1
Understanding public management and governance

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Why study public management and governance?

Welcome to *Public Management and Governance*. We aim to provide you with up-to-date, state-of-the-art knowledge on what the public sector is doing, why it is doing it and how it might do it better. We hope also to challenge you to think out for yourself how your society should be governed – one of the questions that has fascinated people for thousands of years – and how your governors should be managed – a question that is much more recent. Along the way we hope that you will have fun as well. Above all, we will be introducing you to the ideas of some of the leading analysts of the public sector around the world, so that you can weigh up their arguments and develop your own.

So what's in store? A book full of analysis of worthy but boring public sector activities? Actually, issues of public management and public governance are often very interesting (see Box 1.1). That's why they attract some highly talented and dedicated people, who might earn a great deal more money in other jobs. However, we also want to warn readers of this book that it can no longer be taken for granted that the activities of public management and governance are always 'worthy' – sometimes they are conducted by 'sharks' rather than by 'suits' (see Box 1.2).

Consequently, nowadays public managers have to earn our respect and gratitude, rather than simply assume it. And the players in the public policy arena have to earn the trust of those for whom they claim to be working, rather than claiming legitimacy simply on the grounds that they were elected or that they are part of a prestigious profession. So this third edition of *Public Management and Governance* suggests some tough questions for you to ask to see if that trust has indeed been earned – and gives you some ammunition for the debate.

Learning objectives

The key learning objectives in this chapter are:

- to be aware of the different meanings of 'public';
- to understand the main differences between public management and public governance;
- to understand the motives for studying public management and public governance.

Box 1.1 Public management and governance issues are interesting …

Public policy on global warming

[T]he more I think about it, the more fatalistic I become. ... I suspect the newspapers echo public opinion on this subject. Just about all national papers now accept global warming, but they still object to anything required to deal with it. Low-energy light bulbs will cause old folk to fall down stairs. Higher petrol duties or road charges will be unfair to the poor (although most poor people don't own cars). Restrictions on cheap air travel breach the time-honoured British right to celebrate summer by vomiting over waiters in Faliraki. Wind turbines are ugly. And so on. Does anyone really think that, barring technological miracles, we have the slightest chance of averting calamity?

Source: Wilby (2009: 10)

Box 1.2 ... But not necessarily 'worthy'

The police, the press and the public interest

On 20 June 2011 News International (NI) disclosed material to the Metropolitan Police Service that indicated that police officers had allegedly been receiving cash/cheque payments from journalists from the *News of the World* newspaper for the provision of confidential information. Subsequent enquiries uncovered similar suspicions in relation to journalists at *The Sun* newspaper, within the NI group. Alleged payments by journalists to public officials across all areas of public life were identified by the police inquiry, including payments to police, military, health, government, and prison officials. The Metropolitan Police described the evidence as revealing a network of corrupted officials. There appeared to have been a culture at *The Sun* of illegal payments, with systems created to facilitate such payments whilst hiding the identity of the officials receiving the money.

Source: Adapted from Akers (2012)

What do we mean by 'public'?

> The essential task of the public domain can now be interpreted as enabling authoritative public choice about collective activity and purpose. In short, it is about clarifying, constituting and achieving a public purpose. It has the ultimate responsibility for constituting a society as a political community which has the capacity to make public choices. Producing a 'public' which is able to enter into dialogue and decide about the needs of the community ... is the uniquely demanding challenge facing the public domain.
>
> Source: Ranson and Stewart (1994: 59–60)

Before we go further, we should explore what we mean by 'public'. We start from a clear statement from Ranson and Stewart (1994: 59–60) as to what constitutes the public domain. (They wrote in the context of local government, but their analysis applies quite generally.)

This short passage explains how the public domain is the arena in which public choice is exercised in order to achieve a collective purpose. This is the arena which this book explores.

Ranson and Stewart also introduce another meaning of the word 'public' – the group (or groups) of people who inhabit the public domain. They clearly identify the political concept of 'a public which is able to enter into dialogue and decide about the needs of the community', which we might contrast with the marketing concept of different 'publics', each of whom expects to be treated differently by public services and public managers.

