

# Discussion on Essentials of New Public Management Theory and Its Enlightenment

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**Abstract**—New Public Management, also called Managerialism of Neo-Taylorism, which flourished in the 1980s ~ 1990s, designed for the business management, aiming to shape the entrepreneurial government owning spirits and connotation of business management. However, the theory only emphasized the tendency of anti-bureaucratic organization, needing to introduce the spirit of enterprise innovation, client's empowerment as well as the concept with bureaucratic services converted into individual (customer) empowerment, focusing on the ability and method to offer services, namely emphasizing the role of governmental instruction; Services can be competed between private sectors and public sectors, so we should value the structure of economic incentives, supervision of contract performance as well as management innovation; Actually it also causes a centralization of administrative powers, and over-stressing in privatization and marketization, and the government reinventing is extremely difficult to create appropriate indicators to weigh, authorization and decentralization, and it needs to create and maintain fairness, justice, integrity, humanity, responsibility and so on, so public service theories are created to gradually replace the dilemmas that new public management faces.

**Keywords**—new public management; government reinventing movement; new right market oriented mechanism; entrepreneurial government

## I. INTRODUCTION

Introduction: From the 1980s, the market economy and global integration have been coming, based on the New Right Market oriented Mechanism<sup>1</sup>, an administrative reform

<sup>1</sup> The core strategy for the government reform in the New Right Market oriented Mechanism theory: I. Reform strategy of the public choice theory: bureaucratic and inefficient, over-production, state agencies should intervene and control the social and economic systems, strengthen the market mechanism to create welfare for the society with the most effective ways. II. Reform strategy for the authorized and the agents: In order to avoid the bureaucrats' (agents') neglect of duty and violation against public interests, the public sectors should establish systems like that in private ones, privatize the public service as possible as it can or sign outsourcing contracts, and reduce the government scale, set multiple and overlapping rights of jurisdiction, sign contracts with employees, establish quality performance and costs standards so as to supervise the behaviors of bureaucrats (agents), for this system, the public sectors can implement the reform strategy. III. Reform strategy of the transaction cost theory: for the public sectors, in order to reduce the administrative costs in the transaction, public affairs shall be granted to the private sectors via outsourcing, besides, appropriate competitions are offered to lower the transaction costs.

movement has swept the world, a new administration trend, targeting market mechanism and efficiency, came into being, which was called the New Public Management by insiders. From then on a Reinventing Government Movement<sup>2</sup> emerged in the 1990s.

Based on efficiency, the New Public Management makes an overall and deep introduction of the entrepreneurial management spirit, and the government pushes the public service to the market so as to achieve a minimal governmental administrative reform goal.

The essential connotation of public management goes with the times, keeping up with or leading the trend, so as to provide governmental sectors and private enterprises with substantive management connotation which is subject to the organizational culture and can enhance the operational efficiency, mainly including: do not exclude the use methods of private organizations, value the effect of virtual organizations on public sectors, emphasizing innovation and systematic thinking, value the human resources management and quality and performance evaluation methods, value the method and process of the government reinventing (New Governance), value reconciliation and accountability, organizational development intervention strategies.

## II. MAIN CHARACTERISTICS OF NEW PUBLIC MANAGEMENT

The New Public Management, in the opinions of scholars Farnhama and Horton, has characteristics as follows:

- Take rational approaches to deal with problems, that is, when setting policy objectives and clarifying the policy issues, it needs to emphasize the role and function of strategic management.
- Focus on the design of organizational structure, including: Redesign the organizational structure, separate policies from administration, and create a responsible administrative unit in charge of the service transmission; Change the organizational structure, promote the flattening of bureaucratic organization,

<sup>2</sup> Strategy for the government reinventing: streamline the government and convert the government from universal functions to empowerment, bureaucratization to enterprise, decentralized government, privatization and empowerment, entrepreneurial and electronic government.

distribute the power to management so as to achieve the performance goals.

