dealing with a high incidence of ill-health – in England, long-term health conditions affect more than 27 per cent of the population (not all of them old, of course). Second, it means tackling isolation and loneliness – Age UK suggest about 5m older people consider their TV to be their main form of companionship, while almost 600,000 only leave their house once a week or less. Co-production approaches such as social prescribing allow councils like Newcastle to help patients both to recover health and to connect socially (Williams, 2013) – here, general practitioners signpost some patients to community groups or a timebank to encourage them to take up new social activities. The World Economic Forum (2012) points to the example of Home Instead Senior Care, a leading international provider of in-home care to older people, which employs more than 20,000 caregivers who are at least 60 years old – this turns the 'threat' of the ageing society on its head, building on the new availability of a huge potential volunteer force of experienced, motivated and (in the main) fit older people. It also highlights the hundreds of elderly people in Japan who stepped forward to work at the Fukushima nuclear reactor plants in 2011, maintaining that long-term cancer risks and potential loss of fertility were not issues for them. And they remind us that the over-60s hold more than 50 per cent of wealth in developed societies, so there is considerable potential for the 'silver market' to be tapped.

Changes in social values: 'experts by experience' and behaviour change

Reduced public budgets have also increased the awareness of public managers of under-used public assets and the resources of local communities. This has encouraged new thinking on how public services can help service users to help themselves (e.g. through the Community Health Trainers in Case example 23.1) and to enable communities to organise themselves (e.g.

through the Mosaic Clubhouse model in Case example 23.3). Of course, in many cases, the role of service users and communities may just be reduced to 'unpaid co-workers' without harnessing and developing their capabilities and skills and giving them a role in decision-making processes – this is the potential downside of co-production.

At the same time, there is a growing realisation of the importance of prevention and more systematic demand management in public services – both of these require behaviour change in local communities, with major potential for co-production approaches. This may not be so easy – research evidence suggests that 'nudge' approaches may have only minor effects, so stronger incentives may be needed to motivate citizens to become active co-producers (Bovaird *et al.*, 2016).

Values in civic society have also been changing. Citizens are no longer simply content to experience an excellent service – more and more also wish to have a say and even to play a role in the service. As the five-nation survey reported in Loeffler *et al.* (2008) stated, more than 70 per cent of EU citizens are already willing to do more co-production than currently – although they are often quite choosey, only wanting to co-produce around those outcomes that really matter to them. Moreover, different citizens have different motives for co-production – and the factors encouraging individuals to co-produce appear to be rather different from the factors encouraging collective co-production in communities (Bovaird *et al.*, 2016).

Growth in 'wicked problems'

Wicked problems are those not readily solved by simple, short-term single-agency solutions – e.g. long-term unemployment, climate change and terrorism. At one level, they are likely to require partnership-working with other organisations but this may not be enough – the engagement of people using services and local communities may also be essential. Going back to Elinor Ostrom's example, effective community safety may not only require well-trained police forces and high technology to gather and analyse data, but also trust and co-operation with local people. A modern example comes from the Netherlands – see Case example 23.4.

Case example 23.4 Citizens Net

The Dutch police developed the system Citizens Net to get information from citizens in real time. Citizens may sign up voluntarily to the system with their home or work address. Then the police can contact them immediately when a person has gone missing or a crime has happened in their area. Network members also receive information about the results of police actions, improving their subjective perception of public safety.

Source: Adapted from Meijer (2012: 199–201)

Digital opportunities

The availability of digital technology in public services provides citizens with the opportunity to exercise much more freedom and responsibility to monitor their own situations, to seek out alternative ways of improving their situation and to interact with public service professionals. There is growing recognition of the potential of tele-care and tele-health to provide support, reassurance and resilience to people who need care by helping them to maintain their independence longer – see Case example 23.5 – and to allow care-givers to balance their caring role with employment and their social life. Moreover, many transactional services provided by government require service users to fill out online forms, doing work which was previously done by paid public sector staff (see chapter 10).

Case example 23.5 Monitoring patients' food and nutrient intake to support their diet decisions

Hospital Foodie is a nutrition application that can be used in hospitals to accurately monitor patients' food and nutrient intake. It was created to help overcome the shortcomings of current nutrition provision for the elderly in hospitals. It works by:

1. Screening patients on admission to hospital to identify any nutritional deficits and calculate their daily requirements.
2. Accurately monitoring food and nutrient intake. In the event of a shortfall hospital staff will be alerted.
3. Individual preferences are taken into account. For example, rather than providing everyone with three meals per day there is the option to have smaller 'mini meals' provided at a time that suits the patients and their treatment.
4. A follow up nutritional report is created to help the patient maintain optimum nutrition and improve their recovery following discharge from hospital.

Source: http://ageinginnovators.org/ (accessed on 15 February 2015)

Digital technology may also impact on the challenges of isolation and loneliness. For example, tablets give people living with dementia the opportunity to remain connected with family and friends, access the Internet and develop their creativity, e.g. using apps to paint pictures and create music, using simple touch controls. Social media, too, can now connect citizens with each other, allowing them to provide informal advice to each other, but also enabling public services to tap into their conversations on Facebook or Twitter, to ensure they are OK and make relevant suggestions for ways they might tackle their problems. An evaluation for the Scottish Government estimated that by giving a tele-care service to 44,000 people (including over 4,000 people with dementia) between 2006 and 2011, around 2,500 hospital discharges were expedited, 8,700 emergency admissions to hospital were avoided and over 3,800 admissions to care homes were saved (JIT, 2012: 11).

Benefits of co-production

This analysis demonstrates that co-production has potentially many benefits. Of course, these will be seen differently by different stakeholders – in Box 23.4 we set out the different reasons why various stakeholders might buy into user and community co-production.

Box 23.4 Benefits of co-production

People who use services

- Improved outcomes and quality of life
- higher quality public services.

Communities

- Increased social capital, inclusion and resilience
- increased well-being.

Front-line staff

- More responsibility and job satisfaction from working with empowered service users.

Heads of services

- Moving resources from problem-solving to prevention
- better collaboration with third sector organisations
- mobilising new resources and expertise for innovations.

Top managers

- Reducing the demand for services
- enabling a shift from a service provider to a service commissioner role.

Politicians

- Strategy to cope with reduced budgets and demographic change
- alternative to significant service cuts
- building trust with service users and communities.

Co-production approaches – the four co-s

Case example 23.6 Co-commissioning of young people's services in Surrey County Council

From 2009 to 2012, Services for Young People (SYP) in Surrey County Council underwent a transformation from delivering services *to* young people to commissioning outcomes *with* young people, whilst reducing the budget by £4.5 million, or 25 per cent. This involved co-commissioning the Local Prevention Framework with decision-making panels which included young people, elected members and partners. The procurement exercise won an award for 'Best Public Procurement' in 2012 from the Chartered Institute of Purchasing and Supply.

Between January 2012 and January 2014 the number of young people who were NEET (not in employment, education or training) in Surrey reduced by 60 per cent – indeed, Surrey had the joint lowest proportion of young people who were NEET of all local authorities in England in 2013/14. By 2013, Surrey achieved a 90 per cent reduction in the number of young people who were first-time entrants to the criminal justice system. Since November 2012, the Youth Support Service has engaged over 290 young people who presented as at risk of becoming homeless, leading to the lowest ever rate of youth homelessness in Surrey.

Source: Adapted from Bovaird and Loeffler (2014)

So far we have talked about co-production as a single way of bringing users and communities into public services. However, it is useful to distinguish four different approaches to co-production – the four co-s:

- co-commissioning
- co-design
- co-delivery
- co-assessment.

1. *Co-commissioning* involves the public sector and citizens working together, using each other's knowledge and expertise, to plan and prioritise which services should be provided for which people, using public resources and the resources of communities. Examples include involving citizens in service reviews and planning (see Case example 23.6), micro-commissioning by service users (using individual budgets given to them by the local authority) and participatory budgeting.
2. *Co-design* offers a structured approach to harnessing the best ideas from the people who will ultimately use and deliver the service – e.g. personalisation in social

services, innovation labs with service users and website redesign – see Case example 23.7.

3. *Co-delivery* is about citizens and the public sector working together to deliver services and improve outcomes. Some dramatic examples have already been highlighted in this chapter – see Case examples 23.1, 23.2 and 23.3. Other examples include community asset transfer, capability assessment and matching for individuals (e.g. the Governance International '*See What You Can Do*' Toolkit), community peer support groups and 'street champions' (e.g. Neighbourhood Watch).
4. *Co-assessment* involves citizens working with professionals and managers to give feedback on services and support received. It offers an 'insider view' that is often lacking in formal assessment. Examples include web-based user rating of public services, tenant inspectors of housing, social care users acting as care home inspectors and self-monitoring by people who use health and care services (see Case example 23.8).

Case example 23.7 Co-designing the adult social care website with people using services in Stockport

Stockport Council's Adult Social Care Department redesigned its website from a customers' point of view, as the old website had resulted in unnecessary and poor quality calls to the contact centre, which wasted everybody's time. The new website, co-designed with service users and carers, featured the information which services users, their families and friends said they needed, in a way they could understand. This involved an ethnographic approach, not only discussing the website with potential users but also watching carefully how the website was actually used and changing the information content and the language used.

Within a year after the website went 'live', enquiries received at the contact centre went down by 29 per cent. Even more importantly, the number of enquiries which the contact centre had to refer to the 'back office' social work teams was reduced by 36 per cent. Most importantly, it has resulted in estimated gross savings for the department of nearly £300,000 p.a.

Source: Adapted from Wells (2011)

Overcoming the limitations and barriers

Case example 23.8 Self-monitoring of patients in Highland Hospital, Sweden

In 2001, the gastroenterology unit at Highland Hospital had long waiting lists. Growing numbers of in-patients suggested a highly expensive new ward would be needed. However, a review of services, from a patient perspective, redefined the role of patients to give them greater responsibility for their health as members of a team, rather than just subjects of medical intervention. Patients were trained in self-monitoring – this proved much more effective than the previous check-ups, which generally did not coincide with times when patients were experiencing 'flare-ups' in their condition.

The greater responsibility exercised by patients resulted in nearly 50 per cent fewer hospitalisations over a 7-year period (compared with a national average of a 4 per cent decrease) – and a bigger ward was not needed.

Source: Adapted from Bovaird and Tholstrup (2010)

Research has shown that powerful cultural and systemic barriers to co-production exist (Bovaird and Loeffler, 2012). They will have to be overcome if co-production is to break into the mainstream and be scaled more widely in public services and local communities.

- *Funding and commissioning barriers* – while funders and commissioners often seek specific objectives and narrow performance indicators, related to public services, co-production tries to harness the capabilities and strengths of citizens in delivering outcomes. Consequently, outcomes-based commissioning should boost the potential for co-production by promoting interventions that range wider than existing services.
- *Difficulties in generating credible evidence* – the benefits of co-production often occur elsewhere than in the service which initiates it (and bears the costs). Moreover, its effects are often long term and complex. Consequently, a business case is needed to convince key stakeholders (e.g. politicians, top managers and auditors) that investment in co-production is justified.
- *Inadequate professional skills to mainstream co-production* – co-production requires new skills, particularly being able to spot people's assets and capabilities and finding ways to harness them – this should influence the recruitment, training and performance management of professionals.
- *Risk aversion* – co-production is still seen as highly risky by many politicians, managers and professionals, as the behaviour of co-producing citizens is less understood and is feared to be unpredictable. Of course, existing public services also carry substantial risk, which is again often poorly understood, so the presumption of

increased risk through co-production may well be exaggerated.

- *Political and professional seeking for status and 'control'* – where co-production is seen by politicians, managers and professionals as a loss of status or 'control', a culture shift may be needed if co-production is to succeed.

In spite of 30 years' interest in user and community co-production of public services, there are still few examples of co-production being mainstreamed. Co-production initiatives still tend to be add-on, small-scale projects 'complementing' traditional forms of public services. It is still not clear if this is because the above barriers are still very large in many organisations – or whether leaders lack the courage to decommission existing services which are performing poorly and substitute co-produced alternatives instead. In the many Organisation for Economic Co-operation and Development (OECD) countries currently facing further budget cuts, leaders may decide that they have to try alternative forms of public services, such as co-production. Whether there will be enough time to ensure that co-production can deliver the desired outcomes is an open question – this will be all the more problematic, given that the cuts are having to be made very hastily.

Summary

The conceptual roots of co-production go back to public sector economics (e.g. Elinor Ostrom), the services management literature (e.g. Normann) and citizen engagement (e.g. Arnstein). From these varied sources has emerged an understanding of citizens as people with a potential contribution to make to public outcomes, which can be harnessed when working together with public services.

User and community co-production of public services and outcomes is therefore different from simply 'volunteering' (where the public sector may not be involved) or 'consultation' (where the contribution of citizens may be relatively small, especially where decisions are largely pre-decided). It is also different from inter-organisational collaboration, for which the word 'partnership' is already available (although film and TV companies will no doubt continue to promote their 'co-productions').

Why does co-production matter in public services? Quite simply because it both opens up new resources for public services, harnessing the strengths, assets and potential contributions of citizens, and it provides new expertise on ways of achieving outcomes which matter to citizens, based on experiences not available to service professionals. These new resources, the clearer understanding of outcomes which matter and the new approaches for achieving these outcomes are all major benefits offered by the co-production approach.

There are a number of powerful cultural and systemic barriers to co-production that hinder its spread – they include funding and commissioning barriers, difficulties in generating credible evidence to convince key decision-makers, inadequate professional skills to mainstream co-production, risk aversion and political and professional drives for status and 'control'. While all of these barriers can in principle be overcome, they mean that there are still few examples of co-production being mainstreamed and taken to scale across public services.

Questions for review and discussion

1. What makes co-production different from other aspects of citizen engagement?
2. In what ways is the third sector likely to be important in promoting and expediting user and community co-production of public services and outcomes?

Reader exercises

1. Find examples from the literature of all the benefits of co-production listed in Box 23.4.
2. Consider the kinds of services and outcomes for which co-production is *not* likely to be appropriate in general. Are there some aspects of these services and outcomes for which some element of co-production might nevertheless be relevant?
3. Choose three community organisations which are based in the streets around where you live. Discuss with members of their staff the extent to which they encourage local residents to co-produce better outcomes with the public services in the area.

Class exercises

In small groups, consider how some of the activities you have all undertaken in the past week, if done through a co-production approach, might have helped public services to be more efficient or to bring better outcomes for yourselves or others. In plenary, discuss what the public sector might do to benefit more from co-production activities by people in your class.

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24
Transparency in government

Alasdair Roberts

Introduction

Today, talk about transparency has become ubiquitous. But what precisely does transparency mean, and how is the idea translated into rules that shape how governments operate? The purpose of this chapter is to answer these questions. We shall see that transparency in government is not universally regarded as an unalloyed virtue. There are good reasons to resist demands for transparency, and contexts in which the drive to promote transparency has met stiff resistance.

Learning objectives

The learning objectives for this chapter are that you should:

- understand what the concept of transparency means and how it has been translated into policy;
- identify the main arguments that have been for and against policies that are intended to promote transparency;
- understand the main contexts in which struggles over transparency have been fought and the policy disagreements that underlie those struggles.

Context

Suppose that a group of experts had been gathered in 1985 and asked to list the characteristics of a well-governed country. They might have said that the government in such a country should be responsive to the needs of citizens; that it should be able to assure public order and provide for the public welfare; and that it should be reasonably efficient, free of corruption, and fair in its dealings with citizens and businesses. It is unlikely that the experts would have said that the government should be transparent. Many people cared about open government, but they would not have ranked it prominently as a key attribute of good governance. And almost certainly they would not used the word "transparency" to describe that quality of openness.

Much changed in the three decades after 1985. Transparency entered the vocabulary of governance and became so widely used that, in 2003, lexicographers at Webster's Dictionary chose it as their word of the year. Transparency, they said, was "an answer to the public's impatience with secrecy and deceit on the part of leaders, institutions and processes everywhere" (Piotrowski, 2010: 1). In 2005, World Bank President James Wolfensohn insisted that "transparency is essential to good governance" (World Bank, 2005). Transparency, said a senior official at the International Monetary Fund, "helps improve governance and reduce corruption—essential ingredients for better development and faster growth" (Kaufmann, 2005: 43).

Nevertheless, transparency is an idea that can be advocated by people with many different agendas, sometimes with starkly divergent views about the role of the state. Its role in good governance therefore needs to be analyzed, not assumed.

Definition and applications of the idea

We should begin by clarifying precisely what we mean when we talk about transparency in government. Many authors have proposed definitions that are comparable in content, if different in phrasing. Ann Florini, for example, suggests that transparency "refers to the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or to assess the decisions made by insiders" (Florini, 2007: 5). Obviously, if we are talking about transparency in the public sector, those insiders must be politicians, political advisers, or bureaucrats within public agencies. Similarly, David Heald suggests that transparency is achieved "when those outside can observe what is going on inside the organization" (Heald, 2006: 28). Again, this might be applied to private as well as public institutions; since we are interested in transparency in government, we should apply the caveat that we are interested in the conduct only of *public* organizations. In a similar vein, Patrick Burkinshaw suggests that transparency "entails conducting public affairs in the open or otherwise subject to public scrutiny" (Birkinshaw, 2006: 4).

In general, one wants to be on the watch for two potentially troublesome variations on the standard definition of transparency. The first variation is that which defines transparency narrowly as a condition in which governments actively disseminate information about their work. Consider a definition of transparency as "the publicizing of policy choices" by decision makers (Fox, 2005: 2). We would, no doubt, favor this sort of activity on the part of our leaders. But observe how the definition has omitted the idea of access to information about the *process* by which choices are made—or, indeed, about any other aspect of the internal workings of government. And also observe how the task of judging whether transparency has been achieved has shifted subtly from outsiders to insiders. In the broader definitions, transparency is a project of *scrutiny by outsiders*; in the narrower definition, it is a project of *publicity by insiders*. Insiders tend to prefer this narrower definition of transparency precisely because it gives them more discretion in deciding when and how to release information.

Another troublesome variation on the standard definition of transparency is pitched too broadly. Consider, for example, this definition of "open government" proposed by the Organization for Economic Co-operation and Development in 2005:

> From the public's point of view, an open government is one where businesses, civil society organizations and citizens can "know things"—obtain relevant and understandable information; "get things"—obtain services from and undertake transactions with the government; and "create things"—take part in decision-making processes.
>
> (OECD, 2005: 1)

There is nothing intrinsically wrong with this definition—who, after all, could complain about improved access to essential services, or improved opportunities to participate in policymaking? But from the point of view of analysis it is unhelpfully wide. And it also creates an opportunity for policymakers to supplant one kind of "openness" for another—to assert, for example, that they are more open because they made certain services easier to use, rather than by improving the public's capacity to scrutinize government operations.

The idea of governmental transparency has been advanced in many different ways. For

example, many countries have adopted archive laws that require public officials to preserve significant records and provide public access to some of those records after the passage of a specified number of years. Recently, dozens of countries have also adopted laws that provide members of the public with a broader right to obtain copies of records that have not yet been transferred to a government archive. These statutes, sometimes known as freedom of information or right to information laws, can be important tools for scrutinizing the activity of government agencies (see Case example 24.1).

There are a host of other statutes that also promote openness. Administrative procedure laws (such as the American Administrative Procedure Act) usually require public agencies to publish regulations and provide reasons for decisions on matters such as requests for welfare benefits or licenses. Some jurisdictions also compel agencies to hold meetings by officials in public in certain circumstances. An increasing number of countries have also adopted public interest disclosure laws—popularly known as whistleblower laws—that provide protection for government employees who reveal information about corruption and other forms of misconduct within public agencies.

Case example 24.1 Diffusion of freedom of information laws

The United States adopted its Freedom of Information Act (FOIA) in 1966. Like many of the laws that followed it, the U.S. FOIA does four things: it affirms a right to acquire copies of records held by government agencies; establishes a process for making requests for information; identifies reasons (such as national security) that officials may give for refusing such requests; and establishes a right of appeal to an independent authority if officials are thought to have denied requests improperly.

