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The Critical Review of New Public Management Model and its Criticisms

Kulachet Mongkol

College of Graduate Study in Management, Khon Kaen University (Bangkok Campus), Bangkok, Thailand

ABSTRACT

This reviews present the theoretical literature concerning the New Public Management (NPM) model paying particular attention to its criticisms from many scholars. Various literatures about NPM model and NPM criticism have respectively been reviewed. The article also critically examines whether the NPM model is appropriate and whether it contributes to enhanced efficiency and effectiveness of the public sector in developing countries. Criticisms of NPM in developing countries are examined to facilitate understanding. The article concluded that while ideas about NPM have spread internationally and many countries have introduced reforms associated with it, a number of criticisms have been levelled at it. Additionally, many developing countries have usually only selected some items from the NPM menu.

Key words: New public management, public sector management, public sector reform, developing countries

INTRODUCTION

The new approach, namely New Public Management (NPM) emerged to replace the traditional model of public management during the 1980s and 1990s in response to the inadequacies of the traditional model (Hughes, 2003). Reforms aimed at improving the quality of public services (Balk, 1996), saving public expenditure, increasing the efficiency of governmental operations and making policy implementation more effective (Flynn, 1993; Frederic, 1998; Pollitt and Bouckaert, 2000). Although many countries in the developing world have not fully embraced NPM, public management reform is still of interest and some NPM reforms have been introduced (Borins, 2000; Mongkol, 2010). This leads to the question of whether there is convergence towards one globally accepted model of public management-NPM.

The new public management model: NPM has been described as one of the most striking international trends in public management (Hood, 1991, 1998, 2000; Hood and Lodge, 2004). Many scholars have been trying to make sense of NPM. Putting together various perspectives, Batley and Larbi (2004) pointed out those NPM ideas can be categorized into two main strands. The first strand of ideas emphasizes managerial improvement and restructuring which includes decentralization, disaggregation and downsizing. In this strand, Holmes and Shand (1995) described NPM as 'a good managerial approach', contending that a good managerial approach is result-oriented (efficiency, effectiveness and service quality). NPM is intended to improve the quality of public services, save public expenditure, improve the efficiency of governmental operations and make policy implementation more effective (Aucoin, 1990; Pollitt and Bouckaert, 2000; Laffin and Painter, 1995). In a similar vein, Minogue (2001a) noted that NPM has brought

benefits of cost efficiency and service effectiveness to public management as well as improving efficiency and obtaining value for money by focusing on performance management and auditing. Other observers also believe that NPM encourages government to concentrate on the efficient production of quality services (Manning, 2001). Furthermore, NPM replaces highly centralized hierarchical organization structures with decentralized management because NPM involves restructuring and reducing the size of the public sector including reorganizing and slimming down central civil services (Minogue, 2001b).

The other strand of NPM ideas emphasises markets and competition which include contracting out and adopting private sector styles of management practice. In this second strand, NPM can be defined as a set of particular management approaches and techniques which are mainly borrowed from the private sector and applied in the public sector. It is also perceived as an ideology based on belief in the efficacy of markets and competition and business-like management ideas and practices (Ferlie *et al.*, 1996; Thynne, 2003). More recently, Pollitt (2001) and Christensen and Laegreid (2001) noted that NPM involves the use of market or market-like mechanisms for the delivery of public services (including privatization, contracting out and the development of internal markets). Lane (1999) and Ferlie and Steane (2002) contend that NPM has been evident in contracting out, a variant of the purchaser-provider type of relationship.

New public management criticisms: While ideas about NPM have spread internationally and many countries have introduced reforms associated with it, a number of criticisms have been levelled at it. Before examining these criticisms it is important to emphasise that NPM is not a definitive set of measures. Some observers believe that it is best to perceive NPM as a menu from which choices can be made (Manning, 2001; Turner, 2002). The menu is long as can be seen from the discussion in the previous section and different countries make contrasting choices leading to variation in the form of NPM found in particular countries.