- Adopt three “E” standards to weigh the organizational achievements, and evaluate the organizational achievements and derivative’s performance indicators according to the economy, efficiency and effectiveness.
- Emphasize a culture where the market and the enterprise value are harmonized, the new public management is focused on improving the existing policies so that the public organization can be transformed from the culture where the value of traditional public service dominates to the culture where the market and enterprise value is harmonized claimed by the New Public Service Mode.
- Focus on the use of human resource management techniques to weaken the collectivism and adopt individualist approaches, including seeking and mobilizing employees for support and commitments so as to continue the reforms of structure and organization.
- Establish a flexible, responsive and learning public organization, and create a public service instruction which takes the public as clients, consumers and citizens, and the public services is no longer controlled by special supply but in response to the real needs of the public so as to provide the public services
- Replace the traditional trust with contracts, forming a contractual relationship, and the interaction whether inside or outside and buyer and seller between the two all are based on price, quality and quantity so as to replace the traditional trust relationship.

### III. CORE CONCEPTS, KEY POINTS AND CHARACTERISTICS OF NEW PUBLIC MANAGEMENT

#### A. *Concepts of New Public Management*

Based on the market-oriented Public Choice Theory, the new public management owns core concepts such as competition, empowerment, performance, customer priority but not the bureaucratic order, which is expected to create and develop different connotation compared to the traditional administrative theories so as to rebuild the administrative theories and practices simultaneously.

Customers oriented: Try best to satisfy customers, expecting to meet the needs of customers from production to consumption so as to promote the business. Accordingly, the government sectors take citizens as customers and the people as consumers, normally the customer relationships apply to maintain the relationship between customers and government agencies. So the new public management takes customers as a guide for all the public administration and its management of the governments to act. Main characteristics are hereby given as follows:

- Competition: the market participants compete through fair price and quality.

- Equality: the participants are free to go in or out of the market.
- Openness: A circulation of continuous input and output of outer environment under the market mechanism.

Marketization inside the public organization: Introduce the market mechanism to the public sectors. So the new public management claims that the government acts as a "navigator", which pushes the public service to the market as far as possible, under the marketing mechanism, a product mix will be formed naturally, which satisfy both consumers and producers. Based on the competition, equality and openness of the market mentioned above, the market operation brings more efficiency than the government system. So, the focus of administrative reforms is to introduce the "market competition mechanism" into the public organization, that is, achieve the marketization inside the organization, for example, scholars Savas proposed to private the government. The market mechanisms strategy used in the public sectors in the UK just include market testing, privatization, mandatory bidding system and so on.

Set up an entrepreneurial government: For the success or failure of administrative policies is related to whether the elected leaders, administrative officers and staffs have entrepreneurial spirits, the government should widely select and arrange those who have characteristics of public managers, seeking for innovation and changes, overlooking and challenges taking, known as the entrepreneurial government).

Follow the market mechanism, government authorities should intervene in the face of the imbalance of public property, assets and information.

#### B. *Main Points of New Public Management*

Scholar Behn defined the new public management as a collection of policies and strategies to improve public sectors’ performances, aiming to increase the output capacity through the cooperation between government sectors, profitable and unprofitable partners (Behn, 2001, P.26). According to the scholar, C. Hood, the new public management consists of seven points:

- Professional management of public sectors. Top management at the policy level in the organization shall enjoy the initiative and clear discretion, and make powers commensurate with responsibilities
- Clear performance standards and measurements. The goal must be clear and the performance must be measurable
- Result-oriented. Strengthen the output control, that is, value more the actual results than procedures.
- Organizational design segmentation. According to the characteristics of products or service, segment the organizational structure of the public sector into several units, and then conduct unified management on each unit so as to promote the management effect.
- Market competition mechanism. Value the market competition mechanisms, make marketing tests through contract outsourcing strategies, provide public services,

exert the spirits of competition, improve the service quality and reduce the costs.

- Practical management of private sectors. Remove the bureaucratic public affair ethics in public sectors, and stress the use of private management, so the personnel posts and rewards are more flexible.
- Efficiency orientation. Emphasize the expense-saving and effective use of resources, aiming at the efficiency.

In a word, the core contents of the new public management theory consist of three points namely productivity, marketization, service orientation, decentralization, policy and policy effect. Especially the service orientation, when borrowing the management experience of enterprises, the governments should also absorb the "customer first" service concept, in a positive response to the market, society and so on so as to improve the service performance.

