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Introduction to New Public Management (NPM)

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Abstract

This article delves into the transformative governance landscape, focusing on the paradigm shift catalyzed by New Public Management (NPM). NPM, emerging in the late 20th century, introduced a novel approach to public administration, challenging traditional bureaucratic models. It advocates for market-based principles, emphasizing efficiency, accountability, and customer-centricity within the public sector. The article examines the theoretical foundations of NPM, exploring its fundamental principles and their implementation across various governmental contexts worldwide. It critically evaluates the successes and limitations of NPM in enhancing public service delivery, organizational effectiveness, and responsiveness to societal needs.

Furthermore, the article investigates the evolution of NPM amidst contemporary challenges, such as the increasing complexity of public issues, the rise of digital governance, and the imperative of fostering inclusivity and equity. It highlights the adaptations and innovations within NPM frameworks to address these challenges and adapt to changing societal demands.

In conclusion, the article underscores the significance of NPM as a catalyst for reshaping governance paradigms while advocating for a nuanced and adaptable approach that aligns efficiency-driven principles with the overarching goal of serving the public interest and promoting societal well-being. Similarly, it will examine the role of NPM in public administration and governance.

Key-Words: New Public Management (NPM), Governance, Social well-being, the role of NPM in public administration and governance

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1. Introduction

New Public Management (NPM) is a public administration reform that incorporates principles and practices from business administration into the public sector. It aims to improve public sector organizations' efficiency, effectiveness, and service quality by adopting market-based approaches and performance-oriented management techniques. New Public Management has gained recognition as a public administration reform strategy that emphasizes incorporating business administration principles and practices into the public sector to enhance its performance and responsiveness to the needs of citizens. Some sources argue that New Public Management needs coherent principles and is often seen as a passing trend or fashion. The New Public Management is an approach for public service institutions and agencies that employ the NPM method of managing their operations. Academics in Australia and the UK first used the word (Hood & Christopher, 1991).

However, it is essential to note that NPM has brought about significant changes in the management and operation of public institutions. These changes include introducing performance measurement systems, result-based budgeting, performance contracts, and decentralizing decision-making authority. These changes have shifted how public institutions are managed, focusing on outcomes and customer satisfaction. Furthermore, New Public Management has also influenced public sector entities' cultural norms and values. New Public Management has been implemented in various countries and has shown promising results in promoting the efficiency and effectiveness of the public sector.

A component of the public administration system known as "new public management" involves managing affairs in the public interest. In the latter half of the 20th century, "new public management" was coined to address issues with globalization, international conflict, and automation-related changes in the sector. Controlling financial institutions and boosting public administration efficiency are the main goals of contemporary general management. In new public management, many marketing instruments such as Total Quality Management, Operational Research Techniques, and Objective Management are employed to maximize the output from the private sector. General management systems encompass various industries, including public health, education, transportation, and law and order enforcement.

2. Understanding New Public Management (NPM)

New Public Management (NPM) is a managerial and administrative approach that emerged in the late 20th century, seeking to reform and modernize public sector organizations by adopting principles and practices from the private sector (Hood, 1991). The term "New Public Management" was first coined by Hood in his influential article, where he argued for a shift away from traditional bureaucratic models toward a more market-oriented and performance-driven approach in the public sector (Hood, 1991). NPM emphasizes efficiency, effectiveness, and responsiveness in delivering public services, drawing on decentralization, performance measurement, competition, and customer orientation (Pollitt & Bouckaert, 2004).

One of the critical tenets of NPM is the application of business-like techniques to public administration, focusing on results, accountability, and cost-effectiveness (Pollitt, 1993). This approach involves introducing market mechanisms, such as competition and contracting out, to enhance the delivery of public services (Hood, 1991). Scholars have pointed out that NPM represents a paradigm shift in the philosophy of public administration, emphasizing the importance of managerialism and a results-oriented culture (Barzelay & Campbell, 2003).

Despite its widespread adoption and influence in many countries, NPM has faced criticism for its potential to undermine democratic values, increase inequality, and neglect the social dimensions of public service delivery (Dunleavy & Hood, 1994). Nevertheless, NPM continues to shape public sector reforms globally, with variations in its implementation and adaptation across different political and cultural contexts (Pollitt & Bouckaert, 2017).

