Origin, theoretical basis and practice of New Public Management

الأصل و الأساس النظري وممارسات التسيير العمومي الجديد

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Abstract:

New public Management is the dominant paradigm in the discipline of public administration. it has become a catchword in most countries. it is a model with a minimal government debureaucratisation, decentralization; market orientation of public service; privatization; performance management. NPM is to a large extent based on the assumption that public sector organizations need to learn from private sector and private companies The purpose of this article is to examine if the ideas of NPM should be adopted in developing countries. **Keywords** :New Public Management - Public Administration - public sector- Management **JEL classification** : **H83**

ملخص: يعتبر التسبير العمومي الجديد (NPM) هو النموذج السائد في مجال الإدارة العامة. لقد أصبح شعارا في معظم دول العالم. يعتمد هذا النموذج على صور من إلغاء الرقابة الحكومية واللامركزية ؛ التوجه السوقي للخدمة العامة ؛ الخصخصة. إدارة الأداء و يستند التسبير العمومي الجديد إلى حد كبير على افتراض أن مؤسسات القطاع العام بحاجة إلى التعلم من القطاع الخاص والشركات الخاصة. الغرض من هذه المقالة هو دراسة ما إذا كان ينبغي اعتماد أفكار الإدارة العامة الجديدة في القطاع العام في البلدان النامية. الكلمات المفتاحية: التسيير العمومي الجديد - الإدارة العامة - القطاع العام - المناجمنت تصنيف JEL: H83

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1.Introduction:

The management of public administrations is a thorny issue because it involves the use of funds from citizens. The latter therefore seem entitled to expect a quality public service in return for their contribution. Public management methods must go in this direction. However, over the past decade, we have seen major changes in the management methods of the public sector in the developed word. While there was talk of citizen satisfaction, a new philosophy emerged. Indeed, minimizing costs has become one of the priorities of successive governments in many countries. This desire to reduce expenditures can be explained in particular by an excessive public debt and deficit. This new way of management is an application of a stream of thought that appeared in England in the early 1980s called the New Public Management (NPM). Formalized by *Erwan FERLIE* in his book *The* New Public Management in Action, he explains that the application of managerial methods of the private sector would allow public administrations to become more competitive while guaranteeing a quality public service. (Dreveton, 2010, p. 4)

The principles of this NPM School were therefore applied in the administrations of industrialized countries. If these principles were applied it was because they were considered beneficial and effective for both the Administration itself and the citizens. This is the idea that we will question in this writing, seeking to answer together the following problem:

Is the application of NPM adapted to Algerian public administrations?

In order to answer this question, we will first try to make a general presentation of this New Public Management by explaining in what context it appeared and its implementation in many countries. We will then discuss the advantages and limitations of this management method. Finally, we will answer our problem in view of the elements studied in this document, following which we will give an opinion when applying the NPM in Algeria.

2. Présentation of the New Public Management :

Before studying the NPM more precisely, it is important to focus on the idea that encompasses the notion of public management. **Romain LAUFER**, in his article "Where is the public management? " indicates that it is very difficult to find a definition, For some, the latter represents a "method of administrative action", while for others it is an "administrative language". LAUFER, meanwhile, goes so far as to say that it is an "enigma to solve", (Lauffer, 2008, p. 39)

Many other authors show the difficulty that surrounds the notion of public management. Therefore, the study of NPM, considered as a "new" public management, is also difficult to conduct.

In our study, we will consider public management as a management method for all public institutions. We can now focus on the NPM. For this purpose, we will first see in what context it was born, following which we will try to give a definition of this type of public management. Finally, we will explain what measures have been taken to apply it concretely in the administrations.

2.1 Emergence and definition of New Public Management :

2.1.1 Emergence of the New Public Management :

Public management must be adapted to the economic situation and to the multiple social evolutions so that the State is effective and provides a public service adapted to the expectations of the citizens. The NPM is part of its adaptation of public management to the economic context. It was not, however, the first attempt to modernize public management. In fact, in the 1960s, a reform called Rationalization of Budgetary Choices (RCB) was introduced in France (Bekhechi-Chouikhi & Benmansour, 2016, p. 17), in order to make better use of public funds. This reform, however, appears as a failure because it is too complex to implement and misunderstood by the actors. In the 1980s, various events made it imperative a new reform of public management, in various countries of the world such as, among others, the United Kingdom, New Zealand, Japan, Canada and France. However, the events leading to such a modernization remain multiple and specific to each country.

