

RESEARCH AND EVALUATION

From New Public Management to Public Value: Paradigmatic Change and Managerial Implications

Janine O'Flynn

The Australian National University

Both practitioners and scholars are increasingly interested in the idea of public value as a way of understanding government activity, informing policy-making and constructing service delivery. In part this represents a response to the concerns about 'new public management', but it also provides an interesting way of viewing what public sector organisations and public managers actually do. The purpose of this article is to examine this emerging approach by reviewing new public management and contrasting this with a public value paradigm. This provides the basis for a conceptual discussion of differences in approach, but also for pointing to some practical implications for both public sector management and public sector managers.

Key words: *new public management, public value, role of managers*

Public sector reform has been a common experience across the world despite its different forms and foci (Pollitt and Bouckaert 2004). Commonly as scholars and practitioners we refer to the reforms of the last few decades as 'new public management' (NPM) which, for Hood (1991), represented a paradigmatic break from the traditional model of public administration. During this era several countries became exemplars of NPM, in particular New Zealand and Australia which undertook significant public sector change to break from the bureaucratic paradigm of public administration.¹ More recently, however, cracks have appeared and the search for a new way of thinking about, and enacting public management practice has begun, in part to address the supposed weaknesses of NPM. This is unlikely to underpin a return to the bureaucratic model, but rather 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 attracting considerable interest, both in practitioner

and academic circles (Alford 2002; Bovaird 2004; Bozeman 2002; Carmeli and Kemmet 2006; Hartley 2005; Hefetz and Warner 2004; Horner and Hazel 2005; Kelly, Mulgan and Muers 2002; Moore 1994, 1995; Moore and Braga 2004; Pinnock 2006; Smith 2004; Smith Anderson and Teicher 2004; Stoker 2006). This approach, first articulated by Moore (1994; 1995) represents a way of thinking which is both post-bureaucratic *and* post-competitive allowing us to move beyond the narrow market versus government failure approaches which were so dominant in the NPM era (Hefetz and Warner 2004). From here, it is argued, a new paradigm for thinking about government activity, policy-making and service delivery may emerge bringing with it important implications for public managers.

The purpose of this article is to articulate this new paradigm and to consider the implications for public managers in practice. In order to do this the article is organised into three key sections. The first section sets out the principles, practices and premises of NPM and this is followed by a discussion of public value. The

final section contrasts these models and sets out important implications for public sector managers.

The New Public Management Paradigm: Principles, Practices, and Premises²

At the end of the 20th century, a post-bureaucratic paradigm of public management was firmly embedded in many countries reflecting the outcome of the suite of reforms intended to enact a 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 paradigm of public administration (O'Flynn 2005a; Stoker 2006), and it encompassed 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 articulating this NPM paradigm in the early 1990s, Hood set out its key doctrinal components (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.

Within this new paradigm, the doctrinal components sat alongside four reinforcing megatrends: 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 (Hood 1991:3–4). Fifteen years after Hood (1991), Hughes (2006) in his paper on the 'new pragmatism' articulated

four grand themes which characterised 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 improve public management; and service delivery is important to citizens. As Stoker (2006:46) noted, NPM sought

... 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 provide a good starting point for considering the NPM paradigm, however, there has been 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 traditional administration, based on distinct theoretical and philosophical underpinnings (Considine and Painter 1997). In the Australian experience, the 1980s was characterised by a post-bureaucratic model of NPM and this was heavily focused on internal reforms and corporate management (Alford 1998; Yeatman 1997). 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 which emerged alongside the dominance of economic rationalist discourse (Pusey 1991). This marketisation phase represented an overt challenge to the efficacy of the traditional approach with its monopoly over the production and delivery of public services as it was focused on

developing market solutions to government failure.

By the time of the marketisation phase it was clear that a new paradigm of public management was becoming dominant and it was during this time that NPM 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, such moves signalled the emergence of a new contractualism (Hughes 2003), while 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). Such beliefs were also acknowledged by Deakin and Michie: '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' (1997:1). During this era, where notions of competition and contracts were so important, the NPM paradigm became dominant.

As we know, this did not occur without resistance and NPM has been subject to ongoing and fierce debate in the academic literature because it challenged conventional thinking and brought together a range of practices, policies and theories rather than proposing some coherent theory. Notwithstanding this point there has been some agreement on critical theoretical perspectives informing policy makers and underpinning thinking in the NPM paradigm including: public choice theory, principal-agent theory, transaction cost economics and competition theory (Kaboolian 1998; O'Flynn 2005a).