NPM advocates decentralizing decision-making authority, giving individual agencies or units more autonomy. This is believed to enhance responsiveness and efficiency by allowing organizations to tailor their approaches to local needs. A central tenet of NPM is the emphasis on performance measurement and evaluation. Clear metrics and benchmarks are established to assess the efficiency and effectiveness of public services, focusing on achieving tangible results. NPM promotes organizational flexibility and innovation. Public agencies are encouraged to adopt entrepreneurial practices and continuously seek ways to improve and adapt to changing circumstances. There is a strong emphasis on accountability in NPM, clearly defining responsibilities, measuring performance against set targets, and holding public servants accountable for results.

3. The Beginning of New Public Management (NPM)

The field of public administration underwent a radical change when New Public Management (NPM) emerged in the late 20th century, marking a transformative shift in the landscape of public administration. Originating in the context of Thatcherism and Reaganomics, NPM reflected a paradigmatic departure from traditional governance models, embracing market-oriented principles for public service delivery (Jones, 1995). As political leaders sought innovative approaches to address the challenges faced by public administration, NPM became a cornerstone of reform efforts globally.

Central to the philosophy of NPM was the infusion of market-oriented reforms into the public sector. Drawing inspiration from the principles of free-market economies, NPM advocates championed the introduction of competition, efficiency, and performance measurement as integral components of public service improvement (Osborne & Gaebler, 1992). This ideological departure marked a departure from the conventional wisdom that had guided public administration for decades.

The influential work of Osborne and Gaebler, as articulated in "Reinventing Government" (1992), played a pivotal role in shaping the discourse surrounding NPM. The authors advocated for entrepreneurial government, promoting flexibility, customer orientation, and decentralization as fundamental tenets of effective public administration. Their work not only encapsulated the ethos of NPM but also contributed significantly to its dissemination and adoption on a global scale. Beyond the theoretical foundations, the advent of information technology emerged as a catalyst for the practical implementation of NPM principles. Governments worldwide leveraged technological advancements to enhance data management, introduce performance monitoring systems, and facilitate e-government initiatives (Dunleavy, 1996). Integrating technology into public administration underscored the adaptability and evolution of NPM in response to contemporary challenges.

The global influence of NPM extended beyond individual countries, as governments sought to emulate its principles to improve the efficiency and effectiveness of public service delivery (Pollitt & Bouckaert, 2004). The widespread adoption of NPM reflected a shared recognition among policymakers of the need for a paradigmatic shift in governance structures to meet the evolving demands of the modern era. A public administration paradigm known as "New Public Management" emerged to challenge the bureaucratic approach. Gow and Dufour (2000) have highlighted that while New Public Management has not forced public administrations to abandon their service delivery operations through contracting out, public-private partnerships, or privatization, it has prompted political authorities to use public service managers' professionalization as a tool to reform bureaucracy and give them more freedom in return for taking on more responsibility for administrative performance. Public service managers must apply private sector management concepts and strategies to accomplish the primary goals.

New Public Management is based on individual performance incentives, competition among administrative units, and results-based management. It prioritizes cost control, organizational flexibility, efficiency, and high-quality client services. Thus, centralization, the politics-administration continuum, prudence, and process accountability are among the bureaucratic ideas that New Public Management is built around (Charih & Rouillard, 1997).

New Public Management emerged as a transformative approach to public administration that challenged traditional models and sought to introduce management principles into the public sector. By bringing concepts such as efficiency, effectiveness, and performance measurement to public institutions, New Public Management aimed to shift the focus from bureaucracy to results-driven practices and customer satisfaction. This approach, which gained traction in the 1990s, proposed that applying market-oriented strategies to public sector management would enhance cost efficiency without compromising other institutional objectives. The notions of "administrative argument" and "administrative philosophy," which are conceptually related but not identical twins, are the foundation of new public management (NPM). The "administrative philosophy" and "administrative argument" refer to the same sibling notions of organizational structure and ideology (Kalimullah et al., 2012).

In today's rapidly changing world, the significance of accurate weather forecasts cannot be overstated. Similarly, introducing New Public Management signaled a recognition within the public sector that extensive structural changes were necessary. These changes stemmed from the economic and political pressures to achieve better efficiency and effectiveness. The introduction of New Public Management aimed to improve quality, increase customer orientation and satisfaction, reduce administrative costs, and enhance cost-effectiveness and productivity. The New Public Management aimed to improve quality, increase customer orientation and satisfaction, reduce administrative costs, and enhance cost-effectiveness and productivity.