Only a handful of countries had adopted statutes like the U.S. FOIA before 1990. These included some of the states of northern Europe and the older Commonwealth countries. But the next two decades saw a remarkable diffusion of similar laws—to the newly democratized nations of central and Eastern Europe, several of the major OECD countries (such as Germany and the United Kingdom), and then to many developing countries, including India, which adopted a Right to Information Act in 2005. Even China adopted national regulations which acknowledged a qualified right to government-held information. By 2012, it was estimated that over 80 countries, comprising most of the world's population, had acknowledged the right to information. Whether that right was effective in practice—in other words, whether the policy was effectively implemented—was another question entirely.

Sometimes statutory disclosure requirements are tied to specific policies. For example, India's National Rural Employment Guarantee Act, adopted in 2005, contains detailed provisions that are designed to assure access to information about money spent on public works projects. The aim is to deter corruption by allowing members of the public to monitor expenditure under the program. The American Recovery and Reinvestment Act, adopted in

the wake of the financial crisis of 2007–2008, also included detailed requirements for the electronic dissemination of information about the expenditure of funds on public works projects, in a bid to counter skepticism about the wisdom of the massive spending plan.

This hardly exhausts the way in which transparency has been embedded in new policies. Many governments in richer countries have recently launched "open data" programs that are intended to provide public access to certain large datasets that have been created by government agencies. The idea is that businesses and advocacy groups might find valuable new uses for such datasets—for example, by helping travelers to track the on-time performance of airlines. Meanwhile many poorer countries participate in the Extractive Industries Transparency Initiative, which promotes disclosure of information about the payment of royalties to governments by oil and mining industries. Many countries also participate in a program led by the International Monetary Fund that promotes transparency in the conduct of national fiscal and monetary policies, as well as periodic reviews undertaken by the World Trade Organization that are intended to promote transparency in national practices affecting international trade.

We can see that transparency is a pliant idea—that is, it can be bent to many different purposes. Indeed, this is probably the main reason for the extraordinary popularity of the concept. Groups with radically different policy goals may still agree on the importance of transparency in the part of government that is of particular interest to them. In a sense, the term helps to create an illusory sense of consensus on policy. Everyone agrees that transparency is key to good governance. But this simply masks deeper disagreements about what the role of government should be.

Arguments for and against transparency

The arguments in favor of transparency seem straightforward. One approach is to regard transparency as an important mechanism for safeguarding various fundamental human rights. For example, it is widely recognized that people have a fundamental right to participate in the governance of their own country, and it is easy to argue that this right is meaningless if people cannot acquire information about what public agencies are up to. As the Indian Supreme Court explained in an important 1981 decision, "Where a society has chosen to accept democracy as its creedal faith, it is elementary that its citizens ought to know what its government is doing" (Roberts, 2001: 262). Transparency can also protect individuals against arbitrary state action that might affect their physical security (through arrest, for example); or their economic security (through the denial of educational or employment opportunities); or even their health (through denial of healthcare or failure to regulate polluters).

There are other arguments for transparency. Some advocates say that it promotes efficiency in government, by deterring corruption or the careless use of public resources (see Case example 24.2). Yet others argue that it improves the legitimacy (or the degree of public support) of governmental action—on the premise that individuals are more likely to accept even adverse governmental decisions if they can see that they were based on sound reasons. And some advocates argue that government-held information is, by definition, the property of the people and that consequently it should generally be accessible for public use.

Against this there are arrayed a powerful set of arguments against transparency. Several of these fall into the category of *raisons d'état*—state interests that could be jeopardized by openness. Prominent among these are considerations of national security and diplomatic relations, which could be endangered if defense capabilities or sensitive negotiations were exposed to public view. Political leaders and senior bureaucrats also argue that they need "space to think" creatively about the management of public affairs and that this space would be eliminated if their internal deliberations were routinely disclosed. Many government leaders feel a rising sense of anxiety about their capacity to control the course of public affairs, because of trends such as globalization and the rise of new information technologies, and this has encouraged stronger resistance to transparency initiatives—since the public agenda can easily be upset by the untimely release of information about the inner workings of government. And, finally, public agencies make their own arguments about efficiency. Transparency initiatives are not costless: on the contrary, it can be very expensive to organize and release information sought by the public. Agencies sometimes say that the cost of implementing new transparency policies outweighs any benefits that these programs might produce.

Case example 24.2 MP expenses

An extraordinary story about transparency in government unraveled in the United Kingdom in 2008–2010. In 2008, the administrative arm of the House of Commons

received several requests under the newly adopted Freedom of Information Act for details about reimbursement of expenses incurred by Members of Parliament. The requests were initially denied, but several appeals bodies ruled that information about expenses should be released. MPs responded with unsuccessful efforts to change the law so that details about expenses could be withheld.

In May 2009, the *Daily Telegraph* obtained complete copies of MPs' expense records. They had been leaked to the newspaper by an outraged government employee. In subsequent weeks, public anger mounted as the media published stories about the myriad ways in which legislators had abused their expense privileges. "If public servants can't spend their expenses with prudence," asked Heather Brooke, an activist who had filed one of the initial FOIA requests, "how can we have faith they will spend billions of our taxes wisely on larger projects?" (Brooke, 2009).

The political fallout was substantial. Six ministers were compelled to resign because of expenses abuses. The Speaker of the House of Commons also stepped down because of his failure to monitor expense claims properly. Prime Minister Gordon Brown apologized to the British public "on behalf of all politicians," and a new body—the Independent Parliamentary Standards Authority—was established to prevent further abuses.

Resistance to transparency does not hinge simply on *raisons d'état*. Much of the information that is held by government agencies has been collected by other parties—individuals, businesses, and other governments. And each of these other parties can make their own arguments against disclosure. Individuals can say that the release of personal information would constitute a violation of their fundamental right to privacy. Businesses can argue that the release of information that they have been compelled to give to goverment might jeopardize hard-earned trade secrets. And other governments that have shared information can argue that they should be allowed, as sovereign entities, to make their own decisions about whether that information should be released.

The question of whether to adopt a particular transparency policy is rarely clear cut. More often, there are compelling arguments to be advanced for and against the disclosure of particular kinds of information. The design of transparency rules—and decisions about the release of specific pieces of information—almost always requires a careful balancing of the interests that will be advanced or harmed as a result of disclosure.

Recent battles over transparency

Perhaps the best way of appreciating the complexities that can surround transparency policies is by examining some of the most critical points of debate between transparency advocates and governments over the last few years.

- *Problems of implementation.* In many countries, promises of increased transparency by public agencies have been confounded because of a simple failure by governments to take implementation seriously. Consider, for example, the steps that are required for a law like the United Kingdom's Freedom of Information Act (FOIA) to be put into force. Officials must be taught how to recognize a request for information and how to respond to it in accordance with the law. Agencies must develop procedures for assuring that the hundreds or thousands of requests which they receive are dealt with in a timely way. Internal record-keeping practices must be good enough to allow the quick retrieval of all documents that might be relevant to a request for information. And there must be some procedure for dealing quickly and fairly with complaints about the refusal to disclose information. In a sense, an FOIA bureaucracy must be established. This requires time, money, and the attention of agency leaders. If no investment is made in the training of staff, or the establishment of routines, or improvement of record-keeping, then requests for information are unlikely to be dealt with in accordance with the law. They might simply be ignored entirely.

  In much of the world, the battle over right to information laws has devolved into a battle over the implementation of policy. Many governments have adopted a statute that promises a right of access to government records, but they have done little to make the law work in practice. In some instances, this is because governments were never serious about transparency in the first place. They adopted the law as a symbolic measure, to appease voters or international agencies that provide financial support. In other instances, though, governments might have been serious about transparency, but limited in their capacity to implement a new law properly. Most of the countries that have recently adopted right to information laws are very poor. It is one thing to make a right to information law work in the United Kingdom, an affluent country with a highly educated and professionalized public service (although even the UK was criticized for flaws in implementation after its Freedom of Information Act went into force in 2005). It is another thing to make the law work in a country like India, where government budgets are much more tightly constrained and the public sector workforce is less skilled. There is a strong tendency for politicians and senior bureaucrats in these countries to argue that 'right to information' laws are luxury goods—fine for wealthy countries, but a distraction in poorer countries with more pressing social needs.

  Recently, though, the tendency to view transparency as a luxury has been evident even in more affluent countries. The financial crisis of 2007–2008 caused public sector debt in many advanced economies to soar. In the United Kingdom, for example,

central government debt increased by over 40 percent between 2007 and 2010. Governments responded to this by adopting severe austerity programs that threatened to have a disproportionate effect on transparency programs that were not regarded as being part of the "core business" of government. At the same time, government enthusiasm for privatizing public functions—and thereby putting them beyond the reach of transparency laws—was rekindled (Roberts, 2012a: 4–5).

- *Effects of privatization.* Concern about the effect of privatization on transparency is not new; it was a major concern in many advanced economies throughout the 1990s. The difficulty here is straightforward. In general, transparency policies are intended to promote the disclosure of information held by public agencies. But many governments have, over the last 30 years, reduced the range of activities performed by public agencies. The forms of privatization vary. In some instances, state-owned enterprises have been sold to private investors. In other instances, public agencies have retained final responsibility for certain policies, but have delegated the implementation of those policies to private sector contractors. Some governments have also become enthusiastic proponents of "public-private partnerships" in which they enter into decades-long contracts with businesses to build and operate infrastructure such as highways, schools, and hospitals. In all of these cases, the same question has been posed: should privatized functions be subject to newly adopted transparency policies?

  There is no easy answer to this question. A few countries have taken a very expansive view of transparency rules. For example, South Africa's freedom of information act promises access to certain kinds of records held by all organizations, public or private. A more common approach, however, is one that excludes privatized enterprises and contractors from the ambit of transparency policies. The argument is that transparency would compromise the efficiency of private enterprises, which are in any case subject to other kinds of accountability, such as to shareholders or regulators. But many advocates of transparency are not persuaded by these arguments. They take the view that if private organizations wield power delegated by governments, or spend public money, or play a critical role in the formulation of public policy, they should still be subject to the same transparency rules that are applied to conventional public agencies.
- *National security considerations.* Another difficult question regarding transparency policy has to do with the application of the concept to defense, intelligence, and policing agencies—sometimes known as the security sector of government. The argument in favor of transparency is clear. These agencies exercise power in ways that can have an immediate and profound effect on the rights of citizens. And in some countries, the security sector spends a large part of the governmental budget. There is a strong case for accountability, which in turn requires access to information about the operations of these agencies. But the arguments against disclosure can be equally compelling. Security agencies worry that the disclosure of information will allow enemies—either external or internal—to undermine public order and threaten the stability of the state itself. Indeed, fears about the threat to public security are sometimes so deeply felt that security agencies are entirely excluded from the operation of transparency policies such as right to information laws.

It is important to recognize that concern about the preservation of secrecy is deeply embedded in the bureaucratic practice, as well as the organizational culture, of agencies in the security sector. Most security agencies have developed complex policies regarding "security of information" (SOI). These include rules about the screening, or clearance, of individuals to determine whether they can be trusted to handle sensitive security information. Governments are also bound by international agreements to maintain rigorous SOI policies in certain areas. And, over time, SOI policies have assumed unintended functions: security clearance has become a form of bureaucratic status and a way of narrowing the number of people who are allowed to participate in policy debates. SOI policies are so deeply rooted in culture and practice that it would be difficult for even the best-intentioned leader to overturn them quickly.

- *Technological change and "radical" transparency*. Recently, though, advocates of transparency have wondered whether technological changes might provide a way of overcoming bureaucratic inertia within the security sector of government. WikiLeaks is a non-governmental organization that came to prominence in 2007–2011. Its aim was to create a vehicle for the rapid dissemination of information leaked by individuals within security bureaucracies and other powerful institutions. The WikiLeaks project took advantage of technological innovations, such as the digitization of government-held information, improved encryption, and the Internet, all of which made it easier to contemplate the large-scale leaking and re-broadcasting of information. Some commentators thought that WikiLeaks had introduced a form of "radical transparency" that would bring an "end to secrecy" in its traditional form in government (Sifry, 2011).

  There is no doubt that technological change has made it easier, in some circumstances, to leak and re-broadcast information. But claims about the transformative effect of WikiLeaks were vastly overstated. Many commentators underestimated the ability of security agencies in the United States to react against WikiLeaks following a series of damaging disclosures in 2010. The United States government took legal action against individuals implicated in the 2010 disclosures and tightened its internal practices to avoid similar leaks in the future. It argued that WikiLeaks had been careless in releasing information that harmed innocent third parties as well as important U.S. national security interests. It may be that other organizations will find ways of circumventing these new restrictions in the future; but one of the main effects of the WikiLeaks affair was to demonstrate the power and resilience of the security sector of the U.S. government (Roberts, 2012b).
- *Digitization*. There are other respects in which technological change has altered the debate over transparency. In one sense it has made the task of achieving openness more difficult. Fifty years ago, record-keeping in government was largely paper-based. Officials typed memos or reports that were stored in file cabinets and libraries. The available technology limited the amount of information that could be recorded within public agencies. Obviously this has now changed. In the digital age it is vastly easier to capture the flow of information within government agencies. As a result, the volume of information that must be managed has grown explosively. This poses tremendous challenges for information specialists within government. They must decide how to

separate significant information from insignificant; develop systems for organizing and retrieving information; and anticipate how information can be retrieved in the future, when current technologies are superseded by new ones. If information specialists fail to meet these challenges, then transparency policies will fail. As a practical matter, information will not be accessible—either to officials within government or stakeholders outside government.

There is a related challenge posed by digitization. Suppose that government agencies meet the challenge of preserving this vast new supply of digitized information, and that it actually becomes available to stakeholders outside of government. Will those stakeholders have the capacity to manage and interpret the supply of information that is available to them? This was an easy job when documents were printed on paper and limited in number. It is much harder when the stockpile of relevant materials may include tens of thousands of emails and other digitized records (see Case example 24.3). To give a sense of the scale: it is estimated that the White House transferred 77 terabytes of data to the U.S. National Archive at the end of the presidency of George W. Bush in 2009—more than 30 times the amount of data transferred at the end of the Clinton administration eight years earlier.

Case example 24.3 Journalists learn how to use "big data"

As government agencies have shifted from paper-based modes of record-keeping to electronic modes, journalists have had to acquire new skills. In the United States, a non-governmental project—the National Institute for Computer-Assisted Reporting—was set up in 1989 to help journalists cope with "big data," the label frequently used to describe the mass of digitized information that is now being collected within government.

The appeal of computer-assisted reporting (CAR) lies in its ability to detect patterns of behavior through analysis of big data. For example, the *New York Times* used a database maintained by the U.S. Department of Transportation to demonstrate that fatal crashes involving Ford Explorer sport utility vehicles were three times as likely to be related to tire failures as fatal crashes involving other brands. The *Times*'s stories substantiated concerns about the reliability of Firestone tires that were routinely installed on new Explorers. Federal regulators had not detected the pattern in their own database. A later *New York Times* analysis of data collected by the U.S. Occupational Safety and Health Administration revealed a long-standing failure by regulators to seek criminal prosecution of employers whose wilful violation of safety rules had caused worker deaths.

CAR requires a significant investment of resources by media outlets. Unfortunately, it is increasingly difficult for traditional media outlets to make this investment. Bruce Ackerman has recently observed that "The Internet is destroying the economic foundations of professional journalism" (Ackerman 2010: 27). Advertising revenue for American newspapers declined by almost half between 2006 and 2011. As a result, the journalistic workforce has been cut back. There were 55,000 people working in newsrooms in 2006, and only 41,000 in 2012, according to the American Society of

Newspaper Editors.

- There is an alternative and more optimistic view about the effect of digitization of transparency. It emphasizes the opportunities that might be created by allowing public access to the massive databases that have been created within government agencies as a result of digitization. It is this more optimistic view that drives recent open data initiatives in many countries. An early example of the potential of open data projects is provided by the Toxic Release Inventory (TRI), a database maintained by the U.S. Environmental Protection Agency (EPA) that tracks the use of hazardous chemicals by industrial facilities in the United States. Data collected within this database was made publicly accessible in the 1990s. Studies suggest that the use of hazardous chemicals dropped substantially after the public release of TRI data, even though there was no bar to the use of those chemicals under U.S. law.
- *Civil society capacity*. TRI did not have this effect simply because the EPA chose to make data available. The success of the TRI initiative hinged on the ability of well-funded non-government organizations to develop web-based applications that allowed citizens to track the behavior of industrial facilities in their neighborhoods. Disclosure of information was not enough. The goal of increased accountability could not be realized without the activity of those non-governmental organizations.

  This suggests one final challenge that arises with regard to the implementation of transparency policies. It is not simply a matter of what the law says, or even a matter of whether governments take their laws seriously. Transparency policies will also fail if there is not a capacity within civil society—journalists, citizen groups, business associations—to seek government-held information and explain its meaning to a wider public. Indeed, this was true even before the digital age: in the era of paper-based records, we depended on the traditional media—newspapers and broadcast media—to obtain government records and interpret their meaning on our behalf.

  However, there are some countries where this capacity within civil society is entirely lacking, either because of poverty or political repression. Even in advanced democracies, civil society capacity can be surprisingly limited. Ironically, technological change is undermining one of the main sources of this capacity—the old print and broadcast media. Optimists hope that the Internet age will encourage new methods of 'crowdsourced' analysis of information. But it is not yet clear that this will be an effective substitute for the sort of analysis once performed by old-style investigative journalists and well-funded interest groups.

Summary

The concept of transparency has enjoyed an extraordinary rise in popularity over the last 30 years. There are, as we have seen, many reasons why this is so. It is an idea that can be advocated by individuals and groups who pursue many different agendas, sometimes with starkly divergent views about the role of the state. An interesting question is whether the concept will enjoy similar popularity in the next quarter-century. Is transparency now permanently entrenched in our understanding of the core elements of good governance? Or will enthusiasm for the concept eventually be superseded by frustration over the long and difficult battles that have arisen over the translation of the concept into actual policy?

Questions for review and discussion

1. It is sometimes said that transparency is one of the key aspects of good governance. As you look at the challenges confronting government today, would you say that this is the case? What other values might rank more highly?
2. There is a worldwide community of non-governmental organizations that campaigns in favor of various kinds of transparency policies. What kind of success do you think that this movement will achieve over the next 20 years? To put it another way, do you think that the trend will be toward more open government, or more secretive government, over these two decades?

Reader exercises

1. Look through the leading news stories on a major media website. To what extent did these news stories depend on information obtained from government agencies? And how does it appear that this information was obtained?
2. Make a list of the ways in which you depend on information provided to you by public agencies. How would your life change if this information was not accessible?

Class exercises

1. Pick a recent news report that appears to rely on a leak of information from a public agency. What arguments could be made in defense of that leak? What arguments could be made against it? On balance, was the disclosure justified?
2. Pick a recent news controversy. Suppose you wanted to make a request for information from a public agency that was related to this controversy. Does the law in your country permit you to make such a request? Assuming that it does, what information would you seek? What do you think the response would be?

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25
Changing equalities
Politics, policies and practice

Janet Newman and Rachel Ashworth

Introduction

Concepts of equality and inequality are fundamentally *political* concepts that have become institutionalized within the public service system in particular ways. Yet, along with concepts such as 'fairness', 'social justice' or 'social exclusion', they are historically rooted and mutable. In recent years, the meaning of such concepts has shifted, reflecting changing social, economic and political conditions. These include the demise of taken-for-granted assumptions about the welfare state as the guarantor of universal rights and benefits; the increasing importance of social movements around disability, age and sexuality; the changing role of women in both the labour market and in public life; and, in the UK, the fundamental reassessment of institutional cultures and practices following the Macpherson Report of 1999, which reported on the failure of the police to deal effectively with the death of a young black teenager, Stephen Lawrence, in 1993. It introduced the concept of 'institutional racism' into the political lexicon and led to the amendment of UK legislation on race relations. Each of these movements and events is framed in broader patterns of political change, notably the shift in language away from redistributive meanings of equality and towards the more cultural interpretations implied in the idea of social exclusion; and from the formalized concept of equality to more fluid notions of social diversity.

