

**UNIVERSITY OF VAASA**  
FACULTY OF PUBLIC ADMINISTRATION

Jani Pehkonen

**THE CONCEPTUAL ORIGINS OF MANAGERIALISM**

A review of the beliefs and practices in the public administration literature

Master's Thesis in Public Administration

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**UNIVERSITY OF VAASA****Faculty of Public Administration**

<b>Author:</b>	Jani Pehkonen	
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**ABSTRACT:**

This study examines and discusses the concept of managerialism and related themes and phenomena such as new public management in the context of the administrative reforms of the last decades. So far, the theory of managerialism has remained relatively undeveloped and various conceptualisations vary significantly and thus a possibility for creating new knowledge and a basis for theory exists.

The research problem is threefold: 1) What is meant by managerialism? 2) What kind of form does managerialism take as it is examined as a belief? 3) What kind of implications are associated to managerialism in the context of practical administration and management activities? To answer these research problems, the study takes a qualitative approach and examines selected conceptualisations of managerialism and identifies, examines and discusses various managerialist approaches and practices in the context of scientific literature mainly from the 1990's and the second millennium.

The results show that managerialism has become a category into which a large number of approaches and methods are placed. It is used in connection with administrative reforms in the context of new public management, and there seems to be a consensus that it involves import of techniques and approaches utilised in private sector to the public sector and that it is connected with improving efficiency and effectiveness of public sector organisations. However, perceptions differ in terms of the purpose and consequences of managerialism. While others see it as a reaction to changes (e.g. globalisation) and a tool for defending the welfare state, others perceive that it is a driver of change and a tool for introducing market-oriented, neo-liberal political rationality to the public sector.

The academic debate and discussion on managerialism and the administrative reforms has included a great amount of ideological postulating. While at the other end of the extreme some suggest a far-reaching right-wing plot to undermine welfare state and advance neo-liberal worldview, others on the opposite side embrace the market analogy unconditionally despite of the existing compatibility problems. The study revealed a vast network of interconnected ideas woven around the central ideological currents of European history from the Enlightenment through modernisation of state to contemporary, postmodern époque. It would appear that underlying managerialism exist themes connected to liberalism, individualism, suspicion of extensive regulation, negative view on traditional bureaucracies, continuous development and optimisation of organisations and economic rationalism.

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**KEYWORDS:** Managerialism, new public management, public administration, public management, reforms, organisational change



*“Political action in the welfare state has to begin from the fact that the circumstances towards which it directs its efforts are changed in unexpected ways by the effort itself. Politics already is in a position where it constantly has to deal with self-created realities. The needs, the unpleasanties, the almost unsolvable problems that it faces are partially of its own work. One only has to consider the topic of bureaucracy. In the long or short run, the consequence will be a fractured relationship with its own goals.”*

– Niklas Luhmann (1990: 24)

## **1. INTRODUCTION**

The purpose of this thesis is to explore the concept of managerialism, reveal its various uses and also examine issues and themes related to it in the context of administrative scientific literature. Managerialism was chosen as a subject of research due to fact that the various conceptualisations of managerialism differ considerably and the theory of managerialism has remained relatively undeveloped and thus, quite a promising possibility of contributing new knowledge is perceived to exist. Managerialism is connected to a diverse group of ideas. These related concepts, which are the result of theoretical developments that have occurred since Pollitt (1990: 1) created the construct of managerialism as a collection of practices and beliefs aimed at improving management in administration.

The concept of managerialism has received additions and new perspectives since then. Some scholars have introduced new terms as well to differentiate their ‘managerialisms’ from the older construct, whereas others use mere ‘managerialism’ in their discourse. For example, Terry (1998: 194) has constructed the concept of ‘neo-managerialism’ by associating the themes of agency theory and transaction-cost economics to managerialism.

Other perspectives taken by scholars connect to discourse on the elements and ideas that shape managerialist ideology, such as the role of markets (Murphy 2004: 315). Also the change in the way public administration sees itself and the parties affected by its activities (so called stakeholder parties). For example, Vigoda (2002: 528) undertakes to discuss the question of administration's responsiveness and the idea of citizens as customers to a public service provider.

