POST-BUREAUCRATIC, POST-COMPETITIVE GOVERNMENT: CAN A PUBLIC VALUE PERSPECTIVE PROVIDE THE WAY FORWARD?

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ABSTRACT

There has been a developing interest in the notion of “public value” as a means of understanding government activity, policy making and service delivery (Alford, 2002; Bovaird, 2004; Bozeman, 2000; Hefetz and Warner, 2004; Horner and Hazel, 2005; Kelly, Mulgan and Muers, 2002; Moore, 1994; Moore, 1995; Moore and Braga, 2004; O’Flynn, 2005a; O’Flynn, 2005b, Smith 2004). The purpose of this paper is to explore whether this perspective can provide a valuable way forward in public management thinking.

The last few decades of the twentieth century were characterised by extensive experimentation with creating and managing markets for government services and the use of contracts to define and mediate relationships in many countries (Pollitt and Bouckaert, 2004). Driving forces behind this “new” public management or competitive government model included public choice theory, principal-agent theory, transaction cost economics, and competition theory. The way in which government was viewed, constructed and arranged appeared to be firmly rooted within an economic frame. From this perspective policy rhetoric focused on the notion that small government was superior and that government failure must be addressed in order to maximise efficiency. This often resulted in prescriptions built upon competition and contracts.

This contrasts directly with the frame which informed the traditional bureaucratic model of government – the idea that market failures and imperfections drove government intervention resulting in large public sectors and the near monopolistic production and distribution of government goods and services. This relatively neat dichotomy has provided for much of the discussion about the public sector and framed our thinking in terms of a series of binaries – market versus state, making versus buying, or steering versus rowing.

Radical experiments through the last few decades of the twentieth century have shown, however, that such narrowly constructed views are problematic and are unable to capture the paradoxes and complexities of the modern state (Talbot, 2005). The public value approach, as articulated by Moore (1994; 1995) provides an interesting and emerging means of trying to get beyond the restrictions of the government-market failure dichotomy. Using this perspective opens up considerable space for examining what might very constitute the new post-bureaucratic, post-competitive paradigm and its implications for public sector managers. This paper sets out the post-bureaucratic competitive government model (i.e. new public management) and the post-bureaucratic, post-competitive government model (i.e. public value) and considers the implications for managers.

INTRODUCTION

Public sector reform has been a common experience across the world despite its different forms and foci (Pollitt and Bouckaert, 2004). For Hood (1991) the “new public management” (NPM) represented a paradigmatic break from the traditional model of public administration. During this “post-bureaucratic” phase several countries became exemplars of the NPM, in particular New Zealand and Australia which undertook significant public sector change to break from the bureaucratic model of public administration. More recently, however, cracks have appeared in

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1 Hughes (2006) argues that Australia and New Zealand have undertaken some of the most radical experiments with NPM-style public sector reform, going further than, for example, the United Kingdom or the United States.
these post-bureaucratic, competitive government models and the search for a new paradigm for thinking about, and enacting public management practice has begun. In part this represents a response to the weaknesses of the competitive government model. However, the realisation of limitations in this approach will not likely underpin a return to the bureaucratic model, but rather may spark a paradigmatic change which attempts to redefine how we think about the state, its purpose and thus, ways of functioning, operating and managing.

Within this search for meaning and direction a “public value” approach is gaining considerable interesting, both in practitioner and academic circles (Alford, 2002; Bovaird, 2004; Bozeman, 2002; Hefetz and Warner, 2004; Horner and Hazel, 2005; Kelly et al 2002; Moore, 1994; Moore, 1995; Moore and Braga, 2004; Smith, 2004; Stoker, 2006). This approach, articulated by Moore (1994, 1995), might represent a post-bureaucratic, post-competitive government model of public sector management. In part this is because it provides a means for moving beyond fairly narrow market versus government failure approaches to thinking about the state (Hefetz and Warner, 2004). Moore’s (1995) approach situates public value as the core function of public managers, a shift in emphasis away from rules which dominated the traditional model, and results which were salient in the post-bureaucratic model.

This paper is organised into three key sections. The first discusses the principles, practices and premises of the post-bureaucratic model; the second discusses the public value model; and, the third contrasts the models and sets out a discussion of the implications for management development in the public sector.

THE POST-BUREAUCRATIC MODEL: PRINCIPLES, PRACTICES, PREMISES

At the end of the 20thC, a post-bureaucratic paradigm of public management was firmly embedded in many countries. This model largely reflected the outcome of the suite of NPM reforms which had swept through a range of different countries, and it represented a significant break from the traditional model of public administration underpinned by Weber’s (1946) bureaucracy, Wilson’s (1887) policy-administration divide, and Taylor’s (1911) scientific management model of work organisation. In part at least, NPM was a reaction to perceived weaknesses of the traditional bureaucratic model of public administration (O’Flynn, 2005a, Stoker, 2006), and it reflected a “critique of monopolistic forms of service provision and an argument for a wider range of service providers and a more market-oriented approach to management” (Stoker, 2006:45). In the early 1990s, Hood set out the doctrinal components of what he loosely described as the new public management (1991:4-5):

1. Hands-on professional management;
2. Explicit standards and measures of performance;
3. Greater emphasis on output controls;
4. Disaggregation of units in the public sector;
5. Greater competition in the public sector;
6. Private sector styles of management practice; and,
7. Greater discipline and parsimony in resource use.