These transformations have produced major challenges for public service organizations. Their capacity to respond is influenced by a number of different issues, not least the ways in which new business and management practices have been adopted; the ways in which notions of consumerism have reshaped relationships between public services and the public; the effects of the emerging patterns of governance described in chapters 2, 4 and 15; and more recently the challenges of austerity. What is the capacity of the public sector to deliver equality goals in the midst of these profound social and political transformations?

Learning objectives

- To understand the politics of equality and the different notions of justice that it draws on.
- To understand how far equality and diversity policies can be viewed as simply a matter of 'good business practice'.
- To be able to identify the difficulties inherent in translating policy into practice.
- To reflect on how equality and diversity might be reframed within a context of financial restraint and new forms of governance.

Changing politics: administrative justice or social justice?

Equality is not an essential, unchanging and universal principle of public management. Equality legislation and equality policies are the product of struggles by particular groups to overcome patterns of structural inequality – around social divisions such as class, gender, race, disability and sexuality. Most of what we take for granted as citizens is the product of such struggles. The politics of equality is not settled, but is the continued focus of social action as groups face new forms of disadvantage or attempt to enlarge the opportunities open to them. It is also open to various forms of 'backlash', as those whose power bases are threatened mobilize their resources – ideological, legal and institutional – to resist change. Equality, diversity and social justice are, then, all *political* concepts that are the focus of different interpretations and give rise to different strategies of enactment and resistance.

The form of equality that became enshrined in the UK public sector over recent decades was based on the concept of administrative justice – a concept that tended to strip it of these political inflections (see Box 25.1).

Administrative justice is, however, a poor means of redressing inequality. Subjecting everyone to the same rules is not enough to compensate for injustices inherited from the past. Administrative justice gives rise to an individualized and passive conception of equal opportunities that enables dominant cultures to reproduce themselves. That is, to succeed, individuals may take on the characteristics of the dominant groups in whose image organizational cultures have been moulded over successive generations. In this way, little structural change – particularly the shifting of power relations – can take place, and the same groups of staff, users or citizens tend to remain excluded from the centres of power and decision-making. Despite the rules of impartiality and equality, some groups may perceive that their interests are marginalized, their voices unheard or that they are treated unjustly.

The politics of equality has been through two key shifts in recent years. The first has been an increasing emphasis on diversity – that is, a recognition of the need to respond to difference rather than simply providing equality of opportunity. The second – less embedded – has been an attempt to transcend the passive and formalized notion of equality with a more active and dynamic concept of social justice – see Box 25.2. This shifts attention to the outcomes of policies and practices rather than to the processes through which they are delivered. The two concepts are connected explicitly in a long-standing but recently resurgent body of literature on representative bureaucracy which argues that public organizations should be representative of the societies they serve in order that policies can be designed to achieve desired outcomes for diverse publics (Andrews and Ashworth, 2013).

Box 25.1 The two principles of administrative justice

The first principle derives from the notion of citizenship in welfare democracies. All citizens are considered to have equal claims on welfare services, so that given the same circumstances, they could expect to receive the same benefits, wherever – and to

whomever – they made their claims.

The second principle is that of the impartiality of public service officers – an impartiality guaranteed by the bureaucratic rules and norms of the organizations in which they work.

Box 25.2 The difference between administrative and social justice

Administrative justice is about processes and rules – for example, the process of staff selection; the rules by which resources are distributed.

Social justice is about the outcomes of policies and practices – for example, the overall profile of a labour force; the extent to which resources are redistributed.

Changing policies: diversity as a business asset?

The emergence of the diversity agenda

Public service organizations have experienced profound changes over the last 25 years due to a combination of an emphasis on marketization and efficiency, new forms of partnership and network collaborations, and austerity policies which have prompted increasing downward pressure on public sector pay and a curtailment of employment rights. Many organizations have responded by introduced flexibility strategies that adversely affect their lowest paid workers, among whom women and black and ethnic minorities are disproportionately represented. Despite some notable exceptions, equality goals have often become subordinated to business and efficiency goals.

However, more recently, there has been a resurgence of interest in the possible benefits of diversity strategies for organizations across the private and public sectors (Conley and Page, 2014; Fischer, 2007). This interest has been driven by a human resources management (HRM) agenda aimed at 'managing diversity' (see chapter 9). This agenda has, in turn, been underpinned by a 'business case' that advocates the enlargement of recruitment pools so that staff can be more representative of society and therefore more responsive to societal needs (Rees, 2005). In addition, public service organizations have been cast as the 'model employer', leading the way on equalities for their counterparts in the private sector to follow (see Case example 25.1). However, this is a position which is difficult to maintain in an age of austerity, as budget cuts remove opportunities to recruit, whilst job losses are likely to have a disproportionate impact on particular communities – see Case example 25.2.

In the public policy literature, the ethos is that equality and diversity are simply a case of being 'responsive' to the different needs of diverse groups of users or citizens (Cabinet Office, 2007). However, the academic literature suggests that responsiveness may not always deliver equality: the results of public consultation exercises may override professional notions of equality, and consumer power tends to be weak as a driver of equality (Clarke *et al.*, 2007). The solution to this dilemma is to develop strong, rather than weak, notions of diversity and forms of consultation, i.e. linked to concepts of social, rather than administrative justice (Young, 1990). A positive notion of diversity acknowledges the wide plurality of interests and complexity of identifications among the public, rather than resting on crude conceptions of 'consulting the whole (i.e. undifferentiated) community' or dividing the public into distinct categories ('the black and ethnic minority community', 'women', 'the elderly', etc. (Conley and Page, 2014; Barnes *et al.*, 2007). Rather than simply sampling pre-formed 'opinions' through survey techniques, consultation should enable different groups to be informed about the issues and to engage in dialogue – with each other and with public agencies (see chapter 22).

Case example 25.1 Equality standard for UK NHS trusts

UK National Health Service (NHS) trusts are now subject to an equality standard – a self-assessment framework which evaluates whether trusts are meeting statutory requirements on equality and diversity. The framework will:

- provide a toolkit to enable health organizations to plan and monitor their work on equality and diversity;
- outline key and standard criteria, which divisions and trusts will work towards, and the types of evidence required to support particular standards;
- allow organizations to identify their performance and raise standards on equality and diversity.

Organizations can apply for a bronze standard (based on documentary evidence of processes), a silver standard (passed on practical evidence of progress) or a gold standard (based on the delivery of significant outcomes for equality improvement across all protected characteristics).

The equality standard will be supplemented by a new workforce race equality standard explicitly designed to improve representation of ethnic minorities in senior positions. The Chief Executive of NHS England claims that this will result in an NHS which is 'of the people, by the people and for the people'. All these standards are to be mainstreamed within wider measures of organizational leadership and performance.

The standard builds on the 2010 Equality Act which consolidates all previous legislation against discrimination on the grounds of sex, race, disability, religion or belief, sexual orientation and age. In this way, the Act gives a more simple and concise framework for the prevention of discrimination than hitherto.

The Equality Act 2010 also included a definition of discrimination which is defined as less favourable treatment due to the protected characteristics: disability, age, gender reassignment, marriage, civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Importantly, this Act also includes dual discrimination (combining no more than two protected characteristics).

Source: Adapted from Southern Health Trust website, www.southernhealth.nhs.uk/inside/news/latest-news/equality-standard (accessed November 2014)

Diversity policies have been criticized because of their focus on individuals, rather than groups; and because of their focus on assimilation. That is, diverse groups may be absorbed or incorporated into the mainstream and so lose their distinct forms of identity and patterns of allegiance (Prasad *et al.*, 1997). The existence of a diverse workforce may not yield the benefits of enhanced innovation, responsiveness, market sensitivity and so on, if the organization is modelled on an image of a holistic, consensual culture in which all sign up to the 'ownership' of the same goals and values, as often demanded by 'total quality management' gurus, and are expected to adopt the dominant ethos. A diverse organization is necessarily a dynamic organization: one in which there is likely to be conflict between different values and norms, in which minority voices are able to raise challenges to conventional practice and in which

power imbalances and discriminatory practices can be recognized and discussed. That is, it is one that recognizes that change involves politics as well as management.

Case example 25.2 The impact of austerity in the USA on people of colour

Government jobs are often associated with decent pay, benefits and security. This has been the case in the USA for thousands of African Americans who were recruited into public service employment following the civil rights movements of the 1960s. Consequently, African Americans have had greater opportunities to secure employment in government and public service organizations, compared with those in the corporate sector, occupying 18 per cent of federal jobs whilst only comprising 13 per cent of the population.

Federal government shutdowns have occurred as politicians have attempted to agree a response to the global financial crisis. In addition, at state level, services have been subject to severe cuts. These actions have been subject to detailed analysis based on the types of services affected. However, the Center for American Progress – an independent educational institute – has evaluated the possible implications that shutdowns have for those 'non-defense' workers at risk of being 'furloughed' and losing their employment – albeit temporarily. Their analysis demonstrates that government shutdowns and budget cuts disproportionately affect people of colour, potentially impacting on 150,000 African Americans, 70,000 Hispanic and 47,000 Asian American federal employees, not just in Washington, but also in states such as California, Florida, Texas and Alabama.

Source: Adapted from Center for American Progress website, www.americanprogress.org (accessed December 2014)

Despite these difficulties, the links being made between diversity and organizational effectiveness potentially place equality agendas at the core of organizational strategies, rather than consigning them to the backwaters of HRM. However, researchers have observed that, in practice, equality policies often lack substance and are little more than 'an empty shell' (Hoque and Noon, 2004). Clearly, politics and business make uneasy partners, and it is important to hold on to the idea that equality and diversity are contested ideas around which a number of conflicts are played out. Only then can we understand why, while equality and diversity are concepts to which everyone may ascribe in principle, few translate into practice in a way that makes a real and sustainable difference.

Changing practice: barriers to change

Why, given the centrality of equality in public services over many decades, has so little been achieved (see Greer and Jarman, 2010)? Given this lack of progress, current approaches to equality in the UK, reflected in new legislative duties and the work of the Commission for Equality and Human Rights, have placed a heavy emphasis on 'capabilities' – a person's ability to achieve a given state of well-being by combining the different 'functionings' available to them (e.g. meeting their basic physical needs, achieving social integration and self-respect, etc.) (Nussbaum and Sen, 1993). The capabilities approach moves beyond 'equal opportunities' by suggesting that some citizens will require additional support in order to take up opportunities such as, for example, extra resources for disabled people or childcare for working lone parents (Widdowson, 2008). However, despite these recent developments, progress on narrowing inequalities remains slow (Cabinet Office, 2014). There are a number of potential explanations for this that are presented in the following section at three different levels of analysis: the institutional, the organizational and the personal.

Institutional explanations explore the ways in which organizations adopt norms and practices in order to enhance their legitimacy in the eyes of external stakeholders. Equality policies are part of a dominant 'logic of appropriate action' within public services. These logics are based on norms and conventions developed through interaction with peers and within particular professional groups (HR managers, equality officers, professional associations, trades unions, etc.). These norms differ subtly between different services (e.g. social service organizations talk about 'anti-oppressive practices', while police services may be oriented towards eradicating 'institutional racism'). They also vary geographically (with a higher legitimacy afforded to equality issues in, say, metropolitan rather than rural areas).

Equality policies and programmes may be partly ceremonial, their function being to secure organizational legitimacy in the institutional environment. There may be a host of signs and symbols (e.g. 'we value diversity' statements on job adverts, photos of black officers in publicity materials, or perhaps a lone woman promoted to an otherwise all-male senior management team). However, these signs and symbols may be 'loosely coupled' to the realities of everyday practice (Meyer and Rowan, 1991). Loose coupling allows multiple goals to be pursued in different parts of the system independently of each other. A delicate balance has to be struck between being seen to support equality goals while not allowing them to get in the way of operational efficiency. So, for example, there may be a formal job-share policy, but an informal set of rules about where this policy can, and cannot, be applied. In order to secure efficiency goals, new working practices may be introduced that adversely affect the pay and conditions of low-paid workers, and so further disadvantage women and ethnic minority staff. The corporate centre may adopt a policy on social exclusion that has little impact on service-planning or operational management. Tighter coupling brings a closer alignment between policies and outcomes, with outputs monitored and outcomes evaluated – an approach which often necessitates considerable institutional work on the part of equality officers (Conley and Page, 2014).

Organizational explanations tend to focus on the intractability of organizational cultures

(Itzin and Newman, 1995). This focus recognizes that individuals and groups may be disadvantaged not by overt discrimination (e.g. the old height rule in the UK police force or the bar on married women in the UK civil service) but by norms and practices that influence their experience of the workplace. Expectations about working hours, access to flexible working and job-sharing opportunities, norms about an appropriate work/life balance, may all be applied 'fairly' (i.e. even-handedly) but may be profoundly discriminatory in their effects. Issues of language, humour and normative assumptions about lifestyle and relationships can all contribute to the marginalization of particular groups and disable them from making an effective contribution. Assumptions about the characteristics of users and communities – about young black males, Asian women, young single mothers, gays and lesbians, travellers, the homeless – may be enshrined in the culture and passed on from one generation of practitioners to the next. Such assumptions may not be held consciously by any particular individual, but nevertheless may become institutionalized in the culture, influencing a myriad of informal practices that may be experienced as discriminatory by the groups concerned.

However, culture change strategies are rarely successful on their own – the hearts and minds of those whose power and status may be threatened by equality issues cannot necessarily be won by a succession of mission statements and corporate goals. People may learn a new language without changing their behaviour. There may be a backlash against those promoting equality values and actions, coupled with subtle strategies of resistance. Culture change programmes need to be supported by 'harder' organizational change strategies such as equality audits, targets linked to performance indicators, careful use of disciplinary procedures to signal behaviours that are unacceptable, resource allocation strategies that reward positive outcomes and the monitoring and evaluation of outcomes. Recent austerity policies resulting in cutbacks in recruitment to public organizations and reduced capacity within HR and equality teams are likely to limit progress in this area (Ashworth *et al.*, 2013). As a result, attention has shifted recently away from equality and diversity and toward an explicit focus on 'inclusion' (Oswick and Noon, 2014). At the organizational or workplace level, the emphasis here is on the degree to which employees from all backgrounds 'experience treatment that satisfies his or her needs for belonging and uniqueness' (Shore *et al.*, 2011: 1265). Recent research shows that employees from more diverse public organizations report higher levels of inclusion and lower levels of discrimination and harassment (Andrews and Ashworth, 2015).

Personal explanations explore the ways in which individuals experience the implementation of equality policies. Enacting the equality agenda through one's own behaviour is threatening, not only to established power bases but also to workers' views of their own competence and professional expertise (Conley and Page, 2014). For example, a black hospital worker may experience racial abuse from a white patient, or a white worker may be asked to collude in racist comments about a black colleague, but neither may feel able to respond because of their concern that they may, in so doing, undermine their own professional standards (and status) by showing lack of respect for the patient's vulnerable or dependent status. A care worker's sense of competence may be challenged by the distressing behaviour of a client – or carer – from a different cultural background to their own. A white social work manager may feel that her authority is threatened by the claims of her 'multi-racial' team and may feel tentative about exercising proper performance management in the case of black colleagues. A male

police officer may marginalize a gay or lesbian member of the team from the informal bonds of collegiality on which the team's proficiency depends. Such personal fears, emotions and responses tend to be viewed as outside the domain of rational management practice. Yet, they may lead to strategies of avoidance that further marginalize groups that are already disadvantaged. Only in organizational cultures that acknowledge the emotional, as well as the managerial, dynamics of change, and where there is a culture of learning rather than blame, can these fears be confronted and addressed.

Changing forms of governance

In the new governance literature, notions of networks, partnerships, participation and involvement all tend to be conceptualized in terms of a predominantly optimistic reading of change in the public policy system, i.e. as a welcome release from the inflexibilities of hierarchy or the fragmenting consequences of markets (see chapter 15). There is, however, a need for more careful attention to be paid to the patterns of inclusion and exclusion that they may produce or reproduce.

Networks and partnerships are viewed as a response to the increasing complexity and ambiguity of the public realm. As the site of action shifts, so equality agendas must be renegotiated. Newman (2002) suggests two alternative scenarios for what the outcomes of these negotiations might be. The first is a pessimistic reading in which the power dominance of statutory agencies means that radical perspectives from 'outside' are absorbed, deflected or neutralized. For example, organizations may engage in forms of consultation in which the rules of debate are firmly set by the statutory body, thus excluding or marginalizing alternative forms of dialogue. Dissenting or difficult voices may be dismissed as 'unrepresentative', and groups likely to challenge the mainstream consensus may be excluded through a range of informal strategies.

The second scenario is one in which the public service system becomes more open to challenges from groups historically marginalized from decision-making processes. This scenario also emphasizes the possibility of socially oriented action on the part of public service workers committed to equality goals. The opening up of organizations to greater influence by users, citizens and communities – including community activists and politicized user groups – can be a major impetus for innovation (see chapter 23). They also potentially provide new forms of legitimacy for those public service professionals seeking to engage with social and political change.

Recent developments

The final section of the chapter examines recent developments on equality and diversity that have occurred at the three levels of analysis: the institutional, the organizational and the personal.

Institutional: new legislative developments

The European Commission has been considering the introduction of compulsory quotas to ensure 40 per cent female representation on company boards. The proposed quotas are to be accompanied by stiff financial penalties, potentially leading to liquidation. There is currently a lack of consensus across the 28 states on this policy, with outright resistance to compulsory quotas from countries such as the UK. However, with states such as Germany recently introducing mandatory quotas and positive evidence of their effects being disseminated from Norway, pressure is likely to build towards a standard EU-wide approach (see Case example 25.3).

Organizational: New approaches to equality

We have also seen developments in terms of new organizational approaches to equality, more specifically, a movement from a focus on equal treatment and positive action to 'mainstreaming' or 'transforming' equality (see Box 25.3).

This has been especially developed in relation to gender mainstreaming – see Case example 25.4. Newman (2013) suggests that processes of gender mainstreaming have served not only to acknowledge but also to partly undermine feminist claims for equality. However, she stresses that both the equalities agenda and neoliberalism have changed as they have interacted with each other. For example, 'women's activism helped neoliberalism to adapt and flex, but also [successfully] made new demands on capitalism (including those of equality, rights, welfare benefits and provision for "care")' (Newman, 2013: 210).

Case example 25.3 Gender quotas for boardrooms in Germany from January 2015

Germany is set to join France, Italy and the Nordic countries in adopting compulsory quotas for female representation on company boards. The decision has divided opinion, with one German minister describing the move as equivalent to 'swallowing a toad', whilst the FidAR campaign group stated, 'We don't like coercion but if we don't have mandatory rules, nothing will change'.

The German system will have three components:

- mandatory 30 per cent representation on supervisory boards for Germany's largest public companies by 2020;
- all public and private companies above a certain size to be compelled by law to set their own targets;
- existing laws on female participation in the workplace to be strengthened.

The German move could have wider implications, making the introduction of an EU-wide quota system more likely. Either way, European countries are now leading the world in terms of gender-diverse boards with the Nordic countries, where women occupy almost a third of positions, topping the international league table.

Source: Adapted from Barrett (2014)

Personal: firmer application of existing legislation

Box 25.3 Models of equality

Equal treatment – 'tinkering':

- focuses on individual rights;
- legal remedies.

Positive action – 'tailoring':

- focuses on group disadvantage;
- 'special' projects and measures.

Mainstreaming – 'transforming':

- focuses on systems and structures that give rise to group disadvantage;
- integrates equality into mainstream systems and structures.

Source: Adapted from Rees (2005: 557)

There is evidence to suggest that individuals and groups are using equalities legislation to a greater extent than in the past. For example, there has been concerted action on the part of women workers to enforce sex discrimination legislation in recent years (see Box 25.4). High-profile cases relating to the availability of overtime payments and bonuses are being won by women, with substantial compensation being awarded. These legal judgments are imposing substantial compensation payments on organizations ranging from the US retail giant Wal-Mart to UK local councils.