The discussion on the extent and significance of the entry of private sector ideas and discourses to the public realm has been extensive and varied. Especially the case of developing countries is often under scrutiny of many a scholar interested in the role of multinational corporations in national policy issues. For example, in some countries, the terminology of private sector enterprise has become a part of public policy statements (Hodge & Coronado 2006: 529). There has been also critical discussion on the validity of the belief that managerialistic approach will improve efficiency and effectiveness of administration. A good example of this is the discourse on 'post-managerialism' undertaken by Brunetto & Farr-Wharton (2004: 597).

### 1.1. Research questions and the method of study

The research problem is threefold. First, what is meant by managerialism? Second, what kind of form does managerialism take as it is examined as a belief? Third, what kind of implications are associated to managerialism in the context of practical administration and management activities? These questions are answered by examining the selected conceptualisations of managerialism in public administration and management related scientific literature and identifying, examining and discussing various managerialist approaches and elements in the context of related theory.

Managerialism is still bereft of a solid theory, which would clarify and explain the phenomenon in the context of the ongoing reforms of public administration and the great trajectory of public administration and underlying socio-political thought and beliefs of

a more general level. As a starting point, it is useful to look at Pollitt's (1990: 1) original definition, according to which managerialism is a collection of practices and beliefs, which are based on the idea which implies that developing and enhancing management, will eventually produce improved results across the scope of administration. This study has been structured as per Pollitt's abovementioned definition: it looks the phenomenon as a group of beliefs and practices. This definition also is the origin of the research questions.

The study is divided into four parts, first of which concerns selected definitions and conceptualisations of managerialism and the examination of its roots as well as the relevant administrative reforms. The second part examines the relevant theories underlying managerialist thought and places it in ideological context. The central issues – the underlying beliefs - entwine around the continuum of liberal ideas, economic rationalism, New Public Management and also utilitarian rationale which has been a significant 'selling point' to political decision-makers considering managerialistic alternatives in the context of public administration.

In the third part, the practical manifestations of managerialism perceived as central are discussed. Chosen for examination were the themes of the use of contracts as a control method with the concomitant performance measurement used to determine whether the contract has been fulfilled and to decide whether the result of an activity is a success or a failure. Also connected to the abovementioned is the theme of accountability and its meaning in the context of managerialism. The fourth theme is that of leadership, which is a large and diverse point to cover in managerialistic context. Finally, in the fourth part, the abovementioned research questions are answered and the conclusions of the study are presented, as well as certain avenues to future research are discussed.

This study is qualitative by nature. It examines selected conceptualisations of managerialism and identifies, examines and discusses various beliefs underlying managerialism as well as managerialist approaches and practices in the context of scientific literature. This study aims at achieving a better understanding of managerialism and thus it examines not only scientific literature related to public administration but also scientific lit-



erature related to political history and sociology. A wider approach will yield a better platform for understanding managerialism as a phenomenon and forming a basis for theory.

The scientific literature examined in this study is for the most part from the 1990's and from the second millennium. As Managerialism is a child of the post-modern era, most of the literature related to it dates back only circa twenty years. Only in some cases older material is examined. This is mainly done in order to trace patterns of thought in the context of European socio-political thought, which have paved way for the future managerialism.

The material is mostly compiled of articles from scientific journals, as there has been a lively discussion between the proponents of managerialist reforms and those critical to them. These discussions and debates within the academic community have created a plethora of interesting courses of thought into managerialism. Most interesting of these have been selected so that the extremes in the attitudes towards managerialism are well represented. For the most part, the articles in the scientific journals were accessed via electronic databases but also traditional printed journals and publications were used. Academic books have mainly been used in tracing managerialism's roots and examining various related concepts, such as new public management.

## 1.2. Tentative definitions of managerialism

A wide range of ideas have been associated with managerialism, some of which are conflicting, but the central theme seems to be that of optimisation of organisations and enhancing their ability to cope with changes in their operating environment. Examined on a very general level, it seems to involve a favourable perception of private sector organisation in this sense, as it proposes the import private sector mentality, practices and approaches into the public domain. Numerous avenues of development in terms of managerialism have been opened by a number of scholars. In the following several interesting propositions are examined.

Rhodes (1997: 47) states that managerialism refers to introducing private sector management in the public sector, key areas including professional management, standards and measures of performance, managing by results, value for money and customer-orientation whereas on a more general level, Rouillard & Giroux (2005: 331) concisely describe managerialism in a notion of creative leadership for perpetual change, and place it, in a philosophical sense, under the label of pragmatism.