A decade later, Pollitt (2001:555) similarly set out key features of the NPM:

1. A shift in the focus of management systems and efforts from inputs and processes to outputs and outcomes;
2. More measurement as evidenced by the increase in performance indicators and standards;
3. More specialised, lean, flat and/or autonomous forms of organisation rather than multi-purpose hierarchical bureaucracies;
4. A shift from hierarchy to contracts or contract-like relationships;
5. Wider use of market or market-like mechanisms for the delivery of public services;
6. A blurrier frontier between the public and private sectors;
7. Shifting values from universalism, equity, security, for example, towards efficiency and individualism.

For Hood (1991) the doctrinal components sat alongside four “megatrends” (p.3-4) in the reform movement: slowing down or reversing government growth; privatisation and quasi-privatisation; automation in the production and distribution of public services; and, an international agenda in public sector reforms. Fifteen years later Hughes (2006) in his paper on the “new pragmatism” articulated four grand themes in managerial reforms that have characterised the NPM: management (i.e. results and managerial responsibility) is a higher order function than administration (i.e. following instructions); economic principles (i.e. drawn from public choice theory, principal-agent theory, contracting, competition, and the theory of the firm) can assist public management; modern management theory and practices (i.e. flexibility in staffing and organisation) can assist public management; and service delivery is important to citizens. As Stoker (2006:46) noted,

[NPM] … seeks to dismantle the bureaucratic pillar of the Weberian model of traditional public administration. Out with the large, multipurpose hierarchical bureaucracies, [NPM] proclaims, and in with the lean, flat, autonomous organizations drawn from the public and private spheres and steered by a tight central leadership corps.

Such characterisations of NPM provide a good starting point for considering the post-bureaucratic model of public management, however there is a tendency toward conflating shorter reform phases into a NPM catchall. In the Australian context, for example, there were two quite clear phases in the move away from the traditional model of administration and these were based on distinct theoretical and philosophical underpinnings (Considine and Painter, 1997). In the Australian context, the 1980s was characterised by a post-bureaucratic model of NPM (Yeatman, 1997). This phase was heavily focused on internal reforms and corporate management (Alford, 1998). Commonly adopted practices included: corporate planning based on central goals; comprehensive program budgeting; management improvement programs; contract employment for managers; central auditing; and performance monitoring of individuals. The key aims were to empower public servants and increase managerial quality. Following on from this, Australia experienced a marketisation phase in the 1990s and this emerged alongside the dominance of economic rationalist discourse in Australia (Pusey, 1991). This phase represented an overt challenge to the efficacy of the traditional model with its monopoly over the production and delivery of public services as it focused on developing market solutions to government failure and drew heavily on neo-classical and new institutional economic perspectives.

By the time of the marketisation phase it was clear that a new model of public management was emerging in Australia, as in many other nations. It was during this time that the post-bureaucratic competitive government model came into its own. In the Australian experience, the marketisation phase rested on the creation of markets in the public sector and the use of contracts to define and govern relationships. For some, this signalled the emergence of a new contractualism (Hughes, 2003), whilst for others contracts and competition became the basis for changing the fundamental nature of the public sector (Walsh, 1995). Chalmers and Davis argued that, “contracting has been established as a standard form of policy delivery – indeed as an instrument with few limits, preferable in most circumstances to traditional public bureaucracy” (2001:76). Deakin and Michie stated, “If there is a single strand that runs through the changes wrought by the neoliberal revolution … it is the revival of contract as the foremost organizing mechanism of economic activity” (1997a:1). Consequently, it was during this marketisation phase, where notions of competition and contracts dominated, that a distinctly post-bureaucratic, competitive government model emerged.

The NPM model has been subject to ongoing and fierce debate in the academic literature and it remains a complex concept which draws together both abstract and practical aspects (Christensen and Laegreid, 1999). The lack of agreement on a definition reflects, in part at least, the fact the NPM is a collection of practices, policies and theories rather than a coherent
theoretical model. Notwithstanding, there is some agreement on the theoretical perspectives that informed policy-makers during this era including: public choice theory, principal-agent theory, transaction cost economics and competition theory (Kaboolian, 1998; O’Flynn, 2005a).

Public choice theory was extremely influential in underpinning the post-bureaucratic model. Indeed, Boyne argued, “... seldom has the major practical implication of an abstract model of bureaucracy been so widely implemented” (1998a:474). The post-bureaucratic competitive model encompassed the public choice belief that governments were unresponsive, inefficient, monopolistic, and unable to reach formal goals. In the main this reflected the inherent failures of government: (i) politicians are captured by interest groups and will act in their own self-interest rather than the public interest; (ii) the bureaucracy does not necessarily carry out political directions because of the self-interest of bureaucrats and (iii) bureaucrats act in pursuit of self-interest rather than efficiency (Walsh, 1995). This leads to resource wastage and budget maximisation in the pursuit of power, status, income, ideology, patronage, discretionary power and ease of management (Boyne, 1998a; Niskanen, 1971; Rowley; 1995; Walsh, 1995).