4. Fundamental Principles and Values of New Public Management

1. Results-Oriented

NPM focuses on achieving specific outcomes and emphasizes performance measurement and evaluation. This enhances the possibility of citizens living in the same country where they have received citizenship and getting new opportunities. It means that when a person gets his legal document from a government, they can meet the desired goals for the whole people.

2. Decentralization

One of the fundamental principles of NPM is decentralization, which involves devolving decisionmaking authority and responsibilities from central government entities to lower levels of government or autonomous agencies. This shift aims to make public administration more responsive to local needs and preferences. Decentralization allows for greater flexibility and adaptability in addressing the specific challenges of different regions and communities.

· 3. Customer Orientation

NPM underscores the importance of customer-centric service delivery, treating citizens as customers with specific needs and expectations. This shift in perspective encourages public agencies to streamline processes, reduce bureaucratic red tape, and enhance the overall quality of services. Improved customer satisfaction becomes a key performance metric, reflecting the success of NPM implementation.

4. Efficiency and Cost-Effectiveness

NPM aims to achieve cost savings and optimize resource allocation through competition and market mechanisms.

Based on the above features and principles, New Public Management has undeniably left an indelible mark on the landscape of public administration. While fostering efficiency and accountability, its features have sparked debates about the appropriate balance between market principles and the public good. As governments grapple with the challenges and opportunities NPM presents, it remains a dynamic and evolving paradigm that will shape the future of shared governance. Underlining the right balance between efficiency and equity will be essential to ensure that the features of NPM contribute positively to the well-being of citizens in the 21st century.

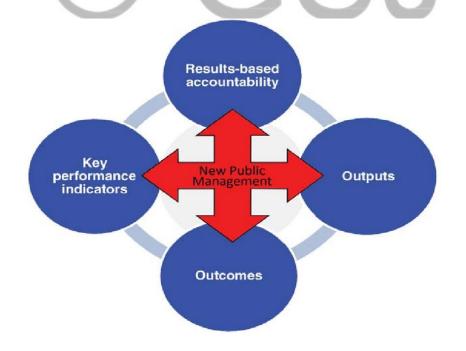


Figure 1Figure: 1 Key Principal of New Public Management

5. The Role of NPM in Public Administration and Governance

Governance, a term deeply embedded in the fabric of societal organization, encapsulates the structures and processes by which an entity, be it a government, organization, or community, is directed and controlled. It serves as the compass guiding decision-making, ensuring accountability, and fostering transparency. The concept of governance has evolved, shaped by political, economic, and social dynamics. As we explore this multifaceted concept, it is essential to acknowledge the contributions of scholars and practitioners who have delved into the nuances of governance. Scholars such as Chris Pollitt and Geert Bouckaert have provided invaluable insights into the theoretical underpinnings of governance, laying the groundwork for its application in various contexts (Pollitt & Bouckaert, 2017).

In an interconnected world, the concept of governance extends beyond national borders to encompass global governance. International organizations, such as the United Nations, are pivotal in shaping global governance frameworks. The Sustainable Development Goals (SDGs), facilitated and organized by the United Nations in 2015, exemplify a global commitment to inclusive and sustainable governance practices (United Nations, 2015).

The management strategy known as New Public Management (NPM) is utilized by government agencies and public services locally and nationally to manage their public service organizations. Academics in the UK and Australia coined this phrase to characterize the strategy established in the 1980s to increase the efficiency and clarity of public services by utilizing a private sector management model. New Public Management (NPM) is a public administration method that aims to enhance the efficacy and efficiency of public service performance in contemporary bureaucracies by applying knowledge and experience from other disciplines and the management field (Indahsari et al., 2020). New Public Management strategies have enhanced administrative efficiency, streamlined processes, and reduced bureaucracy in government organizations. On the other hand, Implementing New Public Management principles has driven the modernization of public administration practices worldwide, leading to improved service delivery.

As essential components of modern societies, public administration and governance constantly transform to meet citizens' evolving needs and challenges. The development of New Public Management (NPM) in the late 20th century represents a significant paradigm shift, influencing how governments approach service delivery and organizational management. As Hood (1991) acknowledged, NPM encompasses a set of principles borrowed from the private sector, aiming to enhance the efficiency and effectiveness of public administration. This article explores the multifaceted role of NPM in reshaping public governance, drawing insights from seminal works in the field.

