

# NEW PUBLIC MANAGEMENT REFORMS: The British Experience

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## *Yeni Kamu Yönetimi Reformları: İngiltere Deneyimi*

### **Özet**

Son yirmi yıldır İngiltere ve diğer gelişmiş ülkelerin kamu yönetimlerine önemli etkileri olan bir model ortaya çıktı: 'yeni kamu yönetimi'. Yeni kamu yönetimi modeli yeni bir 'küresel paradigma' olarak sunulmakta ve evrensel olarak uygulanabilir olduğu savunulmaktadır. Bu çalışma, modelin kuramsal dayanaklarını, temel özelliklerini ve İngiltere örneğinden hareketle gelişim evrelerini açıklamayı amaçlamaktadır. Yeni kamu yönetiminin uluslararası bir trend olarak çıkması belirli bir ekonomik, sosyal ve siyasal etmenlerin bir ürünüdür. Bu model, 'kamu tercihi' gibi politik ekonomi kuramlarının ve işletme yönetim yöntemlerinin etkisi altında şekillenmiştir. İngiltere'de 'Yeni Sağ' düşüncesi de reform programlarını etkiledi ve ideolojik temelini oluşturdu. Muhafazakar Parti hükümeti iktidara geldiğinde önceden tasarlanmış bir reform programına sahip değildi. Hedefler zamanla gelişti. Reformun ilk safhasında tasarruf, etkinlik ve kontrol en önemli öğelerdi. 1980'li yılları sonundan itibaren de piyasa-tipi mekanizmalarla rekabetçi bir ortam oluşturmak, kaliteyi yükseltmek gibi daha radikal ve kapsamlı reformlar uygulamaya konuldu. Bu reform programlarının gerçekleştirilmesinde siyasal kararlılık ve istikrar önemli rol oynadı.

### **Abstract**

Over the last two decades New Public Management (NPM) has emerged as an influential model having profound impacts on the public sector management in Britain and in many other developed countries. This study aims at explaining the main characteristics of NPM in relation to the British case. The emergence of NPM as an international trend has been attributed to the particular economic, social and political factors. Two different sets of ideas have shaped the NPM model. The first has emerged from the new institutional economics while the second was derived from business-type managerialism. When the Thatcher Government came to power there was no master plan for reform. Goals evolved over time. In the early stages, achieving economy, efficiency and control have been the most important objectives. However, from the late 1980s more radical and comprehensive reforms have been undertaken such as the introduction of market-type mechanisms and executive agencies. In terms of making administrative reforms happen, sustained political commitment to the reforms and political stability have played important roles.

## New Public Management Reforms: The British Experience

### Introduction

Over the last two decades, public administration in most developed countries have experienced profound changes. One striking feature of these reforms has been the similarities between the reform programmes carried out in different countries (WRIGHT, 1994). Furthermore, these reforms have been identified as manifestations of 'New Public Management' (NPM), which has been presented as a new 'global paradigm' replacing traditional public administration and moving swiftly from one country to another, manifesting a kind of global demonstration effect (OSBORNE/GAEBLER, 1992; NUNBERG, 1992; OECD, 1995).

Indeed, in the 1990s the NPM has emerged as an alternative model against public administration's traditional bureaucratic paradigm (HUGHES, 1994). Moreover, powerful international organisations such as the OECD and the World Bank aim to foster the importation of new public management strategies to developing countries. Thus, in addition to having considerable effect on developed countries' public administration, the new public management model is expected to have an important impact on the transformation of public administrations in developing countries. In relation to Turkey, it might be argued that in the near future, NPM reforms might take place into Turkey's political agenda. Deep economic crisis which Turkey is facing now, socio-demographic indicators, being a candidate member for the EU, and an overwhelming view about the inefficiency of public bureaucracy constitute rationale for this hypothesis.

Therefore, it is important to grasp the current wave of reforms associated with the NPM model. The primary purpose of this study is to present the essential themes of NPM reforms through a single-country (Britain) case. The main reason for adopting a case study is the existence of variations among individual countries in relation to NPM reform programmes (RIDLEY, 1996; POLLITT/SUMMA, 1997). Thus, the exploration of NPM reforms through a

single-country case seems more fruitful for the aim of this study. In this respect, Britain stands out as a model in terms of the extent and pace of NPM reforms. This is because the changes which have taken place in British public administration are considered, in many ways, as comprehensive and revolutionary (RHODES, 1997).

In the first section, the pressures, which led to the emergence of NPM reforms, are broadly described. This is followed by the discussion of the theoretical bases and main characteristics of the new public management model. Finally, the reform programmes taking place in Britain and their implementation process are considered.