This is why the definition of the NPM can not be the same for each country in which it has been applied. In addition, the urgency and diversity of these events have had an impact on the speed of implementation of NPM in these different countries. In fact, its implementation in the United Kingdom and the USA has been very rapid, while in France it is spread over more than 20 years, with reforms still taking place.

Thus, the NPM calls into question not only the management of public administrations strictly speaking, but also pushes the state to question its role and its missions: it is the purpose of the state that is put to the test. And who says change of purpose says change of strategy. The NPM is therefore a redefinition of the state's strategy. Such a reorientation therefore implies a change in the means of achieving these objectives.

Besides, the purpose and besides the strategy, it is the organization Wébérienne of the State which is questioned. Now that we are better acquainted with the context in which the NPM is born and the global issue that surrounds it, we will try to define this notion more precisely.

The UK is considered the country where NPM evolved and became the launching point of NPM around the world due to its significant contribution to the development of NPM. After its emergence, NPM was rapidly embraced in several countries, especially in North America and Australia because of the International Financial Institutions' and OECD countries' promotion of NPM reforms in developing countries.

2.1.2 The definition of New Public Management :

By applying the principles of the NPM, the state shows that its objectives have changed. But what are its goals? In his thesis entitled "Equity trajectories: equity management strategies of public organizations", **Olivier KERAMIDAS** explains that the state now considers effectiveness as an imperative, the ultimate goal being to restore balanced budget and ensure the quality of public services. (Keramidas, 2012, p. 102)

What is NPM? Many authors (Borins, 1995; Dunleavy, 1997; Flynn, 1995; Gore, 1993; Gruening, 1998; Hood, 1991; OECD, 1995; Osborne and Gaebler, 1992; Pollitt, 1995) have forwarded different arguments as to the make-up of NPM.

For example **Christopher Hood** (1991) in his article: A public management : for all seasons ? (hood, 1991, p. 5) Has forwarded seven interrelated points for the structure of NPM. These included: hands-on professional management; explicit standards and measure of performance; greater emphasis on output controls; a shift to disaggregation; a shift to greater competition; a stress on private sector styles of management practice; and discipline and parsimony in resource use. Hood proposed NPM as an administrative philosophy for governments that would be results-oriented and productive.

Borins (1995) argued that NPM is a" normative reconceptualization of public administration consisting of several inter-related components: providing high quality services that citizens value; increasing the autonomy of public managers, particularly from central agency controls; measuring and rewarding organization and individuals on the basis of whether they meet performance targets; making available the human and technological resources that managers need to perform well; and, appreciation of the virtues of competition, maintaining an openminded attitude about which public purposes should be performed by the private sector, rather than the public sector" (Nazmul, Kabir, & Ashaduzzaman, 2012, p. 8).

According to **Dunleavy** (1999)" new public management is the domesticated, de-politicalized version of 'new right' or 'market liberal' policy analysis, made somewhat technical, consensual and generic... NPM has become a generic label for a group of policy and administrative solutions emphasizing competition, disaggregation and incentivization". (Dunleavy, Margetts, Batsow, & Tinkler, 2005, p. 470)

The **OECD** (1995) claimed that a new paradigm has emerged m the field of public management and identified the following characteristics as a shift to new public management:

- A closer focus on results in terms of efficiency, effectiveness and quality of service;
- The replacement of highly centralized, hierarchical organizational structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope of feedback from clients and other interest groups;
- The flexibility to explore alternatives to direct public provisions and regulation that might yield more cost effective policy outcomes;
- A greater focus on efficiency in the services provided by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations; and

• Strengthening of strategic capacities at the center to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically, flexible, and at least cost. (Atreya, 2002, p. 30)

In the same way, **Pollitt** (1995) noted the following make-up of NPM.

- Cost cutting, capping budgets and seeking greater transparency in resource allocation (including activity or formula-based funding and, most recently, a shift to accruals accounting).
- Disaggregating traditional bureaucratic organizations into separate agencies ('executive agencies'; 'government business enterprises'; 'responsibility centers'; 'state owned enterprise' etc.) often related to the parent by contract or quasi-contract ('performance agreement'; 'framework document', etc.).
- Decentralization of the management authority within public agencies (flatter hierarchies).
- Separating the function of providing public services from that of purchasing team. •
- Introducing market and quasi-market type mechanisms (MTMs). •
- Requiring staffs to work to performance targets, indicators and output objectives (performance management).
- Shifting the basis of public employment from permanency and standard national pay and conditions towards team contracts, management related pay (PRP) and local determination to pay and conditions.
- Increasing emphasis on service 'quality', standard setting and 'customer responsiveness'. (Atreya, 2002, p. 31)