Inevitably this results in allocative inefficiency and oversupply (Boyne, 1998a; Walsh, 1995). The aim of public choice theorists then was to create a post-bureaucratic competitive government model which imported incentive structures based on principal-agent theory and property rights to the public sector to increase efficiency and downsize the state (de Laine, 1997; Mascarenhas, 1993). Despite sustained critique (see for example Boyne, 1998a; Boyne, 1998b; Boyne, Farrell, Law, Powell and Walker, 2003; Tregillis, 1990; Walsh, 1995), public choice theory has been critical in underpinning key features of the post-bureaucratic model including: separation and fragmentation (Boyne et al, 2003; Self, 1993; Streeton and Orchard, 1994); competitive markets for public services (Boyne et al, 2003); and preference for private sector provision governed by contracts (Hodge, 2000).

Principal-agent theory has also been important in underpinning reforms in the post-bureaucratic government model. This perspective focuses on the relationship between principals and agents and the issues that arise when we assume their interests diverge (Walsh, 1995). It provides a means of conceptualising both human behaviour in the agency relationship and the development of organisational forms based on assumptions of self-interest, opportunism, incomplete information, and goal divergence (Althaus, 1997). These assumptions predict the emergence of agency issues when contracts are formed and where the actions of the agent have implications for the welfare of both parties (Petersen, 1995a). The critical challenge for the principal then is to choose an agent and construct incentive structures that align goals in an environment of uncertainty, information asymmetry, and high cost monitoring where incentives are created for agents to shirk (Foss, 1995). Such structures, which aim to produce optimal outcomes and combat adverse selection and moral hazard, are termed agency costs (Althaus, 1997). Hence, at the core of this perspective is the notion that contracts formally setting out requirements, monitoring, reward and incentive systems provide the legitimate connection between principal and the agent (de Laine, 1997; Muetzelfeldt, 1994). In practice, we saw agency theory underpinning many practical reforms of the post-bureaucratic, competitive government model including the structural separation of purchasers and providers to establish contractual and quasi-contractual relationships (O’Flynn, 2005a). In total, this laid the foundation for a process whereby it was expected that,

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2 These issues are often expressed as the problems of adverse selection and moral hazard (Althaus, 1997). Adverse selection (or hidden information) is an ex ante phenomena reflecting misrepresentation of ability by the agent to the principal. Moral hazard (or hidden action) emerges ex post and reflects the propensity of agents to shirk, as principals may not be in the position to observe their action.

3 As Seddon (2004) rightly notes, government organisations cannot legally contract with themselves. However, there are commonly quasi-contractual arrangements put in place via service agreements when internal providers are used.
... the government manager clearly articulates the policy, sets the performance standards, and chooses in a competitive market an agent who will faithfully act in the government’s behalf to deliver the goods and services so that the outcome sought will be attained (Kelly, 1998:205).

There has been a continued critique of the appropriateness of agency theory in the public sector. Doubts have been raised about the ability of purchasers and providers to separate (O’Flynn and Alford, 2005), about the efficacy of decoupling policy from delivery (Stewart, 1996), and the ability of purchasers to clearly articulate their preferences in a competitive environment (O’Flynn and Alford, 2005). Regardless, key characteristics of the competitive government model where built around ideas from principal-agent theory.

Transaction cost economics has also played an important role in the competitive government model, Coase (1937) set out the crucial role of transaction costs in the make-buy decision for firms. He hypothesised that alternative governance structures reflected an assessment of these costs so that where costs associated with the price mechanism (i.e. market) exceeded those of instituting an authority structure (i.e. hierarchy), transactions should be internalised and vice versa. Coase’s (1937) theory of the firm and the associated make-buy decisions is translated as the public sector procurement decision - whether public agencies produce themselves (i.e. make) or contract out (i.e. buy) (Williamson, 1999). Williamson (1979) extended Coase’s (1937) ideas through the development of a schema setting out his propositions on the most efficient matching of transactions and governance structures. The most efficient structure is that which best matches specific transaction characteristics (i.e. the levels of frequency and asset specificity) with governance structures allowing for economising on the costs associated with bounded rationality, opportunism, and asset specificity, and an overall reduction in the cost of transacting.

Williamson’s (1979) governance structures were linked to different forms of contracting. At one extreme was market governance which became an attractive option for governments during the post-bureaucratic competitive phase. This was linked with classical contracting consisting of “legal rules, formal documents, and self-liquidating transactions” (Williamson, 1979:237) as well as contractually proscribed relationship boundaries, formally set out remedies, and the discouragement of third party intervention. At the other extreme was unified governance (i.e. hierarchy) which relies on relational forms of contracting whereby norms govern the relationship between parties. Here the relationship between the parties is used to effect any adaptations required rather than any formal written agreement (Williamson, 1979). A true relational contract must be able to cope with unforeseen circumstances and deal with the problems associated with the observability of behaviour, asymmetric information and opportunism (Walsh, Deakin, Smith, Spurgeon and Thomas, 1997). Thus, many authors argue relational contracting relies on trust (Deakin and Michie, 1997b; Walsh et al, 1997).