Box 25.4 Historic equal pay case has major implications for caregivers

A Court of Appeal decision in New Zealand in 2014 is likely to prompt a flurry of equal pay claims. Kristine Bartlett – a caregiver – was supported by the Service and Food Workers Union in her bid to secure equal pay. The case was deemed historic as the Court suggested the Equal Pay Act was not limited to considering equal pay for the same or similar work within the same sector, as sometimes it was appropriate to consider evidence on wages paid by different employers in other sectors.

After the verdict Bartlett said 'caregiving is not recognized or paid fairly because most caregivers are women. I took this case, with the support of my union, not just for myself but for the tens of thousands of caregivers who get paid close to the minimum wage for doing one of the most important jobs in our society'. The national secretary of the Service and Food Workers Union, John Ryall, said, once implemented, the decision would help to close the gender pay gap in New Zealand.

Source: Adapted from Unite Union, New Zealand Website, www.unitenews.wordpress.com.

Summary

Concepts of equality and inequality are fundamentally *political* concepts. In recent years, the language has tended to shift away from redistributive meanings of equality and towards the more cultural interpretations implied in the idea of social exclusion; and from the formalized concept of equality to more fluid notions of social diversity and inclusion.

Equality is not an unchanging and universal principle of public management. Equality legislation and equality policies are the product of struggles by particular groups to overcome patterns of structural inequality – around social divisions such as class, gender, race, disability and sexuality. In recent years, there has been an increasing emphasis on diversity – that is, a recognition of the need to respond to difference and to pursue a more active and dynamic concept of social justice.

As diversity becomes seen as contributing to business effectiveness, equality agendas are more frequently to be found at the core of organizational strategies. However, it remains the case that equality and diversity are contested ideas. This may be part of the reason why rather less has been achieved than hoped in recent years. Barriers to change can be identified at three different levels of analysis: the institutional, the organizational and the personal. Recent developments at each of those levels of analysis include new legislative duties and a movement to 'mainstreaming' or 'transforming' equalities, but progress so far has been judged to be patchy.

Network forms of governance in the public sector mean that a host of actions, which appear to have little relationship to issues of difference, are likely to be highly significant in terms of their consequences for patterns of equality and inequality – including network governance approaches to consultation; representation on partnership bodies; the selection of staff to develop new projects or initiatives; methods of developing community strategies and partnership strategies; the types of contract with voluntary or community sector organizations; and the ways in which 'community', 'diversity' and 'difference' are conceptualized (Newman, 2005). Finally, the recent period of financial constraint associated with austerity policies has presented new challenges for equality and diversity policy. First, government cuts have led to reductions in recruitment, hampering efforts to improve the diversity of public organizations. Second, there has been some concern about the impact of government public spending cuts, in particular an argument that these have disproportionately affected women.

Questions for review and discussion

1. Why do policies or practices based on the concept of administrative justice fail to deliver change in historical patterns of discrimination or exclusion?
2. How might 'equality' and 'efficiency' goals be in conflict, and how might organizations attempt to reconcile them?
3. Why do new forms of governance mean rethinking the traditional conception of equal opportunities in the public sector?
4. What specific challenges might austerity and associated policies present to equality and diversity policy?
5. The Equality Act 2010 included 'dual discrimination' for the first time; what are the potential consequences of this for people who experience multiple discrimination?

Reader exercises

1. ‘Bureaucracy’ has become unfashionable as an organizational form. What are the implications for ensuring fair treatment for citizens – and staff – in more flexible, devolved organizational forms within a complex public service system?
2. What strategies or practices might your organization or service adopt to enhance its legitimacy in the eyes of particular groups who may have been subject to institutionalized patterns of discrimination or exclusion in the past?
3. The ‘welfare state’ is undergoing important shifts as demand on some services exceeds the capacity – or willingness – of the state to supply them. Services are increasingly being targeted at particular groups, rationed through various means, or subjected to the logic of the marketplace. It is also argued that the receipt of services should be conditional on notions of responsibility or deserts – in the familiar phrase of politicians, that ‘rights’ come with ‘responsibilities’. What ideas of equality or justice do you think underpin such measures? And what might be the implications for our understanding of citizenship in the twenty-first century?

Class exercises

1. Look up the definition of 'institutional racism' that was set out in the Macpherson Report (Macpherson, 1999). Consider how the concept of institutional bias might influence practice in relation to other forms of discrimination – for example, in terms of gender, disability, age, sexuality – in your own organization or service *or* a service you use.
2. Obtain a recent online report on the distribution of top jobs in the public and/or private sector. Explore how far each of the three levels of analysis (institutional, organizational, personal) might be used to explain these data, and identify strategies that might be used to bring about change at each level.
3. Research the way in which a sample of large public, private and third sector organizations develop and monitor their equality policies. Are there any differences between the three sectors? And how might such differences be explained?

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26
Ethics and standards of conduct

Howard Davis and Suzanne J. Piotrowski

Introduction

Concern to ensure high standards of behaviour is by no means new. Indeed, demands for ethical conduct on the part of politicians and public officials pre-date the modern concern for the rule of law ('*Rechtsstaat*') and can be traced back at least to Greek and Roman times. These concerns have risen to prominence again in recent years largely because of a series of scandals which have prompted changes in both management and governance arrangements in the public sector (see chapters 4 and 15).

In spite of evidence of improved efficiency and service practices in public sector organisations (see chapter 4), citizens' trust in government by and large has fallen in most industrialised countries in recent decades – for example, in the USA in the 1990s, roughly three in four citizens didn't trust the government to do the right thing, whereas it had been only one in four in the 1960s (Putnam, 2001: 47). However, it is not clear that this is due to an increase in corruption in the public sector – there is little empirical evidence on whether public sector corruption has actually increased in the last ten years in most Organisation for Economic Co-operation and Development (OECD) countries. One argument is that the public sector has become more transparent recently, so more cases of corruption have become exposed, even if corruption as a whole has not increased. Nevertheless, it is possible that lower standards of conduct have resulted from new public management practices, particularly contracting, always an arena prone to corruption (see chapter 7).

Whatever the reason for their recent growth, 'sleaze', corruption scandals and allegations of dishonesty have affected the confidence and trust that citizens have in public representatives and officials. This may, in turn, have affected the level of democratic activity in many OECD countries, particularly the low voter turnout at elections (only 57.5 per cent in the 2012 US presidential election and generally under 40 per cent in local elections in the UK), sinking memberships of political parties, a general lack of interest in conventional politics and even disrespect towards politicians.

Moreover, a high level of corruption may also impact upon economic performance, since it means that the costs (in the widest sense) of service production go up, less efficient providers are used, certain groups or individuals are unfairly favoured and others harmed, and there are significant losses of tax income. Consequently, international organisations such as the World Bank and the OECD have taken a strong interest in corruption.

However, governments are increasingly recognising that 'ethics' is not just an issue for others – revelations about alleged unethical behaviour of public servants or politicians mean that they need to clean up their own doorstep. Ethics is now on the agenda everywhere, and public bodies accept the need to increase transparency and take action to ensure fair and honest behaviour in the public domain.

Learning objectives

This chapter will help readers to identify:

- the reasons for the current emphasis on ethics and standards of conduct in the public sector;
- the spectrum of unethical behaviour, from corruption to minor infringements of ethical codes;
- the rationale behind the recent move to strengthened codes of conduct in the UK and elsewhere;
- the pros and cons of control-oriented and prevention-oriented approaches to ensure ethical behaviour;
- the role for transparency as a mechanism for fighting unethical behaviour.

In Brighton she was Brenda
She was Patsy up in Perth,
In Cambridge she was Carina
The sweetest girl on Earth.
In Stafford she was Stella,
The pick of all the bunch,
But down in his expenses,
She was Petrol, Oil and Lunch.

Source: Anon

Ethics as a key governance issue in the public sector

As chapter 15 illustrates, ethics is considered a part of 'good governance'. How has the renewed emphasis in recent years on fair, just and ethical behaviour come about?

There are no empirical grounds for claiming that managerialism, as an ideology or a codified set of practices, has explicitly incentivised unethical behaviour. Nevertheless, it seems that the switch to a focus on results (outputs and outcomes), and away from processes, may have had some unfortunate side-effects. The simple truth that 'processes matter' (and that 'ends do not necessarily justify the means') seems sometimes to have been forgotten. Unregulated processes can lead to unfair and dishonest practices.

The focus on economically driven values and business management methods in the public sector – stronger in countries such as the UK but much weaker in countries such as France – has generated a new discussion about the values and norms of public service. Indeed, one must now ask, rather than assume, whether in any given country a public service ethos still exists or whether public service culture has become almost identical with business culture (see Box 26.1).

Furthermore, the introduction of contract management (see chapter 7) and the increasing blurring of boundaries between various sectors (see chapter 3) mean that decision-makers in the public sector face new, unfamiliar, situations and dilemmas, which require new ethical guidelines. Equally, those used to operating in business may find that practices acceptable in the private sector are unacceptable when working with public sector bodies.

Box 26.1 Standards in UK public life

Decentralisation and contracting out have varied the format for organisations giving public service. There is greater interchange between sectors. There are more short term contracts. There is scepticism about traditional institutions. Against that background it cannot be assumed that everyone in the public service will assimilate a public service culture unless they are told what is expected of them and the message is systematically reinforced. The principles inherent in the ethic of public service need to be set out afresh.

Source: Committee on Standards in Public Life (1995: 17)

In particular, the following changes in public management have raised questions as to what the 'new rules of the game' are:

- Greater intensity of interaction between the public, private and non-profit sectors has led to all kinds of partnerships and associated blurring of responsibilities – bringing a need for role clarity and transparency in decision-making, both inside partnerships and between partners and other stakeholders.

- Managers – and also partly frontline staff – may have increased flexibility in the use of finance and staff resources. For example, in some EU countries, many public agencies such as utilities now operate within a private law framework, very different from the previous public sector framework with its rather rigid staff regulations and financial accounting systems.
- With deregulation in many OECD countries, including the UK, many new regulatory agencies have been created, often without clarity on to whom the regulators are actually accountable. Given their power, it is unsurprising that some staff may occasionally abuse their position. For instance, there are recurring concerns worldwide about potential corruption in police drugs squads and in customs, both of which have access to high-value goods being traded illegally.
- Increased mobility of staff between different sectors introduces new values into the public sector. While this may usefully bring a more entrepreneurial spirit to the public sector, it may also dilute traditional understandings of 'public service'. It also raises the thorny issue of how staff treat confidential information, particularly when public officials later move on to jobs in the private sector.

The increasing use of contracting (particularly with the private sector) in the provision of public services has sharpened some ethical issues involved in inter-organisational relationships. For example, Seal and Vincent-Jones (1997) argued in relation to the extension of trust-based, relational contracting to local government services, that:

> [The] positive image of trust that emerges from the literature is based on an implicit assumption that trusting relationships are somehow welfare-enhancing. Less obvious are the negative aspects of trust – trust between members of self-serving elites which may flourish within bureaucracies.
>
> (Seal and Vincent-Jones, 1997: 7)

Davis and Walker (1997, 1998) have argued that different parties in any contract inevitably have different primary objectives. The first objective for a contractor must be to survive. A contractor seeks ultimately not to provide the best possible public service but to provide the best possible public service *consistent with a profitable contract*, however this is dressed up.

Consequently, public officials and political representatives can find that it is no longer clear what constitutes proper behaviour. Of course, there are also cases of deliberate wrongdoing, in spite of clear guidance through legal regulations or standards of conduct. The recent UK scandal over expenses claims by Members of Parliament is a case in point (see chapter 21) – although MPs were able to claim with some justice that the rules were unclear, a high proportion of their claims seemed ludicrous to the general public, once they were published, and some MPs ended up in prison for wrongful declarations. However, these are likely only to be the tip of the iceberg – many undesirable behaviours may occur more through ignorance or confusion. One proposed answer is increased ethics training and education of public employees, so that internal controls are embedded within the consciousness of administrators, to guide their individual decisions when external controls, such as ethics codes or laws, are not clear.

John Rohr changed the landscape of public administration literature by defining and introducing the concept of regime values in *Ethics for Bureaucrats* (1989), primarily focused on regime values in the USA but potentially with application elsewhere. Rohr stated:

> By ‘regime values’, I intend to suggest that the normative foundation of ethical standards for public servants in any regime is the values of that regime. In the United States the regime values happen to be constitutional values, but not every regime takes its constitution as seriously as Americans do.
>
> (Rohr, 1989: ix)

Rohr (1989: 68) lays out three characteristics of regime values, which he believed should be the basis of ethics courses for students of public administrators:

1. That ethical norms should be derived from the salient values of the regime.
2. That these values are normative for bureaucrats because they have taken an oath to uphold the regime.
3. That these values can be discovered in the public law of the regime.

Corruption

Media attention tends to focus gleefully on corruption scandals – see Case example 26.1 and Case example 26.2 – but there are many other forms of unethical behaviour which are usually not reported by the media, such as disadvantaging citizens who do not have a strong voice or excluding certain user groups from access to public services. The question therefore arises as to what distinguishes corruption scandals from other forms of unethical behaviour.

Defining and measuring corruption is far from straightforward. A team of Dutch scholars have used a number of techniques for gathering data to study corruption including:

- self-reports of deviant behaviour;
- self-reports of victimization;
- corrupt behaviour seen by colleagues in the work environment;
- internal investigations;
- criminal cases;

Case example 26.1 A famous corruption scandal in the UK

'Flagship' Conservative-controlled Westminster City Council in London was the subject of a long-running alleged 'homes for votes' scandal. In May 1996 auditor John Magill accused former council leader Dame Shirley Porter and five others of 'wilful misconduct' and 'disgraceful and improper gerrymandering' between 1987 and 1989. He also made them jointly and severally liable to repay the £31.6 million that he estimated to have been wrongly spent as they allegedly tried to 'fix' election results in marginal wards by selling council homes cheaply under the right to buy scheme to people thought to be more likely to vote Conservative. The 'surcharge' was later reduced to £26.5 million. After appeal hearings going in different directions the House of Lords, in December 2001, re-imposed the surcharge on Dame Shirley and her former deputy. In April 2002 Dame Shirley lodged a formal complaint against the ruling with the European Court of Human Rights. August 2002 saw Westminster City Council win a High Court summary judgment to help it recover the £26.5 million plus some interest. In November 2003, assets worth millions of pounds and said to be controlled by Dame Shirley were frozen by court orders secured by Westminster Council. Following negotiations and mediation, a settlement of £12.3 million was agreed in mid-2004.

Source: The *Guardian* and BBC News (various dates)

Case example 26.2 Local government corruption in the United States: 'the Jersey sting'

The State of New Jersey in the United States has long had a reputation for being corrupt. Sadly, New Jersey recently lived up to this reputation. Forty-four people were arrested in July 2009 including three mayors, five Orthodox rabbis, two state legislators and the deputy mayor of Jersey City, Leona Beldini. Before Ms Beldini became deputy mayor she was a stripper using the stage name Hope Diamond. The details of the sting, initiated by Chris Christie, now governor of New Jersey and then US Attorney, were stranger than fiction, with the charges running from bribe-taking by politicians, money laundering by rabbis and the black market brokering of a kidney. Peter Cammarano was one of the mayors caught up in the sting. Cammarano was a young, promising politician who was sworn in as the mayor of Hoboken, NJ, just three weeks prior to his arrest. Cammarano took $25,000 over several months from an informant posing as a real estate developer. Much of the money was stuffed in cereal boxes and exchanged at a local diner in Hoboken, New Jersey. He was memorably caught on tape saying that the people in Hoboken who did not support him in the run-off election would be 'ground into powder'. As of July 2011, 30 of the defendants had pleaded guilty, four more were found guilty at trial and one had died. Only one person had their charges dropped and the other cases were still unresolved.

Source: Adapted from Fleisher (2011) and Sherman and Margolin (2011)

- convictions; and
- reputational research and expert estimation on the extent of corruption.

While there is no easy and completely accurate way to measure corruption, the use of multiple data sources and triangulation does increase reliability and validity (Huberts *et al.*, 2006).

Box 26.2 EU definition of corruption

The European Union Convention on the fight against corruption, involving officials of the European Communities or officials of Member States of the European Union (Council Act of 26 May 1997) defines active corruption as 'the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties' (Article 3). Passive corruption is defined along the same lines.

Source: www.conventions.coe.int/Treaty/EN/Reports/HTML/173.htm (accessed on 16 May 2008)

The legal definition of what constitutes corrupt practices varies from country to country. International regulations only focus on specific forms of corruption, and what public opinion considers as 'corrupt practices' also varies from country to country. Typically, public views as to what is considered 'corrupt behaviour' go beyond what can be prosecuted as an offence

under national criminal law. This has implications, for example, for cross-national contracting for major public contracts.

Case example 26.3 Corruption and technology in India

India has struggled with a history of corruption and in 1964 the government set up the Central Vigilance Commission to address the issue. Recently the national government began to change how it distributes pensions and scholarship money. From 1 January 2013 government middlemen have been cut out of the distribution process and money is directly deposited into some recipients' individual bank accounts. The goal is to reduce the amount of money that is lost due to corruption in the distribution process.

The creative use of technology is changing the secretive nature of bribery in India. A non-profit organisation in Bangalore called Janaagraha, which translates as 'people power', launched a website called IPaidABribe.com. Individuals post information on the site when they pay a bribe and for what service. While the website has not stopped bribery in India, there is some evidence that it has made a small difference, with some people using the information on the site to avoid paying bribes. The State Transport Department of Karnataka was repeatedly cited on IPaidABribe.com. The transportation commissioner invited the *I Paid a Bribe* team to report their findings to employees, who realised that their actions were being broadcast around the world. Changes were made in the department, such as the introduction of online applications for driver's licences and an automated driving test centre. Both of these changes reduced the opportunities for employees to solicit bribes.

Source: Adapted from Campion (2011) and Harris (2013)

Transparency International measures the perception of corruption in different countries (see Box 26.3).

It is evident that what is defined as corruption is also culture-bound. For example, while it is totally unacceptable for any public officials in the UK to accept gifts, this is part of many Asian cultures.

Nevertheless, a key question must always be, in whose interest does a particular arrangement or relationship operate? In any relationship the full details, and what makes it work successfully, may well be opaque to outsiders. In the public service there is a continuing difficulty in ensuring that arrangements and relationships work in the public interest and are clearly seen to do so. The closer that any relationship becomes, the greater the potential for corrupt practice and corruption of purpose. Cosy and exclusive relationships sit uneasily with public probity expectations. The move from cliques, to cosiness, to collusion, to corruption is all too easy without adequate safeguards.

Box 26.3 Perception of corruption worldwide

Transparency International is an international non-profit organisation that is dedicated to increasing the transparency of decision-making in the public and non-profit sectors around the world and to exposing and combating corruption. One of its activities is the compilation and publication of an international Corruption Perceptions Index (CPI).

The CPI is a poll of polls, reflecting the perceptions of business people and country analysts, both resident and non-resident, and ranking countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. First launched in 1995, the CPI in 2013 drew on data sources from independent institutions specialising in governance and business climate analysis. The CPI includes only sources that provide a score for a set of countries/territories and that measure perceptions of corruption in the public sector.

In 2013, the index covered 177 countries scoring them from 0 (highly corrupt) to 100 (very clean): not one single country got a perfect score, more than two-thirds score less than 50. Afghanistan, North Korea and Somalia received the worst scores – scoring just 8 out of a possible 100.

Denmark and Finland – both predominantly rich countries – topped the list of countries with very low levels of perceived corruption, both with scores of 91 out of 100. The UK ranked joint 14th (with a score of 76), and the USA ranked 19th (with a score of 73). Transparency International notes that 'corruption remains a global threat' and that the Corruption Perceptions Index 2013 serves 'as a reminder that the abuse of power, secret dealings and bribery continue to ravage societies around the world'. It expresses the view that:

> The world urgently needs a renewed effort to crack down on money laundering, clean up political finance, pursue the return of stolen assets and build more transparent public institutions.