Another common usage of 'public' is to distinguish between the 'public sector' and the 'private sector', which essentially revolves around differences of ownership (collective ownership, in the name of all citizens, versus individual ownership) and motive (social purpose versus profit). This meaning is particularly relevant when public managers try to claim that the public sector is different from the private sector and that therefore private sector management methods would not work in their agency (see Allison (1994) on the concept that public and private management are alike in all unimportant respects!).

However, there are other, wider meanings to 'public'. For example, 'public services' are sometimes delivered by private or third-sector contractors, rather than public agencies. Here, the concept of 'public' generally means that the providers have to observe and satisfy some form of 'public service obligation'. Again, 'public issues' are those which cannot simply be left to the decision-making of private individuals – they typically necessitate mobilising the resources of public and voluntary sector organisations or regulating the behaviour of private firms or individuals or groups in civil society.

We shall examine each of these dimensions of 'public' in this book. Consequently, we shall take the word 'public' to be part of the problematic, i.e. the set of concepts to be explored in this text, rather than defining it unambiguously here at the outset.

Public management and governance: some key issues

So, what is public management? And what is public governance? While most people will immediately assume that they have a general grasp of what public management entails, fewer will have a feel for what is meant by public governance. Moreover, we want to argue that both concepts actually cover quite a complex set of ideas.

We shall take *public management* to be an approach that uses managerial techniques (often originating in the private sector) to increase the value for money achieved by public services. It therefore covers the set of activities undertaken by managers in two very different contexts:

- in public *sector* organisations;
- in public *service* organisations, whether in public, voluntary or private sectors.

This raises a number of issues that we will consider later:

- What distinguishes 'public management' from 'public administration'?
- What is 'public' about public services?
- Are 'public services' always in the 'public sector'?
- Is public management only about public services?

We take *public governance* to mean 'how an organisation works with its partners, stakeholders and networks to influence the outcomes of public policies'. (You will find other approaches to defining 'governance' in chapter 15.) The concept of *public governance* raises a different set of questions, such as:

- Who has the right to make and influence decisions in the public realm?
- What principles should be followed in making decisions in the public realm?
- How can we ensure that collective activities in the public realm result in improved welfare for those stakeholders to whom we accord the highest priority?

This chapter addresses these issues and sets the stage for the rest of the book.

Is 'public management' different from public administration?

In the middle of the twentieth century, the study of the work of civil servants and other public officials (including their interface with politicians who passed legislation and set public policy) was usually labelled 'public administration'. As such, there is no doubt that 'public administration' conjured up an image of bureaucracy, life-long secure employment, 'muddling through' and lack of enterprise – dark suits, grey faces and dull day jobs.

From the 1980s onwards, however, a new phrase began to be heard, which even achieved dominance in some circles – 'public management'. This was interpreted to mean different things by different authors but it almost always was characterised by a different set of symbols from those associated with public administration – it was thought to be about budget management, not just budget holding (see chapter 8), a contract culture (including contracts with private sector providers of services (see chapter 7) and employment contracts for staff, which were for fixed periods and might well not be renewed, see chapter 8), entrepreneurship and risk taking, and accountability for performance (see chapter 11).

These differences can be (and often were) exaggerated. However, it appears that the expectations of many stakeholders in the public domain did alter – they began to expect behaviour more in keeping with the image of the public manager and less that of the public administrator.

What is 'public' about public services?

In everyday discussion, we often refer to 'public services' as though they were 'what the public sector does'. However, a moment's reflection shows that this tidy approach nowadays doesn't make much sense any longer, at least in most countries (see chapter 4).

After all, we have for a long time become used to seeing private firms mending holes in our roads and repairing the council's housing stock. More recently it has become commonplace in many areas to see private firms collecting our bins and running our leisure centres. Moreover, whatever country we live in, there are very few services that are never run by the private sector – in the UK it has been possible to find some places that have private provision of hospitals, schools, child protection, home helps for the elderly and disabled, housing benefit payments and a local council's Director of Finance. (Indeed, in the UK we even had, for a while, provision of the post of Director-General of the BBC by a private company.)

Furthermore, there are some things that are done by the public sector that might cause raised eyebrows if described as 'public services' – such as running a telephone company (as the city of Hull did until comparatively recently), or a city-centre restaurant (as Coventry did up to the 1980s).

So what *is* public about public services? There is no single answer to this prize question – but neither is there a lack of contenders to win the prize. The answer you come up with is very likely to relate to the discipline in which you were trained and to your ideological position.

