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Public Value Pragmatism as the Next Phase of Public Management

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New Public Management has now been “new” for more than 15 years, and public administration scholars are calling for new approaches, such as networked governance or collaboration. However, these approaches share with their predecessors the problem that they tend toward a one-best-way orientation. Instead, the authors argue, the next phase should be what they call “public value pragmatism.” In other words, the best management approach to adopt depends on the circumstances, such as the value being produced, the context, or the nature of the task. They illustrate a decision framework for determining the most appropriate approach for different types of circumstances. The emerging literature also tends to be unclear about the level of the public sector to which it applies. The authors distinguish three levels—programs, organizations, and whole public sectors—and put forward some propositions about how public value pragmatism might apply at each level.

Keywords: public value; contingency theory; New Public Management; collaboration

The public sector reform movement usually known as New Public Management (NPM) did provide a useful corrective to the traditional model of public administration. But now that it has been “new” for some 15 years, the obvious question as to what comes next is presently the preoccupation of more than a few writers, throwing up a variety of terms, their central theme being cooperation between organizations to achieve results. The cooperation theme is represented by terms such as network governance, collaborative government, public-private partnerships, and, to use a term common in the British public sector, joined-up government, which Pollitt (2003, p. 35) identifies as “the aspiration to achieve horizontally and vertically co-ordinated thinking and action,” enabling citizen access to seamless rather than fragmented services (see also Agranoff & McGuire, 2003; Bardach, 1998; Huxham & Vangen, 2006; Mandell, 2001; Perri 6, 2004). The results theme, which goes beyond an earlier focus on outputs, is denoted by terms such as outcomes management or public value management, which Stoker (2006) characterizes as a paradigm with the achievement of public value as its core objective. . . . The achievement of public value . . . depends on actions chosen in a reflexive manner from a range of intervention options that rely extensively on building and maintaining networks of provision. (p. 42)

These new approaches, welcome as they are, suffer from two major shortcomings. First, they replicate a basic problem of previous forms of public management: They tend toward
a “one best way” orientation. As we shall argue below, the traditional model of bureaucracy and NPM, in both its earlier and later variants, constituted “one size fits all” views of the world. Each embodied a characteristic set of arrangements that were seen as applicable to all governmental organizations. Now, scholars are beginning to characterize the post-NPM world as one based on assumptions that one or another model is the answer to most of the deficiencies of the public sector. However, these too suffer from their own assumptions that there is one best way.

The argument here is that the next movement in public management should be what can be referred to as “public value pragmatism.” This is an approach that is principled about ends but pragmatic about means. Public value, as outlined by Moore (1995), is a very useful prism for considering ends. This article is not intended to explore the notion of public value, despite its prominence in the title, but rather the idea of pragmatism. However, the next section contains a broad outline of this notion.

Pragmatism refers simply to an approach in which the organization is open to the utilization of any of a variety of means to achieve program purposes, with the choice of these means focused on what is most appropriate to the circumstances, consistent with the important values at stake. In other words, in considering the best management approach to adopt, it all depends on situational factors, such as the value being produced, the context, or the nature of the task. We put forward an example of a decision framework for seeking to determine the most appropriate approach for different circumstances.

The second problem with the emerging post-NPM literature is that it tends to be unclear about the level of the public sector to which it applies. One-best-way approaches lead to characterizations of public services as “bureaucratic” or “managerial” or “joined-up,” or whatever. This ignores the reality within and between organizations where, depending on the level and what is being produced at that level, different approaches can coexist within the same organization. This article distinguishes three levels within a given government: (a) programs, (b) organizations, and (c) whole public sectors, and advances some propositions about how public value pragmatism might apply at each level.

Thus, it is argued, pragmatism about programs and their specific circumstances demands pragmatism also about organizations and about whole public sectors. The value in this approach is its orientation to the solving of problems, which are the characteristic forms in which work presents itself to the public sector and in which public value is most recognizably realized.

Public Value

Of course, what constitutes public value is the stuff of policy deliberation and is much debated in a democratic society, so any attempt to list or categorize it is a hazardous enterprise. For a start, it should be understood that value is not public by virtue of being delivered by the public sector. In fact, it can be produced by government organizations, private firms, nonprofit or voluntary organizations, service users, or various other entities. It is not who produces it that makes value public. Rather, it is a matter of who consumes it. As Moore (1995) explains, public value is value that is “consumed” collectively by the citizenry rather than individually by clients (see also Alford, 2002). It entails more than public goods
as defined by economists (i.e., goods that are jointly consumed, nonrivalrous, and nonexcludable; Coase, 1974; Samuelson, 1954). At a minimum, it also includes remedies to market failures of various types—that is, to situations where market mechanisms do not maximize citizens’ individual welfare, such as negative externalities, natural monopolies, or imperfect information (Hughes, 2003; Stokey & Zeckhauser, 1974). Concomitantly with these solutions to forms of market failure, citizens also value the institutional arrangements that enable markets to operate and societal orderings to function, such as the rule of law, maintenance of order, and mechanisms for the protection of property rights and enforcement of contracts.

