



## **A REVIEW OF NEW PUBLIC MANAGEMENT PRACTICE IN DEVELOPING COUNTRIES**

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### **Abstract**

*Introduction of New Public Management (NPM) in public sector organizations typically results in an overhaul of the existing traditional management system, with renewed emphasis on improving efficiency and performance of the public sector organization. Public sector organizations and countries suffering from corruption, non-performance, bureaucracy, incompetence and high operational costs were in dire need of a new management system that would assist in bringing down operational costs, help manage resources and budget, minimize bureaucracy, eliminate corruption and improve the overall performance of the sector. NPM pertains to several strategies that can be adopted, such as decentralization and delegation of leadership, minimization of bureaucracy, privatization, human resource management, customer satisfaction, accountability, transparency, adoption of latest technology, resources and budget management and performance oriented management style. Several countries around the world have implemented NPM strategies among their public sectors, in order to deal with the growing rate of corruption and incompetence, lowering national morale and waste of resources, with mixed results. Sectors with highly complex workforce, multiple and highly ambiguous mission goals and objectives and efficient utilization of information, resources and budget, need new public management strategies for effective management.*

**Keywords:** New Management Practice (NPM), bureaucracy, performance.



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## **1.1 INTRODUCTION**

### **1.1.1 About New Public Management practice and where it is used**

New Public Management (NPM) paradigm indicates the inadequacies and failures of the public sector organizations over time in addition to pointing out the various processes which led to such failures. The concept of NPM had been introduced as a means of reorganizing public sector organizations on lines of business management practices. The scope of NPM is extensive as it addresses a variety of issues like size of the government, accountability mechanism, resource management, and bureaucratic structure etc. (Kalimullah, Alam, and Nour 2012a).

The NPM movement had started in the UK and the US but later its adoption has not been limited to the capitalist nations including Austria, Denmark, Spain, Canada, France, Italy, Copyright © 2017, Scholarly Research Journal for Interdisciplinary Studies

Japan, Australia, Portugal, Netherlands and Norway but in 1990s many developing countries in Asia, Africa and Latin America also came forward for NPM implementation. The range of NPM adoption even extends to the poorest countries of Africa like Zimbabwe, Malawi, Uganda, Zambia, as well as Ghana. But the concept implementation has not been the same everywhere as the different components of NPM are adopted in different countries and that too in different degrees. A number of principles which NPM promotes such as market competition, customer orientation, and value-for-money are not observed in countries across the world reinforcing the idea that NPM is emerging as a global concept (Haque 2003).

NPM mainly revolves around implementation of strategies inspired by management of *private sector* into the field of public administration (Osborne 2006). The private sector strategic approach is deployed in public sectors through NPM with the primary objective of augmenting value and competencies of varied services provided by them. Thus NPM proposes to bring about professionalism within public administration organizations (Leicht et al. 2009). NPM is based upon the supposition that private organizations are comparatively efficient than public service organization (Ehsan and Naz 2003).

One the most important features of NPM which differentiates it from traditional formats is that NPM postulates promotion of professionalism and modernization based upon individual's experiences through a gradual process rather than just burdening it on organizations (Leicht et al. 2009). Thus NPM is about developing a culture that would support breeding of such qualities which in the long run would trigger creation of a professionally managed public administration organization (Leicht et al. 2009). Another feature of NPM is that it concentrates on development of entrepreneurial qualities amongst people within public administration organization by motivating them to take leadership through innovative approaches. People are educated and motivated to be flexible to new ideas and thus foster innovation espousal (Damanpour and Schneider 2008).

NPM also advocates the presence of a two-way system wherein inputs in the form of quality and quantity of resources are provided importance along with outputs provided by them. Thus NPM provides for a mechanism to measure performances of varied resources used for achieving the desired targets by setting performance benchmarks and auditing performances to compare actual with desired ones (Osborne 2006). One of the distinctive features of NPM is that it provides for a foundation wherein differing activities related to a public service are separated and then combined into major activities groups. This facilitates public