For welfare economists, the answer is quite subtle but nevertheless quite precise – public services are those which merit public intervention because of market failure (see chapter 3). In other words, any good or service that would result in suboptimal social welfare if it were provided in a free market should be regulated in some way by the public sector, and in this way qualifies as a 'public service'.

Differences between the concept of a citizen and the client/customer/user of public services

A citizen can be defined as a concentration of rights and duties in the person of an individual, within a constitutional state, under the rule of law, and within the hierarchy of laws and regulations.

A client is a concentration of needs and satisfactions of needs in an individual, within a market situation of supply and demand of goods and services, and within a hierarchy of needs, subject to the willingness to pay. A citizen is part of a social contract, whereas the client is part of the market contract.

Source: Pollitt and Bouckaert (1995: 6)

This definition of 'public services' is attractively rigorous, but unfortunately very wide-ranging. Almost all services, under this definition, exhibit some degree of 'publicness', since the provision of most goods and services in the real world is subject to market failure for one or more of the common reasons – chronic disequilibrium, imperfect competition, asymmetric information in supply or in consumption, externalities, discrimination based on criteria other than cost or technical ability to satisfy user requirements, uncertainty, non-rivalry in consumption, non-excludability in supply or user ignorance of his/her own best interest. Consequently, this yields a definition of 'public services' that is only occasionally useful – for example, it suggests that all theatres and cinemas are worthy of public intervention (since they are at least partly non-rival in consumption), whereas anyone who has sat through a performance of most Broadway or West End musicals knows that there are real limits to the justifiable level of public subsidy to many theatrical events. An alternative approach to defining the scope of 'public services' comes from politics. It suggests that 'public services' are those which are so important for the re-election of politicians or, more realistically, of political parties that they are given a public subsidy. Under this perspective, where a service is so important in political decision-making that politicians are prepared to spend some of their budget on it, then its 'publicness' must be respected. However, the attractive simplicity of this stance has again been bought at the expense of mind-numbing expansion of the definition of what is potentially a 'public service'. There are very few goods or services that are never important electorally. However invisible is the widget in the sprocket in the camshaft in the car that is bought by international customers who have no interest in the producer or its location, when it is proposed that a local widget factory should be closed and the widgets should be produced elsewhere (especially if it is 'abroad'), so that local politicians are goaded into proposing public subsidies to keep the production going in its present location, then that widget becomes a 'public good' under this definition.

A third approach, which similarly sounds like common sense, focuses on all those goods where providers are placed under a 'public service obligation' when they are given the right to supply the service. This approach defines as a public service all those services in which Parliament has decreed a need for regulation. However, this approach probably results in a definition of 'public service' that is too narrow. For example, there is a legal public service obligation imposed on the providers of all electricity, gas and water utilities, and on broadcasters, but not on the provision of leisure centres – yet the latter services may form a major part of the quality of life of certain groups, particularly young people and families with young children, and as a result may be widely supported by politicians as important services to be provided in the public sector or through public subsidy.

What is public governance?

Trying to define public governance seems to open Pandora's box. Although there is a general acknowledgement that public governance is different from public management, the academic literature on governance (which each year increases exponentially) offers a myriad of definitions. Indeed, even the authors of different chapters in this volume offer different ideas of what is 'public governance'.

The definition of governance is not, in itself, of critical importance, particularly because many practitioners are widely familiar with governance in practice, although they may find it difficult to recognise it in the forms discussed by academics (see chapter 15). Nevertheless, we have given a definition in the section above, because we believe it helps to focus discussion.

Whereas in new public management a lot of attention was paid to the measurement of results (both individual and organisational) in terms of outputs, public governance pays a lot of attention to how different organisations interact in order to achieve a higher level of desired results – the outcomes for citizens and stakeholders. Moreover, in public governance, the ways in which decisions are reached – the processes by which different stakeholders interact – are also seen to have a major importance in themselves, whatever the outputs or outcomes achieved. In other words, the current public governance debate places a new emphasis on the old truths that 'what matters is not what we do, but how people feel about what we do' and that 'processes matter' or, put differently, 'the ends do not justify the means'. These contrasting emphases – on ends *and* means – make 'good public governance' exceptionally difficult – but may well represent non-negotiable demands by the public in modern society.

