

# The relationship between public and private management: A review

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**Abstract.** Public management and private management that belong to the management are increasingly valued by several management scholars, and a growing number of people start to study them. Whether the less development of public management can acquire some experience from better private management has become the focus. In order to address this problem, we need to start from their essence, and compare the similarities and differences between the two to achieve the goal with combining and distinguishing the two. This article starts from the concept of public and private management, makes a comparative analysis of their relationship, and analyzes their differences and the relationship with various aspects.

## Introduction

With the advancement of social sciences, the importance of management as a superior person has increasingly highlighted its importance. A mature and perfect management method is of great benefit to individuals and departments. At the same time, some experts and scholars also roughly divided management into public management and private enterprise management. In past comparison articles for both management, there are approximately three views. One is to stress that there is no absolute difference between the two; the second is to advocate that the difference between the two cannot be overlooked, and the third one is more compromised, considering that the two have similarities and certain differences, and cannot be generalized.

In fact, the concept of public management is still unclear relatively. Professor Chen Zhenming considers that public management is a "new public management" that prevailed in Britain and the United States in the 1980s, and there is a big gap between public management and public administration [1]. However, Professor Liu Xirui and Wang Yukai suppose that public management is only one more part of management than public administration [2, 3]. Therefore, we can conclude that although the current Chinese scholars' cognition of public management is not clear yet, numerous scholars are making serious efforts to study the contents and explore the unknown areas of public management.

Public and private management are all processes that effectively plan, organize, lead, and control the resources owned by the organization in a given environment in order to achieve the established goals [4]. New Public Management Theory suggests that public managers need to emulate the supposed successful techniques of their private sector counterparts, such as management by objectives, total quality management, devolved management, performance-related pay and so on [5, 6]. No matter in government agencies or private enterprise, managers all need similar management knowledge and skills to help them implement the same management functions such as decision-making, organization, planning, leadership, communication, and coordination, etc. They still need to properly allocate the organization's human, financial, material, technical, and information resources in order to effectively produce products and provide services in order to achieve the expected goal. Therefore, there are many formal similarities between public management and private management.

On the other hand, there is a great distinction between public management and private management. After all, private companies and governments are two different types of organizations, and are often diverse in nature [7]. In fact, public management can be simply understood as the management activities that exist for the maintenance of certain public interests and things. Corporate private management is the management activity that exists to achieve a higher privileged purpose. Because of the structural imparities between public and private organizations and the existence and

effects of many factors, the systems and methods are usually out of place or even ineffective when the private-sector management is introduced into the public sector. Nevertheless, if government departments completely copy from the corporate practices, they will not be able to effectively improve government performance and thus damage the benefit of consumers.

Therefore, public and private management has the relation of the unity of opposites, which are both different and relative. This paper embarks on the concept of public and private management, and makes a comparative analysis of the relationship between the two, focusing on the imparities between the two in various aspects. It is of great significance to straighten out the characteristics and interconnections of public and private management for carrying out the relative activities in a more orderly way.

## **2. Differences between public and private management**

Similarities and differences between the public and private management have frequently been debated in the literatures on public administration, politics and economics. The biggest difference between enterprises private and public management is that they are two diverse types of management activities in two distinct areas of human society. Allison (1986) argued that “The notion that there is any significant body of private management practices and skills that can be transferred directly to public management tasks in a way that produces significant improvements is wrong” [7]. As a matter of fact, public management can be simply perceived as the management activities that exist to safeguard certain public interests and things, and emphasize fairness, justice, people's sovereignty, and so on. However, private management is a management activity that aims to obtain a higher private purpose. More attention is given to rate of return, cost, profit, and the like. If public and private organizations are fundamentally different, there is little point in seeking to draw lessons from management in the private sector. In essence, it can be concluded that both two management are aimed at management, but the objects concerned by the manager and factors that influence management decisions are various considering their connotation.

**2.1 Differences in goals.** The primary difference is between public and private management is their goals. In fact, this can be taken into account from their names. Public and private organizations have different ownership. Public agencies are owned collectively by members of political communities or other non-profit organizations, thus public management is the management that is in order to realize social justice and equity. However, private firms are owned by entrepreneurs or shareholders, thus private management is to maximize the benefits and efficiency. It is the commonality of profit organizations. Public sector organizations are controlled predominantly by political forces, not economic forces. Thus, public management is often to solve one or more social issues, such as employment status, social welfare, etc. In order to solve these problems well, the government is demanded to utilize its own resources to achieve the ultimate goal of social equity. Under the implementation of a policy, it is hard to measure how much this policy can solve the problem. Several empirical studies have found that the goals of public and private management are significantly different [9, 10].