One reason citizens value these things is because they personally benefit from them. But in many cases, they also value them, and indeed value other things, for reasons that go beyond their individual self-interest. They have goals or aspirations for the society as a whole, founded in social or normative commitments or purposes (Moore, 1995, pp. 44-48), such as fairness, national pride, care for the environment, or concern for the weak and vulnerable. Just as institutional arrangements underpin the operation of markets, so too can it be argued that there is public value in facilitating the conditions for deliberation about these collective purposes. To the extent that constitutional arrangements, deliberative mechanisms, educational processes, and cultural norms enable the unearthing of useful options for solving social problems and channels for discovering solutions to those problems, they allow us to ascertain what is more valuable.

At the same time, value is a net concept. It is a function both of the benefits created and of the resources expended by public organizations in generating those benefits. As Moore (1995) puts it,

> It is not enough to say that public managers create results that are valued; they must be able to show that the results obtained are worth the cost of private consumption and unrestrained liberty forgone to produce the desirable results. Only then can we be sure that some public value has been created. (p. 29)

Moore indicates, moreover, that there are different kinds of resources. One is that which normally comes to mind when we think about “resources”: money. This comes from the taxes levied on the public, which they are obliged to pay. The money spent by government on collective goods is of course at the expense of the private consumption to which individuals may have otherwise devoted it. The other resource is legal authority or public power, derived from the fact that the state has a legitimate monopoly on the use of force to compel people to act in compliance with socially agreed purposes. Just as we are concerned about how much of our income is taken in taxes by the state to spend on collective purposes, we are also vigilant about how much of our personal freedom to act is taken away by the state in the name of such purposes (Moore, 1995, p. 41). This is why we establish institutions to limit the power of the state, such as due process, habeas corpus, trial by jury, and freedom of information. In either case, it is seen as a good thing if the results sought by government organizations can be achieved with a minimum of public spending or of legal or regulatory obligation. Organizations that achieve the delivery of value at minimal financial cost or with only sparing use of legal authority are seen as efficient.

Thus, although the term public value draws our attention to results or outcomes, it does not ignore inputs and processes. In a given situation, or for a given program, creating public
value will mean maximizing within a constraint, that is, seeking the greatest possible benefit to the public within the available monetary or legal resources. It is this focus on results that is distinctive to the public value construct. It serves an important rhetorical function in addition to its useful substantive one.

None of this is to suggest that there is an absolute, universally applicable standard of public value. Rather, what constitutes value depends on two factors. First, it depends on the particular circumstances in the social and natural environment with which the public manager deals. What is valuable tends to take shape in response to the problems, small or large, that arise—or have previously arisen or may arise in the future—in that environment. A campaign to combat drug addiction, a program to induce welfare recipients to get jobs, or an effort to tighten security at borders may be more valuable in some circumstances than others. The dismantling of a long-standing municipal trash collection service or water supply utility would diminish the public health and other types of value defined when these facilities were set up at a previous time.

In response to problems such as these, policy analysts apply conceptual tools to assess the value of alternative options for dealing with them. Rather than seek to measure the value of these options against a universal standard, they engage in the more modest endeavor of arguing that one option is more valuable than another. Put another way, public managers may not be able to define public value in some absolute sense, but they can and often do seek to determine whether a particular purpose is more valuable than another in a given circumstance. This role is best described as problem solving.

But of course, what problems get selected for attention, and what constitutes valuable solutions to them, is not simply a matter of objective analysis. This raises the second factor: As the very term connotes, what is valuable is registered in the desires and judgments of people. In the case of public value, it is the needs and wants of the collective citizenry that count. But different citizens have different and often conflicting preferences about different issues, and moreover, these preferences change over time, sometimes quickly. So defining what is valuable to the collective citizenry is an inherent challenge for public managers.

The mechanism on which they rely for ascertaining what citizens want is the democratic political process. This process is, of course, an imperfect mechanism; it is prone to distortion, gaming, corruption, and perverse outcomes. But it is still the best way we know of for representing the desires of citizens. The challenge for the public manager is in fashioning and securing a mandate that is sufficiently coherent to guide their actions. This usually calls on them to engage with political processes to some degree or another. At a minimum, they provide advice when requested by their elected political masters. But most public managers go a little further and seek to alert political overseers and other stakeholders to emerging problems, or to articulate conceptions of what is publicly valuable and press for them. Often, the reason is that what seems to them most valuable in responding to the problem environment is less acceptable to their political environment than alternative proposals which are not so valuable as responses to the problems. Moore (1995, pp. 20-21) argues that in this context, public managers have a duty to engage with their political environment. They need to do it not only in order to carry out their jobs in a useful way but also because typically they have valuable knowledge about both the substantive problem and the stakeholder environment surrounding it, which they should place at the disposal of their elected political overseers.
But if they go too far in this practice, some argue in response to Moore (see, e.g., Roberts, 1995), public managers may transgress the line, held sacred in traditional public administration, between politics and administration. They risk abrogating the principle that key political decisions should be taken by politicians, who are accountable to citizens to the extent that they face periodic elections, rather than by unelected bureaucrats. But this argument is based on a misreading of Moore (1995). For one thing, Moore does not suggest that public servants should engage in partisan politics; rather, they should confine themselves to what might be called “program politics,” to the extent necessary to ensure they do not encroach on party politics. More important, Moore casts the political environment as the overriding governor or limit on the autonomy of the public manager (pp. 148-149, chap. 8). He does not diminish the authority of elected politicians to make the important decisions. If a policy or strategy is unacceptable to key political overseers, then the manager is obliged to abandon or modify it to take account of that opposition. Where the manager can play an important role is in finding integrative solutions to these kinds of problems by shaping policies or strategies that maximize public value while remaining acceptable to the political power holders.