Managerialism as a part of the public sector reforms of the last decades is supposedly something, which challenges the operating logic of the old bureaucracy, but at least some scholars seem to associate some similar elements to it. For example, Trosa (1997: 239) sees managerialism as a phenomenon, which is concerned with an effort to improve efficiency and effectiveness of public service and is based on logically defined objectives. Efficiency could be achieved via organising the phases of activities required in order to attain an objective into coherent processes. Furthermore, efficiency can be improved by further formalisation and standardisation of processes. Thus, it has been seen that a need exists in public organisations for specialisation and measurement of organisational performance. Trosa (1997: 239) also states that managerialism is also reaction to the old public service, which defined its own objectives and standards in relative secrecy. However, as a side note it may be said that on a theoretical level, the existence of the old 'bureaucratic paradigm' as a focused set of ideas has been questioned (see Lynn 2001).

Managerialism seems to be something, which responds to the current trends in society. There have been expressions of need for enhanced responsiveness to the citizen using public services and forcing public administration to become a part of a democratic system in the sense that it is open to scrutiny, critique and change should it be seen as necessary. In a sense, managerialism seems to involve an element of enhancing the legitimacy public administration in the eyes of the society and lifting the veil of secrecy, which has obscured the activities, and functioning of administration from outsiders, be they politicians trying to exert political control over administration, citizens using public services or organisations. Trosa (1997: 239–241) states that another central issue

concerning managerialism is the perceived need for improved transparency. Additionally, the inclusion of various stakeholder groups into the processes of the public organisation in a consultative role has been seen as necessary.

Managerialism has also been perceived as something of a tool that has been used to promote certain political ideas, namely neo-liberalism and the agenda of the so-called new right. Indeed, in MacKinnon's (2000: 294) conceptualisation managerialism takes the form of an array of managerial practices and technologies, which has a role in providing political actors with the means of introducing institutional reforms. However, Avis (2002: 81) notes that the pursuit of mechanisms that produce well managed welfare state and secure value for money resonates closely to the ideas of the New Labour (an alternative branding of the Labour Party of the United Kingdom), which claims to have transcended the dichotomy of 'right and left' and concentrating on solutions that work. According to Heywood (2003: 148) it has been influenced by liberalism (in both economic and social sense), communitarianism and social conservatism. To explore what this means in practice, one may examine the concept of joined-up government (JUG), discussed by Pollitt (2003: 68), which has been a part of the programme of Labour government of Tony Blair (prime minister of the United Kingdom from 1997 onwards). This programme seeks to eradicate contradictions between policies, make better use of resources, improve co-operation between stakeholders and produce services of a higher degree of integration.

As presented above it can be noted that, as Filling & Saravanamuthu (2004: 438) state, that managerialism is a loose concept under which a variety of elements. In their discourse they place such elements as privatisation and marketisation as central, and claim that managerialism as an idea places efficiency over socio-economic considerations.

Some scholars have identified various stages in the development of managerialism, e.g. Terry's (1998: 194) 'neo-managerialism' as a more recent development, referring to the old managerialism defined by Pollitt (1990: 1) added with agency theory and transaction-cost economics. This creates some controversy, as traditionally one of the central ideas of managerialism is increasing the autonomy of managers while agency theory is

based on the assumption of economic rationalism. Thus implies that individuals, striving to maximise their personal utility in all circumstances, are to controlled to ensure their conformity to organisational objectives. Thus, Frant (1999: 268) comments that Terry has created a chimera, a beast constructed of rather incongruous parts, while trying to combine managerialism and organisational economics into a single normative philosophy.

This kind of conceptual confusion and disagreement has been typical to the discussion concerning managerialism, and no consensus has been achieved concerning the content of the phenomena. Thus, in this study, the term ‘managerialism’ is understood as including the various other versions so, that it becomes possible to produce a fresh, comprehensive basis for theory on this subject.

In order to serve the purpose at this study, two interesting points are discussed in the following. First of all, in the study of managerialism and the related reforms of public administration one may not overlook one central concept, which is that of ‘efficiency’. Second, the issue of the development of professional management in organisations is interesting considering the purpose of seeking a deeper understanding of managerialism. In the context of private sector organisations, the term ‘corporate managerialism’, refers to the separation of ownership from the control of an organisation. This theme is related to the birth of the so-called ‘managerial class’ and managerial profession.

#### *The term ‘efficiency’*

In the vast scientific literature concerning the issues of administrative reforms this term is used frequently in a rather carefree manner. As for managerialism, efficiency seems to be a significant, somewhat central as a term. Thus, the question of the nature of the term is to be explored before further discussion on the subject may be undertaken.