### **Pressures for Reform**

In recent years, there has been a proliferation of writing on the emergence of new public management but much of this literature is varied in their account as to why change has occurred. Kirkpatrick and Lucio (1996) argue that some authors do try to identify antecedents for change others focus almost entirely on pragmatic concerns relating to the 'effectiveness' of various kinds of management. However, they stress the importance of wider historical, economic and political factors in order to contextualize and explain the emergence of NPM (1996: 2).

There is no doubt that the ascendancy of NPM cannot be attributed to a single factor. Hood (1991: 6-7) argues that 'there is no single accepted explanation or interpretation of why NPM coalesced and why it 'caught on' More than one factor was involved in the emergence of NPM reforms. Thus, convergent and interconnected pressures for reform need to be addressed. These factors will be examined in three subheadings: as economic/fiscal, social and political/ideological factors respectively.

### **Economic/Fiscal Factors**

In the literature, the effect of economic factors on the emergence of NPM has been widely recognised, albeit in varying degrees. For example, Caiden (1988) argues that the administrative reform programmes of the 1980s around the globe were prompted largely by a worldwide decline in public finances and the need to get more for less. Aucoin (1990) similarly points to the influence of changes in the international economic system on the initiation of administrative reforms in developed countries. Furthermore, Zifcak (1994) considers the international recession as a significant factor in shaping administrative reform programmes in Britain and Australia. The recession forced governments to

reduce the rate of growth in public expenditure and to make heavy cuts in many areas of governmental activity.

Therefore, it might be fruitful to look briefly at the development of the political economy of Britain in order to understand the emergence of NPM. As Flynn (1990) points out, following the Second World War, the establishment of the economic, social, and political consensus between the trade unions, the employers and governments resulted in the domination of social democratic principles and values in British politics. Consequently, besides the classical roles of the state regulating the private sector and providing for law and order and defence, governments accepted new economic and social roles such as housing, education, health, and social security.

During 'the post-war settlement' (Farnham and Horton, 1996: 9), despite some disagreements and controversy over the details of policies, both Labour and the Conservatives accepted the value of equality as an ideal and there was widespread agreement over the structure of the political, economic, and social systems. In short, 'laissez-faire' was dead and the welfare state replaced it.

As Farnham and Horton (1996) indicate, the post-war settlement included three interrelated principals: a mixed economy combining Keynesian economic policies; a Welfare State; and a political consensus. In the Keynesian approach, prime responsibility was given to the governmental involvement for economic management and for fine tuning the economy. Thus, the efforts of governments were to achieve four primary economic goals: full employment; price stability; balance of payments equilibrium; and economic growth. In that period, central and local governments provided a wide range of social services including a system of social security payments and pensions; a comprehensive National Health Service (NHS); education; and housing benefits.

However, in the mid-1970s the recession and the slow down of economic growth weakened the consensus reached in the post-war settlement. Most advanced industrialised countries faced lower rates of economic growth, higher levels of unemployment and lower rates of investment. The British economy failed to generate sufficient growth to support an expanding welfare state. The oil crisis of 1974 which caused or intensified a world recession was seen as a first sign of coming trouble for the welfare state, since the welfare state was blamed for Britain's economic problem (FARNHAM/HORTON, 1996).

Subsequently, ideas that questioned state intervention and reasserted the importance of market forces became highly beneficial for politicians who were looking for reasons for cutting state expenditure and for less intervention. Furthermore, those who questioned the size of the public sector and the wisdom of welfare provision funded from taxation have taken their place inside the mainstream of policy-making. Consequently, in 1976, the Labour Government's

response to these problems occurred in the reduction of state expenditure in GDP. When the Conservatives took political power in 1979, they maintained the break in the trend of public spending taking a regularly higher share of total national income and introduced new policies based on the ideas of the New Right.

Hoggett (1996) and Kirkpatrick and Lucio (1996) draw particular attention to economic forces in explaining public sector restructuring in Britain. Hoggett (1996) argues that public sector restructuring in Britain has been deeply influenced by the country's relative economic decline and fiscal crisis. In a similar vein, Kirkpatrick and Lucio argue through referring to the previous works of O'Connor (1973) and Offe (1984) that any modern state is characterised by a 'tension between the state's role as a provider of welfare services and its role as a stabiliser of the economy'. In Britain, since the 1970s these pressures have been felt through a state fiscal crisis, which imposed constraints on resources at a time when new, and increasingly politicised consumer demands and expectations were beginning to emerge. As a result of these contradictory pressures, governments were forced to seek ways in which to 're-commodify' 'non-productive' public services, to increase their efficiency and reduce costs.

As will be elaborated later, since 1979 the Conservative Government's view concerning the public sector has been that it is costly, wasteful and in need of radical reform. The most direct cure lies in turning public bodies into private firms, via the forms of privatisation. A less drastic solution would be to take 'hiving off' and the creation of autonomous 'executive agencies' as a preferred form for the delivery of many public services. Public authorities are forced to engage in competition with business firms for the delivery of other services, via quasi-markets and competitive tendering schemes. Where functions must stay within the traditional public sector, emphasis is placed upon making them more 'business like', through value for money approaches and the use of performance indicators (HOGGETT, 1996).