Put another way, public managers can play an entrepreneurial role in discerning or imagining solutions to problems in our natural or social environment that are politically acceptable as well as administratively feasible. In this context, the manager’s role is not so much to define public value on behalf of society as to put forward value propositions for consideration by the citizenry and their various political representatives.

The Path of NPM

Traditional public administration emerged in Anglo-American democracies variously in the late 19th and early 20th centuries and prevailed until the early 1980s. In ideal-typical form, it was characterized by hierarchy and standardization of processes, with features including structural groupings, usually by function; hierarchical control and coordination through rules and precedents registered in files; line-item budgeting; and a permanent career service.

NPM, which emerged in the early 1980s, was in part a reaction to the putative shortcomings of traditional bureaucracy: inflexibility and lack of responsiveness leading to poor client service; inefficiency stemming from a focus on processes rather than outcomes; relative imperviousness to external control due to opacity and the capacity to buck-pass between specializations; and boredom or alienation for staff. These were to some extent stereotypes that did not do justice to the variety of practices within bureaucracy, but they powerfully informed the intentions of governments bent on public sector reform.

As many writers have pointed out, NPM was not a monolithic set of practices but rather had variants from one jurisdiction to another (see, e.g., Pollitt & Bouckaert, 2000). Nevertheless, it embodied some common patterns. We take the view that it tended to evolve along a trajectory from what we will term managerialism in its earlier incarnations to what we will call contractualism as it developed. Both variants had the same underlying logic, but contractualism entailed a more full-blooded application.
By managerialism, we mean the pattern of managerial reforms applied to Anglo-American public services from the early 1980s onwards. Based on the multidivisional structure that had proliferated in the corporate sector (Mintzberg, 1979, chap. 20) and transmitted from it by consulting firms, it entails balancing centralized control with line-management autonomy (Alford, 1998). On one hand, this meant structuring public sector organizations into a central headquarters and relatively autonomous program divisions (known in the private sector as business units), each responsible for achieving a particular set of results—for example, ensuring that disabled people are cared for, or promoting the conservation of particular forests or species—and controlling the requisite functions to do so. On the other hand, it meant holding the divisions accountable to the corporate level for those results, through performance monitoring of outcomes. The role of the head office was to appoint (and if necessary, fire) division heads, set their performance targets, and provide a budget. At the whole of government level, it called for program budgeting, more generalist external recruiting, and performance pay for senior managers. Elements of these practices were observable in the United States with, for instance, the Program Priority Budgeting System, but implemented patchily. They were more systematically installed in Westminster governments, for example in the U.K. Financial Management Initiative in 1982, the Australian government from 1984 to 1996 (Considine & Painter, 1997), and the Canadian Government’s Increased Managerial Authority and Accountability scheme from the mid-1980s (Veilleux & Savoie, 1988).

Distinctive to managerialism was that both the headquarters and the program divisions were inside the same organization. Contractualism, which came into vogue with the “Next Steps” initiative in the United Kingdom in 1988 (Kemp, 1990), the radical reforms in New Zealand from the late 1980s (Boston, Martin, Pallot, & Walsh, 1996; Scott 2001), and privatization initiatives under the Reagan administration structurally decoupled these entities, even within the broader public sector. Service-delivery functions were separated from policy making through purchaser-provider splits, and the service providers within government were subject to competition from private firms or third-sector organizations. Relations between purchasers and providers took the form of contracts specifying outputs to be delivered, incentives, and penalties. Accompanying these developments was the introduction of output budgeting and more individualized employment contracts.

The Search for a New Approach

Ever since NPM was first recognized internationally (Hood, 1991; Pollitt, 1990), public administration academics have been writing its epitaph. Even the original pieces by Pollitt and Hood approached the issue critically and were in no way advocating NPM. For many academics, NPM has been problematic. It has been criticized for its inappropriate likening of the public sector to the private sector, for its characterization of citizens as clients, for its emphasis on measurement of performance in unwarranted circumstances, for its “real” agenda of cutting government spending, for enhancing the control of senior managers vis-à-vis politicians on one hand and subordinates on the other, for its underestimation of the difficulty of separating purchasers from providers, and for its downgrading of noneconomic, nonmeasurable values (Considine, 1988; Hood, 1991; O’Faircheallaigh, Wanna, &
In recent years, this tendency has been given renewed impetus by the emergence of new forms of management and governance in the public sector, which emphasize more collaborative networked or joined-up arrangements. These new forms are seen in both governmental practice and the literature as potential solutions to the perceived problems of NPM.