What is actually meant by efficiency in the context of administrative reforms? Simon (1994: 42–43) undertakes an interesting discussion concerning this issue. According to him, due to some overly enthusiastic proponents of the so-called scientific movement

the term efficiency has acquired connotations, which connect it with profit-directed, mechanistic theory of administration. Until the end of nineteenth century, the terms efficiency and effectiveness were more or less synonymous, whereas contemporary understanding of efficiency relates to the ratio between input and output (effort and result).

Simon (1994: 43) discusses the difference in computing and output-input ratio in physical and social sciences and states quite correctly that in social sciences, input and output are seldom measured in comparable units. Thus, efficiency in its contemporary sense, in the form that most probably lingers in the minds of scholars examining administration, refers to amount or degree of result attained by a certain amount of certain type of effort. Therefore, it does not imply that, for example, less expenditure in all situations is desirable *per se*. Simon (1994: 37) defines so called ‘balance sheet’ efficiency as something that involves the maximisation of income, if costs are considered fixed, and on the other hand, the minimisation of cost, if income is considered fixed.

*Corporate managerialism: Professionalism, separation of ownership and control and rule of reason and logic*

‘Managerialism’ in the context of this work is examined as a phenomenon of the changing nature of public administration. However, the term has been used in other contexts as well. For example, the managerialism of corporate history refers to the state of things in which ownership and control of a corporation are separated, even though the underlying logic in the context of developments of specialisation and functionalism in the milieu of increasing complexity share clear similarities. Davis (2005: 144) states that during the nineteenth century the ownership of a large corporations (such as railroads) became dispersed amongst thousands of shareholders (due to the fact that the great capital needs of such corporations could not be satisfied by a small number of wealthy families) who are effectively powerless over the professional management who direct the organisation in practice.

Another use of the term managerialism can also be found in the context of the evolution of corporations. Cutting and Kouzmin (2002: 29) discuss the shift from the era of

stereotyped capitalist-entrepreneur to the rise of managerialism, which in this case implies decision-making by groups based on reason and logic. Prasad (1966: 329) states that ‘managerial capitalism’ is the name of the economic system of North America and Western Europe in the mid-twentieth century in which rather large joint stock companies mainly execute production.

Corporate managerialism seems to share a number of elements and themes with the managerialism of the public domain. These include professionalism, logic and rationality. However, public sector managerialism seems to form a category of a far wider group of ideas. The key difference seems to lie in the fact that whereas corporate managerialism implies a shift towards group decision-making, in public sector the role of an individual manager becomes more central.

### 1.3. Alternative points of origin

The preliminary examination of managerialism did not yield a clear picture of it as a concept. Thus it is necessary to specify and clarify it via certain alternative points of origin.

*“Competition among bureaus is the natural condition of a bureaucracy.”*  
(William Niskanen 1979: 523.)

The origins of managerialism may be traced to the public sector reforms undertaken from the 1980’s onwards. Moynihan (2006: 77) discusses a doctrine of ‘managing for results’ that implies that increased results-orientation and increased managerial authority will lead to accountability which is solidly based on results and improvement of public sector performance. This doctrine is connected with policy ideas that have been referred to as new public management. This group of ideas originated from New Zealand, the United Kingdom and Australia and later it has been a part of public sector reforms elsewhere. In turn, In relation to the struggle to curb the growth of public sector, Hey-

wood (2003: 102) discusses the 'heroic' phase of new right politics epitomised by figures such as Margaret Thatcher, which has given way to a 'managerial phase'.

Underlying these developments there are a number of older ideas. For example, Niskanen (1979: 519–520) proposed already in the 1970's that competition between bureaus producing the same services would reduce costs, enhance political control and provides a better protection against major failures. Additionally, he suggested that costs in relation to a given output could be decreased by contracting with private sector organisations and by reducing the absolute size of bureaus (ibid. 1979: 522).

It may be, that the nature of the reforms in the context of new public management can be also partially explained by the qualities of the administrative systems of its countries of origin. Zifcak (1994: 141) notes that the British administrative system has been described by a belief that administration is ultimately a practical activity that is learnt by experience and that it is better undertaken within a framework of convention rather than in a context of formal rules. This is seen to be due to the absence of fully developed system of administrative law in Britain. However, reforms have been undertaken also in countries that possess a highly juridified bureaucracy. Kickert (1997: 22–23) discusses the *Neues Steuerungsmodell*, or new local governance model, of Germany. According to him, it bears significant similarity to Anglo-American new public management; its elements include results-orientation, service orientation and delegation of responsibility to sub-units. Also, as Kickert (1997: 23) notes, the Swedish welfare state model was downsized during the 1980s.