## **Social Change**

Social change is another factor affecting the emergence of the new public management (RIDLEY, 1996). Populations are becoming better educated, sophisticated, assertive and less subservient to official views and actions (ISAAC-HENRY, 1993). Thus, they are demanding not only more service but also expecting better quality provisions. The other social factor has been changes in the demographic structure, especially the rapidly ageing population on the one hand and the dearth of young people on the other (FARNHAM/HORTON, 1996). These trends have put financial strains on the welfare state and led to a situation where social demands are beginning to exceed the economic resources.

As a result, the need to use existing resources efficiently and obtaining value for money gained importance in the political sphere (ISAAC-HENRY, 1993).

### Political/Ideological Factors

Caiden stresses that the administrative reform programmes of the 1980s, unlike technocratic nature of previous reform attempts, were ideology-driven and political in nature (1988: 333). For many academic commentators, the rise of NPM is associated with the political rise of the 'New Right' but such interpretation fails to explain why Labour Governments in some countries ostensibly opposed to the 'New Right' strongly favoured NPM (HOOD, 1991: 6). Nevertheless, it is clear that the ideas of the New Right ideology has influenced the appearance of new public management and formed its ideological basis (HUGHES, 1994; WALSH, 1995; RIDLEY, 1996; POLLITT, 1996).

It is important to note that a detailed account of the New Right is not the main objective of this study, so a brief review is sufficient. The New Right is the set of the ideas and works of economic liberals such as Friedman and Hayek; public choice theorists such as Buchanan, Niskanen, and Mueller; and political economists. In Britain, the Institute of Economic Affairs, the Adam Smith Institute, and the Centre for Policy Studies have been the main representatives of the New Right ideas. The New Right expresses the merits and creative possibilities of the free market economy. While the Keynesian Welfare State is associated with collectivism, social rights and equality, the New Right underpins the values of individualism, personal freedom and inequality (FARNHAM/HORTON, 1996). The New Right thinkers believe that the involvement of the state in the provision of public services should be kept to a minimum level. Free markets are seen as a way of facilitating economic prosperity because of their efficiency in allocating scarce resources.

The ideas of public choice theorists also affected the Conservative politicians. Advocates of that theory argue that politicians, bureaucrats and interest groups always pursue their own self-interests. Particularly, well-organised interest groups put pressure on politicians and civil servants in order to maximise their benefit. Meanwhile, politicians also promote for the growth and expansion of governmental functions for the sake of gaining votes from interest groups. Civil servants, as well as politicians, favour the expansion of state activities because they enjoy having prestige and income. Hence, the whole system of public spending and public services eventually becomes oversupplied and overextended (AUCOIN, 1990).

In this respect, public choice theory argues that the relative strengths of interest groups will determine public expenditure patterns due to the fact that

taxpayers are more diverse and disorganised whereas interest groups are well-organised. In order to remove such distortions, individualism and markets for the production and distribution of services should be promoted, while state involvement should be limited by supporting self-reliance, self-help, family support and the voluntary sector (HUGHES, 1994).

Flynn (1990) pinpoints four themes which show the influence of New Right ideas on the public sector changes in Britain. The first theme is that market mechanisms should be used as much as possible, even though there cannot be a fully free market for services. Secondly, competition should be encouraged among providers and more choices should be given to clients. Besides the choice to opt out of state provision should be allowed because this would increase competition between the public providers and also between them and the private and voluntary sectors. Competition is considered as a way to efficiency and customer orientation. Thirdly, individualism and individual choice should be pursued rather than collective decision-making. The last but not least theme is that the role of state in provision of public services should be maintained to a minimum level.

In addition to the importance of ideology on the emergence new public management reforms, the view of Conservative Party on the civil service as being inefficient and ineffective also provided political commitment for reform programmes. When the Thatcher Government took the office in 1979, there were no carefully designed schemes for the handling of civil service affairs and no blueprint for reform, but the new economic imperatives and social ideas were reflected in political platforms (ZIFCAK, 1994: 154) and during the 1979 election campaign, Leslie Chapman advised Mrs. Thatcher on the efficiency of the civil service. Chapman, as a retired civil servant from the Property Services Agency, wrote a book in 1978 called *Your Disobedient Servant*. In his book, he claimed by giving examples deriving from his own experiences that a great amount of public money has been wasted by civil servants and nobody, including government ministers, could do anything about it.

Chapman's general diagnosis about the civil service was the wasting sickness. He said that he failed in his personal fight against this because his superiors did not take efficiency seriously, and also old-fashion remedies did not work due to the fact that civil servants were too powerful and able to oppose all pressures for change. As a new remedy, he suggested that a strong task force of efficiency should be established to compel departments to reduce waste (CHAPMAN, 1978).