In the United States, interagency collaboration emerged, as have the previous stages of managerial reform, in a patchy manner, as befits a polity with multiple (federal, state, and local) levels of government and that is more fragmented between the legislature and the executive than Westminster systems. In 1993, a how-to manual published jointly (itself an interesting fact) by the U.S. Departments of Education and of Health and Human Services proclaimed that

> Across America, people are recognizing that all of the institutions and agencies whose mission is to nurture and strengthen children and families must collaborate. They realize that no single institution has the resources or capacity to do the job alone. (Melaville & Blank, 1993, p. vii)

Especially at state and local levels, innovative new cross-agency approaches have been adopted in many jurisdictions. In 1998, Bardach was observing that “a bit more interagency collaboration is probably going on these days” (p. v). By 2003, however, Agranoff and McGuire declared that “the era of the manager’s cross-boundary interdependency challenge has arrived, as has the world of working in the network of organizations” (p. vii).

Perhaps the most enthusiastic advocacy of collaborative network forms has come from the Blair government, most notably with its espousal of joined-up government (Perri 6, 2004; Pollitt 2003). Its white paper on Modernising Government in 1999 affirmed that the government would “take its drive for more joined up and responsive services further” by “actively encouraging initiatives to establish partnership delivery by all parts of government” (Prime Minister and Minister for the Cabinet Office, 1999, pp. 9, 32). This enthusiasm has also taken hold in other Commonwealth countries. The Australian government has actively pushed what it calls “whole-of-government” initiatives—that is, ones involving multiple departments and agencies. In a major report called Connecting Government, in 2004, the head of the Prime Minister’s Department pressed for more interorganizational coordination capacity (Management Advisory Committee, 2004). New Zealand has sought to rebuild links between agencies previously separated into purchasers and providers by integrating policy analysis across agencies. In 2001, it set as priorities the achievement of better integrated, citizen-focused service delivery and addressing fragmentation and improving alignment (New Zealand State Services Commission, 2001). Canada’s Privy Council Office (2005; i.e., its cabinet office) has set a priority of promoting “increased integration within the federal government community and enhance the networks involving the federal government, other levels of government and other stakeholders” (p. 5).

Similarly, the literature comprises a growing band of writers who are enthusiastic proponents of some form of collaborative government, or who take the view that it is the next big thing in public sector management. In an early account of the move “from marketisation to diplomacy,” Rhodes (1997) referred to “a new process of governing,” which he defined as “self-governing, inter organisational networks,” characterized by interdependence and continuing trust-based interactions between organizations, which have significant autonomy...
Alford, Hughes / Public Value Pragmatism 137

from government. He argues that “networks are a pervasive feature of British government” (p. 43). On the basis of a review of the literature on trends in collaborative governance, O’Toole (1997) argued that “Complex networks are not only relatively common, they are also likely to increase in number and importance” (p. 47). Benington (2000, p. 7) pointed to the emergence of “new forms of networked governance which . . . cut across both the traditional vertical tiers of government (local, regional, national and supranational/European), and the different spheres and sectors of the economy and society (market, state and civil society).” Perri 6, Leat, Seltzer, and Stoker (2002) advocate joined-up government under the rubric of “holistic governance,” which they argue is more achievable than some of its critics allow.

A recent article by Osborne (2006, p. 377) argues that the time of NPM is “a relatively brief and transitory one between the statist and bureaucratic tradition” of public administration and “the embryonic plural and pluralist tradition” of what is termed New Public Governance (NPG). NPG posits “both a plural state, where multiple inter-dependent actors contribute to the delivery of public services and a pluralist state, where multiple processes inform the policy making system” and as a “consequence of these two forms of plurality, its focus is very much upon inter-organizational relationships and the governance of processes, and it stresses service effectiveness and outcomes” (Osborne, 2006, (p. 384).

Dunleavy, Margetts, Bastow, and Tinkler (2005) also argue that NPM is apparently dead, to be replaced by “digital era governance.” This is a brave new world to be characterized by “reintegration,” “holism,” and “digitalization.” Reintegration means rolling back the disaggregation of organizational entities (e.g., into purchasers and providers) that had characterized NPM, through joined-up governance and “regovernmentalization.” It is also to include radically squeezing production costs, re-engineering back-office functions and service delivery chains, procurement concentration, and specialization. Holism is to include client-based or needs-based reorganization, one-stop provisions, ask-once processes, interactive and ask-once information seeking, data warehousing, preemptive needs analysis, end-to-end service re-engineering, and agile government processes. Digitalization elements include electronic service delivery and e-government, new forms of automated processes, radical disintermediation, active channel streaming, customer segmentation, mandated channel reductions in order to move toward coproduction of services, quasivoluntary compliance, do-it-yourself forms and tax paying, and open-book government.