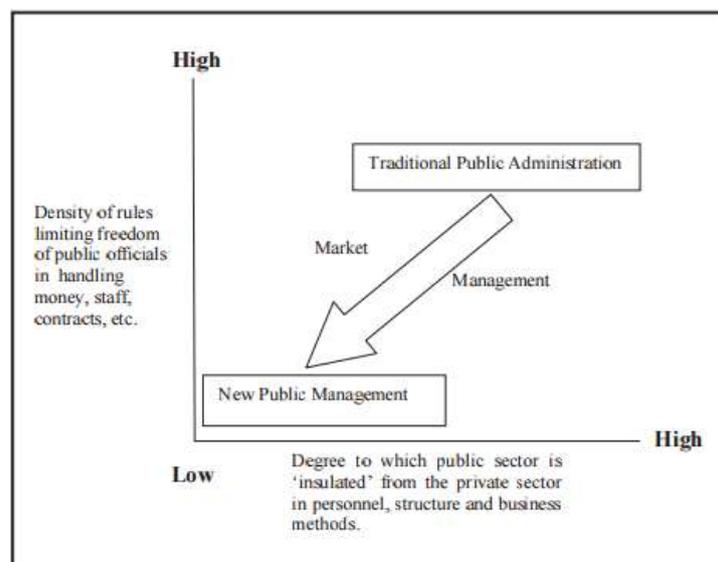
administration companies to concentrate on management of costs and thus augment efficiency levels through cost optimization. NPM has also established its effectiveness in dealing with issues that is to a larger extent adversely affecting sustainability of public service organizations. Some of these issues are intensification of competition amongst companies for delivering services within public service organizations and determination of contracts for allocating resources.

Current research work aims at reviewing the relevance of New Public Management, the extent of NPM implementation in developing countries and the challenges involved as such.

## 1.2 Literature Review

### 1.2.1 Emergence of need for NPM

NPM is a contemporary management practice, not an inert phenomena but a budding one. NPM is related with the rationality of economics holding fundamental public values. The customary theories of public administration have been transmuted to deal with the evolving geo-politics. Moreover, the emergence of New Public Management was grounded on the basis of the superior starring role of the administration until the 1960s in socio-economic revolution, reforms related to market, production, endowment and supervisory actions came under harsh denunciation as there were monetary crunch, authoritative bureaucracy, meager performance and absence of responsibility in public organizations, extensive corruption, variations in public anticipation and appearance of better alternative forms of service distribution.



**Figure Error! No text of specified style in document..1: Emergence of the New Public Management from Traditional Public Administration**

**Source: Kalimullah, Alam, et al. (2012)**

Talking about the scenario in the western countries, Diefenbach (2011) asserted that an unaffordable budget deficit occurred in western countries after the economic recession in late 70s. In order to handle such situation, the alternatives available were to curb the public expenditure, raising the tax levied and to curb down the cost of performance and work in a better way. This was possible with the advent of New Public Management in the public sector. The worldwide managerial modification movements in public management of past centuries have been determined largely by the administration's reaction to the economic crises fetched by variations in the global financial crises and by the requirements for management services and strategies in the political arrangements.

Bakvis & Jarvis (2012) cited that the reason behind the emergence of NPM may be attributed to the problems in realization of the potential of the public sector organizations. However, in NPM the impression of giving up regulation to more independent public servants was perilous.

### **1.2.2 Benefits/ relevance of NPM**

NPM is the transmission of corporate and market ideologies and administrative practices from the private into the public sector, associated with and constructed on a neo-liberal consideration of state and economy. The ultimate aim of NPM therefore is at rimmed, condensed, trifling state in which any public doings is dwindled and, if at all, employed according to corporate doctrines of efficacy. The problems prevailing in the public sector can be resolved and their functioning can be improved by way of NPM. NPM upsurge the aspects of responsibility in the strategy process and a more assertive and commanding instruction for public organizations. With the help of NPM, more realistic strategic planning is being done for the long as well as medium term. The prominence is to make governments smaller and well-organized by bringing about superior use of marketplaces, rivalry, shrinking out and setting target for better performance. Through NPM, customers are provided satisfactory services at both local and central level (Raju 2007). The importance of NPM in public sector was highlighted by Paradeise et al. (2009) as the public expenditure is reduced to a considerable extent by its implementation.

Mongkol (2011) averred that NPM brings reforms in public sector by way of improving the quality of public services, reduction in public expenditure, improving the operational

effectiveness of government organizations and making implementation of policy more operative.

Haynes (2015) has asserted that through New Public Management, some purposeful transformations are made in the frameworks and operations of the public sector companies. By implementing New Public Management, public sector companies can better allocate their resources as NPM calls for customer driven alterations. New Public management is a transformation from command and expert officialdom to a more supervisory and market based system. It is the implementation of corporate and private sector philosophies on public sector organization thereby benefiting these organizations in the day to day operations (Haynes 2015).