(Transparency International, Corruption Perceptions Index 2013, and www.transparency.org, accessed on 21 November 2014)

Conflicts of interest arise when an individual's own personal interests are at odds with the public interest or their obligations as public officials. The concern is that an individual will be influenced by their own personal private interests and their professional judgement is compromised. Conflicts of interest include bribery, influence-peddling, information-peddling, financial transactions, gifts and entertainment, outside employment, future employment and dealing with relatives. In these areas, public administrators need to be extra vigilant (Cooper, 2012).

It is also important to note, however, that double standards may sometimes be applied and that this could damage public service. Increasingly the public and media appear to demand that their politicians and public servants are totally without blemish in every regard – although the behaviour of those criticising slip-ups by public servants is often also far from perfect. If anybody putting themselves forward for public office is going to have their whole life history raked over in minute detail, this may discourage many individuals from doing so and result in 'blamelessness' rather than ability to contribute being the main criterion for achieving public office.

This leads to difficult dilemmas about balance. Are there ethically acceptable levels of

corruption? Should the standards of conduct applied to those in public life and public service differ from those that the public and media apply to themselves?

The role of codes of conduct in the public sector

Because of the lack of a comprehensive legal framework for dealing with unethical behaviour, in recent years there has been an explosion of codes of conduct and/or expectations in 'Westminster-type' countries. These have typically been drawn up either by public organisations or by the professional associations whose members work in public organisations.

A well-known example of such a code is the 'seven principles of public life' set out by the Committee on Standards in Public Life – see Box 26.4. This UK Committee, initially chaired by the judge Lord Nolan, was established in 1994, following a series of allegations about parliamentarians (such as 'cash for questions', sexual liaisons and alleged dishonesty) and concerns at the cumulative effect of these events on public confidence in politicians and the system of government. It was given a wide remit to examine concerns about standards of conduct of all holders of public office and to make recommendations on changes required.

The Nolan Committee stressed that none of these seven principles can be assumed to be in place – the onus is on demonstrating that they are honoured in practice. Furthermore, such assessment often throws up systemic issues that need to be considered across the sector, not just in one organisation. For example, the first principle, 'selflessness' is undoubtedly threatened by some of the fragmented ways of working in the mixed economy of provision that now characterises public services in the UK, particularly where contracting is the norm.

It is interesting to note some omissions from these principles, e.g. c*ompetence*, which is arguably central to 'proper' public service. There must be grave doubts about the ethics of an organisation providing a service where it no longer has the competence to deliver to the desired standard.

These seven principles have strongly influenced codes of conduct in other countries. They have been adopted in particular in Central and Eastern Europe (in spite of the fact that most of these countries follow the German legalistic tradition), although their legal standing is often unclear.

Box 26.4 The seven principles of public life, UK

Selflessness	Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
Objectivity	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
	Holders of public office are accountable for their decisions and actions

Accountability	to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Holders of public office should promote and support these principles by leadership and example.

Source: Committee on Standards in Public Life (1995: 14)

Professional organisations frequently have their own ethics codes. The International City/County Management Association (ICMA) has a well-established Ethics Code – originally adopted in 1924, subsequently revised in 1998 and, unlike some other professional associations, with a formal enforcement mechanism and appeals procedure. Sanctions include public censure, private censure, membership suspension, suspension or membership bar (International City/County Management Association, 2013).

Some see the standards agenda as a new bureaucracy, or political window-dressing, but behind the agenda are concerns both to prevent corruption and improper behaviour and, in so doing, to bolster the regard in which politicians and public officials are held, with its consequent impact on both the credibility of government bodies and their ability to act.

Another problem is 'ownership' of standards. In many cases codes of conduct are drafted by a committee, the members of which may represent different backgrounds and values from those who have to conform to the standards. Eleanor Glor (2001) stresses the differences in values between different generations, to which we might add the different value systems observed in people from different genders, races, religions, regions, beliefs, etc. Clearly, getting ownership of a single set of standards may be difficult.

There is currently general acceptance that expectations as to what constitutes ethical behaviour have to be made explicit. Nevertheless, there is a strong argument that these standards still need to be negotiated between the various relevant stakeholder groups, rather than simply being imposed by some external body.

Control-oriented and prevention-oriented mechanisms

Not only is what is defined as unethical behaviour strongly culture-bound, but 'Western' countries also tend to have different traditions regarding the combatting of corruption and other forms of unethical behaviour. In particular, two major traditions can be identified: 'Westminster-type' countries such as the UK, New Zealand and Australia (and also the US) have a long tradition of addressing questions of values and moral behaviour directly on a case-by-case basis. In Continental European countries such as Germany and France, ethical issues are more normally addressed indirectly through general laws. In particular, the French Napoleonic Code of 1810 is a landmark, introducing penalties to combat corruption in public life, and even today France is renowned for its emphasis on professional ethics and the study of duties (the so-called *déontologie*) in various sectors (Vigouroux, 1995). In Germany, the rule of law (*Rechtsstaat*) was codified in the Prussian state in the nineteenth century, and the ethos of the civil service that it embodied has been further codified in Article 33 of the modern German constitution. Although the values of German civil servants have greatly changed from those of the Prussian state, the legal tradition is still strong today. These differences are interestingly highlighted by the fact that *Public Administration Times* (the monthly magazine of the American Society for Public Administration) always includes a case study dealing with some ethical issue and some model solution from a managerial or political perspective, whereas the corresponding journal for German civil servants always highlights a legal disciplinary case, with a model solution based on court rulings.

There is general agreement that ethics management should always involve both control-oriented and prevention-oriented mechanisms – controls include mechanisms for ensuring accountability and limiting and clarifying discretion, while prevention concentrates on increasing transparency and awareness of unethical behaviour.

An OECD survey in 1999 showed that control-oriented mechanisms, such as independent financial and legal scrutiny, were considered to be the most important mechanisms for combating corruption (OECD, 1999: 22). Many OECD countries have also taken measures to protect 'whistle-blowers' and to encourage staff to report wrongdoing. Much less common are participatory approaches to counter unethical behaviour by involving citizens in the policing of public activity– see Case example 26.4.

Controls are costly and can never be watertight. Consequently most countries have focused their efforts on risk management, with particularly frequent and intensive controls in areas where the risk of corruption is high, such as in public procurement and public finance. For example, most organisations place ceilings on the expenditure that can be authorised by any individual manager, and contracts invariably have to be awarded by more than one person.

Besides more effective controls, many countries have also taken prevention measures, including:

- measures to avoid conflicts of interest (or at least to make them open), such as declarations of financial and business interests of public officials and politicians, or regulations for staff moving between sectors;

- affirmative action by supporting disadvantaged groups (minority ethnic groups, women, etc.) to identify and report corrupt practices which specifically affect them;
- public education programmes that aim to raise awareness about desirable forms of behaviour and perceptions of unethical behaviour.

Case example 26.4 The Independent Commission Against Corruption, Hong Kong

Hong Kong's Independent Commission Against Corruption (ICAC) was set up originally in 1974. There had been rapid change in Hong Kong in the 1960s and 1970s, providing a fertile environment for the unscrupulous. Corruption was seen to be a very serious problem in the public sector. Vivid examples included ambulance crews demanding 'tea money' before picking up a sick person and hospital amahs asking for 'tips' before giving patients a bedpan or a glass of water. Offering bribes to the right officials was also necessary when applying for public housing, schooling and other public services. Corruption was particularly serious in the police force, with corrupt police officers offering protection to vice, gambling and drug activities. From the outset the ICAC adopted a three-pronged approach of investigation, prevention and education to fight corruption. The Commission's mission is as follows:

> With the community, the ICAC is committed to fighting corruption through effective law enforcement, education and prevention to help keep Hong Kong fair, just, stable and prosperous.

This approach is embodied in the Commission's three Departments of Operations, Corruption Prevention and Community Relations. In 2014 the ICAC had around 1,200 staff. Its approach to reaching out to the public has included providing information on anti-corruption laws and practical guides on preventing corruption, a website with hyperlinks to thematic websites, as well as features of interest such as major corruption cases and TV drama series, a mobile exhibition lorry and targeted events.

Source: Independent Commission Against Corruption (Hong Kong), www.icac.org.hk/en/about_icac/bh/index.html (accessed on 25 May 2015)

This latter group of prevention measures reminds us that ethics always involves values. All control mechanisms will fail if actors do not try to live up to the values that are implicit or explicit in various standards of conduct. But can values be taught? Both in the USA and in the UK it appears that academics, at least, think so – ethics typically forms an important part of public management education and training curricula.

Transparency

There is common agreement that transparency is important in order to fight corruption and other forms of unethical behaviour. While this is a common assumption, it should be noted that there has been little empirical evidence to confirm this relationship.

Most OECD countries have passed freedom of information laws that give third parties access to government information. However, this is just one of the possible avenues for giving access to government information (Piotrowski, 2010), namely:

1. Proactive dissemination – when governments distribute information that has not been formally requested, e.g. by posting information on websites, depositing reports in archives or libraries, or mailing newsletters.
2. Requestor model – associated with freedom of information laws, under which individuals can ask an agency formally for information, which may or may not be released, depending on whether it falls under one of the exemptions listed in the law (usually subject to appeals mechanisms for contesting denied requests).
3. Open public meetings – which provide both a mechanism for participation but also for citizens or journalists to learn about the inner workings of government, such as proposed contracts and ordinances, etc.
4. Whistleblowing and leaks – which, unlike the other three avenues of access to information, may be illegal. In whistleblowing, an individual goes through formal or informal channels to make an ethical issue known to organisational leaders or the public directly. Leaking, however, is done anonymously, e.g. providing information to a news outlet or a non-profit advocacy group.

In many cases freedom of information laws also provide remedies for citizens who believe that their right of access to information has not been respected – in some cases, citizens may complain to an information officer or an ombudsman or ask courts to enforce their access rights (see Case example 26.5). Clearly, in each case a balance needs to be struck between the public interest and the need to protect personal privacy and to respect confidentiality of information. For example, in Canada, most freedom of information legislation does not

Case example 26.5 The Swedish parliamentary ombudsmen –Justitieombudsmännen

Sweden has had an Ombudsman institution since 1809. An Ombudsman is an individual appointed directly by the Swedish Parliament (Riksdag) to ensure that courts of law and other agencies, as well as the public officials they employ (and also anyone else whose work involves the exercise of public authority), comply with laws and statutes and fulfil their obligations in all other respects. An Ombudsman is elected for a four-year period and can be re-elected. Today there are four Ombudsmen, three women and one man.

Each Ombudsman has her or his own area of responsibility. Each Ombudsman has a direct individual responsibility to the Riksdag for his or her actions.

An Ombudsman's inquiries are based on complaints from the general public, cases initiated by the Ombudsmen themselves and on observations made during the course of inspections. A complaint can be made by anybody who feels that he or she or someone else has been treated wrongly or unjustly by a public authority or an official employed by the civil service or local government. The most extreme sanction allows an Ombudsman to act as a special prosecutor and initiate legal proceedings against an official who, 'disregarding the obligations of his office or his mandate, has committed a criminal offence other than an offence against the Freedom of the Press Act and the right to freedom of expression'.

Fundamentally the basis for the work of the Ombudsmen is 'the individual's interest in being treated lawfully and correctly by the authorities. The Ombudsmen form one pillar in constitutional protection for the basic freedoms and rights of individuals'.

Source: Riksdagens Ombudsmän (Sweden), www.jo.se/en/About-JO (accessed on 21 November 2014)

apply to public-private partnerships. It is argued that this could impinge on private interests and endanger the confidentiality of commercial information.

Again, the degree to which various stakeholders in different countries wish to be transparent is culture-bound. Scandinavian countries have a comparatively high degree of transparency in the public sector. For example, the Swedish 'principle of public access' means that the general public and the media are, with few exceptions, guaranteed an unimpeded view of activities pursued by the government and local authorities, through mechanisms including:

- Everyone is allowed to read public documents held by public authorities.
- Civil servants and others who work in the central government sector or for local authorities have freedom of expression – the right to tell outsiders what they know.
- Civil servants also enjoy special freedoms to provide information to the mass media.
- Court proceedings are open to the public, as are meetings of legislative assemblies.

(*Source*: Government Office of Sweden, 2015)

In Finland, transparency even extends to tax information – national newspapers and the website of the Finnish broadcasting company Yle (www.yle.fi/verokone, accessed on 21 November 2014) tend to publish tax information of celebrities and senior politicians. If a Finnish citizen wants to know how much his/her neighbour or colleague earns before tax from income and capital, his/her respective tax rate and total wealth, it is possible to get this information from the tax administration (for a minor fee). Although there has been some discussion in Finland about the privacy issues arising, so far the principle of transparency has protected publication of this information, which would be regarded as an intrusion into privacy in most other countries and be socially and politically unacceptable (for evidence, see Case example 26.6).

Without doubt, the media also play an important role in this context. In particular, in the information age, they are often considered as the 'fourth estate' in the political system. Of course, the media themselves come under attack when they abuse the freedom of the press to violate personal rights to privacy.

E-government may also be used to increase the degree of transparency, as entire documents and accounts can now be disseminated easily and widely, e.g. by the WikiLeaks group – at least to those who have electronic access. However, electronic security is a recurring concern, and cross-border 'scams' can also potentially take place with great ease and speed.

Summary

The standards and conduct of public representatives and officials significantly affect the standing in which they are held. That in turn affects the confidence and respect in which governmental systems are held. High standards of conduct and public confidence go hand in hand. Many people in public life maintain these standards most of the time. Nevertheless, the need to remain vigilant and alert remains as important today as ever. At the same time, there is a need to balance transparency with the right to privacy of individuals, even those in public office.

Questions for review and discussion

1. Why are high standards of conduct thought to be important for those in public life?
2. What degree of disclosure of private interests is needed from those in public life? How far should such expectations extend to their friends and families?
3. Are ethics and standards of conduct matters for enforcement or education and guidance?

Case example 26.6 Every Italian's income posted on Internet

In 2008 the income of every Italian citizen was published on the web without any prior warning by the government, just days before it was due to leave power.

Claiming it was part of a crackdown on tax evasion, the finance ministry put details of the declared taxable income of every citizen on the country's tax website.

The site proved hugely popular. Surprised Italians, delighted at the chance to find out how much their neighbours, colleagues, and high-profile celebrities were earning, bombarded the site within hours of it going live.

Critics condemned the publication, however, saying it was an outrageous breach of privacy as the government did not have consent to make the information public.

'It's a clear violation of privacy law,' ADOC, the Italian consumer group, told Reuters.

'There is a danger of an increase in crime and violence as the data are an irresistible source for criminals.'

The treasury finally suspended the website after the country's privacy watchdog issued a formal complaint.

The tax minister, Vincenzo Visco, was quoted in Italy's *Corriere della Sera* as saying:

'It's all about transparency and democracy. I don't see the problem.'

But the timing of the release of the information has been viewed with scepticism. 'It's a very strange thing to do on the last day before clearing off,' Guido Crosetto, a member of Berlusconi's party, said. 'Taxpayers need to pay less tax, not to know how much all the other Italians are paying.'

Source: Adapted from Rachel Stevenson and agencies, *Guardian* (1 May 2008)

Reader exercises

1. Is it right to expect higher standards of conduct from those in public life than we would apply to ourselves?
2. Can you provide a 'watertight' definition of 'conflicts of interest'? Are there any circumstances in which this definition might be relaxed?

Class exercises

1. Consider the 'seven principles of public life' (see Box 26.4). Are there any principles that you consider inappropriate? Are there any additional principles that you would include? Can these principles be defined in a meaningful way?
2. Do you consider the behaviour of the Italian government (Case example 26.6) to be ethical? What lessons for government policy or codes of conduct would you draw from this episode?

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27
Evidence-based policy and practice

Annette Boaz and Sandra Nutley

Introduction

There is growing interest in the UK and elsewhere in the use of evidence to improve policymaking and public service delivery (Boaz *et al.*, 2008; Shuller *et al.*, 2006). Of course, researchers and analysts have long worked with and in governments. However, in the UK, the Labour government in 1997 revitalized interest in the role of evidence in the policy process – in setting out his modernizing agenda, Prime Minister Tony Blair frequently asserted: '*What matters is what works*'. Internationally, a recent report (Baron and Haskins, 2011) has concluded that 'the Obama administration has created the most expansive opportunity for rigorous evidence to influence social policy in the history of the U.S. government'.

The 1990s saw reduced public confidence in public service professionals, with service users educated, informed and questioning, and clients demanding more information about service choices. The move to evidence-based practice has been a way of addressing such concerns.

This chapter seeks to demonstrate that it is both desirable and practical to ground policy and practice in more reliable knowledge about social problems and what works in tackling them. This does not mean that we have simple faith in the achievement of progress by logical reasoning and evidence. However, it does suggest that effective governance of complex social systems requires opportunities for social and organizational learning, which in turn rely on systems for gathering and using evidence (Sanderson, 2002). Of course, this is challenging, as illustrated by the story of the young political scientist who was asked at interview to describe an introductory graduate course he could teach. He answered that he would begin with well-established empirical findings, provoking the further question: 'That's fine for week one but what would you do for the rest of the semester?' (Shapiro, 2014).

Learning objectives

- To understand what counts as evidence for what purposes.
- To understand how evidence can be used to improve public services.
- To be aware of the obstacles to the use of evidence in policymaking.
- To understand how evidence-based learning can be encouraged.

What counts as evidence for what purposes?

There are two main forms of evidence required to improve governmental effectiveness (Sanderson, 2002) – evidence to improve *accountability* (information about the performance of government) and evidence to promote *improvement* (knowledge that enables the design and delivery of more effective policies and programmes). Chapters 14 and 24 have looked at several aspects of accountability and how performance information can facilitate this. Here we consider the use of evidence for improvement purposes – frequently referred to as 'evidence-based policy and practice' (EBPP).

Discussion of EBPP has been focused predominantly on the question of 'what works' – what interventions or strategies should be used to meet specified policy goals and identified client needs (Nutley *et al.*, 2007). However, policy and practice improvement entails a broader range of knowledge than this, including knowledge about the nature of social problems, how potentially effective interventions can be implemented, what are the likely effects of innovative interventions and who needs to be involved in these processes. Furthermore, evidence is also required about the costs of action and the balance between costs and likely benefits.

Knowledge about some of these issues is often based more on tacit understandings than on evidence derived from systematic investigations, and what counts as good evidence is a subject of debate (Nutley *et al.*, 2012). So, it is no surprise that the UK government works with a broad and eclectic definition of evidence, which includes routine monitoring data, stakeholder consultations and expert opinion.

How can evidence be used to improve public policy and practice?

In this section we consider how research and evaluation evidence can be used. We focus on four main uses of research:

- to design and develop public policy (also referred to as '*ex ante* evaluation' or 'option appraisal');
- to assess the impact of policy interventions (also referred to as '*ex post* evaluation');
- to improve policy implementation (referred to as 'on-going evaluation' or 'monitoring');
- to identify tomorrow's issues ('evidence-based innovation').

Using evidence right from the start: to design and develop public policy

Research has an important role to play at the start of the policy process. It can help to identify the issues to be addressed and whether there are interventions that are likely to be effective in tackling recognized problems.

The choice of a particular policy direction should be informed by existing evidence on what has been tried elsewhere and whether it has been demonstrated to deliver the desired benefits. Typically, this involves commissioning literature reviews, and, in recent years, techniques for undertaking reviews in a more systematic and robust way have been developed.

A distinct feature of systematic reviews is that they are carried out to a set of pre-agreed standards. The main standards are as follows:

- Focus on answering a specific question(s).
- Use protocols to guide the review process.
- Seek to identify as much of the relevant research as possible.
- Appraise the quality of the research included in the review.
- Synthesize the research findings in the studies included.
- Update in order to remain relevant.

Although there are definite benefits of such a process, not least in terms of its coverage and replicability, a recent study of the use of evidence in UK policymaking found that those policymakers who had heard of systematic reviews were concerned about the time involved in conducting reviews and, hence, their utility (Campbell *et al.*, 2007). There are also concerns that the outputs of such reviews are not always as useful as they need to be (Lavis *et al.*, 2005).