More considered is Stoker’s (2006) view of public value management. This is seen as a new paradigm and, again, as a successor to NPM, which was in turn a successor to traditional public administration. Summing up the research, Klijn (2005) observed:

The concept of network has become quite fashionable in the academic literature on Public Administration and Public Management. The network concept has not only become very popular as an analytical concept to make sense of the world of complex interactions around policy but has also become a catchword for thinking up and devising and proposing alternative ways of managing complex interactions around policy formation, implementation or service delivery. (pp. 257-258).

These and other writers see some form of networked governance as the dominant model of public sector management in the post-NPM era. To that extent, they are acknowledging
what they see as a reality, that collaborative government has in effect become the preferred approach within Anglo-American governments. Some of them go further and positively advocate this approach as the most appropriate. To that extent, it is hard to avoid the conclusion that network governance has become the new “one best way” of managing the public sector.

The Problem of One Best Way

The traditional model of public administration was very clearly dominated by one-best-way thinking: Through the theories of bureaucracy and scientific management, the one best way of dealing with a given problem could be found. Gulick’s POSDCORB (planning, organizing, staffing, directing, coordinating, reporting, and budgeting) and Taylor’s scientific management were “popular manifestations of this one best way theorising” (Stillman, 1991, p. 9), that is, a methodology by which a few simple nostrums were followed in all circumstances. Taylor saw the best way as being to examine all the steps involved in a task, measure the most efficient, and, most important, set out this method as a set of procedures (Kanigel, 1997).

In the public services, the procedure manuals became ever larger with the method for dealing with every conceivable contingency spelled out in great detail. Once this was done, the task of the public official was purely administrative, involving consultation of the manual and following the procedures laid down. There was little thought involved and no creativity other than that of finding the right page of the manual, which became ever larger and more cumbersome in government. Administrators, by definition, had no responsibility for results.

Simon (1957) argued that full rationality in government is an unachievable goal and that administrative behavior is satisficing—rationality is “bounded” rather than complete. This could have been a useful corrective to Weberian bureaucracy, but although Simon was rightly honored, structures persisted in exactly the same way, with hierarchical designs as if rationality could be achieved. Only when ideas of uncertainty, of a lack of perfect information and the absence of a “magic bullet” began to surface, could the true implications of Simon be appreciated. It was only later, with managers being responsible for results, that there was any real thought that different methods could lead to different results and that methods and actions should be tailored to circumstances. In reality, there is no one best way, there are many possible answers (Behn, 1998, p. 140), and public management systems need to be designed with this in mind.

One Best Way in NPM

A similar case can be made about NPM. Its characteristic devices also were ill-suited to some circumstances while appropriate to others. This is readily visible in its most full-blooded manifestation: the contracting out of services. The logic of outsourcing is to provide a set of incentives, controls, and facilitators that induce the contractor to provide
services that are cheaper and/or of greater value in quality, responsiveness, and so forth (Domberger, 1998; Hodge, 1998). Competition with other providers for the opportunity to profit provides the incentive, whereas specifying services in output terms both enables the purchaser to monitor performance and allows the contractor autonomy to determine how to produce the service (Donahue, 1989; Prager, 1994). But although contracting has enabled savings or service benefits in some areas of government activity, in others its results have been less satisfactory.

One reason is that some providers, such as third-sector organizations, cannot simply be characterized as profit maximizers; they have more complex motivations such as identification with their community or concern for particular clients (Smith & Lipsky, 1993, p. 23). Another is that there may not be a competitive market of providers of the service being outsourced, making it difficult to replace poorly performing contractors (deHoog, 1990, p. 321). This difficulty also arises where there is asset specificity, where an incumbent provider may have an advantage by virtue of already having the contract, which has enabled it to develop knowledge, client relationships, or other assets. Yet another is that some services may be hard to specify and monitor in output terms because of uncertainty about future contingencies, information asymmetry between the purchaser and provider, or interdependency between them (Hendry, 2002, pp. 100-101; Prager, 1994, p. 179).

All of these factors are problems in contracting precisely because it relies on the profit motive of providers. If there is a competitive market, and services can be specified and monitored in output terms, that motive will drive them to perform well. But if competition is absent and it is hard to specify and monitor outputs, it will drive them to take advantage of the purchasers, delivering poorer services at excessive cost. To guard against this possibility, the purchaser has to incur costs in structuring markets, specification, and monitoring. In some circumstances, these costs may outweigh the benefits to government of outsourcing.

This means that contracting can be beneficial in some circumstances and harmful in others. Delegating tasks to profit seekers “can make public action less awkward–more efficient, more accountable, more firmly under the citizenry’s control–when contracts can be clearly written and fairly enforced, and when suppliers’ efforts to affect decisions can be contained” (Donahue, 1989, p. 223). In those circumstances, it would be wasteful if contracting was not allowed. However, it “would be reckless to claim that private delivery is any sweeping remedy for the fundamental complexity of the public realm” (Donahue, 1989, p. 223). It is one thing to pass activities from the public to the private sector, but quite another for them to work well (Rehfuss, 1989).