Public choice theory was extremely influential with Boyne arguing, '... seldom has the major practical implication of an abstract model of bureaucracy been so widely implemented' (1998a:474). NPM 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). Following this line of argument, bureaucracy leads to resource wastage and budget maximisation in the pursuit of power, status, income, ideology, patronage, discretionary power and ease of management, producing allocative inefficiency and oversupply (Boyne 1998a; Niskanen 1971; Rowley 1995; Walsh 1995). The aim of public choice advocates then was to persuade policy-makers to adopt policies and practices which would import incentive structures based on principal-agent theory and property rights in order to increase efficiency and downsize the state (de Laine 1997; Mascarenhas 1993). Despite sustained critique (see for example Boyne 1998a, 1998b; Boyne et al. 2003; Tregillis 1990; Walsh 1995), public choice theory has been critical in underpinning key features of NPM 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 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 becomes how to choose an agent and construct incentive structures to align goals in an environment of uncertainty, information asymmetry, and high cost monitoring; and where incentives exist 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). Principal-agent theory played an important part in the NPM paradigm and it underpinned many practical reforms including the structural separation of purchasers and providers to establish contractual and quasi-contractual relationships (O'Flynn 2005a).³ In total, this laid the foundation for a process whereby it was expected that,

... 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, for example, about the ability of purchasers and providers to separate, the efficacy of decoupling policy from delivery, and the ability of purchasers to clearly articulate their preferences in a competitive environment (O'Flynn and Alford 2005; Stewart 1996). Regardless of such critiques, however, key characteristics of NPM were built around ideas from principal-agent theory.

Transaction cost economics has also played an important role in the NPM era. Coase (1937) set out the crucial role of transaction costs, hypothesising that an assessment of these costs determined whether transactions were internalised or not.⁴ 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 for the most efficient matching of transactions and governance structures. This ranged

from market governance based on classical contracting and formally prescribed relationships and remedies to unified governance (i.e. hierarchy) whereby relationship norms and customs govern behaviour rather than formally written contracts. 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.

Transaction cost economics was important to NPM as it set out options for governments including markets, hybrids, and hierarchy (Pettersen 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). In the literature there has been some critique of the application of traditional contracting notions to the public sector, and the underlying assumptions about human behaviour encompassed in such theories (Vincent-Jones 1997; Walsh et al. 1997).

The doctrine of competition has been central to the development of NPM. While 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 the NPM paradigm.

The NPM paradigm encompassed specific assumptions about human behaviour centred on individualism, instrumentality and individual rationality and from here came new performance motivated administration and institutional arrangements, new structural forms, and new managerial doctrines (Kelly 1998; Lynn 1998). Flowing from these perspectives were a set of core principles that sustained NPM: (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). Within the NPM paradigm, the way in which government was viewed, constructed and arranged was firmly rooted within an economic frame and, from here, 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 around competition and contracts, with the result being a firmly embedded post-bureaucratic model, not only in Australia but also in many countries across the world.

The practical application of NPM, like its bureaucratic predecessor, suffered from a range of weaknesses which reflected both implementation challenges and fundamental tensions (O'Flynn and Alford 2005). For example, competitive regimes have been commonly adopted, but evidence shows that they are usually costly to implement and rarely deliver genuine competition (Entwistle and Martin 2005). Further, there is evidence that such approaches have resulted in increased transaction costs due to 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 and that the restructuring and downsizing of civil services (especially in Britain) has produced a decline in accountability. 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 claims the fundamental values of public service organisations have been undermined by competition and the NPM, by limited resources, conflicts between individual demands and public interest, the erosion of accountability and responsibility due to fragmentation, and increased risk-taking. Even the OECD, long a NPM advocate, acknowledged in a 2003 report that the '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 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).

The NPM paradigm 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 and, consequently, a new discourse of public management is emerging. The following section discusses the public value approach which forms the basis for potential paradigmatic change.

The Public Value Paradigm: Principles, Practices, and Premises

Given the problems and challenges of experiments with NPM, especially during the 1990s, there is increasing interest in what can be termed a public value approach which draws heavily on the work of Moore (1994; 1995), and signals a shift way from strong ideological positions of market versus state provision. 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 has been referred to as the new pragmatism '... where [t]he old ideological debates are largely disappearing' (Hughes 2006:11). A new 'post-competitive' paradigm 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 has become increasingly popular, however, a clear definition remains elusive. Public value has been described as a multi-dimensional construct – a reflection of collectively expressed, politically mediated preferences consumed by the citizenry – created not just through 'outcomes' but also through processes which may generate trust or fairness (O'Flynn 2005b). Others have defined 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 describes public value as 'more than a summation of individual preferences of the users or producers of public services ... [it] 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. Such a distinction is supported by Hefetz and Warner who argue that unlike their private sector counterparts, '... public managers do more than steer a market process; they balance technical and political concerns to secure public value' (2004:171). The role of the public manager, then, is central to this approach.