As a consequence, it can be said that the Conservative Government's thinking about the civil service was the idea of being inefficient and wasteful. Soon after the 1979 General Election victory, the Conservative Party leader Mrs.

Thatcher made a statement in the House of Commons expressing the Government's political and economic policy for the civil service:

In the past, Governments have progressively increased the number of tasks that the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. Consequently, staff numbers have grown over the years. The present Government is committed both to a reduction in tasks and to better management. We believe that we should now concentrate on simplifying the work and doing it more efficiently. The studies that departments have already carried out, including those in conjunction with Sir Derek Rayner, have demonstrated clearly the scope for this. All Ministers in charge of departments will now work out detailed plans for concentrating on essential functions and making operations simpler and more efficient in their departments. When this Government took office the size of the Civil Service was 732,000. As a result of the steps that we have already taken it is now 705,000. We intend to bring the number down to about 630,000 over the next four years (HC, 1980).

It seems evident from the above quotation that there was a strong political commitment to reduce the size of the civil service and to increase the efficiency of government. Furthermore, some powerful politicians committed themselves to improve efficiency in Government departments. For instance, Michael Heseltine (1980), the then Secretary of State for the Department of Environment, stressed that efficient management is a key to the national revival, the task of national revival which Britain as a nation are faced with can be only achieved by efficient management. The management ethos must run through not only private companies but also public companies, civil service, nationalised industries, local government and the National

Health Service. By management ethos, he meant:

The process of examining what we are doing, setting realistic targets, fitting them to the resources available, and monitoring performance and then, very importantly, telling people what the results are so that we can go back to the beginning of the loop and improve from there (HESELTINE, 1980: 68).

As elaborated so far, economic depression and fiscal constraints leading to budget deficits along with social changes and ideological shift fuelled the changes which have taken place in British public administration.



## The Roots of NPM

The previous section has already mentioned economic constraints, social changes and the New Right ideology as factors helping the emergence of NPM, but understanding where the design of NPM came from and its essential elements is of importance. For Hood (1991), the new public management model was shaped by two different stream of ideas. The first one was 'new institutional economics' built on the post-World War II development of public choice, transactions cost theory and principal agent theory (BLACK, 1958; ARROW, 1963; NISKANEN, 1971). It provided 'a set of administrative reform doctrines built on ideas of *contestability, user choice, transparency and close concentration on incentive structures*' (HOOD, 1991: 5). The second stream of ideas shaping the NPM was business-type 'managerialism'. Here, 'professional management' expertise is seen as portable and paramount over technical expertise, and requires high discretionary power to achieve results.

Aucoin (1990) also similarly argues that the design of administrative reform in public management has been influenced by two main sets of ideas. The first has derived from public choice theory, emphasising the need to re-establish the primacy of representative government over bureaucracy. The second set of ideas has emanated from the 'managerialist' school of thought, focusing on the need to establish the managerial principles over bureaucracy (1990: 115).

Aucoin develops his argument by referring to Niskanen's work, '*Representative Government and Bureaucracy*' (1971). From this point of view, he argues that in the organisational design of modern administrative state, representative political leaders have lost too much power to the bureaucracies which are meant to serve them in the governing of their political systems. In order to reduce the power of bureaucracies, executive authorities must be reinforced against bureaucracy through the concentration of power at the centre. Thus, public choice theory promotes centralisation, co-ordination and control. On the other hand, the assumptions underlying the managerialist approach are that management structures and practices, which debureaucratise organisational systems, enhance the capacities of modern complex organisations to realise their objectives. Hence, managerialism encourages decentralisation, deregulation and delegation whereas public choice theory nurtures centralisation, co-ordination and control (AUCOIN, 1990).

According to an OECD report, NPM-style reforms have been rooted by:

Public choice, agency and transaction-cost theories on the one hand, and private management experience on the other. They introduce a change in the (positive and negative) incentives to which public servants respond, often with the introduction of material rewards. There is an underlying

assumption that organisational form and management style -be they public or private- are malleable; they can be used in many different circumstances and ways to pursue a wide variety of goals while minimising economic costs (1991:11).

Walsh (1995) argued that the new public management is comprised of two strands. The first strand is based on managerialism. The second strand is built on the primacy of market-based co-ordination emphasising quality, devolution and delegation, information system, contracts and markets, performance measurement, audit and inspection.

As we have seen, it is widely recognised that business-type managerialism is one of the core elements of the new public management. However, there is no generally agreed and precise definition of the term 'managerialism'. Pollitt considers managerialism as:

A set of beliefs and practices, at the core of which burns the seldom-tested assumption that better management will prove an effective solvent for a wide range of economic and social ills (1993:1).

For him the ingredients of managerialism include the following elements: continuous increases in efficiency, the use of 'ever-more-sophisticated' technologies, a labour force disciplined to productivity, clear implementation of the professional management role, and managers being given the right to manage (1993).