Analogous points could be made about other devices in NPM. For instance, the separation of purchasers from providers can be problematic in those circumstances where it is relatively difficult to disentangle the purchasing from the providing functions, where services are hard to specify and monitor (as in contracting), and where feedback from operations to policy making is important (especially where there is service delivery directly to clients; Stewart, 1996). Performance monitoring can be difficult where services are prone to high levels of uncertainty, information asymmetry, and interdependence (Alford & Baird, 1997; Cave, Kogan, & Smith, 1990; Pollitt, 1990; Prager, 1994). In each case, these tools seem to work well in some circumstances but not in others.
The Pluses and Minuses of Collaborative Governance

If the practices making up NPM can be found useful in some cases but lacking in others, so too can the emerging forms of collaborative governance. An archetypal example is a trust-based partnership between a government agency and a private for-profit firm or a third-sector agency. Such partnerships can mitigate the transaction costs of outsourcing in a number of ways. The building of trust provides a motivational mechanism that is an alternative or supplement to the profit motive that competition relies upon. It also alleviates the particular transaction costs of creating markets, specification, and monitoring by making it easier for the parties to vary services when unpredictable circumstances arise, mitigating information asymmetry and turning interdependency into an advantage rather than a contractual problem.

A partnership, therefore, has the potential to alleviate the problems arising from lack of competition or difficulties in specification and monitoring. At the same time, it enables the involvement of an external provider. It is therefore a suitable alternative to either in-house production or classical contracting in situations where external providers can deliver some or all of the service cheaper or better, but the transaction costs of engaging them are high. It may be particularly suited to the provision of complex packages of services.

However, partnerships cannot realize these benefits unless there is significant trust between the parties. Without it, there is a risk that partners will take advantage of the relative lack of competitive discipline, access to privileged information, and attenuated accountability that partnerships embody. The development of trust is therefore essential for government organizations seeking to establish and maintain collaborative relationships with providers.

But this turns out to be difficult in some public arenas. For instance, it is hampered by the accountability requirements on public servants, preventing them from occasionally bending the rules in good faith or cutting their private partners some slack as goodwill gestures to build an ongoing relationship. Public servants’ efforts to build trust, which usually develops over time, can be undermined by the turbulence that besets governmental work; as new governments are elected, politicians change their minds in response to tabloid pressures, or senior managers are replaced, leading to new policies, procedures, or funding limits. They can also be complicated by intragovernmental complexity, as the public servant’s focus is pulled away from a given relationship with a partner by organizational imperatives coming from relationships his or her department has with other departments or partners. These kinds of issues can lead to grindingly slow decision making, inertia, turnover of key staff, and other factors that consume resources but do not lead to valuable outcomes.

Collaboration with other organizations may therefore be less than optimal. As Huxham and Vangen (2006) put it: “Making collaboration work effectively is highly resource-consuming and often painful . . . [U]nless potential for real collaborative advantage is clear, is it is generally best, if there is a choice, to avoid collaboration” (p. 80).

Design Rules for Pragmatism

Traditional bureaucracy, NPM, and collaborative governance each have an answer to the question “What should we do?” namely, to apply the characteristic tools their models
embody. Public value pragmatism entails the recognition that different circumstances demand different managerial tools. Instead of assuming that there is one best way for everything, we summon the venerable tradition of contingency theory, pioneered by Chandler (1962) and articulated by management scholars such as Woodward (1965), Mintzberg (1979), and Child (1984). Sir Geoffrey Vickers (1965/1995) in *The Art of Judgment* applied similar insights to public affairs, while a similar mind-set was evident in the earlier work of Simon (1946). In this vein, we argue that it makes more sense to take the perspective that it all depends—on the nature of the task, the context, and the available technologies and resources. But this raises the question of how to determine which approach is most suitable for which circumstance—a more difficult question for pragmatists than for proponents of traditional bureaucracy, NPM, and collaborative governance with their ready-made models.

There is therefore a need for a series of “design rules”—propositions about which managerial devices are called for in which situations. We do not propose to offer such a schema here but rather to suggest what they might look like for particular managerial arrangements, and, it is hoped, inform further research on this issue (see Table 1). The tools on which we focus are

- **In-house production** by public sector employees;
- **Provision by a service agency** that is arm’s length from government purchasers but still within the public sector (e.g., a next-steps executive agency);
- **Partnering** in a collaborative relationship between a government organization and a private for-profit or third-sector organization;
- **Classical contracting** to external providers, chosen through competitive tendering and subject to detailed contracts with incentives and penalties attaching to good or poor performance, respectively;

Which of these arrangements to utilize depends on the answers to four questions:

1. Can the participation of external providers deliver the service more cheaply or effectively than in-house producers?
2. Is there a competitive market of potential suppliers?
3. Is it relatively easy to specify and monitor the service?
4. Is a sufficient level of trust and cooperation between the parties likely to be possible?