### **1.3 Discussion**

#### **1.3.1 Approaches of NPM**

Approaches to NPM can be specified as the varied line of actions that is pursued in order to effectively implement this management perspective and reap maximized benefits. Different scholars and researchers over a period of time have provided multiple approaches to NPM. In order to develop a superlative topology of NPM, Ferlie et al. (1996) determined four major approaches to NPM in the form of four models. These models are namely, the efficiency drive model, downsizing and decentralization model, search of excellence model and service orientation model.

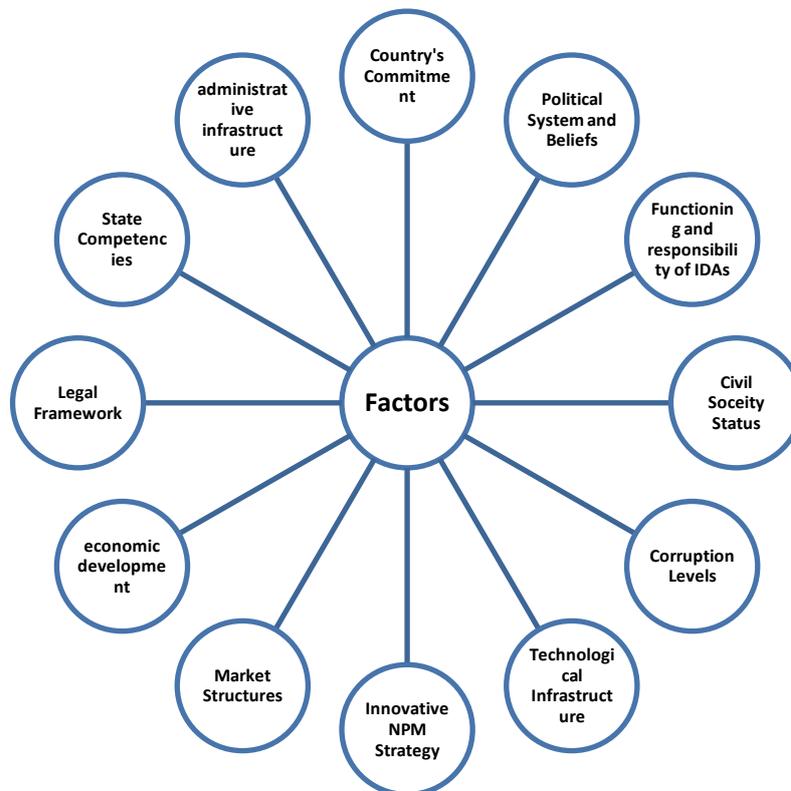
The efficiency drive approach as highlighted by Ferlie et al. (1996) and Ehsan & Naz (2003) is based upon adoption of strategies that are mainly driven from private sector management into the area of public management and administration. In another study by Osborne (2006) it was clearly postulated that efficiency drive of NPM is basically related to determination of competent tactical approaches as deployed in private organizational sector which can also be executed in public administration to augment its existing efficiency levels. The second approach to NPM that is downsizing and decentralization model, as identified by Ferlie et al. (1996) is based upon the principle of augmenting organizational flexibility and effective integration of activities pursued at differing levels. According to O'Flynn (2007), public administration organizations lack effectiveness due to duplication of work as well as lower productivity of employees who are subjected to limited responsibilities.

Search of excellence model as per Ferlie et al. (1996) is related to augmenting organizational culture within public administration sector through effective human resource management

that focuses on innovation and change. Bockel & Noordegraaf (2013) in lieu of developing an excellent organizational culture suggested overhauling of compensation schemes for employees in public administration sector. Service orientation model as identified by Ferlie et al. (1996) is an approach in which public sector organizations indulge in providing values to customers. It is thus also specified as value-driven approach.

### 1.3.2 Determining factors for implementing NPM in developing countries

Sarker, (2006) in his study asserted that an array of factors are to be considered while implementing NPM primarily as these factors very strongly affect success quotient of NPM execution. These factors played identified were extent of economic development experienced by the country, presence of formal and appropriate market structures, legal rules and related framework, highly developed state of administrative infrastructure and overall competency of a state. Gautam, (2008) identified factors which influenced NPM implementation adversely in the sphere of public administration as adoption of ineffective process for policy reformations, prevalent political circumstances, strong and stringent bureaucratic code of conduct and path dependency attributes.