A continuous quest has marked the evolution of public administration for more effective and responsive governance structures. The rise of NPM is a response to the perceived shortcomings of traditional bureaucratic models. Osborne and Gaebler (1992) argue that NPM advocates for a departure from the past's bureaucratic red tape and hierarchical structures, promoting a more entrepreneurial and market-oriented approach to public sector management.

A cornerstone of NPM is decentralization, a principle aimed at devolving decision-making authority to local levels of government. Osborne and Plastrik (1997) highlight the importance of decentralization in fostering responsiveness to local needs and preferences, allowing for more tailored and context-specific public service delivery. This decentralization of power is seen as a means to increase efficiency and address the unique challenges diverse communities face.

In pursuing heightened accountability and transparency, NPM strongly emphasizes performance measurement. As Pollitt (1993) articulated, using Key Performance Indicators (KPIs) has become a hallmark of NPM, providing a quantifiable means to assess the effectiveness of public programs and services. Performance measurement facilitates evidence-based decision-making and cultivates a culture of continuous improvement and accountability within public organizations. Instituting market-oriented principles into public administration is another defining feature of NPM. As highlighted by Barzelay (2001), introducing competition among service providers is believed to stimulate innovation and efficiency, aligning public sector practices with the dynamics of the private market.

By fostering competition, NPM seeks to optimize resource allocation and improve the overall quality of public services. As the public sector adopts a customer-oriented perspective, NPM encourages treating citizens as customers with specific needs and expectations. NPM's customer-centric approach, as discussed by Bovaird and Löffler (2009), aims to streamline bureaucratic processes, reduce service delivery inefficiencies, and enhance overall customer satisfaction. By prioritizing the end-user experience, public organizations can align their services more closely with the demands and expectations of their communities.

6. Significance and Advantages of New Public Management (NPM)

New Public Management (NPM) represents a paradigm shift in public administration, introducing several advantages that have shaped governance reforms globally. Emphasizing efficiency and cost-effectiveness, NPM streamlines processes and resource allocation, increasing productivity (Hood, 1991). This focus on results-oriented practices is a crucial strength of NPM, driving public organizations to achieve goals cost-effectively. Flexibility and innovation are integral components of NPM, allowing public administration to adapt swiftly to changing circumstances and fostering a culture of continuous improvement (Hood, 1995). The customer-centric approach of NPM, borrowing from private sector principles, ensures that public services align with the preferences and needs of citizens (Pollitt, 1993). This orientation towards citizen satisfaction enhances the overall responsiveness of public organizations.

Decentralization is another advantage of NPM, promoting local governance by devolving decision-making powers to lower levels of government and involving communities in the process (Rhodes, 1996). This approach recognizes the diversity of needs across regions, facilitating a more tailored and effective delivery of public services. Accountability and performance measurement, fundamental to NPM, hold public organizations accountable for outcomes through performance metrics and key performance indicators (KPIs) (Pollitt & Bouckaert, 2011). This results-oriented perspective ensures efficient resource allocation and organizational responsibility.

Encouraging Public-Private Partnerships (PPPs) is a notable feature of NPM, facilitating collaboration between the public and private sectors (Osborne & Gaebler, 1992). By leveraging the strengths of both sectors, governments can enhance service delivery and achieve better value for money. PPPs under NPM contribute to more effective and innovative solutions to complex public challenges. In conclusion, the advantages of New Public Management encompass efficiency, flexibility, customer-centricity, decentralization, accountability, and innovative partnerships. These features collectively contribute to a more responsive and results-driven form of governance. While recognizing these successes, it is essential to approach NPM carefully, ensuring thoughtful implementation and ongoing evaluation to address potential challenges and sustain its positive impact on public administration.

The significance of New Public Management lies in its transformative impact on governance structures worldwide. NPM has sought to enhance efficiency, accountability, and responsiveness by adapting private-sector management principles to the public sector. While it has garnered praise for its positive impacts, criticisms highlight the need for a balanced approach that considers social and equity considerations. As governments continue to grapple with evolving challenges, the principles of NPM will likely remain integral to the ongoing conversation about the future of public administration.

7. Challenges of New Public Management (NPM)

Over the past few decades, the public sector has undergone a significant transformation, marked by adoption of new public management (NPM) principles. NPM represents a paradigm shift in how governments organize and deliver public services, emphasizing efficiency, accountability, and market-oriented practices. While NPM has brought about positive changes, it has. This part of the article examines some of the critical hurdles associated with the implementation of NPM. The most common points include:

1- Overemphasis on Efficiency:

One of the primary tenets of NPM is a relentless focus on efficiency and cost-effectiveness. While this has led to streamlined processes and reduced bureaucracy in many instances, there is a risk of overemphasizing efficiency at the expense of other essential public service values. The pursuit of cost savings may undermine the quality and accessibility of services, particularly for vulnerable populations.