The first criticism of NPM involves a paradox of centralisation through decentralisation. To illustrate the point, Kaboolian (1998), Khademanian (1998) and Maor (1999) pointed out that giving public managers more authority to manage programs may result in concentrating decisions making in them. Thus, NPM may lead to centralised decision making by public managers, rather than encouraging decentralization in public organizations as it claims.

The second criticism concerns applying private sector management techniques to the public sector. While NPM has encouraged the use of private sector management techniques, there may be risk associated with adopting some private sector practices (Flynn, 2002). Many academic commentators such as Pollitt (1990) and Armstrong (1998) argued that most areas of public service and administration have distinct political, ethical, constitutional and social dimensions and these factors make the public sector different from the private sector. A complementary view is provided by Savoie (2002) and Singh (2003), who argues that NPM is basically flawed because private sector management practices are rarely adopted into government operations. For them, NPM is inappropriate for the public sector as it has more complex objectives, more intricate accountabilities and a more turbulent political environment than the private sector. Moreover, the relationship between public sector managers and political leaders is of a different order to any relationships in the private sector. In support of the above mentioned argument, Painter (1997) contended that there is danger in using private business models in the public sector because of the contextual differences. Additionally, Cheung and Lee (1995) noted that NPM ideas have limitations in terms of using private techniques for the public sector. They argue that in the public sector there is not

the same degree of freedom as there is in the private sector. They provide an example of Hong Kong where private companies lay off staff in times of recession and restructuring while in the public sector, the government gives careful consideration to staff morale issues (Cheung and Lee, 1995). Thirdly, general criticism of NPM involves ethical issues. It is argued by Hughes (2003) that perhaps the new managerialism [NPM] offers greater transparency so that unethical or corrupt behaviour can be detected more easily; the greater stress on measurable performance may impose its own kind of behavioural standard. Perhaps managers can be inculcated with the ethical standards in the old model (Common, 1998).

Even though NPM provides transparency for the public sector, it can nonetheless lead to corrupt practices (Barberis, 1998). Doig (1997) argued along the same line that in rich countries, NPM can undermine ethical standards and lead to corruption. To illustrate the point, Minogue (2001a) also noted that increased managerial autonomy has brought blurred accountability and higher risk for public managers to become corrupt, while Ormond and Löffler (2006) contended that increased freedom of management within public sector organisations allows more opportunities for unethical behaviour. Another ethical issue about NPM involves contracts. Hughes (2003) pointed out those contracts are supposed to offer improvement in accountability; however, contracts with government are often kept secret for reasons such as commercial research. Thus, there is no transparency in terms of practice.

NPM is controversial enough within Western countries in terms of the benefits it allegedly brings. Applying these principles to developing countries may encounter additional layers of complexity. While NPM ideas have been introduced in developing countries, some scholars point out that there are constraints and NPM may be inappropriate (Manning, 2001; Minogue, 2001a; Polidano, 1999). Most criticisms are, however, based on a prior reasoning about what items in the NPM menu seem to be appropriate for the developing countries, rather than on any empirical assessment of what have worked (Polidano, 1999). Since the NPM reform model originated in a small group of rich countries, the model may not be directly transferred from them to poorer non-Western countries because of contrasting environmental features such as political culture and practice (Minogue, 2001a). UNDP in 1997 pointed out that some items of NPM are not useful for developing countries since NPM ideas have derived from a few countries of the OECD. The ideas have been designed and implemented to suit the conditions in those countries rather than in developing countries.

Eight specific criticisms of NPM in developing countries can be identified in the literature. Firstly, Polidano (1999) argued that the NPM does not suit developing countries since governments in these countries may lack the necessary expertise and have unreliable information systems. Polidano (2001) and Caiden and Sundaram (2004) noted along the same line that developing countries have lacked the resources and managerial capacity to adopt rather sophisticated NPM reforms, although countries like India have supported the reorientation of government role and menu of options for providing various functions and services, often extending beyond the original vision of NPM. Thus, it can be said that a state's capacity is a precondition for successful implementation of NPM in developing countries (McCourt, 2001; Monteiro, 2002; Bale and Dale, 1998).