If the answer to the first three of these questions is affirmative, then classical contracting is likely to be useful in delivering public value.

In this case, the answer to the fourth question is less significant, although it would be hard to imagine a viable contract without at least a minimal level of cooperation, constituting civility between the parties if not deep trust. If, on the other hand, the answer to the first three questions is negative, then in-house production by public servants makes sense, and the fourth question becomes irrelevant.

Less clear-cut are situations in which the answers are yes to some questions and no to others. One possibility is where the participation of an external provider in at least some aspect of the task is more beneficial than their nonparticipation, yet there is no competitive market of external agents and/or it is difficult to specify and monitor in output terms. In this situation, a partnership may be the best solution, harnessing cooperation as an alternative to the carrots and sticks of classical contracting. However, as indicated above, this depends fundamentally on the fourth question: whether a sufficient level of trust and cooperation
The American Review of Public Administration

between the parties is likely. Assessing this is a matter of judgment, but factors to be considered include

- the degree of cordiality of the relationship so far;
- the extent to which the government agency will allow autonomy to those of its staff who represent it in the relationship with the external party;
- the extent to which accountability requirements will allow the representatives some flexibility in the relationship; and
- the degree of turbulence in the environment.

A further possibility is a situation in which there is no market of external providers who can do it better but where it is relatively easy to specify and monitor the service in output terms. In this situation, a service agency may make sense. A cooperative relationship between the purchaser and provider, although not essential, would facilitate feedback between operations and policy making in this arrangement. Other permutations, such as one in which the involvement of an external agent is necessary but market competition is not possible, specification and monitoring are hard, and a cooperative relationship is unlikely,

### Table 1

<table>
<thead>
<tr>
<th>Contingency</th>
<th>Benefit Achievable</th>
<th>Level of Competition</th>
<th>Ease of Specification and Monitoring</th>
<th>Possibility of Trust and Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-house production</td>
<td>No outside supplier can provide a better or cheaper service</td>
<td>No competitive market exists for supply of the service</td>
<td>Difficult to specify outputs and/or monitor performance</td>
<td>Cooperative relationship may or may not be possible between purchaser and supplier</td>
</tr>
<tr>
<td>Service agency</td>
<td>No outside supplier available</td>
<td>No competitive market exists for supply of the service</td>
<td>Easy to specify outputs and/or monitor performance</td>
<td>Cooperative relationship may or may not be possible between purchaser and supplier</td>
</tr>
<tr>
<td>Partnering (relational contracting)</td>
<td>Outside supplier or partners together can provide a better or cheaper service</td>
<td>No competitive market exists for supply of the service</td>
<td>Difficult to specify outputs and/or monitor performance</td>
<td>Cooperative relationship is possible between purchaser and supplier</td>
</tr>
<tr>
<td>Classical contracting</td>
<td>Outside supplier can provide a better or cheaper service</td>
<td>Competitive market exists for supply of the service</td>
<td>Easy to specify outputs and/or monitor performance</td>
<td>Cooperative relationship may or may not be possible between purchaser and supplier</td>
</tr>
</tbody>
</table>
require more difficult choices, involving weighing up the respective benefits and costs from each factor and deciding on trade-offs.

These design rules are not intended to imply a painting-by-numbers approach. Their interpretation and application would need to be a matter of judgment rather than picking arrangements “off the shelf.” But they are meant to convey a different mind-set from the one-best-way mentality—one that is open to alternative possibilities in each situation. To a degree, much of the extant research on public management is about trying to unearth understandings that contribute to making these kinds of choices. Our plea is for more focus on this kind of research.

Levels of Applicability

The contingent approach we advocate makes most sense at the level of what we will call the “program,” which we define loosely as the set of resources and activities directed toward a particular policy purpose. It is at this level that the connection between resources and results is most comprehensible. But to say this is to raise a number of issues concerning programs, organizations (such as departments), and whole governments, which turn out to be ones that do not receive much attention in the emerging literature on collaborative forms of governance.

First, what constitutes a program is an open question, both in scope and time. In terms of scope, a program can be an activity within a discrete subunit of an organization, or one involving two or more subunits of that organization, or one involving two or more organizations, in the last case as occurs in joined-up government. Which form is to be adopted should, of course, be a function of the program purposes or desired outcomes, which will relate to the type of problem being addressed. In terms of time, a program can be an ongoing activity (such as a titles office) or a time-limited one, otherwise known as a project (such as a blitz on graffiti on public transport). As government organizations address specific problems, they find themselves having to establish, manage, and conclude projects. This poses challenges both of organization—matching the amount of work to be done at a given time to the available staff and other resources—and of capabilities—ensuring the right knowledge and skill sets for varying tasks. It changes the nature of public sector work and also calls for high levels of organizational flexibility and adaptability.