A set of ideas concerning administrative reform emanates from the sources external to public management which is the literature on business management. The emergence of excellence as a managerial philosophy is associated particularly with the writings of Thomas Peters and Robert Waterman (1982) and Rosabeth Moss Kanter (1989). The writers who are management consultants and academics attempt both to predict and to promote how successful organisations will and should operate in the future. The assumptions of this paradigm are that the capacities of modern complex organisations to realise their objectives can be enhanced by management structures and practices which debureaucratize organisational systems. Many of the changes in the public sector were influenced by their ideas and many managers attended seminars by Rosabeth Moss Kanter in the 1990s (FLYNN, 1997).

In their seminal work, *In Search of Excellence*, Peters and Waterman (1982) identify eight key elements which organisations need to demonstrate if they are to achieve excellence. These elements are: *a bias for action; close to the customer;*

*autonomy and entrepreneurship; productivity through people; hands-on, value driven; stick to the knitting; simple form, lean staff; and simultaneous loose-tight properties (1982:13-15).*

In the public sector, the thrust towards managerialism has been politically driven. The idea is that the private sector contains economic, rationalist and generic management and this is seen as being superior to the public administration model. Consequently, if the efficiency and quality of public service provisions is to be improved, then private sector management practices and ideologies need to be imported into public organisations.

In general terms, the various initiatives which were undertaken in the public sector during the 1980s and the 1990s have one general principle underlying them: business is good, bureaucracy is bad (COMMON/FLYNN/MELLON, 1992) or in Pollitt's words, the public sector is guilty until proven innocent, while the private sector is 'innocent until proven guilty' (1996: 82). These are new assumptions and techniques, which have been set up in the public sector management.

In a similar vein, Wilson and Doig argue that the characteristics of NPM are based on the following dogmatic principles:

- Management is superior to administration;
- Management in the private sector is superior to that in the public sector;
- Good management is the way to resolving economic and social problems;
- Management consists of a discrete body of knowledge which is universally applicable and therefore portable (1996: 53).

Overall, as the brief review above demonstrates, there is an agreement on the origins of the new public management model which are based on the managerialist thought and the 'new institutional economics'. However, these two paradigms are quite distinct and offer contradictory principles. In the British case, Cutler and Waine (1994) point to the crucial and considerable contradictions between managerialist and the New Right positions. For them, Conservative public policy of the 1980s and 1990s has been a policy where managerialism has emerged at the expense of the ideology of the New Right largely because of political considerations. Hood (1991) also indicates that in Britain business-type managerialism was more dominant.

### **Main Characteristics of NPM**

As Boyne (1996) states, many changes in the strategy and structure of public services in recent years have been based on the principles of the new

public management but it is difficult to suggest that there is a clear or agreed definition of what the new public management actually is. Besides, there is not only controversy about what it is, or what is in the process of becoming, but also what ought to be (FERLIE et al., 1996:10).

Although the exact content of NPM is varied across nations and between organisations in individual countries Hood (1991:4-5) argues that it is possible to identify its core elements and offers seven overlapping principles which appear in most discussions of NPM. These are as follows:

- 1 *Hands-on professional management* in the public sector. This means freeing the managers to manage, or as Hood puts it 'active, visible, discretionary control of organisations from named persons at the top'. The justification for this is that 'accountability requires clear assignment of responsibility for action, not diffusion of power'.
- 2 *Explicit standards and measures of performance*. This requires goals to be defined and performance indicators to be set. The typical justification for this is that 'accountability requires clear statement of goals; efficiency requires a 'hard look' at objectives'.
- 3 Greater emphasis on *output controls*. Resources are allocated to areas according to measured performance, due to the 'need to stress *results* rather than *procedures*'.
- 4 A shift to *disaggregation* of units in the public sector. This involves breaking up large entities into 'corporatised units around products, operating on decentralised 'one-line' budgets and dealing with one another on an 'arm's-length' basis'. The typical justification for this is a 'need to create manageable units' and 'to gain efficiency advantages of use of contract'.
- 5 A shift to greater *competition* in public sector. This requires 'the move to term contracts and public tendering procedures'. 'Rivalry as the key to lower costs and better standards' is seen as the typical justification for this point.
- 6 *A stress on private sector styles of management practice*. This involves a 'move away from military-style 'public service ethic' and 'flexibility in hiring and rewards'. This is justified by 'need to use 'proven' private sector management tools in the public sector'.
- 7 A stress on greater *discipline* and *parsimony* in resource use. This involves 'cutting direct costs, raising labour discipline, resisting union demands, limiting 'compliance costs' to business' and is justified by the 'need to check resource demands of public sector and 'do more with less'.