Transaction cost economics was important to the post-bureaucratic competitive model as set out options for governments including markets, hybrids, and hierarchy (Petersen, 1995b). However, it might be argued that the dominance of public choice theory resulted in a blinkered view of this approach as governments tended toward market governance models. Practice also tended to ignore key writers in the field including Williamson who argued that, “[r]ecourse to public bureaucracy for those transactions for which it is comparatively well-suited is properly regarded as an efficient result” (1999:24). This perspective partially underpinned the post-bureaucratic, competitive government model as it contributed to the discussion of the efficiency of alternative governance forms. It also provided a justification for a shift away from bureaucracy toward markets. There has been considerable critique here as well including questions asked about the

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4 Transaction costs are the resources necessary “for developing, maintaining, and protecting the institutional structure” (Pejovich, 1998:9). Examples include the costs of locating sellers, and those associated with the negotiation, monitoring and enforcement of contracts.

5 A governance structure is “the institutional framework within which the integrity of the transaction is decided” (Williamson, 1979:169).
applicability of conventional contract literature to the public sector (Vincent-Jones, 1997), and the underlying assumptions about human behaviour (Walsh et al, 1997).

The doctrine of competition has been central to the development of a post-bureaucratic model. Whilst perfect competition rarely exists in reality, governments have sought to pursue activity to stimulate competition rather than replicate pure markets (Townsend, 1995). Public choice advocates have been vocal in calling for the discipline of competition to be imposed on public sector operations as a means of improving efficiency:

One of the most fundamental determinants of the efficiency of any arrangement is competition; that is, the degree of competition that an arrangement permits will, to a significant degree, determine how efficiently that arrangement will supply a service ... market ... [and] contract ... systems are most conducive to fostering competition and thereby achieving economic efficiency (Savas, 1982:80-1).

Competitive tendering, in particular, has been a popular instrument used by government. The adoption of such practices “carries the belief that planners remain the ultimate arbiters of resource allocation but that gains in productive efficiency can be achieved by some degree of competitive regulation” (Hensher and Beesley, 1989:236). Competition between bidders is intended to spur efficiency gains and cost savings for purchasers, as market forces can drive out marginal producers (Cubbin, Domberger and Meadowcroft, 1987; Domberger, Hall and Li, 1995; Rimmer, 1994). Interestingly, it has been argued that the mere threat of competition can generate efficiency gains and cost savings within the public sector as internal providers seek to protect themselves from unemployment (Rimmer, 1994; Walsh and O’Flynn, 2000). The applicability of the competition doctrine to the public sector has been questioned in the literature for several reasons including the existence of both demand and supply side imperfections (Kelly, 1998), and the absence of conditions required to generate efficiency gains (Wilkinson, 1995). Despite such critiques, competition theory has clearly played a critical role in the development of a competitive government model.

Together these perspectives rely on specific assumptions about human behaviour centred on individualism, instrumentality and individual rationality (Kelly, 1998). The framework built around these perspectives set out a public sector model that emphasised performance motivated administration and institutional arrangements, new structural forms, and new managerial doctrines (Lynn, 1998). Flowing from these perspectives were a set of principles that sustained the competitive government model (i) economic markets should be the model for relationships in the public sector; (ii) policy, implementation and delivery functions should be separated and constructed as a series of contracts and, (iii) a range of new administrative technologies should be introduced including performance-based contracting, competition, market incentives, and deregulation (Kaboolian, 1998). The way in which government was viewed, constructed and arranged appeared to be firmly rooted within an economic frame. From this perspective policy rhetoric focused on the notion that small government was superior and that government failure must be addressed in order to maximise efficiency. This often resulted in prescriptions built upon competition and contracts and resulted in a post-bureaucratic model being firmly embedded by the end of the 20th C, not only in Australia but also in many countries across the world. This was a model underpinned by neoclassical and new institutional economics, centred on markets and contracts, with efficiency as its primary focus.