Consultation exercises and market research are often used, alongside more formal research, to explore the views and priorities of key stakeholders and the public (see chapter 22). Research can also be used to understand more fully the context and challenges facing a proposed policy. Techniques may include assessing the likelihood of alternative future

scenarios, e.g. the 'Scenarios for Scotland' project, or forecasting specific impacts of a proposed policy, such as regulatory impact assessments (see Case example 27.1). As Deelstra *et al.* (2003) point out, such research can help politically weak stakeholders who cannot undertake such analysis themselves, but much effort is needed to generate convincing and relevant results, involve and build consensus between stakeholders, and identify windows of opportunity in the policy debate when this evidence is likely to be taken seriously. Research into potential risks of new approaches is especially needed where innovative interventions are undertaken and no existing evidence is available – and here, of course, it is particularly important to initiate mechanisms to gather relevant evidence at an early stage.

In recent years pilots have increasingly been used in the design and development of public services. A policy can be trialled with a small group of organizations to identify potential problems and refine the policy before wider implementation – so-called 'prototyping' (Sanderson, 2002). Pilots are usually subject to some form of evaluation, often with the aim of distilling the learning from pilot sites to feed into the subsequent roll-out of the policy. Recent UK examples of policy development through evaluated pilots include Best Value (see chapter 11). Although the potential benefits of policy pilots are clear, there are concerns that policy decisions often seem to be made prior to evaluation results becoming available.

Finally, the design of policy implementation strategies requires consideration of how to change frontline practice. Research on alternative implementation strategies and studies of individual and organizational behaviour may demonstrate the available options and what seems to work best in what circumstances. There have also been systematic reviews of the options available. For example, the Cochrane Effective Practice and Organisation of Care Group (EPOC) draws together international evidence on the effectiveness of different strategies for changing the behaviour of health care practitioners, such as issuing practice guidelines or using financial incentives.

Using evidence right to the end: evidence of effectiveness/impact

Existing knowledge about the effectiveness of many policy and practice interventions is partial at best (see also chapter 11). Hence, while systematic reviews of the knowledge base may suggest promising policy directions, there is still a need to evaluate their impact in specific contexts, which in turn adds to the evidence base. Evaluating evidence of effectiveness often involves the use of experimental methods, such as randomized control trials (RCTs). Although RCTs have been mainly used to measure the effectiveness of clinical interventions, they have also been applied in other areas, including the effectiveness of continuing education programmes, offender rehabilitation programmes and alternative welfare regimes. However, there are ongoing debates about the desirability and practicality of using RCTs to assess the effectiveness of many social interventions (Chalmers, 2005; Hammersley, 2005). Druckman *et al.* (2006) conclude that research satisfying the modern definition of 'experimental' is relatively new in political science – during the first 100 years of the *American Political Science Review* up to 2006, over half of the articles based on 'experimental' research methods appeared after 1992. Moreover, they calculate that, in any given year, experimental articles in the *Review* had an expected citation rate approximately 47 per cent higher than comparable non-experimental articles, so, although an imperfect measure, citation counts corroborate their

qualitative impression that experiments had scholarly impact.

Case example 27.1 Improving the quality of regulations through regulatory impact analysis

Regulatory impact analysis (RIA) is a multiple stakeholder assessment of the economic, environmental and social impact of regulations. The Organisation for Economic Co-operation and Development (OECD) and the European Union have strongly promoted this evidence-based approach towards legislation. An OECD survey revealed that, in 2005, all member countries already used some form of RIA on new regulations.

While every country has developed its own system of RIA, the OECD has assessed the effectiveness of various RIA systems and developed a set of best-practice guidelines for the design and development of RIA systems, which recommends:

1. Maximize political commitment to RIA.
2. Allocate responsibilities for RIA programme elements carefully.
3. Train the regulators.
4. Use a consistent but flexible analytical method.
5. Develop and implement data collection strategies.
6. Target RIA efforts.
7. Integrate RIA with the policymaking process, beginning as early as possible.
8. Communicate the results.
9. Involve the public extensively.
10. Apply RIA to existing as well as new regulation.

However, as OECD admits, there are 'significant challenges' to measuring the benefits of tools such as RIA, since the links between improved outcomes in terms of improved productivity or investments and the quality of regulations tend to be weak.

Source: Adapted from OECD (2008)

Knowledge of what works in social policy tends to be provisional and highly context-dependent. This has led to calls for a realist approach to social policy evaluations (Pawson and Tilley, 1997), which begins with a theory of causal explanation and gives research the task of testing theories of how programme outcomes are generated by specific mechanisms in given contexts (Bovaird, 2012). Theory development draws on the knowledge of different stakeholders in the policy process, getting them to articulate their views of what works for whom in what circumstances. Subsequent evaluation involves making inter- and intra-programme comparisons in order to see which configurations of context–mechanism–outcome are efficacious.

In recent years there has also been an interest in so-called 'meta-evaluation'. Although there are several versions of meta-evaluation in the literature, it generally focuses on bringing together similar evaluations on a topic to aggregate data and/or research findings. While rather few meta-evaluations have so far been published in peer-reviewed journals, there appears to be an increasing interest in this approach in order to give an overview of evidence which is useful for policy and practice (Downe *et al.*, 2012).

Regardless of the evaluation methodology employed, a key challenge facing those tasked with evaluating effectiveness is the difficulty of measuring the outcomes of many social interventions (see chapter 11), which are only really understood by those experiencing them. Thus knowledge of 'what works' tends to be influenced greatly by the kinds of question asked, who is asked and when they are asked, and depends greatly on the context.

Using evidence throughout: improving policy implementation

Impact studies need to be complemented by research to explore progress towards goals, to assess the costs involved in the intervention, to understand the processes involved and from this to learn the lessons that will improve policy implementation. This calls for rigorous, ongoing monitoring and evaluation throughout the life of a policy or programme.

There is a long tradition of evaluating process and implementation issues, using a wide variety of research methods and approaches. For example, action research models involve practitioners in designing and carrying out research. One of the strengths of this approach is that the practitioner does not have to wait for a final research report, but is in a position to integrate learning into their work as it emerges – see Case example 27.2.

Using evidence to break the mould: identifying tomorrow's issues

Alongside the increased emphasis on building an evidence base for policy and practice, there has been a plea that researchers continue to explore a wider set of ideas than those defined by the current policy agenda – 'blue skies' thinking, keeping sight of the 'bigger picture', looking more widely for ideas and problems, and challenging current thinking. The way in which pure research can help reframe current thinking is illustrated by the design of the auction of third-generation mobile phone licences in the UK: pioneering research on game theory at the Centre for Economic Learning and Social Evolution, in University College London, was used in 2000 to design a new style of auction for mobile phone licences, which raised £22 billion for the UK Treasury, much more than had originally been expected.

Because of their distance from policy and practice, academic researchers are in a good position to challenge current thinking. Research councils and independent organizations, such as the Joseph Rowntree Foundation in the UK and the Rockefeller Foundation in the USA, currently take a lead role in supporting and nurturing curiosity-driven research.

Case example 27.2 Action research into two-tier partnership working

In two-tier local government areas in England, local strategic partnerships (LSPs) were established at both county and district levels in the period after 2000. This created some uncertainty about the respective roles of county and district-based LSPs, their relationships and the arrangements that might be needed to avoid overlap, duplication or competition. As a result, an action learning set (ALS) was set up, facilitated and

supported as part of an action research and evaluation programme sponsored by the Department for Communities and Local Government. Its purpose was to learn about existing practice, to understand and clarify the barriers to, and opportunities for, collaborative working and to consider good practice in relation to two-tier working. Within these broad objectives, the ALS defined its own programme of work, focusing on the issues where members thought their efforts should be concentrated. Thus the agenda was set by LSPs themselves rather than being predetermined by the research team or sponsors.

The conclusions from the ALS helped in the formulation of government advice to LSPs in two-tier areas. However, inevitably, the participants in the ALS were drawn from areas where there was trust between the county and district, and consequently the conclusions presume a willingness to work together. Stronger government guidance may be necessary in areas where collaboration is not taking place.

Source: Adapted from Geddes (2007)

Overall, we can see that research and evaluation can be used for many different purposes, each requiring somewhat different evidence-gathering techniques and methodologies (see Table 27.1).

Table 27.1 Evidence uses and methods

Purposes	*Methods and approaches might include:*
Identify key issues	Review existing literature, surveys, group discussions, interviews
Understand the views of stakeholders	Interviews, group discussions, surveys
Explore contextual factors (including opportunities and costs)	Impact assessment, cost-benefit analysis, interviews and discussion groups
Prepare guidance for those implementing a policy	Synthesizing the best available evidence, consulting key stakeholders, cost-benefit analysis
Evaluate the effectiveness of a policy intervention Understand what works with whom and in what circumstances	Experimental and quasi-experimental studies, economic evaluations, realist evaluations, evaluations of pilots
Evaluate the processes involved Explore the issues involved in implementing the policy	Case studies, observations, documentary analysis, interviews, group discussions and surveys
Monitor progress	Management data, surveys and interviews
Generate new ideas and alternatives, highlight issues for future consideration	'Blue skies' research, syntheses of existing research, interviews, group discussions

What are the obstacles to the improved utilization of evidence?

Many have argued that it is self-evident that policy and practice benefit from being more rather than less informed by evidence (Hammersley, 2001). However, studies of utilization have frequently expressed concern about the apparent under-use of research (Weiss, 1998). How should this problem be tackled, where findings about effectiveness are either not applied or are not applied successfully? And, conversely, should we also be concerned about *overuse* of research, e.g. the rapid spread of tentative findings, and about *misuse*, especially where evidence of effectiveness is ambiguous (see Case example 27.3)?

Case example 27.3 The curious incident of research in the papers

On Thursday, 8 July 2004, the *London Evening Standard* ran its lead story on research into children in childcare and the government's cautious response. For nearly three weeks there was a flurry of press interest, largely around the issue of whether very young children are more aggressive if looked after in day nurseries, rather than by their mothers.

What do we observe going on in this curious incident of research in the news? Certainly, many contributions to public debate. But also contributions where everyone – journalists, lobbyists, politicians and researchers – used all the rhetorical tricks in the book: loaded words, selective quotation, reframing the issue, attribution of unseemly motives to opponents, generalizing from personal experience, accusations of misrepresentation, concealment of interests and false modesty. It should remind those of us who look to research and evaluation to improve the quality of public debate and decisions of a few home truths:

- The development of policy is largely achieved through argumentation, often behind closed doors, with policymakers compelled to act before the evidence is in – researchers must take their chances as they occur.
- How the argument is joined is unlikely to be of our choosing – we either have to go with how others choose to frame the debate or, more boldly, seek to change the terms of engagement by seeking a public platform ourselves.
- Let's not kid ourselves that our contribution will be seen as more objective than that of others – the media care little for academics' much vaunted quality control procedures.
- The scope for misrepresentation is immense by mediators who have other ambitions than ours. We should think twice about intentionally choosing the media as a channel for communicating our research to policymakers, programme managers, lobbyists, consumers. Better to find some direct, unmediated, channel for that purpose.

Source: Adapted from Solesbury (2004)

Nutley *et al.* (2007) in a review of ways of increasing the impact of research found evidence of a number of barriers and enablers to increased research use (see Box 27.1). The problem of under-utilization is frequently considered to stem from the fact that researchers and research users (policymakers and practitioners) occupy different worlds: they operate on different timescales, use different languages, have different needs and respond to

Box 27.1 Barriers and enablers to the use of research

The nature of the research

Research is more likely to be used that:

- is high quality and comes from a credible source;
- provides clear and uncontested findings;
- has been commissioned by, or carries, high-level political support;
- is aligned with local priorities, needs and contexts;
- is timely and relevant to policymakers' and practitioners' requirements;
- is presented in a 'user-friendly' way – concise, jargon-free and visually appealing.

The personal characteristics of both researchers and potential research users

- Policymakers and practitioners with higher levels of education or some experience of research are more likely to be research users.
- Lack of skills to interpret and appraise research can inhibit research use.
- Some individuals may be hostile towards the use of research or to research more generally.
- Researchers may lack the knowledge and skills to engage effectively in dissemination and research use activities.

The links between research and its users

- Research use may be inhibited where policymakers and practitioners have limited access to research.
- Knowledge brokers – both individuals and agencies – can play an effective 'bridging' role between research and its potential users.
- Direct links between researchers and policymakers or practitioners also support research use. Face-to-face interactions and two-way exchanges of information

are most likely to encourage the use of research.

The context for the use of research

Context plays a key role in shaping the uptake of research.

- In policy contexts, research is more likely to be used where:
  - it is aligned with current ideology and individual and agency interests;
  - its findings fit with existing ways of thinking or acting or with other information within the policy environment;
  - open political systems exist;
  - institutions and structures bring researchers and policymakers into contact;
  - at a local level, an organizational culture exists that is broadly supportive of evidence use.
- In practice contexts, local organizational, structural and cultural issues may limit the use of research, for example:
  - lack of time to read research;
  - lack of autonomy to implement the findings from research;
  - lack of support – financial, administrative and personal – to develop research-based practice change;
  - local cultural resistance to research and its use.
- In research contexts, a number of barriers inhibit the flow of findings to policymakers and practitioners:
  - lack of incentive or reward for engaging in dissemination and research use activities;
  - high value placed on traditional academic journal publications at the expense of 'user-friendly' research outputs;
  - lack of time and financial resources for research-use activities;
  - a set of attitudes among some academic researchers that dissemination is not part of their role.

Source: Adapted from Nutley *et al.* (2007: 81–83)

different incentive systems (Locock and Boaz, 2004). This leads to a call for better dissemination strategies to bridge the gap between the two communities and enable research to be communicated effectively to policymakers and practitioners.

However, this conceptualization of the problem is in danger of overplaying the potential role of research evidence and underplaying the role of other forms of knowledge and experience in the development of policy and practice. The 'two communities' view is also in

danger of over-simplifying the political landscape by ignoring others involved in policy development. Delafons (1995) suggests that potential sources for new policy ideas include: political parties, ministers, Parliament, pressure groups, lobbyists, international bodies, academics and the research community. These groups may draw on research evidence to develop their ideas, but other forms of knowledge may play a more prominent role. For example, the Minister is likely to be influenced not only by formal research, but also by the views of constituents, the results of opinion polls, the party manifesto on which he or she was elected, his or her formal learning and knowledge gained through both work and personal experience. As a consequence, one of the problems facing decision-makers is the sheer volume of evidence available to them. As John Maynard Keynes famously concluded, '*there is nothing a government hates more than to be well informed; for it makes the process of arriving at decisions much more complicated and difficult*' (Skidelsky, 1992).

In addition to information overload, decision-makers have to wrestle with political and organizational factors, particularly the need to conciliate between all the interests represented in the policymaking process. All stakeholders are likely to use evidence both strategically and politically – we can view this as part of their 'game-playing' (Perri 6, 2002). It should be stressed that, while it is tempting to think of evidence being used directly to make rational and informed decisions, reality is often far more messy and overtly political than this.

Box 27.2 Four main types of research utilization

1 Instrumental use

Research feeds directly into decision-making for policy and practice.

2 Conceptual use

Even if it seems impossible to use findings directly, research can provide new ways of thinking about a situation and offer insights into the strengths and weaknesses of particular courses of action. New conceptual understandings can then sometimes be used in instrumental ways.

3 Mobilization of support

Here, research becomes an instrument of persuasion. Findings – or simply the act of research – can be used as a political tool, to legitimate particular courses of action or inaction.

4 Wider influence

Research can have an influence beyond the institutions and events being studied.

Research adds to the accumulation of knowledge which ultimately contributes to large-scale shifts in thinking, and sometimes action.

Source: Adapted from Weiss (1998)

There are at least four ways in which evidence might influence policy (see Box 27.2), and the direct use of research in decision-making (instrumental use) is in fact quite rare. It is most likely where the research findings are non-controversial, require only limited change to policy and practice and will be implemented within a supportive environment: in other words, when they do not upset the *status quo* (Weiss, 1998).

In general, there is more cause for optimism about the use of evidence if we define research utilization more broadly than simply its direct use in making decisions – extending it to cover, for example, the generation of new understandings.

How can evidence-based learning be encouraged?

In the UK, although there is a prominent debate about the use of evidence in many policy areas (e.g. criminal justice, education, health care and social care), there are important differences both within and between sectors in the concept of EBPP being promoted (Nutley *et al.*, 2007).

Here we limit discussion to just two of the dimensions that can be used to characterize EBPP: the *type of evidence* being used (evidence from research *versus* evidence from routine data); and the *focus of attention* (the individual practitioner *versus* the broader organization/system for service delivery) – together, these give four ways of conceptualizing EBPP (see Table 27.2):

- The *evidence-based problem solver* – here the emphasis is on the ways in which individuals use research evidence to make decisions and solve problems on a day-to-day, case-by-case basis.
- The *reflective practitioner* is one who uses observational data (including that arising from routine monitoring systems) to inform the way s/he learns from the past and makes adjustments for the future.
- The *system redesigner* emphasizes the use of evidence to reshape total systems – often through a top-down, centrally driven concept of evidence-based redesign of service systems and frontline practices.
- The *system adjuster* uses organizational or system-level monitoring data to make ongoing adjustments to service delivery – sometimes referred to as single loop learning (see Box 27.3).

These are pure types, and practice is likely to spill across them. However, many existing strategies for promoting EBPP either seem to rely on the hope that increased dissemination of research findings will lead to their increased use or they tend towards more wholesale intervention in the form of system redesign. The latter can be seen where research evidence is translated into practice protocols, backed up by audit and inspection regimes to ensure that these protocols are used in practice (e.g. the *What Works* initiative in Probation). This imposed approach runs the danger of inhibiting rather than promoting individual and organizational learning. The generation of new knowledge often relies on local invention and experimentation, which may be stifled by centralized control of what counts as evidence or what practices are approved. The concept of organizational learning suggests that an approach to EBPP that casts the practitioner as a problem-solver (as in evidence-based medicine) may be better suited to the development of learning organizations than the top-down implementation of detailed guidelines and protocols.

Table 27.2 Ways of conceptualizing of evidence-based practice

	Evidence

Focus	*Research*	*Monitoring data*
Individual	Problem solver	Reflective practitioner
Organization/system	System redesigner	System adjuster

Source: Adapted from Nutley *et al.* (2003: Fig. 2)

Building upon this line of thinking, in the field of education there has been a call to rethink research utilization in terms of 'knowledge transformation', described as a 'knowledge-led, problem-constrained learning process' (DesForges, 2000). It is argued that four conditions are necessary for such learning:

- a knowledge base;
- a problem definition related to that knowledge base;
- transformation/learning strategies involving various modes of representing 'old' knowledge as well as the acquisition of 'new' knowledge;
- appropriate motivation.

Box 27.3 Sources of insight into encouraging evidence-based learning

Knowledge management

Knowledge management is concerned with developing robust systems for storing and communicating knowledge. There are two main approaches: a codification strategy and a personalization approach (Hansen *et al.*, 1999). Codification strategies tend to be computer-centred: knowledge is carefully codified and stored in databases. In a personalization approach it is recognized that knowledge is closely tied to the person who develops it and, hence, what is needed are enhanced opportunities for sharing knowledge through direct person-to-person contact. The role of information and communication technology within this is to help people communicate knowledge, not to store it.

Individual learning

Social psychology has long been concerned with understanding the process by which individuals learn. Behaviouralists have studied the effects of different stimuli in conditioning learning, while cognitive psychologists have sought to understand the learning processes that occur within the 'black box' between the stimulus and the response. Models of the process of learning include Kolb's learning cycle (Kolb, 1983), with its emphasis on promoting better understanding of different individual learning styles. Organizational psychologists have enhanced our understanding of the factors that help or hinder individual learning within organizations. Recent concerns have focused

on how to promote lifelong learning and the benefits of self-directed and problem-based professional education regimes in achieving this.