Osborne and Gaebler (1992), in then- popular work Reinventing Government proposed ten strong principles for making government entrepreneurial. : They include many principles . (Atreya, 2002, p. 31) Gruening (1998) summarized the elements discussed under the heading of NPM in the various literature and included the following as the unequivocal characteristics of the NPM. They are: budget cuts, privatization, separation of provision and production, contracting out, user charges, vouchers, customer concept, competition, flexibility separation of politics and administration, accountability for performance, decentralization, performance measurement, unproved accounting, unproved financial management, performance auditing, strategic management, changed management style ,personnel management (incentives), more use of information technology. (Gruening, 2001, p. 2)

New Public Management is a vision, an ideology or a bundle of particular management approaches and techniques.

In the late 1980s, **Garson & Overman** defined it as the study of multidisciplinary aspects of public administration and a combination of planning, organization and control over management functions with financial, human and material management, information and basic resources. (Ehsan & Naz, 2003, p. 31)

P. Haynes (2010) said that new public management is used in the world of management to describe the progress of private sector ideas and approaches in public administration. (Haynes, 2010, p. 27)

Al Gore offers the following concise summary of the most common characteristics of NPM:

Cutting unnecessary spending • Serving customers • Empowering employees • Helping communities solve their own problems • Fostering excellence • Creating a clear sense of mission • Steering more and rowing less • Delegating authority and responsibility • Replacing regulations with incentives • Developing budgets based on outcomes • Exposing federal operations to competition • Searching for market rather than administrative solutions • Measuring success in terms of customer satisfaction.

The initial NPM thrust was to improve "the way government does business" (Rosenbloom & Piotrowski, 2007, pp. 1-2)

Despite divergent and contradictory views, opinions and definitions about the meaning and implications of this doctrine, there is however no doubt that it has become extremely influential in public administration theory and practice since the 1980s.

2.2 Principles of New Public Management (NPM) :

The 're-invention' of governments in the developed countries and 'invention' of governments in most of the developing countries in the last two decades appeared to be guided by a set of common principles. These common principles came from at least two main strands. One was the managerial practice of the private sector, popularly known as 'managerialism'. Another from the field of economics, notably public choice theory, agency theory and transactional costs theory, was more influential in shaping the new public management.

2.2.1 Public choice theory : Known by various names, social choice theory, rational choice theory, the economics of politics and public choice theory meant that "an human behavior is dominated by self-interest and would like to maximize benefits"

Public choice theory advocated that an individual acts as a 'rational actor' and should have more choices for individual satisfaction and efficiency reasons. Several conclusions were drawn from the public choice theory. The role of the government should be as minimal as possible and is assumed to be as a facilitator, enabler, promoter and regulator. The role of the bureaucratic organizations should be minimum so that market mechanisms can grow.

In the last decade, while the public choice theorists were opposing the ways governments were managed and resources were being used, western countries faced the problem of financial resource constraints in running their respective governments. This situation warranted these countries to change the way that government functioned and public choice theory seemed to become central to their" administration"

2.2.2 *Agency Theory* :. The theory of the agency is classically applied in economics to analyze the relations in which the principal (the one who delegates a decision-making power) delegates his power of choice to a second,

The theory of the agency analyzes the relations of delegation and control established between the various actors, in particular between the owners and the directors of a company. Applied on the occasion of a capital increase, the theory of the agency highlights the fact that a financing by capital increase requires the directors of a company, which could prefer the self-financing or the credit, to make appear a series of financial information which is not always given in usual time. The theory of the agency is due in particular to Michael Jensen and William Meckling (1976) (Atreya, 2002, p. 35)

2.3 Model of NPM :

Here is given a NPM model to demonstrate the theoretical factors affecting the implementation of NPM

Figure N° 01 : model of NPM



Source : Tanzina Ferdous –Departement of public Administration university of Dhaka The Impact of NPM (New Public Management) On the Public Sector of Bangladesh".article in Academia .org consulté le 27.11.2019 à 9h .am

2.4 Comparing perspectives: Old public administration, new public management : The following table summarizes the three approaches examined so far:

The prevailing approach to public administration drew on a model of bureaucracy based on hierarchy and meritocracy. McCourt (2013) lists the principal features of this model:

- A separation between politics and elected politicians and the administration, with appointed administrators
- Administration is continuous, predictable and rule-governed
- Administrators are trained professionals who are appointed on qualifications