Dunleavy and Hood (1994) point out that the new public management is a movement making the public sector less distinctive as a unit from the private sector (in personnel, reward structure, methods of doing business) and reducing the extent to which discretionary power (particularly over staff, contracts and money) is limited by uniform and general rules of procedure.

Osborne and Gaebler (1992) identify ten principles for 'entrepreneurial government'. They say that:

Most entrepreneurial governments promote *competition* between service providers. They *empower* citizens by pushing control out of the bureaucracy, into the community. They measure the performance of their agencies, focusing not on inputs but on *outcomes*. They are driven by their goals—their *missions*—not by their rules and regulations. They redefine their clients as customers and offer them choices—between schools, between training programmes, between housing options. They *prevent* problems before they emerge, rather than simply offering services afterward. They put their energies into *earning* money, not simply spending it. They *decentralize* authority, embracing participatory management. They prefer *market* mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services, but on *catalyzing* all sectors—public, private, and voluntary—into action to solve their community's problems (1992:19-20).

It might be said that the terms used by Hood and by Osborne and Gaebler may be different but they underlie the same principles. These main features mentioned above constitute a new public management model replacing traditional bureaucracy. The following section will review the new public management reforms in Britain.

### **The Evolution of New Public Management Reforms in Britain**

The reforms which have taken place since 1979 in the British public sector management can be examined by broadly dividing the period since the Conservative Government's coming to power in 1979 into three phases (POLLITT, 1996). The first phase, from 1979 to around 1982, was characterised by a fierce but relatively crude drive for economics. In this first period, public service organisations had been subject to cuts and a general tightening of control but, by and large, the existing organisational forms were maintained (POLLITT, 1996:83). When the Conservative Party, led by Mrs. Thatcher, came to power in May 1979, the commitment has been the establishment of wide ranging policies: involving the reduction of state activity and public expenditure; the introduction

of severe manpower cuts; the removal of inefficiency in the state bureaucracy; and the deprivilege of the civil service. It was largely because the Thatcher Government diagnosed the public sector as wasteful, overbureaucratic, and underperforming (FERLIE et al., 1996).

The efforts of achieving greater economy in the public sector had been intensified in the early 1980s, when reduction of public expenditure seems to have been pursued almost as an end in itself. The term 'economy' means how well the organisation acquired its resources. This is to ensure that 'the purchasing of inputs, defined as the resources used to produce a service or execute a policy, of a given quality specification at the lowest possible cost' (ROUSE, 1993: 61). Overstaffing and overpriced facilities are considered as an indication of lack of economy in organisations. Greater economy is achieved by making savings in actual resource inputs relative to planned resource inputs (METCALFE/RICHARDS, 1990).

In this regard, the initiation of the Rayner scrutinies illustrates a good example (see METCALFE/RICHARDS, 1990:1-21). After the victory of the 1979 General Election, the Conservative Government introduced a series of initiatives to tackle deficiencies in the civil service. In doing so, on 8 May 1979, Mrs. Thatcher appointed Sir (now Lord) Derek Rayner, the then joint managing director of Marks & Spencer, as a part-time adviser on the promotion of efficiency and elimination of waste in government.

The primary goal of the scrutinies was to identify areas of waste, inefficiency and duplication in government and reduce the costs of administration, and make substantial savings by eliminating these unnecessary procedures, overlapping and duplicated activities and excessive bureaucracy. In doing so, numerous small scale enquiries or scrutinies were conducted into the administration of Government departments. During the years 1979-1984, 176 departmental scrutinies and 90 multi-departmental reviews in total 266 scrutinies were carried out in central Government departments. The scrutinies undertaken during the period of 1979 and at the end of 1984 had identified potential savings of £600 million a year within central Government departments (EFFICIENCY UNIT, 1985).

It might be argued that in the early stages of reform programmes the desire to have control was a critical factor for the Conservative Governments. For example, in the cases of the MINIS and Financial Management Initiative, the purpose was to have greater control over the civil service (WALSH, 1995: 178). Management Information System for Ministers (MINIS) was designed to enable ministers to explore 'who does what, why and what does it cost?'. Its purpose was to 'bring together information about activities, past performance and future plans for each part of the Department' (Cmnd 8616, 1982). The study was

initiated by Michael Heseltine, then the Secretary of State for the Environment Department, in order to establish 'management ethos' in Government departments. This was carried out as a Rayner scrutiny since it was a major priority and fitted in well with the method by which the exercises were being conducted. As a result of the scrutiny the decision was taken in January 1980 to introduce the MINIS. The idea behind this was to give ministers a comprehensive grasp of the activities of their Department, with information presented in a much more systematic way than was normally available. This is done through briefings given by officials on particular issues or in response to particular requests (PYPER, 1991).