Secondly, while the NPM principle of decentralization has diffused from rich countries into developing countries, governments in developing countries often retain centralized decision making. Leading public managers still have authority to make all decision within their organization. This centralized decision making can generate its own pressure for arbitrary action and corruption

(World Bank, 1997). A supporting view is provided by Polidano and Hulme (2001) who claims that public management in developing countries is afflicted by corruption and nepotism and that such practices may hinder NPM implementation. NPM may not be useful for public sectors in developing countries that have been greatly affected by corruption (Bale and Dale, 1998).

Thirdly, it is claimed by various scholars such as Batley and Larbi (2004) that NPM is based on applying market principles into public policy and management. However, Hughes (2003) argued that developing country governments often have only little experience in the operation of markets. Basic infrastructure of management in developing countries is also not developed enough to support market-oriented reforms (Sarker, 2006). Moreover, there are various factors which are required before the market can be effective. Hughes (2003) pointed out that markets are ineffective without the rule of law, for example, to ensure compliance with contracts. Yet it could be argued that many people in the developing world are natural traders with a history of commerce lasting for many centuries and that these instincts were stifled during the period of command economies. But, until capital markets develop or domestic entrepreneurs arise, a market economy may mean greater domination by foreigners and foreign corporations.

Fourthly, Hughes (2003) argued that it is difficult for the government in developing countries to move to contractual arrangements for the delivery of service because the necessary laws and the enforcement of contract are not well established. If informal norms have long deviated significantly from formal ones (with regard to personnel practices, for example), simply introducing new formal rules will not change much. Where specialized skills are in short supply, performance contracts and other output based contracts for complex services may absorb a large share of scarce bureaucratic capacity to specify and enforce them (World Bank, 1997). It seems difficult for developing countries to move away from the bureaucratic system. Hughes (2003) pointed out that this old model of organization allows favoritism and patronage.

Fifthly, as mentioned earlier, an aspect of NPM that useful for one developing country might not be useful for other developing countries. Turner and Hulme (1997) have explained this when writing about efforts to impose standardized reform package in the 1990s. They pointed out that whatever the reasons-naivety, historical and environmental blindness, or ideology a powerful international lobby is promoting a 'one size fits all' approach to public sector reform in spite of the evidence accumulated from organizational and management theory and from empirical study that the outcomes of planned changes in organizations are conditioned by many contingent factors, especially those in the organization's environment. In some contexts, the NPM may yield its promised benefits, but in others the possibility of it contributing to reduced performance and even political instability must be recognized. Therefore, Bowornwathana (1995) claimed that when developing countries borrow an NPM technique from rich countries, they must understand the details of the borrowing, consider if it is appropriate to circumstances in their countries and make decision accordingly.

Sixthly, another explanation for the inappropriateness of NPM involves public expectations of government in developing countries. Manning (2001) indicated that public expectations of government in those countries are different from those found in OECD countries. He contends that 'public expectations of service quality from government in many developing countries are justifiably low, with the consequences that citizens are unlikely to feel that complaints are worth the effort' (Manning, 2001). It is difficult for developing countries to succeed in implementing NPM unless citizens in developing countries are motivated to complain about their local service.

Seventhly, Schick (1998) criticized the introduction of performance-based mechanisms of accountability by pointing to the existence of a sharp dichotomy between the formal and informal rules of the game in developing countries and the predominance of the informal realm which is non-bureaucratic. He argues that the rules which actually guide people's behavior may be different from those which are written down. Therefore, contractual mechanisms of accountability may have little impact since they are in the formal realm. A classic example of informality subverting contractual mechanisms in Ghana is provided by Christensen and Laegreid (1998). The country attempted to improve the performance of its state-owned enterprises through contracts which proved ineffectual, owing, among other things, to the political connections of managers.