- There is a functional division of labour, and a hierarchy of tasks and people
- Resources belong to the organization, not to the individuals who work in it
- Public servants serve public rather than private interest

Table 03 : Comparing perspectives: Old public administration, newpublic management, and the new public service

	Old Public Administration	New Public Management	New Public Service
Theoretical foundations	Political theory, naïve social science	Economic theory, positivist social science	Democratic theory
Rationality and models of human behaviour	Administrative rationality, public interest	Technical and economic rationality, self-interest	Strategic rationality, citizen interest
Conception of the public interest	Political, enshrined in law	Aggregation of individual interests	Dialogue about shared values
To whom are civil servants responsive?	Clients and constituents	Customers	Citizens
Role of government	"Rowing", implementation focused on politically defined objectives	"Steering", serving as catalyst to unleash market forces	"Serving", negotiating and brokering interests among citizens
Mechanisms for achieving policy objectives	Administering programmes through government agencies	Creating mechanisms and incentives through private and non-profit agencies	Building coalitions of public, non-profit private agencies
Approach to accountability	Hierarchical - administrators responsible to elected leaders	Market-drive-outcomes result from accumulation of self-interests	Multifaceted-public servants guided by law, values, professional norms and citizen interests

Administrative discretion	Limited discretion granted to public officials	Wide latitude to meet entrepreneurial goals	Discretion needed but constrained and accountable
Assumed organizational structure	Bureaucratic organizations with top-down authority and control of clients	Decentralized public organisations with primary control within agency	Collaborative structures with shared leadership
Assumed motivational basis of public servants	Pay and benefits, civil-service protections	Entrepreneurial spirit, desire to reduce size and functions of government	Public service, desire to contribute to society

<u>Source</u>: Mark Robinson : UNDP Global Centre for Public Service Excellence 2015 sur le site www.undp.org/publicservice. – consulté le 25/11/2019 a 8h.am

3. limits and the benefits of applying NPM :

In this section, we will gather various opinions that we have collected in many articles. Some authors defend the principles of the NPM, while others are strongly opposed. Thus, we will first see what are the limits that are imputed to the NPM? following which we will develop the arguments in its favor. Finally, we will try to take sides on the subject.

3.1 NPM Limits:

Two of the seven principles of the NPM that we set out in our first explanatory part A given by Hood in 1991 are "the increased importance given to standards of performance measurement" as well as "the application of private sector managerial methods". A question therefore arises: what are the performance criteria of private companies? In fact, performance is often judged in terms of efficiency, efficiency or productivity. The criteria for measuring performance used by the private sector thus integrate this perspective. The NPM therefore considers that, like private companies, productivity and efficiency reflect the performance of public administration. The desire for performance is so strong that, like companies, it is almost considered an objective in itself.

Here appears a first limit: what become the initial objectives that the State? through the administration, must seek to achieve, namely: to render a quality public service, promote social justice and promote equality and equity between citizens. The principles of the NPM therefore appear to be contrary to the essence of the state: notions of public service or justice are often seen as barriers to productivity.

Another notion that is at the center of the management of private companies is in contradiction with the prerogatives of the State: it seeks to satisfy the need of the client. By applying this principle to public administrations, the citizen is likened to a consumer. finding then poses a second limit: if it is easy to target the needs of a market segment, it is much less so when the market brings together all the citizens of a country: In fact, it is impossible to satisfy the needs of all citizens: it is therefore impossible for the state to be effective.

The principles of the NPM have a third deficiency. The latter is stated by **GOODSELL**, which indicates that the NPM gives too much importance to how performance is measured (private management tools) and not enough to the concept itself. Using management tools built specifically for the purpose of efficiency is therefore inappropriate for public administrations, in addition to creating more inequality between citizens.

Finally, the fourth limit related to the principles that define NPM is the quantifiable aspect of performance. State performance can not, however, be measured by quantity criteria (whether financial or not). In fact, even the qualitative criteria are quantifiable (satisfaction surveys, surveys). The performance objective promoted by the NPM is irrelevant in a public administration.

In addition to these limitations linked to the very principles of the NPM, some authors have pointed out the limits related to the concrete application of these principles:

- a. Structural limits
- b. Limitations in terms of human resources
- c. Limitations in communication

3.2 The benefits of applying NPM :

Like the limits, the benefits of implementing the NPM are multiple. We will only give here the significant advantages. Once again, we will refer to authors to support our ideas.

We will group our ideas into three categories, namely: the benefits in terms of public finances, in human terms and in terms of communication.