This model, like its bureaucratic predecessor, suffered from a range of weaknesses which reflected both implementation challenges and fundamental tensions in the framework (O’Flynn and Alford, 2005). Competitive regimes have been commonly adopted, however evidence shows that they are usually costly to implement and rarely deliver genuine competition (Entwistle and Martin, 2005). Further, there is evidence that competitive government models have, in some cases, resulted in increased transaction costs reflecting the high costs of contract preparation, monitoring and enforcement (Entwistle and Martin, 2005; O’Flynn and Alford, 2005). Minogue (2000) argues that the extensive literature on privatisation, contracting, and the use of markets
lacks evidence of any real efficiency gains, that the restructuring and downsizing of civil services (especially in Britain) has produced a decline in accountability, and that radical reforms in local government have produced a democratic deficit. O’Flynn and Alford (2005) have argued that competitive government models also lead to fragmentation of relationships which may spur destructive behaviour. A comprehensive list of problems is presented by Lawton (1998 cited in Minogue, 2000) who argues that the competitive government model undermined the fundamental values of public service organisations. A range of issues are identified including: the demoralising effects for public managers of working with limited resources; conflicts between individual demands and the public interest; an erosion of accountability and responsibility due to fragmentation; and the potential for risk-taking and ethical challenges which come from increased managerial freedom (Lawton, 1998 cited in Minogue, 2000). In 2003 the OECD released a report on public sector modernisation which pointed to a range of issues raised by the competitive model. The report acknowledged that “reforms produced some unexpected negative results” (OECD, 2003:2), echoing March and Olsen’s statement that reform “rarely satisfies the prior intention of those who initiate it (1989:65).” Partly this reflected the wholesale application of private sector models into the public sector and the failure to pay heed to the interconnected and interdependent nature of the public sector. Perhaps more fundamentally the competitive government model failed “to understand that public management arrangements not only deliver public services, but also enshrine deeper governance values” (OECD, 2003:3). However, whilst acknowledging these weaknesses, the OECD report goes on to counter that the “[t]he reforms themselves were not wrong … [t]he problem is that the reforms were insufficient” (OECD, 2003:2).

The post-bureaucratic, competitive government model rested on economic foundations which defined government activity, policy making and service delivery. However, a range of weaknesses have emerged following almost two decades of experimentation with this approach. The following section describes a public value model which represents paradigmatic change.

POST-BUREAUCRATIC, POST-COMPETITIVE GOVERNMENT: A PUBLIC VALUE MODEL

Given the problems and challenges of the competitive government experiments which populated the world, especially during the 1990s, there is increasing interest in what we might term a public value model of public sector management. The public value model has drawn heavily on the work of Moore (1994; 1995), and it signals a shift away from strong ideological positions of market versus state provision toward a more pragmatic approach. In part, this may reflect a growing recognition that “[t]he social values inherent in public services may not be adequately addressed by the economic efficiency calculus of markets” (Hefetz and Warner, 2004:174). Further, it may underpin what a new pragmatism “… where [t]he old ideological debates are largely disappearing” (Hughes, 2006:11). A new post-competitive model then could signal a shift away from the primary focus on results and efficiency toward the achievement of the broader governmental goal of public value creation.

Discussing public value is becoming increasingly popular; however defining public value is less concrete. Public value is a multi-dimensional construct – a reflection of collectively expressed, politically mediated preferences consumed by the citizenry – which is created not just through “outcomes” but also through processes which may generate trust or fairness (O’Flynn, 2005b). We could also define public value as “the value created by government through services, laws regulation and other actions” (Kelly et al, 2002:4) and from here it could be used as a “rough yardstick” against which performance can be gauged, resource allocation decisions made, and appropriate systems of delivery determined. Stoker sees public value as “more than a summation of individual preferences of the users or producers of public services … public value is collectively built through deliberation involving elected and appointed government officials and key stakeholders” (2006:42). Horner and Hazel (2005:34) with perhaps more clarity, define public value as the correlate of private value or shareholder return:
Think of citizens as shareholders in how their tax is spent. The value may be created through economic prosperity, social cohesion or cultural development. Ultimately, the value – such as better services, enhanced trust or social capital, or social problems diminished or avoided – is decided by the citizen. Citizens do this through the democratic process, not just through the ballot box, but through taking part in … consultations and surveys, for example.

This links well with some of the points advanced by Moore (1995) who argues that the creation of public value is the central activity of public managers, just as the creation of private value is at the core of private sector managers’ action. Hefetz and Warner support this distinction: “… public managers do more than steer a market process; they balance technical and political concerns to secure public value” (2004:171). This reflects the fact that public managers balance wider sets of concerns that those in the private sector. This point was reflected in comments by the British Minister for State who argued:

... the concept of “public value” offers a useful way of setting out the ultimate goals of public service reform and our performance in achieving them … public value can help to avoid the narrow and over-simplified approaches that have sometimes dominated the past (Douglas Alexander, Minister of State cited in Kelly et al 2002:2).

A recent paper by Stoker (2006), drawing heavily on Moore (1995) and Kelly et al (2002) discusses a public value management model in the context of network governance forms. Stoker (2006:41) sets out to articulate an “alternative paradigm” or an “overarching framework” for post-competitive, collaborative network forms of governance. In part this represents a reaction to the weaknesses of the competitive government model underpinned by NPM (Stoker, 2006), but also a recognition that new institutional and neo-classical economic conceptions of human behaviour clash with the central aims of more collaborative forms of organising and operating (O’Flynn, 2005a). Horner and Hazel argue that the public value approach has gained “considerable currency” recently “as an overarching framework in which questions of legitimacy, resources allocation and measurement can be made” (2005:34).