More recently Stoker, drawing heavily on Moore (1995) and Kelly, Mulgan and Muers (2002), sought to articulate a public value management model, an 'alternative paradigm' or an 'overarching framework' for post-competitive, collaborative network forms of governance (Stoker 2006:41). In part, he argued, this represented a reaction to the weaknesses of the NPM approach, but also recognised that new institutional and neo-classical economic conceptions of human behaviour clash with the central aims of more collaborative forms of organising and operating. Horner and Hazel claim 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). Such popularity, however, has not necessarily developed our understanding of public value.

As with many scholars in public sector management, public value advocates recognise something fundamentally unique about the public sector which distinguishes it from the private sector. At the most basic level we can differentiate public and private based on the types of relationships that exist (e.g. see Alford 2002) or based on the fact that public sector managers operate in a political marketplace first and foremost. Such factors are encapsulated in Moore's (1995) strategic triangle notion where he discusses the importance of aligning the authorising environment, operational and administrative capabilities, and values, goals and mission to create public value. From this perspective, policy and management strategies must be substantively valuable to the citizenry, politically legitimate, feasible and sustainable, and operationally possible and practical. Such differences are explored by Stoker (2006) who, in the context of service delivery, points to fundamental differences by arguing that public sector 'governing is not the same as shopping or more broadly buying and selling goods in a market economy' (2006:46). From a contracting perspective, Hefetz and Warner (2004) argue that in transactions with suppliers, private sector firms' focus on efficiency, quality, security and reliability while public managers combine these concerns with accountability and public (i.e. collective) preferences. Such distinctions are important, especially the recognition that politics is central in a public value paradigm. This is quite different to the 'input' status politics held in both traditional administration and NPM (Stoker 2006).

In attempting to define the public value paradigm, Stoker (2006:47–49) develops four key propositions. The first argues public interventions are defined by the search for public value which contrasts with market failure justifications commonly advanced by economists. The second, that a wide range of stakeholders

have legitimacy and should be included and involved in government activity, contrasts starkly with the traditional model and points toward a more collaborative, consultative approach. The third, adopting an open-minded relational approach to procurement, sits well with Hughes' (2006) claims of a new pragmatism in public sector management, rejecting a one-size-fits-all approach to contracting and procurement. The final proposition is that an adaptable, learning-based approach is required in public service delivery, and this fits well with Stoker's (2006) focus on networked models, but would surely clash with more market-based approaches that may be appropriate in some circumstances.

In their work for the UK Cabinet Office, Kelly, Mulgan and Muers (2002) identified three key components of public value. They argued that the first component, services, provides the vehicle for delivering public value through actual service encounters for users or clients and the distribution of fairness, equity and associated values for citizens. The second component, outcomes, commonly overlaps with services but, they argued, should be considered separately as they encompass much higher order aspirations (e.g. 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) which plays an important role in distinguishing public and private activity. The third component relates to trust, legitimacy and confidence in government and the authors argue that these are critical to public value creation: 'even if formal service and outcome targets are met, a failure of trust will effectively destroy public value' (Kelly, Mulgan and Muers 2002:17). For Kelly, Mulgan and Muers (2002) these three 'building blocks' of public value creation provide the basis for a new way of thinking about government activity and a means of guiding decision-makers in considering the value they create.

An important part of the public value paradigm is the concept of collective preferences which distinguish it from the individualist focus of the NPM. Public value creation is said to rely on the politically-mediated expression of collectively determined preferences, that is, what the citizenry determines is valuable (Alford 2002; Kelly, Mulgan and Muers 2002; Moore 1995). This directly contrasts with the idea that individual preferences can be aggregated to reflect what it is that the 'public' wants from government, as has been the tendency in the NPM paradigm. As Moore and Braga (2004) note citizens decide together, via elected representatives, what they value as a collective and this represents a far more complex, diffuse and delayed set of exchanges which Alford (2002) likened to social exchange. This is quite different to the direct economic exchange relationships that take place in the private sector, so it is possible to argue that public value is something delivered by government organisations to its *citizenry* rather than to individuals (Alford 2002).

Encapsulating these points into a new way of thinking forms the basis for major change and, for Stoker (2006) adopting the public value management model would 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 a public value approach would entail considerable change as it provides a new means of thinking about government activity, policy-making, and service delivery which directly challenges the NPM paradigm. The next section highlights key differences between these approaches to public management and sets out some of the critical implications for public sector managers.

Discussion and Implications for Public Managers

The previous sections have pointed to the principles, practices and premises of both NPM and public value and provide the basis for developing paradigmatic ideal types, making comparisons and discussing implications for public sector managers. This is especially important because it is through dominant paradigms that actors, including public managers, make sense of their activity. In Table 1, the key differences between NPM and public value are set out.