Finally, the NPM commitment to privatization may be difficult to manage in developing countries because those countries may not have the administrative capacity to undertake this complex task successfully (Haque, 2005; World Bank, 1995). Moreover, there are circumstances in which privatization will inevitably mean foreign ownership or ownership by one particular ethnic group which may cause a risk of societal cohesion (Hughes, 2003). An example of failures in privatization is provided by the World Bank (1995). Guinea privatized 158 public enterprises between 1985 and 1992, but this change proceeded without a clear programme or legal framework; procedures for competitive bidding and accounting were not made clear; assets were often sold for much less than their value; and successful bidders were offered terms which sometimes included monopoly licenses and the like.

In developing countries, Manning (2001) noted that rather than a single option, NPM provides a menu of choices. NPM is compared to a menu of techniques and developing countries are experimenting with some items on the NPM menu (Andrews, 2003; Batley and Larbi, 2004; Caiden and Sundaram, 2004; Turner, 2002; Polidano, 1999; Manning, 2001; Schacter, 2000). However, NPM has not yet become the only public management paradigm in developing countries since the organizing principles of bureaucracy have not been substantially replaced by the market-based principles of NPM. Manning (2001) emphasized that most government functions in developing countries are still executed by vertically integrated bureaucracies.

In relation to developing countries in Southeast Asia, Turner (2002) provided degrees of NPM adoption in order to demonstrate divergence and a variety of NPM initiatives within a particular region. Turner utilizes the metaphor of three contrasting diners faced with a menu of NPM dishes to characterize the countries in Southeast Asia. He identifies an enthusiastic diner, a cautious diner and one unfamiliar with the menu. Singapore and Malaysia are classified as enthusiastic diners since they have long term experience in producing public bureaucracies capable of learning and adapting from success elsewhere; while Philippines, Thailand and Indonesia are linked to cautious diners because decentralization and privatization are evident in these states but only minor changes have occurred within the central agencies and performance regimes are little developed. These states are willing to experiment with only a few selected items from the NPM menu. The final category of the diner who is unfamiliar with the menu consists of Vietnam, Laos and Cambodia. These states have not built capacity and systemic processes to initiate NPM and are reluctant to experiment although all have public administration reform programs. From these degrees of adoption, a similar metaphor sees NPM as 'a shopping basket' and developing countries as the shoppers. Each country may choose different items from the basket for different reasons (Pollitt, 1995). Implementation in various developing countries shows that these countries may build on national and local circumstances, taking into account the organizational diversity within

their countries. Thus, a certain reform concept might work in one policy sector but not necessarily in another, due to difference of organizational structures and cultures (Holmes, 1992; Ormond and Loffler, 2006).

CONCLUSION

While the NPM approach has been established in some developed countries and disseminated to the rest of the world, it appears that there are still many scholars who argue and criticize its limitations. Many developing countries have usually only selected some items from the NPM menu (Mongkol, 2008; Turner, 2002). As we have just seen, NPM is not confined to the originating countries, but it is a global phenomenon and has also been disseminated to other OECD and developing countries. Hughes (2003) contend that it is possible for developing countries to adopt managerial alternatives to the traditional model of public management. In a similar vein, Osborne and Gaebler (1992) contend that convergence on a new way of organizing public tasks is happening because the traditional model of public administration lacks efficiency under contemporary conditions. Therefore, governments all over the world are moving towards a new public management style. In addition, they points out that 'the movement has been striking because of the number of nations that have taken up the reform agenda in such a short time and because of how similar their basic strategies have been'. However, not all academic scholars agree with Osborne and Gaebler (1992). Scholars such as Lynn (1999) noted that NPM is still far from universal and that there is only a partial convergence.

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