The difference between a managerial and a governance approach is illustrated in Case example 1.1.

Whereas the governance discussion in the public sector is relatively recent (see chapter 4), there has been a debate in the private sector for some time on one aspect of governance – *corporate governance*, which refers to issues of control and decision-making powers within organisations (not just private companies). The 'corporate governance debate was triggered originally in the 1990s by the growth of huge transnational companies, which highlighted problems of unclear lines of accountability across countries (Koenig-Archibugi, 2004).

Subsequently, international organisations have issued guidelines as to how to improve corporate governance (OECD Watch, 2013). Although many reforms were implemented in Organisation of Economic Co-operation and Development (OECD) countries, the fallout around the collapse of Enron in the US in 2001 showed that corporate governance is not only a matter of drafting a stricter legal framework but also of respecting societal values – in the words of Solomon (2007: 5), 'corporate governance checks and balances serve only to detect, not cure, unethical activity'.

Case example 1.1 Differences between managerial and

governance approaches

Whereas public management-oriented change agents tend to focus their efforts on improving street cleaning and refuse collection services, a local governance approach emphasises the role of citizens in respecting the communal desire that no-one should throw litter on the streets in the first place and that materials should be recycled, not simply thrown away. This involves education (not only in the schools, since 'litter-bugs' come in all sizes and ages), advertising campaigns, encouragement of people to show their disgust when dirty behaviour occurs and the provision of proper waste facilities (including those for dog waste) which will help to prevent litter and dog-fouling problems occurring in the first place.

Governance involves ensuring that Boards are focused on the long-term sustainability of their business. They should be confident that their business models will deliver this – with appropriate risk mitigations as necessary – and that performance indicators and incentives reinforce the desired behaviours.

Source: CIMA (2010: 1)

Another long-standing governance debate comes from the field of international relations, where the issue of *global governance* has become very topical. In a nutshell, global governance is about how to cope with problems that transcend the borders of nation states (such as air pollution, the sex tourism and trafficking industries or the exploitation of child workers), given the lack of a world government. Pessimists suggest that globalisation means that governments everywhere have become powerless, that managing globalisation is an oxymoron, since globalisation is shaped by markets in a 'race to the bottom', not by governments. Some have suggested that this powerlessness is reinforced by the coming of the Internet age – that there is no governance against the 'electronic herd' (Friedmann, 2000).

However, this pessimistic discourse on global governance was countered by a very different set of arguments by the UN Secretary General in his *Millennium Report* – he argued that globalisation needs to be 'managed'. This was close to the language used by the Communiqué of the 2000 Ministerial Meeting of the OECD, headlined: 'Shaping Globalization'. Yet others have proposed to 'govern' globalisation and 'make it work for the poor' (IMF's Deputy Director, Masood Ahmed) or simply to achieve 'globalization for all' (United Nations Development Programme UNDP – Administrator Mark Malloch Brown). The task of the times was 'to get globalizing processes within our control and focus them upon human needs' (Anthony Giddens, London School of Economics – LSE). The events following 9/11 2001 in New York City have cast a further, more troubled, light on the idea that global activities (such as terrorism) can be 'fought' through collective international action.

Whereas governance is a positivistic concept, analysing 'what is', *good governance* is obviously a normative concept, analysing 'what ought to be'. Even though particular international organisations like the United Nations and the OECD have excelled in providing rather abstract definitions of the characteristics of 'good governance', we believe that this concept is highly context-dependent. This means that, instead of using a simple operational blueprint or definition, the meaning of 'good governance' must be negotiated and agreed upon

by the various stakeholders in a geographical area or in a policy network.

'Good governance' raises issues such as:

- stakeholder engagement
- the equalities agenda (gender, ethnic groups, age, religion, etc.)
- due process and fair treatment
- ethical and honest behaviour
- transparency
- accountability
- sustainability.

Importantly, the implementation of all the governance principles agreed upon between stakeholders has to be evaluated – ideally, by those same stakeholders.

However, there is as yet no theoretical reason to suppose that all the principles which we would wish to espouse under the label 'good governance' are actually achievable simultaneously. This 'good governance impossibility theorem' (mirroring the 'general equilibrium impossibility theory', which shows that it is impossible for markets to deliver all the welfare characteristics which economists have traditionally held dear) is troubling – if valid, it means that politicians need to trade off some principles of good governance against others to which they give a lower priority. This is not a debate that has yet surfaced explicitly in many countries – and it is one that we must suspect politicians will be keen to avoid.