#### C. Characteristics of New Public Management

- Adopt rational methods to deal with problems
- Focus on the flattening organization design, grant more to management to achieve the performance goals
- Evaluate the organizational achievements through economy, efficiency and performance.
- Stress the harmonious culture between market and enterprise value
- Focus on the use of human resource management techniques to weaken the collectivism.
- Establish a flexible, responsive and learning public organization,
- Replace the traditional trust with contracts.

#### IV. PRACTICE PATTERN OF THE NEW PUBLIC MANAGEMENT

Scholar Feu Leier raised that the practice pattern of the new public management can be divided into four categories:

##### A. Efficiency-driven Pattern

Introduction of business management from private sectors, including:

- Financial control, cost accounting, output efficiency and complete information system;
- Transfer powers to senior managers and strengthen the goal and performance control;
- Develop formal performance evaluation methods;
- Allow non-public sectors to participate in the supply of public products and be responsible for customers;
- Labor market adopts performance work and short-term employment contract system;
- Reduce employee's self-regulation and centralize the management right;

- Increase empowerment of business management and carry out the responsibility system;
- Adopt new modes for business management and move the rights to strategic class.

##### B. Miniaturization and Decentralization Model

Organizational decentralization; increase requirements for organizational flexibility; separate from the highly standardized organizational systems; gradually enhance the strategy and the non-centralization of budget responsibility; strengthen the contracting system approved by the government.

##### C. Pursuit of Excellence Model

Stress the importance of value, culture, customs and symbols which form the actual behaviors of the people, it consists of two ways namely from down to up (stress the organizational development and learning, taking the organizational culture as adhesive for development) and from up to down (Guide the development of corporate culture, focusing on the charm and model of leaderships).

##### D. Public Service Orientation Model

Focus on realizing the public service as the basis, improve the service quality of output value; during the service, it shall reflect what the user wants (non-ordinary customers), requirements and interests; question the function of market mechanism in public services, claiming that the power shall be transferred from the appointer to the elected committee; stress the social learning to offer routine service (such as encouraging the community development, conducting social needs assessments); and call for a series of continuous public services and value, and the key point is citizen participation and public responsibility system.

#### V. DISCUSSION ON PROBLEMS DERIVED NEW PUBLIC MANAGEMENT THEORY

Question whether the new public management can represent a model? Because the reasons for its involvement in the use of private sector economics applied to the public sector are insufficient, which neglect the essential difference between politics and market, besides, it is related to the diversity and multiple value of the public sectors; the performance evaluation of private sectors, strategic planning and goals are hard to apply to the public sectors; the privatization and contract outsourcing may not bring high efficiency. Besides, the implementation may be controlled, becoming more difficult, increased in costs and collusion between officials and businessmen.

The government reinventing is shaping an entrepreneurial government, however it may cause a tendency of centralizing the administrative power, relatively depriving the legislative power.

Over-stressing the privatization and marketization will low the functions of the government to promote equality and so on, as a result, the country will become a so-called "empty country", which inevitably leads to the widening of gaps between the rich and the poor.

The government reinventing is difficult to create appropriate indicators to weigh, and the performances are hard to compare, furthermore, the emphasis on short term benefits, while ignoring the long term ones have caused its deviation from the from the nature of public interests.

Empowerment and decentralization, during the actual policy implementation, the higher administrative discretion of the executors will weaken the central control; though the local governments have the power to control and get some effect, yet it is still doing harm to the centralized coordination mechanism, resulting into the difference between the central and the local governments.

The government reinventing is a vague concept defined by western countries, a country should test it accurately to find out whether the western system can be fully coped for use; if it is fully accepted, the achievements of the government reinventing will be not as big as it is expected.

Public servants hold more conservative thinking and behaviors, and most of the administrative models are "avoiding risks" rather than "actively creating" adventures. For the concept of entrepreneurial government is forward-looking and pioneering, yet the thinking scope and ethical roles of administrative staffs in government agencies are framed by the inherent bureaucratic form, making it difficult to change the ways of thinking and behavior mode for innovation.

No contribution to the realization of social justice. To set up a minimal state has to depend on the market mechanism to achieve the policy goals, which is difficult to reach. Because the government should conduct controls over the market to correct the market failure, which is not to pursue the "economic efficiency", but to maintain the fair, justice, integrity, humanity, and responsibility. Besides, it has run to create fair and reasonable environment for the market competition, realize the humanistic care, as well as fair and equal resource distribution and use.