Organizational learning

Organizational learning is concerned with the way in which organizations build and organize knowledge and routines and use the broad skills of their workforce to improve organizational performance. Factors that seem to affect ongoing learning include: the importance of appropriate organizational structures, processes and cultures; the characteristics of individuals who bring new information into the organization; and the role of research and development departments. Analyses of the learning routines deployed by organizations have distinguished between adaptive and generative learning. Adaptive (or single-loop) learning routines can be thought of as those mechanisms that help organizations to follow pre-set pathways. Generative (or double-loop) learning, in contrast, involves forging new paths. Both sorts of learning are said to be essential for organizational fitness, but by far the most common are those associated with adaptive learning.

However, it is probably unrealistic to expect all frontline practitioners to become evidence-based problem solvers, given the limited time that they have available to keep up to date with research. Some systematization of evidence in research-based guidelines and protocols seems inevitable, especially as there are also demands for consistent service provision. In health care, Walshe and Davies (2013: 10–11) suggest how this balancing between internal generation of relevant evidence and making best use of external research might be achieved:

> We should seek to create health care organizations which have competence and capacity in both research and knowledge mobilization. [They need] to combine a 'producer' model in which they undertake research to meet their local knowledge needs which they then seek to both use themselves and to export to other organizations; with a 'consumer' model in which they proactively seek out relevant research from elsewhere to meet local knowledge needs.

Promoters of EBPP, such as the UK What Works Centres, also have to learn how to balance the continuing need for individual innovation and experimentation with system-level concerns about compliance and consistency of service. There are no easy solutions to this conundrum. However, a better understanding of how public service organizations can manage knowledge and how they encourage individual and organizational learning is likely to lead to better long-term service improvement strategies (see Box 27.3). The way in which the UK Department for International Development (DfID) is trying to combine a commitment to innovation with appropriate use of evidence-based approaches is illustrated in Box 27.4.

Box 27.4 Promoting innovation and evidence-based approaches to building resilience and responding to humanitarian crises

DfID's Development Policy Committee is committed to promoting innovation. Further, it accepts the importance of matching innovation with evidence, so that it knows which innovations lead to sustained improvements in outcomes. It also emphasizes the importance of matching innovation in products and processes with the nurturing of culture and capabilities to sustain innovation from testing through to diffusion.

This is made more difficult because there is still simply not enough data to know what works best in improving some of the most basic elements of disaster response. And the rate of innovation and new thinking in interventions is not keeping up with the increased rate of risk. Key elements of DfID's innovation strategy therefore include making best use of existing evidence in relation to proposed innovations, e.g. an emphasis on reporting failure as well as success in order to promote learning, while also focusing the monitoring and evaluation of innovative approaches to humanitarian crises by means of fewer but higher quality and more user-focused evaluations which demonstrate what works (and what doesn't).

Source: Adapted from DfID (2012)

Summary

We have argued in this chapter that evidence can be used both to facilitate *accountability* and to promote *improvement* in policymaking, programme development and service delivery. We have focused on the latter and have considered four main uses of research for policy and practice:

- to design and develop public policy;
- to assess the impact of policy interventions;
- to improve policy implementation;
- to identify tomorrow's issues.

Research has important insights to offer in each of these areas. Each requires different forms of evidence, which in turn employ different methods for gathering evidence. We therefore need to work with inclusive definitions of both evidence and research and to emphasize a 'horses for courses' approach, adapting our evidence-gathering approaches to specific policy and practice issues.

Research evidence must, of course, compete with other forms of knowledge and experience, and the passive dissemination of research evidence is unlikely to impact significantly on policy development or service delivery. Existing research on the effectiveness of evidence-based strategies suggests the critical need for better ongoing interaction between researchers and research users, in long-term partnerships that span the entire research process, from the definition of the problem to the application of findings.

Overall, the emerging lesson is that there are many challenges facing the development of evidence-based policy and practice. There are many good reasons why policymakers and practitioners should rise to this challenge, but evidence will and should remain just one of the influences that shape policy development and service delivery.

Questions for review and discussion

1. Why is evidence a useful resource for policymakers?
2. What are the main obstacles to, and enablers of, evidence-based policy and practice?
3. How might the concept of organizational learning be used to inform thinking about how to change service delivery practice so that it is more evidence-based?

Reader exercises

1. Identify a policy and practice initiative that has been labelled as being based on good evidence (e.g. 'Sure Start'). Search for information on this initiative (via websites and journal articles) and write a report that describes and appraises the use of evidence within the initiative.
2. Scan recent newspapers for a high-profile report of a research project. Consider how the research has been presented and how it might be used by different stakeholders (e.g. policymakers, researchers, journalists, professional bodies and other interest groups).

Class exercises

1 You are a cross-government group of people brought together to take a fresh look at policy development in relation to smoking. You have been asked to consider how smoking should be framed as a policy problem. For example, it might be viewed as a health problem, a fiscal matter or as an environmental/regulatory issue.

- If seen as a health problem, then the focus is likely to be on the relationship between smoking and ill-health.
- If viewed as a fiscal issue, then the focus might be on ensuring that tobacco taxes cover the social and health costs of smoking, or interest might lie in addressing issues such as smuggling and duty avoidance.
- If seen as an environmental/regulatory problem, then the focus might be on passive smoking and the regulation of smoking at work and in public places.

Discuss in class what sorts of evidence you would need to help you determine the most appropriate ways of framing smoking as a policy problem.

2 You are a group of staff within a government education department with responsibility for primary school education policy. A recent review of the evidence on how to teach maths at primary school level has concluded strongly that one particular approach is more effective than others. Discuss how you go about trying to change teaching practice so that it is in line with the recommended approach to maths teaching. Reflect upon your initial thoughts by considering how they fit with the ideas of knowledge management, individual learning and organizational learning.

Further reading

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Further information and suggested reading are also available from three key websites:

1. The Alliance for Useful Evidence is an open access network promoting the use of evidence in social policy and practice. With funding from the innovation charity NESTA, the Alliance produces publications and organizes events and other networking opportunities for its members. For more information visit www.alliance4usefulevidence.org.
2. The UK government has invested in the 'What Works' initiative with the aim of improving the way in which government and other organizations create, share and use evidence. At the time of writing there were nine independent What Works centres across a wide range of policy areas, including education, crime reduction and well-being. For more information visit https://www.gov.uk/what-works-network.
3. The international, peer-reviewed journal *Evidence & Policy* has been publishing research, debate and practice papers in this field for the past 10 years. For more information visit /www.policypress.co.uk/journals_eap.asp.

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Part IV
… and finally

The fourth part of this book (chapter 28) attempts to look into the future, suggesting that the public sector will continue to be important, with socially valuable public services, so that public management and governance will also remain relevant to society. However, it warns that some aspects of public management and governance are complex and even chaotic, so that we may never be able to understand them in any systematic way. It suggests, finally, that understanding how to tackle public issues in a context where some issues are simple, others are complicated and yet others lie in the complex or chaotic knowledge domains, requires not simply scientific understanding, but mastery of both the craft and the art of public management and governance.

28
Public management and governance
The future?

Tony Bovaird and Elke Loeffler

Introduction

We have already covered a long time span in this book. Some of the early chapters explored trends in the public sector and in public services over the past century. Some chapters have explored topics which have excited interest more recently (such as co-production in the past 35 years and e-government in the past 20 years).

During this travel in time, we have explored how analysis of the public sector has mutated, from 'old public administration' to 'new public management', and then to 'public governance' (called by some 'new public governance').

Has this been a one-way street to greater understanding? Can we expect 'public management and governance' to demonstrate an 'ever onwards and upwards' trajectory? Or is it simply a circle – or better, a spiral – in which new understandings lead us inevitably back to some old understandings, albeit in a new context?

Learning points

- In the future, there will continue to be an important public sector, with socially valuable public services – and therefore public management and governance will also continue to be important.
- Most of the key issues in public management and governance remain the same over time, whatever we call the subject which we are studying.
- The key players who excite most interest vary from time to time and from place to place – as we change the focus on key players, so we change the issues which have highest priority in our study of public management and governance.
- There are some aspects of public management and governance which are simple to understand, some are complicated and some are complex. Beyond these issues lie some chaotic and entirely disordered realms of human behaviour which we may never be able to understand in any systematic way.
- We do not know what the next trends are likely to be – but we can have a strong suspicion of the set of issues around which the debates on public management and governance are likely to revolve, at least in the medium term.
- Understanding how to tackle public issues in this context of simple, complicated, complex and chaotic knowledge domains requires not simply scientific understanding, but mastery of both the craft and the art of public management and governance.

While being optimists about the human potential for learning (and therefore natural believers in 'progress' in human affairs), we do not buy the 'ever onwards and upwards' storyline. A credible approach to public management and governance has to accept and try to

explain the serious lurches backwards which have continually been experienced. Of course, by using a term such as ‘backwards’, we imply that it is possible to discern what a ‘forwards’ movement looks like in public management and governance. This is what this chapter will seek to explore.

Future of the public sector

Warnings about the death of the public sector have often been sounded in the past. However, it has always turned out, as Mark Twain once observed in relation to himself, that the report of death has been exaggerated. At the moment, as chapters 3 and 4 in this volume indicate, the public sector is under attack and is being reduced in size in many countries. However, we are confident that this is a passing phase, not its death throes.

This is for two major – but very different – reasons. First, the current attack on the public sector is extraordinarily inappropriate. After all, governments are tackling a crisis which was triggered by a financial crisis in the private sector of the major OECD countries. Moreover, this financial crisis highlighted the extent of ineffective and inefficient private sector markets across the global economy. We should remember that the recession wiped out a much higher proportion of the private sector economy than the public sector economy in most OECD countries – and much of this private sector activity was inefficient and low value-added. Although different private sector firms have grown to take their place, these new companies often have very low wages, 'zero-hours contracts' and low security of job tenure, so they still make a relatively small contribution to the overall economy. To suggest that the solution to current financial and economic crises lies in radical cuts to the public sector shows a political and economic naïveté which, we believe, will be viewed with incredulity in the future. We therefore expect that most OECD governments will eventually follow the current example of the US government (as we write in early 2015) and return to a more balanced approach to achieving economic stability, which recognises the value of the public sector and does not simply see it as a burden upon the rich and upon private firms.

Perhaps more importantly, concerns with private market inefficiency have grown significantly since the start of the international 'great recession' in 2008. Less than two decades after Francis Fukuyama (1989) declared the 'end of history' as we know it, namely the endless battle between private and public sectors, his claim that markets had finally and fully prevailed over the social economy is in tatters. Never has the need for government intervention in the economy been so obvious throughout the world. In particular, much more emphasis is being given to regulation in many countries, and the role of public services in tackling inequality is being rediscovered.

However, this reassertion of the role of government intervention is not simply the reappearance of 'big government'. Indeed, the sectors have begun to merge into each other in some ways:

- the provision of public services is undertaken by private and third sector organisations, as well as public sector organisations;
- user and community co-production of public value and publicly desired outcomes are now seen to be an important complement to public sector activity;
- not only are public services now subject to close inspection and audit, but stronger regulation has been introduced into many private sector markets, especially since the scandals (such as Enron) of the 'great boom' after 1998 and the 'great recession' from

2008;

- corporate social responsibility is now a common theme among successful private companies, particularly encompassing concerns with environmental sustainability, equal opportunities for all employees and sensitivity to impacts on local communities;
- many third sector organisations have grown in importance in the commissioning and delivery of public services, often espousing aims which are at least as 'social' as those of corresponding public sector organisations.

For these reasons, we believe that there will still be a strong and important public sector in the future and that it will continue to require strong and effective public management and governance. So, be prepared for further editions of this book – and for many similar books to appear!

Exploring the dynamics of public management and governance

The ongoing need for strong and effective public management and governance does not imply, however, that it will not change in character – indeed, history has demonstrated that public management and governance change constantly, and we have no reason to believe that this will now stop.

What are the drivers of this constant change in public administration and governance? Clearly, one driver is the continual emergence of new policy issues which matter to the public – or the reappearance of old issues in a new form. These public issues are mediated, of course, by politicians, whose career is partly dependent upon being seen to respond successfully to issues as they emerge, and who are therefore careful about the policy issues with which they become identified. Moreover, the media play an important role in the presentation of these policy issues and the expectations which develop amongst the public about how they will be tackled by government. Quite rightly, the way the public sector is managed and governed will be different, depending on whether it is focusing on getting jobs for disadvantaged young people or on promoting economic growth through tax breaks for companies.

However, in practice, the key policy issues tend not to change very significantly over time. Take one of the key social policy textbooks of the 1970s: Cooper (1973) contains chapters on education, health, social security (e.g. welfare payments and pensions), housing, probation, elderly people and child care. Of course, there are some differences – a modern textbook would be likely to place much more emphasis on inequality, the equalities agenda and immigration. However, these differences in emphasis on priority policy issues over the decades do not seem likely to explain many of the changes in public management and governance recorded in the earlier chapters of this book.

One might argue that not only policy issues but also most of the key issues in public management and governance have remained the same over time, although with changing emphasis from time to time. And it is certainly true that most of the chapters in this book relate to similar chapters in public management and governance textbooks of earlier decades. Consider, for example, the chapter titles in the first edition of Norman Flynn's classic textbook, *Public Sector Management* in 1990 – after the introductory section, there were six core chapters in the first edition – 'Markets, prices and competition', 'Managing and measuring performance', 'The impact of competition', 'A user-oriented service', 'Organisational structures' and 'The future of public sector management'. Again, no surprise here – each of these merits at least one chapter in the book you are reading (and sometimes several chapters, as in the case of 'A user-oriented service').

However, we don't entirely buy this story. We believe that the study of public management and governance has indeed altered considerably over the past three decades. (Indeed, that is also clear from considering Norman Flynn's first edition, which had no chapters on partnership/collaboration, on e-government or audit/inspection, all of which only appeared in subsequent editions.) And we think that there are two key reasons for this alteration. One is the developing scholarship in the field – now covering a much wider range of disciplines and perspectives than ever before and also benefiting from much deeper empirical testing than was

previously available. This scholarship has also deepened our understanding of each aspect of the field. At one level this has revealed that some issues are more complicated than first thought (so that we no longer think that performance management should mean 'driving the car by looking in the rear-view mirror' or that we can 'market brotherhood like soap'), and it has put the subject on a much firmer footing in terms of evidence-based policy and practice. We believe that the previous chapters in this book demonstrate this increasing range of well-founded scholarship.

A second key reason has been the change in the practice of public management and governance, largely driven by the changing balance of power in our society, as different groups have grown or declined in their capacity to deliver positive improvements through their contributions to public policy and public services. This is perhaps most evident in relation to the increased interest in the potential of user and community co-production to improve public outcomes, as shown in chapter 23. Other chapters have demonstrated how this also applies to the increased recognition in recent decades of the potential contribution which removal of discrimination against women, ethnic minority groups, etc. can make to improving the practice of public management and governance. Changing sentiment in the general public has also played a part here – those actors in public management and governance who are not trusted by the public now find it harder to establish and maintain a role for themselves in public sector affairs. In particular, in many countries the private sector is now looked upon more suspiciously by the public when it wins contracts to deliver public services than was the case in the early years of the Thatcher government in the UK – whether fairly or unfairly, the highly publicised failure of many private sector outsourcing deals has raised considerable doubt and even resentment against privatisation. Taking these factors together, in any given period those who seem able to deliver positive improvements to public value, and have gained sufficient trust from the public to act accordingly, have often been able to gain more power for their own vision – and therefore to shape public management and governance to their own liking.

From this perspective, the move in OECD countries from 'old public administration' to 'public governance' was not simply a change in the ideas espoused by scholars. It was also partly a shift in the power balance, away from the internally focused public sector in which politicians and public administrators were preoccupied with their own struggle for dominance in policy-making. It constituted a clear shift towards a more externally focused public sector, in which many stakeholders vied with each other for dominance in policy-making. In public governance, both politicians and paid public administrators have to share power with other actors, who might include (depending on the issue and the time concerned) the private sector, the third sector, service users or citizens generally. The intermediate epoch of 'new public management' marked the start of this shift, in which public sector organisations began to cede power to external providers (often in the private sector but sometimes also in the third sector) but before service users and citizens generally began to play more important roles.

And what does this mean for the future of public management and governance? Can we make some plausible predictions as to how the balance of power will swing between the key actors concerned? It would, of course, be foolhardy to bet too much on any specific predictions. However, we can perhaps have some confidence that, due to the availability of new digital technologies and increased levels of transparency, collaboration with non-profit or

private sector organisations as well as with people using services and local communities will become even more important for the public sector organisation of the future.

What can we know about public management and governance?

So, as you will already have noticed, in this final chapter, after having been cautious throughout the book, we are finally going to allow ourselves to make some predictions. Isn't this a potentially fatal error for authors, since readers will quickly have the chance to notice how adrift these predictions are from what actually happens after the book is published?

Well, we accept the risks involved. This is mainly because we believe that there are some things which can be known with some confidence in the social sciences, as well as many things which are inherently unknowable. And we intend to confine our predictions to areas of knowledge where we believe there is already some useful understanding of the factors influencing public management and governance, and where these factors are likely to continue, at least for a while.

The stance we are taking here derives from the Cynefin framework developed by Snowden and Boone (2007) – see Bovaird (2013). It suggests that some aspects of behaviour (e.g. in public management and governance) lie in the simple knowledge domain; some in the complicated domain; and some in the complex domain. Beyond these domains lie some chaotic and entirely disordered realms of human behaviour which we may never be able to understand in any systematic way. There are different implications for prediction in each of the domains:

- **Simple domain**. Here the relationship between cause and effect is widely believed to be obvious, or at least is derived from solid data that allows for predictable outcomes – in this domain, we are dealing with 'knowns' and we can expect to apply *best* practice. A common example from public management relates to pricing policy – in many services, we can make a reasonably accurate forecast of how much demand will fall when we raise the charge for a service.
- **Complicated domain**. Here there is a general understanding of the problem at issue but the specific relationship between cause and effect in relation to any given decision requires tailored analysis and/or application of expert knowledge, although it is 'knowable' in principle. With sufficient data, appropriate analytical techniques can identify patterns that can be used to predict likely outcomes. In this domain, we can expect to apply *good* practice. An example from public management relates to the gaming which occurs when strong audit and inspection regimes are imposed – while we expect that some gaming will occur, careful analysis is needed over time to identify which types of gaming are most prevalent.

- **Complex domain**. Here relationships between cause and effect can only be perceived in retrospect, not in advance. Often we are dealing with a system in which the overall envelope of outcomes is pre-determined by the characteristics of the system, but the interconnectedness of the agents and the non-linear relationships between them is such that specific outcomes cannot ever be predicted. Such a system is known as a *complex adaptive system* (CAS) – see chapter 19. Decisions are generally based on

qualitative data, only occasionally backed up by quantitative data, because the latter is unreliable, incomplete or difficult to interpret. Take, for example, innovation – the interconnectedness of the many variables which influence it makes it highly unlikely that the pathways from specific innovation processes will ever be predicted (Bovaird and Kenny, 2015). Here, the best we can do is to sense *emergent* practice. This analysis can inform decision-makers but only at quite a broad level of decision and without detailed predictions. (Of course, an optimist might point out that the phrase 'unpredictable' may only mean 'unpredictable for the moment' – just as a pessimist may point out that the relationships currently 'behaving' in predictable ways may in the future start 'misbehaving' due to as yet unrecognised influences that later become important, so that 'predictability' may turn out to be illusory.) In a CAS, actors can only hope, at best, either to join the game themselves, as 'within-system' players or to take part in the setting of very outline 'meta-rules' which will determine the shape of the limits of the system or the points towards which it tends to evolve ('attractors'). This much more exploratory approach, often using informal qualitative modelling or structured problem-solving methods, can only point to potential ways forward, often based on emergent practices which are already evident but whose outcomes cannot yet be predicted with any confidence. Identifying, making sense of and responding to the emergent possibilities (Weick and Quinn, 1999) poses problems of an entirely different order of magnitude to the analysis required in the previous two knowledge domains.

There is still considerable disagreement in the literature on the prevalence of CASs – many authors see cities as a whole, or even individual organisations, as CASs, but others are still to be convinced that CASs are common in the realm of public policy. However, an example from public management relates to public health interventions to tackle obesity – whatever the public sector intervention, the inter-relationships between the responses of individual obese people, their body's reactions, their family's dietary habits, the example given by their circle of friends, the effect on their budgets, etc. are so dense and interconnected that it appears unlikely that specific pathways to outcomes will ever be predicable, although the effect of some interventions in limiting the overall levels of obesity or increasing the likelihood of more favourable outcomes may be predictable.