The changes in the environment of public sector organisations have played a major role in furthering the advent of new public management reforms. Zifcak (1994: 141) notes that in the early 1970's the British governments were not willing to try market solutions to their problems of economic nature. Centralised control of public expenditure and centralised administrative were seen as important for equality of treatment and opportunities for the citizens. However, by the end of 1970's, the existence of significant resource constraints with emerging social preference for private provision of public services began to stimulate a search for more efficient and especially cost-effective ways

of providing public services. For example, Kickert (1997: 17) mentions the detrimental effects of the oil crisis in the 1970's that caused massive deficits in public budgets. According to Pollitt (2003: 33), in early 1980s many western governments were faced with economic slowdown, large public sectors that generated high levels of public expenditure and increasingly demanding and well-educated citizens who were less prepared to accept poor public services. Additionally, the rising Asian economies – or so-called 'Asian tigers' – aroused concern of national competitiveness.

There are also other factors than those of environmental nature that have been perceived as drivers of administrative reforms. Pollitt (2003: 36–37) states that in addition to political, economic and social pressures – such as globalisation, technological advancements, economic developments and disgruntled citizens – there have been a conspiracy explanation which sees new public management as a right-wing conspiracy. In Pollitt's own view new public management was not as much caused as chosen and its choosing has not happened solely on the basis of right-wing political ideology; a number of social democratic or center-left governments have undertaken these reforms also. The choosing has been done by practitioners (politicians as well as public servants) although he notes that there has been some influence from academics and consultants. According to him, the popularity of new public management among practitioners is probably due to at least two elements: promise of cost-reduction and promise of enhanced political control. Indeed, Mazouz, Emery & Côté (2004: 17) point out that public administration seems to have been eager to change its image and convince the public of its capability to perform and undertake change.

To further clarify the concept of managerialism, in the following the issue is examined from the points of view of application in the context of managerial reforms and the cultural developments occurred which have paved way for a new way of thinking in public administration. Finally, the conceptual issue of public versus private is discussed.



*Administrative reforms: ingredients of change*

At this stage of discussion, it is useful to examine briefly what is meant by administrative reforms. Pollitt and Bouckaert (2004: 8) have described public management reforms as something that consists of deliberate changes to the processes and structures of public organisations with the objective of enhancing their operation. They continue to identify four levels of change, which are global/national/cultural environment, institutional framework, managerial level, and primary work level. The first of these concerns the legitimacy of public organisations, second the level of centralisation/decentralisation, the third the elite strategies of reform, and the fourth nature of the function (e.g. time frame, complexity, etc.) (ibid. 2004: 17.)

Scholars have suggested a number of factors that act drivers for administrative reforms. Zifcak (1994: 139) discusses the environment within which an administrative reform takes form and identifies four distinct arenas: 1) the social arena, 2) the economic arena, 3) the political arena and 4) the administrative arena. Each of these overlapping arenas may influence an administrative reform. According to him, economic conditions have a considerable effect on reforms. When the economy is booming, public attitude is likely to support the expansion of civil service, whereas in unstable or outright poor economic conditions adverse attitudes are more likely.

As for the social arena, Zifcak (1994: 139) notes that administrative reforms and changes in procedures reflect changes in the values of a given society. For example, changes in the status of women and minorities may have an effect on the functioning of civil service as well as the advent of new technologies. In turn, he notes that politics acts as a conductor via which social trends are transformed into agendas for innovation concerning societies. Political parties have a predetermined attitude towards civil service and public sector. Zifcak (1994: 140) continues that the administration itself may introduce reforms. He notes that it is quite difficult predict the influence of internal pressures within the administration. For example, certain influential leaders may have a personal effect on reforms while other affecting factors may include resistance to change and insider trends.

In turn, Pollitt and Bouckaert (2004: 25) propose a model of reform, which includes four elements, central of these being elite decision-making. Other elements are socio-economic forces (e.g. global economic forces, socio-demographic change), political system (e.g. pressure from citizens, party political ideas) and the administrative system (e.g. content of reform package, implementation, review of results). In addition to these factors, also significant change events, such as disasters and scandals, are seen as affecting elite decision-making.