**2.2 The difference between managers and management objects.** It is not hard to figure out that the implementer of public management is the government department. It manages the total resources and assets of the society. The total resources and total assets mentioned here refer to the government departments in the true sense, not those of the public in the past. If it is so defined, we can clearly conclude that the manager of private enterprise management is the enterprise unit itself, and the management can only be the property and resources in its name, and maximum what you own to gain the most benefits.

**2.3 Differences between Openness and Closure.** In contemporary society, an increasing number of citizens have a different awareness and knowledge about power and rights. Especially in a socialist country like China, citizens need to participate in management. This requires the government to be open and transparent in its management, and accepts criticism and supervision from the public opinion. In addition, we should focus more on people's reactions when formulating policies. Private enterprise management is simple and no needs to be open to the public. Some joint-stock companies

only need to explain their own management decisions to their shareholders. Therefore, there is a clear gap between the two in terms of public transparency.

**2.4 Mandatory decision or not.** For public management, once the policy is formulated, it cannot be violated and it is extremely mandatory. However, it is impossible for a private company to have this kind of coercive power. There is no denying fact that the trading market is attached to the free trading and companies can't force purchases. Furthermore, the management system is also only effective for the company's internal, and even for the company's internal, the system is specific. On the mandatory side, there is a major disparity between the two.

**2.5 Differences in the selection system.** For the convenience of management, a complete set of personnel selection systems is often developed and must be followed, the reason for this is that public management tends to be oriented to a country. This will also bring about some low efficiency, and the huge number of management will inevitably lead to crude management. For the personnel department of public management, it is tough for them to play the same role as of private enterprises. They are largely restricted by the previous regulations in the process of selection and recruitment. For example, for some positions, certain working experience and years are required. Once this limit is set, it will be difficult to break. However, private companies do not have such great restrictions. In order to take full advantage of their efficiency and profits, some rules within the company can be broken. When a company recruits managers, it is generally based on whether he/she is able to be in this position. The capacity itself plays a decisive role without the political impact.

### **3. The connection between public and private management**

Regardless of the fact that there is a huge disparity between public and private management, it does not indicate that the two are irrelevant to each other. On the contrary, as the management activities, the two are interrelated and are in the complementary and cooperative relationship. Regardless of public management or private management, the governance tools in many aspects are similar. Loads of management concepts and methods can be used in their own management practices after careful argumentation and appropriate trials.

**3.1 Basic Management Theory.** The reason why both public and private management can be called management is that they both possess the five major management functions proposed by Fayol, which are planning, organizing, commanding, coordinating and controlling [11]. Management is a science with its unique principles. System principles, human theory, efficiency principles, and dynamic correlation principles are fully reflected in the management process. Additionally, the principles of management are objective, general, and stable and systemic. First, the system principle refers to the integration of several interconnected and interacting parts under specific environmental conditions. That is to say, managers should regard the organization as a system and manage it from the perspective of the system in the process of management. The second is human theory. This can be understood literally as people-centered management, which people are obliged to exert their subjective initiative in organizational activities. The third is the principle of benefit. Only when there is a clear requirement and division of responsibilities can maximize the efficiency and effectiveness in the process. Even the public management department will expect the subordinates of the department to have higher work efficiency. The fourth is the dynamic correlation principle, because there may be changes in the environment or some other factors all the time in the management process, which requires managers to make appropriate adjustments in this dynamic process.

**3.2 Management Process.** Management is the process of deploying some of the existing resources to achieve a certain goal under specific environmental conditions. In this process, the mainstay of management, that is the actor of the behavior, occupies the absolute initiative, and the object of management, which is the resource, not only includes certain goods and assets, but also contains some human resources. From this, it can be concluded that public and private management is issued by one entity, and the final purpose is achieved through specific means or methods.

### **4. Conclusions**

This study embarks on the concept of public and private management, and makes a comparative analysis of the relationship between the two, focusing on the imparities between the two in various aspects. In conclusion, for public and private management, there are a few basic similarities between the two, but there are more or less imparities for more detailed division. The relationship between public and private management is the dialectical relationship of unity of opposites. Even so, in the process of development, it is still essential to learn from each other so as to achieve the highest utility in diverse organizations.

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