- a- **Benefits in terms of public finances:** Putting the principles of the NPM into practice has first of all made it possible to rationalize public spending thanks, in particular, to the introduction of management control in the administrations. This rationalization was at the origin of a new and better allocation of public revenues. Many wastes are avoided. While it is not convincing to say that the application of the NPM principles has reduced both the public debt and the public deficit, it is undeniable to say that the "least cost hunt" is paying off.
- b- **Benefits to the human aspect of the changes :_**The human aspect of our study can be analyzed from the point of view of the public employees and from the point of view of the citizens as a whole.

The human aspect of our study can be analyzed from the point of view of the public employees and from the point of view of the citizens as a whole.

Anne AMAR and Ludovic BERTHIER (Ammar & Berthier, 2007, p. 7)specify in their article that the application of the principles of the NPM meets the expectations of civil servants. In fact, in France in 2005, "59% of employees in the public sector [considered] urgent reform of the functioning of the state and the public service", particularly in terms of labor interest, technological developments and, more generally as to the situation of the officials.

One of the positive points of the decentralization of the power of public administrations: that the state is closer to the citizens.

c- **In terms of communication:** Communication with the citizens was improved following the establishment of the NPM in the developed countries.

4- Study Result :

Our problem was: "Is the application of the NPM adapted to the Algerian public administrations of today? Given the definition we presented in the first part, of the advantages and limits presented by the theorists, we will try to answer this one as of now.

a) At the level of principles

We will first take up the remarks of **Olivier KERAMIDAS** who specifies that the private and the public do not have the same stakes. According to our conception of things, the state can not have a goal in terms of profit, its priority must be the satisfaction of the citizen by providing quality public services. The least-cost, though necessary, policy contradicts this goal. In fact, if the production of a public service involves more and more expenses, it is the quality of the first that must be a priority, not the latter. Our conception of the public service implies here both the sovereign functions of the State and services that would not be profitable if they were provided by private companies. In fact, therefore, the search for the least cost calls into question the duties of the state, the dispensation of public services being considered as such. As private and public goals are different and management is a means of achieving a goal (via strategy), private management techniques can not be effectively applied to public administrations.

b) At the application level

From a more concrete point of view, the application of the NPM also pushes us to make some remarks. The first idea is that the public service has not been improved following the application of the principles of the NPM. In fact, the public debt that was to be reduced is still greater, as is the public deficit. The practices promoted by the NPM certainly reduce costs, but do not improve, overall, the quality of the public service.

The second questionable application of NPM principles is the overreliance on financial criteria to measure public service performance. Indeed, we can not judge the quality of a service through purely financial criteria. Moreover, reading such criteria makes it possible to draw conclusions in monetary terms which does not help to take decisions aimed at improving the quality of the public service. Let's illustrate this with an example: an epidemic can increase the health costs of a public administration, but this does not mean that the public service at this level will be of better quality. As we stated in our section on limits, the performance of the public service is very difficult to measure, as the quality of public services can not simply be quantified. Using financial criteria (such as non-financial ones for that matter) is therefore, in our view, irrelevant and, secondly, an error factor in the implementation of the public strategy. The answer is that the NPM principles challenge the very goals that a state must strive to achieve, namely to improve the welfare of its citizens. Indeed, the private management techniques that the NPM School recommends to apply to public management gives the State an objective in financial terms (reducing deficits) and in terms of communication, which does not contribute to the improvement of the quality of the public service.

Despite the fact that the application of the NPM principles as well as the principles themselves seems to us unsuited to the Algerian public administrations, we are FOR this application. Just as a drug used to cure a serious disease can cause many adverse effects on the body, the application of the NPM principles is a necessary evil for the "fiscal cure" of the state.

The creators of NPM seem to have created not a "new public management" but a "public management: in case of emergency"

5. Conclusion

Appeared in the 1980s in England the NPM is a movement of thought aimed at reforming management in public organizations. This involves applying the methods used in the private sector to the public sector.

Indeed, its birth is due to multiple events such as the financial crisis, the heaviness of the Weberian system and the demand for justification of the actions of the state by the citizens. Some authors consider this public management as limited while others consider it effective. In any case, from our point of view, the principles of the NPM as well as the way in which they have been applied in the French administrations seem to us inadequate. To this, several reasons. The first is that the notion of performance is placed as an objective of public management, which, in addition to reducing the quality of public services seems very limited as to how it is measured. In fact, measuring the quality of a

public service is very complex, which renders the possible performance of the state distorted, even useless.

NPM is much more than a management method; it puts into serious question the roles that the State must play, replacing a desire to improve the public service through a need to reduce costs.

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