Great claims have been made about MINIS: not only has it revealed substantial scope for economies but it has also enabled ministers to ensure that resources are allocated in accordance with their priorities. Heseltine has said that MINIS directly enabled him to cut staff at the Department of Environment in a way that would otherwise not have been possible (HC 236). In its 1982 Report on Efficiency and Effectiveness in the Civil Service, The Treasury and Civil Service Committee of the House of Commons was highly critical of the absence of any clear orientation towards the achievement of efficiency and effectiveness at the higher levels of the civil service, and of the limited attempts to set operational objectives, measure outputs and results, and thus to guide the proper use of resources. The Committee put forward a series of recommendations to improve the management of government departments, including the introduction of MINIS or its equivalent, in all departments and the need for more and more clearly defined responsibilities to be assigned to managers.

The Committee was pushing at an open door and the Government's response to its report was outlined in a 1982 White Paper, which announced the Financial Management Initiative (FMI), emphasising the need for a general and co-ordinated drive to improve financial management in Government departments (Cmnd 8616, 1982). The initiative called for radical changes in the organisation and style of management, involving moves towards devolved authority and accountable management (DREWRY/BUTCHER, 1991).

As demonstrated in the case of the civil service, the first stage of the reform focused on cutting costs, value for money and tighter central control. For Pollitt (1996), the second phase, lasting from 1982 to the late 1980s, was a move from economy to greater efficiency. It was because the Government saw the limitations of the early reform initiatives, and thus, pursuing 'three Es' (economy, efficiency, and effectiveness) gained crucial importance. As Holland (1988) points out, improving efficiency and effectiveness in administration has gained the most attractive priority that the successive Conservative Governments pursued to achieve.

Since the early 1980s, there appear to have been three main managerialist thrusts, albeit variations within each of public services. First, there was tighter control of spending and financial and staff cuts. Second, there has been a movement to decentralise managerial responsibilities and functions. Third, a strengthening of the line management function through the introduction of new planning systems, and an emphasis on the achievement of concrete, short term targets has been another managerialist thrust (FARNHAM/HORTON, 1996).

During the second phase, the public utilities had been privatised to reduce the scale of the public sector and subsequently between 1979 and 1990, 800,000 public sector employees became private sector employees, and the share of GDP accounted for by state-owned industries reduced from 11 percent in 1979 to 5.5 percent in 1990 (POLLITT, 1996: 82; FLYNN, 1997: 16).

In the 1980s, the Government put huge efforts to improve the financial management skills of public officials and created new national audit bodies with terms of reference that extended their activities into questions of efficiency and value for money. For example, the Audit Commission in local government has a higher proportion of time spent on value for money work. In addition to the traditional approach of deciding how much money should be allocated to each function, now 2,500 performance and output measures are used in the public expenditure planning process. Nonetheless, Flynn (1990) criticises the process by pointing out that some value for money work has concentrated on unit costs, rather than on asking the more fundamental questions about the best ways of achieving certain aims. Pollitt (1993, 1996) argues that most of the reform programmes put into practice throughout the public sector were concerned with economy and efficiency rather than effectiveness. For instance, Shaw (1997) argues that the drive for efficiency has been a dominant trend in the health and social care services. He says that 'The particular focus has been on what outcomes are possible from a given set of resources' (1997: 470). The main reason for the emphasis on efficiency, as Shaw (1997) argues, is attributed to 'political disillusionment in the ability of the UK welfare state to impact significantly upon disadvantage and poverty within society' (1997: 469).

It was the third phase that from the late 1980s the Government encouraged by the prospect of long-term retention of power embarked on a series of public management reforms aiming structural and cultural changes. These reforms include using much bolder and larger scale of market-type mechanisms (MTM); intensifying organisational and spatial decentralisation of the management and production of services; putting constant rhetorical emphasis on the need to improve service quality; and customer-oriented service (POLLITT, 1996: 82-83). It is argued that market forces have become an increasingly common feature of the public sector. A search for market discipline became an important theme from the successive Conservative Governments.



After their third electoral victory, in 1987, the Conservative Government's ideas on the management of the public services started to crystallise. In this period, greater devolution of operational decisions in management has been a central feature of public sector reform. In 1988, the Government published 'Improving Management in Government: the Next Steps', a report undertaken by the Prime Minister's Efficiency Unit led by Sir Robin Ibbs (EFFICIENCY UNIT, 1988). The key aspect of the report is the separation of policy making from service provision through creating agencies.

In addition to the creation of executive agencies, some other reform examples are summarised by Scott as follows:

The creation of an internal market in health care has created competition between health service providers to supply services to District Health Authorities; the Citizen's Charter programme seeks to introduce greater transparency in public sector service provision through creation of targets, and pressure to improve service through the introduction of new complaints and compensation regimes (1996: 48).

Furthermore, the quality initiative, called 'Competing for Quality', was introduced in 1991 (Cm 1730, 1991). The Government considered competition as an effective means of improving quality and value for money for both customers and taxpayers (HORTON, 1996).