Public value advocates recognise that the public sector is fundamentally different to the private sector: “Governing is not the same as shopping or more broadly buying and selling goods in a market economy” (Stoker, 2006:46). Hefetz and Warner (2004) argue that in transactions with suppliers, private sector firms’ focus on efficiency, quality, security and reliability whilst public managers combine these concerns with accountability and public (i.e. collective) preferences. Such distinctions are important in reconceptualising the public management paradigm and allow politics to take a central role rather than being delegated to an “input” as was the case in both the traditional model and the post-bureaucratic model. In staking out a public value paradigm, Stoker (2006:47-49) points to four key propositions of public value management:

1. Public interventions are defined by the search for public value (as opposed to market failure or simply providing services);
2. There is a need to give more recognition to the legitimacy of a wide range of stakeholders (trust and legitimacy is built on inclusion and involvement);
3. An open-minded, relationship approach to the procurement of services is framed by a commitment to a public service ethos (different approaches will be efficient and/or effective ranging from bureaucratic delivery to market-based models); and,
4. An adaptable and learning-based approach to the challenge of public service delivery is required (especially relevant where network models are adopted).

One might argue that under the competitive government model with the adoption of private sector management techniques, broader public value issues were essentially marginalised as efficiency became the central objective. Thus, the public value model might represent a break from the era dominated by the predominance of market solutions and economic rationalism where it appeared
that costs and efficiency were the prime drivers of decision making, often in a highly pressurised managerial environment (i.e. public managers were forced by policy makers to adopt market models). Rather, a public value model would provide some framework for pragmatic decision-making and perhaps move toward what Hughes (2006) refers to as the “new pragmatism”.

Kelly et al (2002) identify three key components of public value – services, outcomes and trust. Services provide a vehicle for delivering public value through actual service encounters for users and the delivery of fairness, equity and associated values for citizens. Outcomes commonly overlap with services but are distinct because they encompass higher order aspirations such as national security, poverty reduction, or public health. For example, garbage collection services may deliver convenience and aesthetic benefits for users, but deliver broader public health outcomes for the citizenry (Moore, 1995). This reflects the difference between private value (i.e. rubbish is collected) and public value (i.e. public health is protected) and also the broader approach adopted by the public value model. Trust, legitimacy and confidence in government are critical to public value: “even if formal service and outcome targets are met, a failure of trust will effectively destroy public value” (Kelly et al, 2002:17).

Together these independent sources of public value – services, outcomes and trust - underpin a new paradigm for government activity, policy making and service delivery. Kelly et al (2002) argue that whilst the three “building blocks” are independent sources of public value, there are important mutually enforcing links and potential trade-offs between them. This they argue “clarifies the need for an integrative framework and associated decision-making techniques that will help policy makers and managers think systematically about the various benefits their actions can create” (Kelly et al, 2002:22). To produce public value, Moore (1995) argued that policy and management strategies must be substantively valuable, legitimate and politically sustainable, and operationally and administratively feasible. In practice, this provides for the consideration of a new model of public management centred on public value creation rather than the narrower concerns of efficiency and costs which so dominated the post-bureaucratic, competitive model.

A key feature of the public value approach is the concept of collective preferences. In contrast to the notion of aggregated individual preferences that underpinned the NPM model, public value reflects the collective preferences expressed by the citizenry (Alford, 2002; Kelly et al 2002; Moore 1995). Together citizens decide via elected representatives what they value as a collective (Moore and Braga, 2004). Rather than direct economic exchange relationships as in the private sector, we may view the exchanges that take place as far more complex, diffuse and delayed, representing forms of social exchange (Alford, 2002). Thus, it is argued that public value is something that is delivered by government organisations (often in conjunction with private and third sector organisations) to its citizenry rather than to individuals (Alford, 2002). Measurement of public value, however, is an emerging field (see Moore and Braga, 2004 or BBC, 2004 for examples), which must try to encompass the need to move outside the narrow confines of input-output efficiency. Here a public value approach “… offers a broader way of measuring government performance and guiding policy decisions. Taking this holistic approach, looking at the totality of the impact of government, could help to improve policy decisions – and improve the relationship between government and citizens (Kelly et al, 2002:35).

Stoker argues that adopting a public value approach will represent a paradigmatic shift:

Public value management does offer a new paradigm and a different narrative of reform. Its strength lies in its redefinitions of how to meet the challenges of efficiency, accountability, and equity and in its ability to point to a motivational force that does not rely on rules or incentives to drive public service reform. It rests on a fuller and rounder vision of humanity than does either traditional public administration or new public management (2006:56).

From this discussion it is clear that a public value approach represents a potential paradigmatic shift. It provides a new means of thinking about government activity, policy making, and service
delivery which directly challenges the competitive government model. The next section highlights some of the key differences between the models of public management to set out critical implications for management development.

**DISCUSSION AND IMPLICATIONS FOR PUBLIC MANAGERS**

From the previous discussions clear points of distinction have been set out between the post-bureaucratic competitive government model (i.e. NPM) and the emerging post-competitive model (i.e. public value management). Table 1 presents a range of distinctions between not only these two models, but also the traditional model of public administration.