What is the role of public management within public governance?

The concepts of public management and public governance are not mutually incompatible. Nevertheless, not all practices of public management are part of public governance, and not all aspects of public governance are part of public management.

For example, some practices of public management revolve around the best way to provide networks of computer workstations within the offices of a public agency (e.g. a personnel department). There are few public governance dimensions to this decision, which is a decision common to most organisations in all sectors. On the other side, there are issues of co-production of public service between family members and carers paid by the local authority, who come together to look after the welfare of an elderly person who wants to live an independent life in the community, but with enough support to ensure that no personal disasters occur. The way the family fits in with the formal care is a public governance issue but need not (and usually will not) involve intervention from any public manager.

Consequently, we suggest in this book that the realms of public management and public governance are separate but interconnected. One is not a precursor to the other, nor superior to the other – they do and should co-exist and should work together, through appropriate mechanisms, in order to raise the quality of life of people in the polity.

Of course, not all aspects of public management and public governance can co-exist. When taken to extremes, or interpreted from very contrasting standpoints, contradictions between public management and public governance can indeed be detected. For example, Rod Rhodes (1997: 55), writing from a governance perspective, characterises NPM, or the 'New Public Management' (one branch of public management), as having four weaknesses: its intraorganisational focus; its obsession with objectives; its focus on results; and the contradiction between competition and steering at its heart. While each of these elements of NPM, if treated in a suitably wide framework, can be reconciled with a governance perspective, an extreme NPM proponent who insists that her/his view of the world is the only way to understand reform of the public sector is bound to antagonise a proponent of the governance perspective (*and vice versa*).

So why should you study public management and governance?

Finally, we want to make a claim for this book that we hope will encourage you to read it with more enthusiasm – and to read more of it than you otherwise might. We want to claim that the study of public management and governance will not only make you a more informed student, and a more effective manager (whatever sector you work in), but that it will also make you a more engaged citizen. You should be able to make a greater contribution to the neighbourhood, the local authority, the region and the country in which you live. You may even be able to make a contribution to the quality of life of many citizens elsewhere in the world. And if you decide you do *not* want to know more about public management and governance – just remember that you will be making it more difficult for all those people who will therefore have to work harder to substitute for the contribution that you might have made.

So our greatest hope is that, however you use this book, it will help you to find out more about and care more about what it means to be an active citizen, influencing the decisions made in the public domain.

Structure of the book

The book has three main parts:

- an *introductory* part, setting out the role of the public sector, public management and public governance, and how these have evolved in recent years in different contexts;
- a second part on *public management for public sector organisations*, exploring the main managerial functions that contribute to the running of public services;
- a section on *governance* as an emerging theme in the public domain.

Questions for review and discussion

1. How would you define public services? Show how this question would be answered by authors from different schools of thought and try to come up with your own definition.
2. In some UK cities, vandalism has become a serious problem. Think of a public management and a public governance solution to this problem. Why are they different?

Reader exercises

1. How do you think the image of the public sector has changed in the last five years? Have you personally experienced improvements in public services? If yes, what are these improvements and why did they happen? If no, why do you think that this was so?
2. Does ownership matter – i.e. does the efficiency or effectiveness of a service depend on whether it is in the public or private sector? Why? How would you collect evidence to support your view – and to try to refute it?
3. Find someone in your organisation who read the first or second edition of this book (from 2003 and 2009, respectively). Explore with them how its key themes have changed since they read it – e.g. by comparing chapter headings or summaries in particular chapters.

Class exercises

1. In groups, identify the main differences between 'public management' and 'private management', and between 'public governance' and 'corporate governance'. Thinking about the news over the past month, identify instances where these concepts might help in deciding who has been responsible for things that have been going wrong in your area or your country. (Now try answering the question in terms of things that have been going right in your area or your country. If you find this difficult, what light does this throw on how the media shape debates on public management and public governance?)

2. In groups, identify some public services in your area that are provided by private sector firms. Each group should identify ways in which these services are less 'public' than those that are provided by the public sector. Then compare your answers in a plenary session.

Further reading

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