Some argue that the early reform programmes created the necessary foundation for the later programmes (PETTIGREW/FERLIE/MCKEE, 1992; HORTON, 1996; FERLIE et al., 1996). For example, Kendall et al. (1996) indicate that the introduction of general management, developments in information systems and other changes which occurred during the 1980s in the NHS paved the way for further reforms.

## **General Assessment and Conclusion**

As mentioned earlier, in contrast to previous reform efforts, new public management reforms have had profound changes in the organisation and management of the public services. While explaining why public management changed in the 1980s unlike the previous failed attempts, Parry (1992) argues that prior to the change of government in 1979 many attempts to improve public sector management concentrated on structure rather than process and neglected possible resistance to change within the organisation and failed to consider the effects of financial stress. However, in contrast to the previous reform programmes, new public management strategies were more than mere structural alterations. For instance, the introduction of general management in

the NHS in the 1980s was supposed not only to affect structural change, but more ambitiously to change roles, the 'ways of doing things', create a new cadre of 'leaders' who could energise decision making, and even to produce 'a new culture' (PETTIGREW/FERLIE/MCKEE, 1992:31-32). In this respect, changes in the management of the public service have commonly attempted to introduce private sector techniques and to import private sector managers to manage public sector organisations (WALSH, 1995). Indeed, one of the Conservative Governments' strategies to bring about change has been to import advisers from the private sector such as Rayner Scrutinies, 1979-1983, Griffiths Report 1983, and Sheehy Report, 1993.

In terms of reform policy, it would be difficult to state that the Conservative Party came to power in 1979 with a coherent and consistent policy for the public sector. Olsen (1991) argues that although the intentions of the Thatcher Government have been clearer compared to Nordic countries' Governments, from the beginning even this government had difficulties stating exactly what it wanted to do. There was no blueprint for reform and goals evolved over time. In relation to reform process, reform agencies in Britain have been attached to the Prime Minister's Office and reforms have been directed and co-ordinated from the highest level of political authority (OLSEN, 1991). Moreover, the Thatcher Governments have employed a 'confrontational' 'conflictual' and 'ideological' style to realise reform objectives (1991: 141; ZIFCAK, 1994: 158). This was largely because the Thatcher Government saw the public sector organisations as part of the problem, rather than the solution (PETTIGREW/FERLIE/MCKEE, 1992: 32).

Reforms are more likely to be successful where a government remains in office for a considerable period of time. There is little doubt that remaining eighteen years in power with strong commitment of the Prime Minister was a critical factor affecting the fate of reform programmes. The much greater degree of political stability apparent in the 1980s than the 1970s, with a radical right regime in power steadily after 1979 might offer an explanation for considerable changes in the public sector (PETTIGREW/FERLIE/MCKEE, 1992: 32).

Indeed, unlike previous experiences, political leadership did not lose their interest in organisational and managerial reform programmes in the 1980s. As Pollitt puts it:

What is striking about the reforms of the Thatcher years is how, for all their neo-Taylorian crudeness, their momentum has been sustained for a decade. The political clout behind them has, if anything, become more confident and synoptic with the passing of time (1990: 62).

In addition to political stability and strong governmental backing, Zifcak (1994) stressed another factor which played an important role in the acceptance of NPM reforms. In his comparative study, Zifcak argues that the acceptability of administrative reform is influenced by its content in two ways. 'The more that reforms are congruent with the norms of the target administration, the more likely it is that they will be welcomed' (1994: 156). Managerial prescriptions were not unfamiliar to British administrators. They had been tried previously in Britain. Thus, this familiarity paved the way for the initiation of managerial reform in the 1980s and weakened the intensity of internal debate which then ensued. The acceptability of reform is also enhanced by its congruence with trends in the wider society. In Britain and Australia, 'managerialism was more favourably received because it was consistent with the perception in the wider community that government was a problem in urgent need of a solution' (1994: 158). Consequently, there has been profound changes in British public administration and today it is possibly at cross-roads and the Thatcher reforms may constitute a watershed in the evolution of British Government where there is no going back (OLSEN, 1991: 141).

In conclusion, it might be said that new public management reforms have had a great impact on the organisation and management of the public services in Britain as in many other developed countries. Furthermore, one of the central tenets of the NPM is that as a 'new global paradigm' it is universally applicable all over the world. Powerful international organisations such as the OECD and the World Bank, which are committed to a view of international convergence on a 'common reform agenda', aim to foster the importation of NPM reforms to developing countries (OECD, 1995; NUNBERG, 1992). The European Union also advocates the adoption of such management approaches for countries seeking entry to the EU. In the light of the explanations mentioned above, there is no doubt that Turkey, in the very near future, will be facing pressures emanating from external as well as internal sources to implement new public management-type reforms. The issue of successful implementation of such reforms in Turkey as well as in other developing countries, however, remains to be seen and deserves further study.

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