**INSERT TABLE 1 HERE**

These three models or paradigms can be seen on a continuum from a bureaucratic model (i.e. traditional administration), to a post-bureaucratic, competitive model (i.e. the NPM approach), to a post-bureaucratic post-competitive model (i.e. public value). A range of distinctions are set out related to performance objectives, accountability models, service delivery model, and how the public interest is defined. The dominant foci have been articulated as rules, results and relationships and the key managerial goals have been delineated. It is here that issues of managerial development become critical, especially when connected to different models of accountability.

In part this reflects the positioning of politics at the centre of the public value model, as opposed to its construction as an input in previous models (Stoker, 2006). In this model public managers must negotiate and engage with different constituencies. In particular one of their primary roles is to negotiate up into their authorising environment or the political realm, as well as out to clients. Smith argues that this presents a profound challenge: “Public managers … have to make a case for the value they claim to create” (2004:70, emphasis added). This requires public managers to move beyond the constrained roles they adopted in the traditional model (i.e. as implementers of political grand plans) and the competitive government model (i.e. pursuers of results and efficiency gains), to advocates in the public value model. Moore’s (1995) construction of the public value creating manager also upends the roles of previous models. In the public value paradigm they create, define, and explore.

Like private sector managers, managers in the public sector must work hard at the task of defining publicly valuable enterprises as well as producing that value. Moreover they must be prepared to adapt and reposition their organizations in their political and task environments in addition to simply ensuring their continuity (Moore, 1995:55).

[Public managers] are neither clerks nor martyrs. Instead they are explorers commissioned by society to search for public value (Moore, 1995:299).

Managerial challenges will arise from the complexity that the public value model acknowledges. In part the public value approach seeks to overcome the fracturing and fragmentation that occurred under the competitive government models, which encouraged the pursuit of agency specific targets rather than broader goals (Stoker 2006), by trying to identify the public value being created. A public value approach more readily accepts the interconnected and interdependent nature of government activity and, as such, may require more collaborative effort in the pursuit of public value. Stoker’s (2006) work for example, explicitly attempts to link public value management with network governance forms. Here he argues that public managers need to be able to “manage through networks, to be open to learning in different ways, and to draw in resources from a range of sources” (Stoker, 2006:41). Reinforcing the complexity of public value
management, Smith (2004) claims that this approach places considerable strain and pressure on public officials through increased emphasis on consultation, communication, deliberation and ultimately defining public value. He then goes on to question whether governments actually have the policy and managerial capability to deal with the issues confronting them. This is because, on the ground, it means that,

Public officials must engage political authority, collaborate with each other within and across institutional boundaries, manage efficiently and effectively, engage with communities and users of services and reflectively develop their own sense of vocation and public duty (Smith, 2004:69-70).

Such inter-agency and cross-boundary methods of operating place considerable stress on public managers to develop both boundary-spanning (Williams, 2002) and diplomacy (Rhodes, 1997) skills to navigate the complexities of new arrangements. Redrawing the basis for government activity through a public value paradigm provides a basis for redefining and reconstructing public sector activity and efforts, especially to confront complex policy problems where public value creation or depletion may occur. Such interconnected problems pose challenges to public managers schooled in the virtues of competition, contracts and efficiency first and foremost. Again this requires public managers to work across boundaries and develop new leadership skills (OECD, 2001) to better fit with a public value frame. As Broussine has argued:

In order to solve complex problems, public leaders have to be able to initiate concerted action not only within their own organizations but among a set of stakeholders with different and competing interests. This means that traditional models of organizational leadership have their limitations, as they may help to make public organizations more performance- and customer-oriented but they are not adequate to address boundary-spanning public problems in a context of fragmented authority (Broussine, 2003:175).

Such a call to arms fits well with a new role for public managers, one which sharpenly contrasts with the neutral, anonymous bureaucrat of the traditional model, but also with the narrow agency-focused manager of the competitive model. Luke, for example, argued that in order “[t]o create strategic action on urgent public problems, federal, state, and local agencies and communities [have] to reach out beyond their boundaries and engage a much wider set of individuals, agencies and stakeholders (1998:xiii). We might interpret such problems or broader pursuits as the creation of public value.

Broussine (2003) has highlighted a range of leadership skills that modern public managers require to operate effectively including: tolerance for ambiguity and uncertainty; recognition of omniscience (i.e. that they can never have full knowledge); maintenance of personal perspective and self-knowledge; critical reflection; and distributed leadership (i.e. within and outside the immediate organisation). These leadership skill requirements link well with notions of public value management, especially when we consider moves toward whole-of-government or joined-up models of governing and network governance forms. They do, however, represent a challenge to existing capabilities. This partly reflects, of course, the dominance of the competitive government model where the pursuit of results and a cost and efficiency focus were rewarded. In collaborative forms of working, which may better fit with the pursuit of public value, longer-term relationship management skills focused on conflict resolution, trust building, information sharing, and goal clarity are required (Domberger and Fernandez, 1999; Entwistle and Martin, 2005).