### *Application*

How does the search for enhanced efficiency manifest in practice? Rhodes (1997: 47) states that the new public management in the United Kingdom has two separate strands, managerialism and new institutional economics. Whereas the former refers to introduction of private sector management into public sector, the latter refers to introduction of incentives into public service provision. Concerning the reform of British civil service, Rhodes (1997: 44) mentions four trends of significance. First, rationalistic management for increased efficiency (managerialism) was introduced to replace old policies directed by needs. Second, management consultants played an important role in advising and evaluating the government. Third, the number of audits increased significantly across the field of public administration. Fourth, the widespread utilisation of performance indicators, which has, in addition to performing the function of improving managerial efficiency spread into making service more transparent to their users.

A number of approaches that obscure the public-private dichotomy have been undertaken in order to make the public service provision more effective and better suited to differing conditions. Pollitt (2003: 19–20) states that the reforms of last two decades have included privatisation (especially in New Zealand and the United Kingdom), contracting out, and market-type mechanisms and public-private partnerships.

As it has been mentioned, there has been alarm amongst right-wing groups concerning the growth of the public sector and the increase of public spending. As some question

the legitimacy of the state and public organisations completely, there has been discussion on ways to 'roll back the state'. One interesting example of these considerations is the so called 'starve-the-beast' hypothesis mentioned by Gale and Orszag (2005: 417), under which tax cuts as are assumed as something which would pressure policy-makers to limit spending.

According to Zifcak (1994: 154) the programmes of administrative reform were shaped by the international recession at the time. The recession led both the Australian and the British government to reduce the growth of public expenditure and limit governmental activities in many an arena. In Australia, a public pressure existed to maintain existing public services while governmental pressure to attain ever greater economies. Thus, it was seen that the best option was to make the administrative apparatus more efficient and effective and hence the following administrative reform concentrated on improving managerial performance.

Additionally, the reforms were affected by changes in both economic and social thinking; in Britain, a neo-liberal, monetarist alternative began to supersede the Keynesian welfare state consensus. (Zifcak 1994: 154) Monetarism is based on the thinking of economist Milton Friedman, who, according to Dostaler (1998: 322), perceived that public action is contrary to economic efficiency, whereas Keynesian thinking sees government activity as necessary to create social justice.

Zifcak (1994: 154) notes that think tanks related to so called New Right proliferated espousing the view that large public sector leads to bureaucratic inertia (the term refers to the slowing pace of large and complex organisations in accomplishing their tasks) and prejudices individualism. Bureaucrats themselves were seen as responsible to the excessive growth of public sector, and thus it was seen as necessary to apply the precepts of business management to governmental activity. For example, Niskanen (1994: 89), one of the ideologues of the Cato Institute (a libertarian think tank) in the USA, disputes the idea that growth of government reflects the growth in demand of public services; instead he proposes that public spending is more closely related to the government's capacity to tax and borrow. As for the concept of New Right, Heywood

(2003: 103) perceives it as something which refers to the revival of the ideas related to classical liberalism, which are described by enthusiasm for unregulated capitalism, whereas the more radical libertarians may reject the idea of government altogether, in case which they are sometimes dubbed as anarcho capitalists (Block 2005: 49).

According to Arestis & Skuse (1990: 43), in Britain, New Right policies were attempted to implement by the Conservative party that was elected on a platform of radical reform. According to them, this agenda involved a redistribution of wealth, power and income in the British society; a new ideology emerged which addressed the private sector at the expense of public sector except in cases that it is utilised to serve private sector interests

The priorities of the Thatcher government in Britain (Margaret Thatcher was the prime minister of the United Kingdom from 1979 to 1990) were to expand the scope of private economic initiative and reduce the size of public sector while publicly committing to decrease bureaucracy and mismanagement. Thus, a number of measures were taken. Salminen (2002: 159) states that there were a serious attempt to devise numerous productivity indicators and Carter (1994: 208) notes that in order to transform the delivery of public services, the decentralisation of service delivery became a central strategic element.

In turn, the Hawke government in Australia (Bob Hawke was the prime minister of Australia from 1983 to 1991) formulated an agenda that comprised of democratic, egalitarian (egalitarianism refers to theories which imply that political, social and economic equality should prevail throughout human societies) and efficiency reforms. Whereas the Thatcher government wanted to transform the civil service into the image of the private sector, the Hawke government rejected the private sector analogy and was committed to improve public sector effectiveness not only by making it more efficient but also by seeking to ensure that it was democratic and equitable. (Zifcak 1994: 154–155.)