Second, a contingent approach entailing frequent projects, utilizing different tools, and directed toward mixtures of intraorganizational and interorganizational outcomes, challenges traditional ways of managing the organization as a whole, especially because of the heterogeneity it engenders. Where contingent, project-based approaches are common, some form of matrix structure, in which managers are responsible both for some program outcome groups and some functional groups, is likely to be necessary. This, in turn, would challenge managers by making them responsible for outcomes without having control over all the requisite inputs, which are likely to be situated elsewhere in the organization under other managers’ authority. Being able not only to manage some resources directly but also to indirectly influence others would therefore become an important skill.

However, these developments may in turn challenge traditional notions of strategy making. It would be more difficult to set clear corporate objectives and deploy resources toward
them, because they would be more fluid and more interdependent, both among themselves and with those of other organizations. The role of organizational leaders may be proportionately less devoted to setting directions and more toward developing and maintaining capabilities—not only those required in content knowledge but also those required for adaptive ways of working, and indeed for broad and deep ability to learn. The generic management notion of “distinctive competence” (Hamel & Prahalad, 1994) may become a more relevant model of strategy making and implementation.

Finally, a contingent approach will pose challenges to how the whole of the public sector is managed. One reason for this is that some of the important values at stake—such as fiscal prudence and ethical probity—are things for which the citizenry holds the whole government to account. When a budget blowout necessitates financial cutbacks, or a corruption scandal engulfs a public official, it is typically the government as a whole that is held responsible by the media and the public. Consequently, governments tend to have sector-wide rules in place for ensuring that the important values at stake in these domains are upheld. These rules are usually fairly prescriptive and uniform across the sector, and to that extent can be at odds with the granting of autonomy to agencies and program leaders to adopt contingent approaches. For example, countries that have adopted across-the-board output budgeting, which include most of the Anglo-American democracies, limit the capacity of agencies to harness multiple functions toward overarching outcomes.

There is, however, perhaps more room to accommodate these approaches within the rules than we usually assume. There is no serious reason, for instance, why budget rules could not be framed so that a given allocation could be for either an outcome, an output, or even a process—all within the same budget. Against this, it may be argued that this would make it harder to compare apples and oranges, but doing that is precisely what politicians have to do now, and have always done, not only with budgets but in setting policy priorities. If as much inventiveness went into designing ways to make this possible as has gone into designing existing budget systems, a more flexible system should be possible. There would still be a need to report on and account for how the money was spent, to ensure it accords with the stated intent of the legislature, but that need not interfere with the essence of a contingent approach.

These observations imply roles and responsibilities for public officials at different levels within a government. For managers at the program level, and those to whom they report, it entails a need to make sensible judgments as to what constitutes a program and as to the most appropriate managerial tools for implementing it. For the heads of government agencies, it entails making nuanced judgments about the scope, timing, grouping, and resourcing of the array of programs and projects in train at any one time, with a view to serving the strategic purposes of the organization. It also means being conscious of the set of productive capabilities assembled in the organization and where necessary encouraging shifts in skill and knowledge sets—that in turn involves maintaining a capacity to adapt. For the heads of central agencies (which typically serve elected chief executives such as presidents, governors, prime ministers, or premiers), it means constructing accountability regimes across the sector that enable sufficient flexibility for agencies and programs to deploy the most suitable managerial devices for their purposes while ensuring that fundamental probity and other obligations are adhered to.
Conclusion: A Problem-Solving Ethos

Governments have many functions—to deliver services, to represent, to enforce contracts and other property rights, to keep the peace, to defend the country—to name but a few. In addressing these tasks, a government agency is usually engaged in the solving of problems. As Kooiman (2003) puts it, “social political” governance is

the totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities; attending to the institutions as contexts for these governing interactions; and establishing a normative foundation for all these activities. (p. 4)

Sparrow (2000) calls for agencies to “pick important problems and fix them,” emphasizing practical managerial responses to problems, notably in regulatory areas. Problem solving and pragmatism are obviously allied. Although most applicable to the choices inherent in some regulatory functions, Sparrow’s view has wider uses. Public agencies do solve problems, problems of society that might arise from the operational level as well as the political level. How problems are solved becomes as important as the solution itself.

Public management, above all else, is about achieving results, and as we have argued here, achieving results consistent with the ideas of public value. The way to achieve results is to focus on problem solving and, as far as possible, problem solving through pragmatic means. There are many possible solutions to problems. Each has costs and benefits in social and political terms as well as narrower economic or managerial ones. Optimizing them requires the discarding of one-best-way thinking for once and for all.

Notes

1. Of course, there are different levels of governments themselves, such as national, subnational, and supranational. Our concern here is with arrangements within any particular government.

2. Although this was only one of the possible bases for structural grouping, as Gulick (1937) recognized, it has been the one most commonly associated with traditional bureaucracy, particularly as it dovetailed with coordination through standardization of processes, and as it began to be applied to large single-product organizations. Simon (1946) took issue with such “proverbs of administration,” as he termed them, but Hammond (1990) argues that Gulick’s account was more nuanced than Simon acknowledged.

References


Alford, Hughes / Public Value Pragmatism 147


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