Rapid social development and more functions for the government. The government must bear more even doubled public affairs, unable to return to the condition of a minimal state.

Over relying on business management experience, for the government has functions of public responsibilities, different from the management of private enterprises.

The priority to consider for the new public management theory is to set up a customer-oriented government, focusing on the administrative efficiency of the government, aiming to meet the customers' requirements, rather than the needs of overall citizens, ignoring the public interest will be its ultimate goal to pursue the true value, which is also in line with the true democracy.

Though it has been questioned to have many problems in applicability, yet as a whole, after the theory was carried out in the United Kingdom, the United States and so on, there are no serious phenomena such as difficult to carry out, besides, it has got considerable effect, some of which are still worthy of references.

## VI. ENLIGHTENING OF NEW MANAGEMENT THEORY

### A. *On the Value*

The modern governmental governance is expected to fully reflect the unity of efficiency and fairness. In order to balance the two, it needs to set up an uncorrupted and competent government to improve the administrative efficiency, upgrade the public service level and serve the people; cultivate citizens' morality, participation and responsible attitudes, promote the social identity and justice, achieve the social morality and keep the social harmony.

### B. *On the Operational Mechanism*

Modern governmental governance is expected to fully reflect the balanced interface between government, market and society. The new public management must get rid of the dualistic thinking in administration and market, adding the public welfare factors as social group service and encouraging those concerned to participate.

### C. *On the Environment*

- Well master whether the efficiency, performance and service quality as well as the planned beneficiaries can really benefit from the results;
- In a decentralized management environment, it can better allocate powers and responsibilities, making the decisions on the resource allocation and the service supply much closer to the reality, besides, it can offer chances for customers and interest groups for suggestions and feedback;
- Create competitive environment between public sectors, public sectors and non-governmental competitors to achieve the customer centered tenet and offer more conditions for its selection;
- Flexibly adopt the cost and benefit method to guide the supply and control of public services;
- Set up and apply correct procedures.

### D. *On the Practical Operation*

Modern governmental governance is expected to fully borrow and make use of the successful experience and methods of businesses or non-profit organizations so as to upgrade the governmental management efficiency.

Currently the development of new public management has brought negative impacts on the public service level, including three points: the citizens are blocked to acknowledge the public fields, and the relationship between governments and citizens looks like that between companies and customers, which is questioned that the public executors are incompetent to integrate public standards and goals. Therefore, the new public management has been gradually replaced by the public service (improve the dignity and value of the governmental public services, value citizens, citizenship and public interest and practices. The public sectors shall not only provide services, but also make use of dialogues with citizens for participation, enabling them to enjoy the right to know, express and

supervise so as to improve the citizenship in a democratic society). Therefore, the public service has been a key strategic direction for the transforming the governmental management.

## VII. CONCLUSION

The new public management is a new public administrative ethics and management model that flourished in western countries such as the UK and the US, whose core contents adopt business management theories, methods and techniques with the market competition mechanism introduced to improve the public management level and the public service quality. The theory is questioned that whether the new public management can represent a pattern, limited in theory and practice; it is true that the essences of theory and implementation method may thoroughly transform traditional governmental functions, offer strategies and measures such as operating environment, operating mechanism and management experience, such as governmental steering but not paddle sliding and so on. It claims to transfer the public service function to the society and enterprises, attracting other industrial associations, agencies and social organizations to participate in the supply and service of public products. Currently the dilemma for the development of the new public management has moved to the public service, equivalent to the effect of transformation and development, so it is worth further study.

The coming society is an era of the Postmodern Public Administration, which will face a great challenge in environment, culture, international and democratic society. The society and organization will be much more complicated, frequent interaction will take place between privatization, public and private sectors, the technologies develop rapidly, the resources and growth of public sectors will be limited, the work team and service objects become diverse, individualism and personal responsibility are stressed with the life quality valued, the development, continuous reform and conversion of environmentalism, but not the intense changes of the environment system, in the future, all people will participate in the reform, together with the information open and establishment of public responsibility systems; and the governmental organization management must be shifted to automation, specialization, flexibility and performance in the future.

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