**Figure 3: Factors Affecting NPM Implementation**

**Source: Author**

### 1.3.3 Challenges of implementing NPM in developing countries

Polidano (1999) argued the appropriateness of NPM in developing countries in his research by stating that usually it is perceived that NPM is not suitable for such countries because of popular stories of its failure. Larbi (2003) while talking about the challenges of implementing new public management in developing countries cited that many countries blindly follow the blueprints while implementing NPM which leads to failure. Elias Sarker (2006) explored and analyzed the various factors that are responsible for the success and failure of NPM ingenuities in developing countries. It was found that Bangladesh is lagging far behind resulting in little achievement in NPM reforms.

Chittoo et al. (2009) also attempted to throw light on the obstacles in implementing NPM in developing countries. It was found that the reforms never passed their implementation stage despite of their urgent need to make reforms because of globalization and need to be competitive in the international markets.

Rosta (2011) instituted that NPM is being discouraged by many experts in developing nations. He asserted that a proper approach is not adopted by the developing nations due to lack of a causative environment and institutional system. Rahman et al. (2013) while talking about Brazilian perspective stated that Brazil saw sequential failure in the management reform in the federal government. The main reason behind the failure was found to be the dilemma of control. It was further observed that there was dearth of cooperation of the strategic actors which was required for the purpose of monetary adjustment and the institutional alteration.

In the same year, Engida & John Bardill (2013) expounded that developing countries were also found to be highly guarded by feeble capacity and supply restrictions which impede applications of plans and programs for enhancement and development of services.

Author Name	Challenges
Polidano (1999)	<ul style="list-style-type: none"> <li>• Lack of expertise</li> <li>• Poor information systems</li> <li>• Corruption and nepotism in governments</li> <li>• Ineffective control management</li> </ul>
Larbi (2003)	<ul style="list-style-type: none"> <li>• Developing countries blindly following developed countries</li> <li>• Improper sequencing of reforms</li> </ul>
Elias Sarker (2006)	<ul style="list-style-type: none"> <li>• Inadequate level of financial growth</li> <li>• Presence of unofficial market economy,</li> <li>• Legal Issues</li> <li>• State ineffectiveness</li> </ul>

Jooste (2008)	<ul style="list-style-type: none"> <li>• feeble democratic set up</li> <li>• Unbalanced Implementation</li> </ul>
Chittoo et al. (2009)	<ul style="list-style-type: none"> <li>• Reforms developed but not implemented</li> </ul>
Rosta (2011)	<ul style="list-style-type: none"> <li>• Lack of appropriate approach</li> <li>• Lack of causative environment</li> <li>• Lack of institutional system</li> </ul>
Rahman et al. (2013)	<ul style="list-style-type: none"> <li>• Dilemma of control</li> <li>• Lack of institutional approach</li> <li>• Lack of control on strategic factors</li> </ul>
Engida & John Bardill (2013)	<ul style="list-style-type: none"> <li>• Lack of strategic vision</li> <li>• Ineffective implementation</li> <li>• Lack of public support</li> <li>• Lack of managerial capabilities</li> </ul>
Ferdousi (2015)	<ul style="list-style-type: none"> <li>• Negligence of developing nations towards considering their own cultural and political</li> <li>• Prevalent corruption</li> <li>• Unwillingness of country's bureaucrats to experiment a new approach</li> </ul>

**Table Error! No text of specified style in document..1 Summarizing Challenges of NPM**

**Source: Author**

#### **1.4 Conclusion**

On the basis the discussion above it can be determined that NPM has been by far considered to be one of the significant approaches that is adopted by most of developed countries which is motivating developing countries to follow suit. An overhaul of public administration sector across the globe is the need of the hour. In spite of failures experienced while implementing NPM in many circumstances it can be yet specified that it is one of the most modernized approaches that will support public sector companies to overcome inefficiencies to a larger extent. Overall, NPM could be concluded as, a new management practice offering advantages and improvement in existing sectors in the form of better management practices, decrease in bureaucracy, budget and resource management, increased creativity and initiation among employees for jobs and lastly clear delegation and decentralization of leadership among the personnel. New Public Management strategies in public sector are based more on outcomes, focus on provision of efficient services to the public, accountability and an overall governance approach (Casey and Mitchell 2007). Based on these observations in the present study it could be concluded that NPM has certain primary objectives like improving management and hierarchy practices within the system, improving budget and resource management, decentralization and delegation of leadership and finally improving decision making abilities.

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