NPM can be characterised as both post-bureaucratic and competitive with a clear and dominant focus on results. Public managers in this paradigm had goals built around the achievement of performance targets. In the public value paradigm, public managers have multiple goals which, in addition to the achievement of performance targets, are more broadly concerned with aspects such as steering networks of providers in the quest for public value creation, creating and maintaining trust, and responding to the collective preferences of the citizenry in addition to those of clients. Such goals dovetail well into the idea that the dominant focus for managers shifts from results to relationships in the public value paradigm. As discussed previously, collective preferences are used to gauge what the public values as opposed to the notion of adding up individual preferences in the economically focused NPM. In the NPM paradigm, the critical performance objectives were centred on efficiency and economy largely reflecting the economic framing of government activity and the reconstruction of citizens as customers. In the public value paradigm multiple objectives are pursued by public managers including narrower service objectives, broader outcomes, and the creation and maintenance of trust and legitimacy. Such changes necessitate a shift in models of accountability away from narrow performance contracts, for example, toward the use of more complex systems. The public value paradigm recognises that a more pragmatic approach to selecting providers to deliver public services would

Table 1. Paradigms of Public Management

	New Public Management	Public Value Management
<i>Characterisation</i>	Post-Bureaucratic, Competitive Government	Post-Competitive
<i>Dominant focus</i>	Results	Relationships
<i>Managerial Goals</i>	Achieve agreed performance targets	Multiple goals including responding to citizen/user preferences, renewing mandate and trust through quality services, steering network
<i>Definition of the Public Interest</i>	Individual preference are aggregated	Collective preferences are expressed
<i>Performance Objective</i>	Management of inputs and outputs to ensure economy and responsiveness to consumers	Multiple objectives are pursued including service outputs, satisfaction, outcomes, trust and legitimacy
<i>Dominant Model of Accountability</i>	Upward accountability via performance contracts; outwards to customers via market mechanisms	Multiple accountability systems including citizens as overseers of government, customers as users and taxpayers as funders
<i>Preferred System of Delivery</i>	Private sector or tightly defined arms-length public agency	Menu of alternatives selected pragmatically

Adapted from Kelly, Mulgan and Muers (2002), O'Flynn (2005a) and Stoker (2006)

create more space for the maximisation of public value.

Such radical paradigmatic change has important, and wide-ranging, implications for public sector management and public sector managers. In part this reflects the positioning of politics at the centre of the public value paradigm, as opposed to its construction as an input in previous models (Stoker 2006). In a public value paradigm, managers negotiate and engage with different constituencies: they must negotiate *up* into their authorising environment or the political realm and *out* toward clients. Smith argues that this presents public managers with a profound challenge because they '... have to make a case for the value they *claim* to create' (2004:70, emphasis added). This requires a radical redefinition of the role of public managers as they would move beyond the constrained roles they adopted in the traditional administration paradigm (i.e. as implementers of political grand plans) and the NPM paradigm (i.e. pursuers of results and efficiency gains), to *advocates* in the public value paradigm. Moore's (1995) construction of the public value creating manager essentially upends previous roles:

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).

Such radical changes will create managerial challenges. This is especially so given the complexity that the public value paradigm acknowledges and its attempts to overcome the fracturing and fragmentation that occurred under the NPM as managers were encouraged to pursue agency specific targets rather than broader goals (Stoker 2006). Within the public value paradigm it is more readily accepted that government activity is interconnected and interdependent 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). Smith (2004) argues this will place 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 organisations but among a set of stakeholders with different and competing interests. This means that traditional models of organisational leadership have their limitations, as they may help to make public organisations 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 sharply 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, 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 NPM 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 (for example, 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.

Conclusion

The notion of public value is garnering considerable attention in practitioner and academic literature. This is especially the case in Australia where some of the most radical experiments with NPM took place through the 1980s and 1990s. The purpose of this article was to set out a new public value paradigm and compare and contrast it to NPM. It can be argued that under NPM, broader notions of public value were marginalised in the quest for efficiency and, consequently, the adoption of a public value perspective will represent a further paradigmatic change.

Such change, however, would redefine the role of managers within the public sphere and present a series of challenges to the existing capabilities which have developed with the NPM paradigm. Considerable attention will be required to be devoted to the development of new skills if managers are to effectively navigate the complexities that come with paradigmatic change.

Endnotes

1. More recently, however, cracks have appeared and the search for a new way of thinking about, and enacting public management practice has begun, in part to address the supposed weaknesses of NPM. This will not likely underpin a return to the bureaucratic model, but rather spark a paradigmatic change which attempts to redefine how we think about the state, its purpose and thus, ways of functioning, operating and managing.

2. The term paradigm is used broadly here rather than in a strict Kuhnian sense. For a full discussion of whether NPM is a paradigm, and what level of paradigm, see Gow and Dufour (2000).

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.

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.

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