Another important managerial implication is the requirement to develop a keen sense of “what works”. In part this may reflect Hughes’ argument that, “[w]hat is actually happening in public sector management is a new pragmatism. The old ideological debates are largely disappearing …. If a bureaucratic solution is best for a particular task then use it; if a market solution will work then use it” (2006:11). More fundamentally it requires an ability to weigh up, for example, which governance structures will work best in what circumstances, or which relationship form is most appropriate under what conditions (O’Flynn, 2005a). This new pragmatism therefore might
underpin better functional matching, allowing public managers to select the sector (e.g. public, private, or not-for-profit) that best undertakes activities to do so. However, such recognition is not automatic and is often driven by political factors. Weighing up the options, negotiating the authorising environment, selecting the most appropriate means of managing relationships, and putting such systems in place presents an enormous challenge to existing public sector managerial capabilities.

A shift to a public value paradigm has important managerial development implications. This is especially important because it is through dominant paradigms that actors, including public managers, make sense of their activity. The discussion above has pointed to potential challenges for public sector managers if the next wave of public sector reform is public value based.

CONCLUSION
The notion of public value is garnering considerable attention in practitioner and academic literature. This is especially the case in Australia where one of the most radical experiments with post-bureaucratic competitive government took place through the 1980s and 1990s. In this paper it has been argued that a public value approach does represent a new, post-bureaucratic, post-competitive government paradigm. This approach represents a fundamental break and redefines the role of public managers within the public sphere. The paper reviewed the post-bureaucratic “new public management” model, pointing to several weakness and tensions. The public value approach was then discussed to set out the alternate paradigm, before implications for managerial development were examined. It is clear from these discussions that the public value paradigm represents a major challenge to current managerial capabilities and capacities and that considerable attention will be required to the development of new skills if managers are the effectively navigate the complexities that come with paradigmatic change.
Table 1: Paradigms of Public Management

<table>
<thead>
<tr>
<th></th>
<th>Traditional Public Administration</th>
<th>New Public Management</th>
<th>Public Value Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characterisation</strong></td>
<td>Bureaucratic</td>
<td>Post-Bureaucratic, Competitive Government</td>
<td>Post-Competitive</td>
</tr>
<tr>
<td><strong>Dominant focus</strong></td>
<td>Rules</td>
<td>Results</td>
<td>Relationships</td>
</tr>
<tr>
<td><strong>Managerial Goals</strong></td>
<td>Respond to direction from politicians and follow rules and procedures</td>
<td>Achieve agreed performance targets</td>
<td>Multiple goals including responding to citizen/user preferences, renewing mandate and trust through quality services, steering network</td>
</tr>
<tr>
<td><strong>Definition of the Public Interest</strong></td>
<td>By politicians and experts</td>
<td>Individual preference are aggregated</td>
<td>Collective preferences are expressed</td>
</tr>
<tr>
<td><strong>Performance Objective</strong></td>
<td>Management of inputs</td>
<td>Management of inputs and outputs to ensure economy and responsiveness to consumers</td>
<td>Multiple objectives are pursued including service outputs, satisfaction, outcomes, trust and legitimacy</td>
</tr>
<tr>
<td><strong>Dominant Model of Accountability</strong></td>
<td>Upward accountability through departments to politicians and then parliament</td>
<td>Upward accountability via performance contracts; outwards to customers via market mechanisms</td>
<td>Multiple accountability systems including citizens as overseers of government, customers as users and taxpayers as funders</td>
</tr>
<tr>
<td><strong>Preferred System of Delivery</strong></td>
<td>Hierarchical department or self-regulating profession</td>
<td>Private sector or tightly defined arms-length public agency</td>
<td>Menu of alternatives selected pragmatically</td>
</tr>
</tbody>
</table>

Adapted from Kelly et al (2002), O’Flynn (2005a) and Stoker (2006)
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BIOGRAPHY

Dr Janine O’Flynn is a Lecturer in public sector management at the University of Canberra, Australia. She was awarded her PhD from the University of Melbourne in 2004 where she also took her undergraduate degree with first class honours. She researches in the areas of public sector management, public policy and employment relations. Her doctorate considered the Victorian experiment with marketisation in the local government sector during the 1990s. Janine joined the School of Business and Government at the start of 2004 and prior to this she was a Lecturer and Research Fellow at the University of Melbourne. She has published in the areas of public sector restructuring, employment relations, and diversity management. Her most recently presented/published work has focussed on post-new public management models, unlocking the “black box” of contracting processes, and the construction of gender-based discrimination in managerial discourse. Currently she is involved in several joint projects covering topics such as (i) privatisation, contracting processes, marketisation and service delivery; (ii) the effectiveness of Affirmative Action policy in Australia; (iii) the diversity management capabilities and competencies of Australian firms; and (iv) third sector governance. Janine teaches public management and administration at both the undergraduate and postgraduate level. In addition, she is an experienced case writer and has written several in-depth teaching cases in the public management field which are used at the Melbourne Business School, the Australia and New Zealand School of Government and the Kennedy School of Government, Harvard.