(Foresight, 2007)

- **Chaotic domain**, in which we can discern no relationship between cause and effect at systems level, so that we cannot predict the events in which we are most interested. Here, the best we can do is to explore *novel* practice. Snowden and Boone (2007) suggest that people who are in this domain will naturally revert to their own comfort zone in making a decision – that might, of course, be in any one of the other domains. In this domain, we typically find suggestions from policy analysts that, rather than any 'cause and effect' logic, behaviours depend on 'personalities', which give rise to one-off events rather than patterns.

Finally, in the fifth domain ('Disorder'), the context is wholly unknown. We can expect that politicians will tend to bluster rather than owning up to such a situation, making implausible

claims about their confidence in propositions which are essentially indefensible. Nor is this a situation which top managers find comfortable either, since their expertise is self-evidently of little value – they, like everyone else, cannot give a lead on what is going on. This domain is likely to be characteristic of one-off emergencies, where there is no prior intelligence or experience upon which to draw, e.g. in relation to the outbreak of a new disease or wholly different type of terrorist threat. However, it may also characterise new twists in familiar situations – e.g. riots after inner-city drug raids, outbreaks of violence at major political demonstrations, staff strikes over apparently minor incidents at work, etc.

What are the next trends likely to be?

We do not know what the next trends are likely to be – the future always carries surprises. However, we can use our existing knowledge to forecast some of the issues around which the debates on public management and governance are likely to revolve, at least in the medium-term future. This can be done by a range of methods – projections based on time series analysis, econometric models suggesting correlations with forecastable variables, analogies with phenomena in comparable situations, simulations of outcomes from different future situations, Delphi methods (getting experts to interact to come up with a forecast), scenario-writing. Here, we mainly project from existing trends, using our knowledge of existing correlations between variables and exercising judgement on comparability across different situations – that is, we intend to stick to the simple and complicated knowledge domains.

It is important, of course, to stay realistic. We remain sceptical of being able to predict future trends across a wide range of dissimilar countries – we think predictions are only likely to be of any use where the specific conditions of a country are taken into account (and even within a single country, we may need to take account of significant variations from place to place, from sector to sector, from stakeholder group to stakeholder group, etc.). Some of the bases on which trends might be projected for a specific country are:

- the extent to which current initiatives appear to be working well (since successful initiatives are likely to continue) or badly (since unsuccessful ones are likely to be halted or reversed);
- the extent to which some current trends, apparently successful in similar countries, have been under-developed in our country (since they are likely to percolate slowly into our country, too);
- the extent to which some current trends in public management and governance have run into difficulty in similar countries (since they are likely to experience similar difficulties in our country, too);
- the policy issues on which change seems most strongly desired by powerful stakeholder groups, e.g. voters, political parties, the media (since public management and governance approaches which are believed relevant to tackling these policy issues are most likely to find favour in the future);
- the changing balance of power of different stakeholders in our government system (which will favour some approaches to public management and governance and disadvantage other approaches).

Let us look in more detail at one of these approaches, namely the approach in the final bullet point, to see how this might be done. Changes in the balance of power between different actors in public management and governance will vary from country to country. As a general rule, it is probably safe to forecast that actors who currently appear to have influence well above what they contribute are likely to be cut down to size, while actors whose contribution appears to justify much more influence than they currently have are likely to play a stronger

role in the future. What does that mean in particular? Well, this will vary from country to country. In the UK, we suggest that inequalities will become an even more important issue given that the economic recession and resulting austerity have disadvantaged economically and socially deprived groups even further. In Germany, however, declining population figures mean that issues concerning older people are likely to get more attention by policy-makers. In Spain, by contrast, the reduction of youth unemployment and improvement of its education system is likely to be of high priority for future governments. Finally, it seems likely that in many OECD countries, private sector service providers will have rather less influence on government over the next decade, as the obsession of the governments from the early 1980s until recently with private sector management has to face the reality that it has not delivered as much as it promised.

These developments will, if they do indeed come about, imply certain changes in the public management issues which are given most priority. In the UK, for example, this implies a need to experiment with new approaches to welfare policies and social care such as social impact bonds. In Germany, urban development is faced with the issue of how to adapt public infrastructure and services to an older population.

Again, we have proposed earlier that there are also some areas of knowledge which are not likely to be subject to any clear understanding or confident predictions of this type – particularly in the complex knowledge domain, characterised by densely interconnected variables which have non-linear relationships. This is likely to mean, for example, that the management of multi-outcome programmes and the governance of multi-organisation partnerships will always be inherently difficult, their trajectories will be predictable only to a very limited extent (e.g. perhaps only the outer limits of their achievements may be predictable, not the optimum pathways to outcomes) and any attempt to set detailed strategies in these cases should be taken with a large pinch of salt.

What have previous chapters said about the future? In Table 28.1 we list most of the comments made in different chapters about likely future developments in relation to the topic of that chapter. As you will see, quite a few of our authors have been careful not to make explicit predictions, while others have made quite a few. And just to add to your interest (and, no doubt, hilarity in some cases) as you read this final chapter, the editors have added in some further predictions related to these chapters. You might like to speculate on which forecasting approaches these different authors have used in making these predictions.

Of course, it is always dangerous to make predictions like this. They may well turn out to be misguided. That's why one of the exercises at the end of this chapter asks you to update the evidence on these predictions and to then replace them with your own predictions for what might happen in the following decade!

Are public management and governance a branch of science, craft or art?

Finally, after 28 chapters, let us discuss more openly what we have been trying to do in this book. Has this long examination of issues in public management and governance been a scientific study, to take forward theory and conceptual understanding? Or has it been essentially a craft manual, to improve practice? Well, we would answer 'yes' to both of these – but

Table 28.1 Predictions in previous chapters on likely future developments in public management and governance

Chapter	*Predictions by chapter author*	*Some supplementary predictions from the editors*
2	'As public policy contexts become more differentiated in the future, the variety of governance reforms is likely to be greater than in the NPM era'.	Democratisation of information, through 24/7 news channels and social media, will bring more informed and sceptical publics throughout OECD countries. Changes in the balance of power between different actors in public management and governance will vary from country to country and this will influence how public management and governance change.
3	'Public sector pension schemes are in many cases uncovered, which means that, in order to cope with the future demographic time bomb, tax rates will need to increase or radical changes to pension schemes will need to be introduced'.	As greater clarity emerges about ways in which publicly desirable outcomes can be produced, the role of public sector commissioning of public services and regulation of private sector markets is likely to increase.
	'The future shape of the public sector will be influenced by the demographic time bomb of an ageing population and the complementary role played by the private sector. This places greater pressures on those who have to manage public services with the objective of providing value for money. It offers opportunities to seek private sector solutions in a mixed economy model of PPPs, which will challenge public sector managers to work across new boundaries and interfaces between the public and private sectors'.	Deeper understanding of the origins and processes of both market failures and government failures will lead to greater experimentation with hybrid organisations which combine public governance with private finance and management approaches. Public scepticism of how much

		politicians understand about public policy and public sector intervention will lead to fewer sweeping, nation-wide reforms in OECD countries, with innovation becoming more common at sub-national level, where regionally and locally powerful politicians can convince their electorates that there is a different, locally relevant way to achieve locally prioritised outcomes.
4	‘Successive reforms create a risk of “reform fatigue” (OECD, 2000), threatening the successful implementation of future reforms, especially in an austerity environment of work intensification and declining work conditions and compensation’.	
	‘Government concerns for improved responsiveness and performance are doubtless here to stay as key concerns for the future public management reform agenda’.	Given an increasingly diverse society, governments will have to personalise services and rethink traditional standardisation approaches and rule books as ‘difference becomes the norm’.
	‘The cost-saving potential of making the machinery of government more efficient may have been overstated (although, of course, it is easier to announce public management reforms, with their promise of efficiency savings in the future, than service reductions in the present)’.	The limitations of outsourcing through contracts will become more apparent, especially where outcome-based commissioning becomes standard. There will be a move back to giving grants to organisations (especially in the third sector) which promise high levels of outcomes – grants which will only be renewed if the outcome promises are fulfilled 2–3 years later.
	‘Overall, … it seems likely that uncertainty about the actual cost–benefit balance of past reforms [in OECD countries] will tilt reformers towards more caution and modesty in their future efforts. Perhaps, reformers will pilot reforms more often before scaling them up and target them more carefully towards sectors where they are most promising. Reform scepticism may also lead to more scrutiny of the return on resources invested in reforms’.	Mainstreaming public sector innovations continues to be a challenge in pluralistic democracies. This means that successful pilots are not scaled up, in particular when political power changes hands and a new government wants to be seen to do something new. This is compounded by the loss of ‘institutional memory’ in public sector organizations due to job cuts and restructuring. Therefore, resources will continue to be invested in ‘reinventing the wheel’.
7	‘Environmental sustainability is likely to be important for future procurement policy as the world focuses on “green growth”’.	In times of austerity, only where determined top leadership promotes ‘green growth’ will environmental sustainability become more than a ‘tick-box exercise’.
	‘Getting the right people for the right job at the right time will require finding staff with a wide variety of distinctive and complex skills sets – the twenty-first-century public	Given continued budget pressures the ‘twenty-first-century civil servant’ will in many cases be replaced by cheaper

9	servant is likely to have to combine some (perhaps even most) of the roles of *storyteller*, *resource investigator*, *resource weaver*, *systems architect*, *navigator*, *commissioner*, *broker* and *reticulist*'.	organisations or paid 'experts by experience' who have at least some of the key skills required to meet future challenges.
10	'The focus [of the rapidly changing e-government agenda] is no longer simply on technological innovation to cope with well understood tasks, but also on the wider political significance of new ways for people to interact with each other and with governments, and for organizations and governments to exploit information about us'.	Citizens will expect full transparency of all their data held electronically by governments – but governments will continually find ways of hiding key elements of this data.
		Citizens will expect more local data to inform them about issues relevant to them – but governments will be slow to develop open information resources to share data between citizens and government.
12	'In Box 12.3 we suggest some of the areas in which future quality indicators will need to be developed in order to assess the quality of local governance processes – and many of these will also be relevant at national level to assess the quality of public governance in a country as a whole'.	OECD governments will come to realise that voters are even more alienated by poor governance than by poor service performance, so the quality of governance will become an even higher priority issue for politicians in the future.
	'In the future, we are likely to see discussions of "organizational excellence" being extended beyond assessment of the quality of services towards assessment of the quality of life outcomes to which public organizations and their partners contribute, and assessment of the quality of public governance processes'.	'Big data' systems will give rise to ever-present, rapidly updated league tables of 'quality of life' between countries, regions and local areas – and detailed breakdowns by socio-economic and political groupings of citizens. These will both encourage mobility of the better-off and pressurise policy-makers to do better.
13	'Administrative processes are clearly one area that continues to offer great potential for optimization – and the struggle to find ways of achieving this has been at the heart of many public sector reform programmes around the world in the last 25 years'.	
14	'It seems extremely unlikely that public services inspection is about to be swept away, and there have been interesting moves in the opposite direction in some other sectors and other parts of the UK. … Meanwhile in England both Ofsted and CQC are changing their approach to inspection	

	are changing their approach to inspection and moving towards unannounced inspection and more "risk-based" approaches'.	
	'The Secretary of State explained that he wished to see an "army of armchair auditors" scrutinising service providers. However, there is very little evidence to suggest that the public have an appetite for playing such a role'.	Citizen inspectors, particularly through the Internet, will become the norm for all public services, leading to an elaborate system of accreditation of 'citizen inspectors' and validation of online service reviews.
	'It may only take a small number of failures by local authorities to call into question the future of a sector-led approach to improvement and lead to the reintroduction of external inspection'.	
15		Prolonged austerity in some OECD countries will lead to clear decisions being made about which elements of public governance are given high and low priority in those countries. This will lead to tensions in supra-national organisations (e.g. the European Commission).
16	'Future challenges include devising legal frameworks that regulate privacy infringements without creating a "big brother surveillance" apparatus or stifling transparency'.	Democratisation of information and universal access to channels for forming opinion will greatly widen the 'political class' but undermine public faith in politicians' special role in public decision-making.
17	'The mode of management in public governance has to change from attempting to impose strategic control on stakeholders towards the negotiation of overall strategies within which decisions of partners will mutually influence each other, in a process of strategic experimentation and diversity. The importance of this is likely to increase if more social and bottom-up partnerships become common in the future, instead of the large contractual partnerships which were common in previous decades'.	Partnerships will be seen as a form of working 'above and beyond the contract', based on personal and organizational relationships, so that many partnerships, where they continue, will become looser and more informal.
	'As the novelty of the "partnership" fad wears off, it is likely that many partnerships will be seen to have been inefficient, even unnecessary. We can therefore expect to hear more often in the future the advice "Say 'no' to partnerships, where they don't help!"'.	OECD governments will come to recognise partnership working as high cost, so much of it will disappear – even many elements of it which are cost-effective.
	"There is growing recognition that, in a	Leadership is needed everywhere that imaginative decisions have to be made

20	complex and changing system, we need to see leadership and learning as simultaneous activities'.	so, in future, leadership will be a formal requirement in the job descriptions of all staff in public services.
25	'Culture change programmes need to be supported by "harder" organizational change strategies such as equality audits, targets linked to performance indicators, careful use of disciplinary procedures to signal behaviours that are unacceptable, resource allocation strategies that reward positive outcomes and the monitoring and evaluation of outcomes. Recent austerity policies resulting in cutbacks in recruitment to public organizations and reduced capacity within HR and equality teams are likely to limit progress in this area'.	OECD countries suffering protracted austerity will start to reduce their commitment to equalities policies, leading to serious social unrest, as the groups which now again find themselves experiencing the lower priority which was once traditional prove unwilling to accept discrimination without a struggle.
	'With states such as Germany recently introducing mandatory quotas and positive evidence of their effects being disseminated from Norway, pressure is likely to build towards a standard EU-wide approach [to compulsory quotas to ensure minimum female representation on company boards]'.	

only in part. Actually, we believe this book has been very ambitious – it has studied public management and governance in the round, considering these concepts as science, craft and … art.

As academics, we might be expected to focus most on public management and governance as a social science. And certainly this has been a key theme of the book – for example, we have looked at many social science theories around public finance, performance management, partnership working, the equalities agenda, etc. and have examined the evidence for these theories. This is part of the scientific approach. However, our authors have not rested at that – just as well, you might say, since the body of knowledge in public management and governance which passes strict 'scientific' standards (or, from a Popperian perspective, has been 'tested and non-disproven') is still quite limited. If you check back, few of the recommendations made in previous chapters have been made solely on the basis of scientifically tested evidence. In many cases, authors have fallen back on the 'craft' of public management and governance, from their own experience or from their interpretation of the literature. And in some cases authors have highlighted how an actor must tailor practice to specific situations – see, for example, Bob Behn's comment in chapter 21: 'Indeed, if you have seen one PerformanceStat, you have seen one PerformanceStat'. This ability to tailor practice to specific circumstances is an example of the 'art' of public management and governance, in a way which may be non-replicable but which builds upon both the scientific and craft knowledge of the actors involved.

The point is that understanding how to tackle public issues in the context of simple,

complicated, complex and chaotic knowledge domains requires not simply scientific understanding, important though that is, but also mastery of both the craft and the art of public management and governance. While a scientific treatise focuses basically on the 'proven' results of empirical research, and a craft manual distils the lessons from countless experiences of actually undertaking the practice in question, a textbook has to attempt to bring these together in a 'state-of-the-art' compendium, which allows its readers to learn what is currently believed about the subject, while encouraging them to be sceptical, in line with conventional scientific methods. This scepticism requires them to remain on the lookout for contradictory evidence (which will always be available) and continually to construct alternative ways of explaining observable behaviours and then subjecting these alternative conceptual approaches to empirical testing. However, more is expected of readers. Those who are academics have to teach students and advise practitioners on how the evidence currently looks, imperfect though it is. Those who are practitioners have to make decisions in the meantime, without fully tested scientific knowledge. In both cases, then, an understanding of the craft of public management and governance is needed – and this textbook has attempted to summarise some of its key elements. Finally, some practitioners will need to develop and improve the art of public management and governance – where the craft isn't enough to carry them through uncharted problems and behaviours. Here our textbook has given some tips but, in truth, art requires artists and the best that education can do is to make these artists fully familiar with their craft, allowing their creativity to take over at that point where craft no longer suffices.

So now, over to you. Having read this textbook – or, perhaps, having skipped to this final chapter – you now have a better idea of what is widely believed to drive public management and governance and to lie in store for its future. This should help you to improve the existing practice of public management and governance – but beware! Some of what you have learnt here will have to be unlearnt, as new evidence and more convincing theories emerge over time. And our hope is that you, too, will in future play a role in making public management and governance better understood in theory and more successful in practice. And, of course, that some of you will turn out to be masters of the art of public management and governance, perhaps the hardest task of all!

Summary

In the future, the public sector will remain important, running socially valuable public services. Public management and governance will therefore also continue to be important, although the priority between the key issues in public management and governance will change from time to time. The key players who excite most interest will also vary from time to time and from place to place, demanding flexibility in how we conceptualise and treat public issues.

Some aspects of public management and governance are simple to understand, some are complicated and some are complex (and some issues lie in chaotic or even entirely disordered realms of human behaviour). This means that prediction, always difficult and liable to making serious mistakes, should be confined to the simple and complicated realms of knowledge – people who attempt to predict behaviours in the complex or chaotic realms are simply charlatans. However, it is not always easy to differentiate between these realms of knowledge, so a sceptical approach to prediction is in order.

We do not know what the next trends are likely to be – but we can have a strong suspicion of the set of issues around which the debates on public management and governance are likely to revolve, at least in the medium term. This can prime us to be ready to react, if these trends do indeed occur. However, we also need to be on the lookout for other trends and for the non-appearance of the trends we expect. The Scouts have a motto: 'Be prepared!' We would suggest an amendment: 'Be prepared for what is likely to happen – and be ready to deal with things you didn't think to be likely!'

Finally, understanding how to tackle public issues in this context of simple, complicated, complex and chaotic knowledge domains requires not simply scientific understanding, but mastery of both the craft and the art of public management and governance. You are free to choose which role you most want to play – scientist, craftsperson or artist. But beware – no matter how hard you try to stick to your chosen role, you are likely to find yourself becoming involved in all three roles from time to time, if you really care about improving the outcomes experienced by those citizens who matter most to you. We hope this book will help you.

Questions for review and discussion

1. What are the implications for policy-makers when they move from dealing with issues where the evidence comes mainly from the simple knowledge domain to dealing with issues where the evidence comes mainly from the complicated or complex knowledge domains?
2. What are the different ways in which trends might be projected? Give an example of the kind of evidence which might be used in each case – and discuss how reliable such evidence is likely to be.

Reader exercises

1. Get from your library the first edition of this textbook (*Public Management and Governance*, Routledge, 2003) and compare the chapter headings in it with those in this edition. What changes do you detect? What do you think that says about how public management and governance have changed in the intervening years?
2. Update the evidence on the predictions in Table 28.1 and replace them with your own predictions for what might happen in the following decade.

Class exercises

1. 'We can perhaps have some confidence that those actors who currently appear to have influence well above what they contribute are likely to be cut down to size and those stakeholders whose current influence appears to be well below that justified by their contribution are likely to play a stronger role in the future. We interpret that to be bad news for "top managers" (particularly in private companies providing public services) and good news for service users and frontline staff'.

   Divide into groups and discuss whether there is evidence for these assertions. Discuss your conclusions in a plenary session.
2. Divide into three groups to consider different aspects of public management and governance. One group should identify the three most influential 'scientists' in this field; the second group should identify three people highly expert in its 'craft'; and the third group should identify three people skilled in the 'art' of public management and governance. In the plenary session, discuss which is the most important – the art, craft or science of public management and governance?

Further reading

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