2- Short-Term Focus at the Expense of Long-Term Goals:

NPM often encourages a short-term, results-driven approach, which may not align with many public issues' complex and long-term nature. Public administrators, pressured to demonstrate quick wins, may need to pay more attention to strategic planning and address underlying systemic challenges. This can hinder sustainable development and the effective resolution of deep-rooted societal problems.

3- Accountability Challenges:

While NPM seeks to enhance accountability through performance measurement and outcomebased evaluation, it also introduces challenges in defining and measuring success in the public sector. Quantifying the impact of public services in terms of measurable outcomes is not always straightforward, and an overemphasis on metrics may lead to unintended consequences, such as gaming" the system or focusing on easily quantifiable aspects at the expense of broader societal goals.

4- Resistance to Change:

Implementing NPM often requires a cultural shift within public organizations, and resistance to change can be a significant hurdle. Public servants accustomed to traditional bureaucratic structures may need help to adapt to a more market-oriented, customer-centric model. Overcoming resistance necessitates effective change management strategies and a commitment to cultivating a culture of innovation.

5- Risk of Privatization and Erosion of Public Values:

NPM's market-oriented principles sometimes lead to the outsourcing of public services to private entities. While this can introduce efficiency gains, it also poses risks such as a loss of general control, diminished transparency, and a potential focus on profit rather than public interest. Balancing the benefits of market mechanisms with the protection of shared values becomes a delicate challenge.

The concept of well-being has evolved beyond traditional health and economic prosperity measures. Social well-being, a crucial component of overall well-being, encompasses the quality of relationships, community engagement, and a sense of belonging. This article explores the multifaceted nature of social well-being and emphasizes the importance of fostering meaningful connections for a more fulfilling life. Social well-being goes beyond the absence of illness or the attainment of material wealth. It is a holistic concept that reflects the quality of an individual's social interactions, relationships, and overall sense of connectedness. Psychologist Keyes proposed a model of social well-being that includes social integration, social contribution, social coherence, social actualization, and social acceptance.

Social well-being is a vital component of a fulfilling and meaningful life. By understanding and prioritizing the elements contributing to social well-being, individuals, communities, and societies can work together to create environments that nurture positive relationships, shared goals, and a sense of belonging.

The impact of New Public Management on social well-being is context-dependent and varies based on the specific policies and implementations in each jurisdiction. Striking a balance between efficiency and the preservation of public service values is essential to ensure positive outcomes for the well-being of society. Ongoing evaluation and adjustments to NPM practices are necessary to address emerging challenges and maintain a focus on long-term social goals.

The influence of New Public Management on social well-being is multifaceted, reflecting a dynamic interplay between efficiency-driven reforms and the core values of public service. While NPM has undeniably brought about improvements in accountability, transparency, and service quality, concerns persist regarding its potential to compromise essential aspects of social welfare. Striking a delicate balance between market-driven efficiency and preserving public service values emerges as a critical challenge. As public administrations continue to evolve, ongoing evaluation and adaptation of NPM principles are imperative to ensure that the pursuit of efficiency aligns harmoniously with the broader goal of fostering societal well-being comprehensively and equitably.

9. Conclusion

New Public Management has played a transformative role in reshaping public administration and governance. By embracing principles such as decentralization, performance measurement, competition, and customer-oriented service delivery, governments have sought to enhance efficiency and responsiveness. However, it is essential to strike a balance between market-oriented approaches and the core values of public service to ensure that the benefits of NPM are realized without compromising social equity and the broader public interest. As the landscape continues to evolve, adapting and refining NPM principles will be crucial to meeting the ever-changing needs of citizens and communities.

In addition, the role of New Public Management (NPM) in good governance is characterized by its emphasis on managerial principles, efficiency, and performance-oriented reforms in public administration. While NPM has contributed positively by enhancing the effectiveness of public services and promoting accountability, it has also faced criticism for potentially neglecting shared values and social equity. Striking a balance between managerial efficiency and a commitment to broader societal goals is essential for realizing the full potential of NPM in fostering good governance.

Finally, the article showed that NPM positively affects public service, good governance, and social well-being and facilitates many challenges in management.



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