Interestingly, Pollitt (2003: iii) notes that after some 20 years of efforts to cut public sector expenditure, in some countries the percentage of public spending of gross na-

tional product is actually higher than before and governments continue to perform a wide range of services. In relation to the reforms, Heywood (2003: 103) states that the reforms may enhance incentives, promote entrepreneurialism and intensify competition but in time there will be a number of disadvantages, including low investment, short termism and widening inequality.

### *Cultural developments*

The advent of managerialism is perceived to be related to a number of changes in the culture and mentality of the western societies, as well as to the rising public awareness. Salminen (2002: 158) perceives the rise of individualism in the society to be a major reason behind privatisation. According to Oishi, Wyer and Colcombe (2000: 440) individualism has been defined as something which views an individual person as an independent entity whose personal objectives are more important than group objectives and concentrates on personal rights, needs and attitudes. Gaines and his research team (1997: 1460) discuss individualism as orientation toward one's own welfare as opposed to collectivism (the welfare of the group) whereas Heywood (2003: 30) states that individualism is the belief in the supreme importance of the individual over any collective body or group. He divides individualism into 'methodological individualism' and 'ethical individualism', the former of which suggests that the individual is central to any political theory whereas the latter implies that the society should be constructed to benefit the individual.

Individualism is often connected with the idea of freedom or 'liberty', which is the centrepiece of political values for liberals. For early, or classical liberals, liberty was a natural right that empowers an individual to pursue one's own interests in the way one sees fit. (Heywood 2003: 30) Indeed, the rise of individualism has occurred in the context of a rising level of education amongst populations. As the citizens have become better able to judge, choose and demand, a pressure for delivering better services and choices to suit particular circumstances has been born. Challis and his research team (1994: 175) state that market-oriented philosophy in social policy would imply that in an ideal setting rational decision-making and co-ordination is left to a large extent to the individual

consumer at the point of consumption. In turn, Avis (2002: 80) discusses what he calls 'technisation' of social relations and the conditions in which social formations function. As an example, he mentions that questions of social justice are located within a discourse of economic efficiency. Good management *per se* is seen as a key to vibrant society and economy.

Interestingly, sociologist Bauman (2001: 67) states that in contemporary times, it has become clear that the modern strategy of fighting ambivalence has failed because of its restrictive and conservative approach in the face of increasing complexity and change (even though this strategy is still applied in the context of welfare state to provide for those in need). It seems that the cultural climate which has borne the development of managerialist ideas is described by increasing uncertainty and constant change which is difficult to control completely by comprehensive regulation. Bauman (2001: 84) notes that uncertainty in society increases due to current phenomena of deregulation and discusses of setting moral blindness and irrationality of market competition a first priority. Thus, a self-reinforcing development is born. In other words, increasing uncertainty leads to deregulation, which in turn increases uncertainty more and so on.

Moynihan (2006: 78) states that one of the tensions central to the intellectual development of public administration is the tension between the field as a social science and as a professional activity undertaken in a political environment. The public sector reforms and their underlying ideas have drawn critique from many a scholar. First of all, McLean (1987: 95–96) notes that the assumption that bureaucracy is always and everywhere growing, whether measured by budget or staff, is problematic, because there are difficulties in measuring both. To begin with, there are differences in opinion of what counts as government spending. The question stands that is the staff of state-owned enterprises considered be part of the public work force? Also the hostility of the proponents of reform towards bureaucracy has aroused wonderment.

Bureaucracy has been a significant element in the development of states and provision of material wealth to populations. One of the reasons is, according to McLean (1987: 87), that it has been assumed that bureaucrats tend to maximise budget instead of

‘profit’ (see also Niskanen 1979), which is not all that strange because the appropriation of profits in public sector may be quite difficult. Traditionally, the profits generated by a certain bureau have not been reflected in the compensation of bureaucrats.

As Pollitt (2003: 33) has noted, that the view of the 1980s ignored the positive sides of bureaucracy which had made it a popular model of organisation in both the public and private sectors. Interestingly, McLean (1987: 86) points out that there has been discussion among public choice theorists that governments tend to underprovide public goods. This means that governments tend to have too small budgets. This is due to the fact that the benefits of many a public good, such as the type of generated by military, are invisible in addition to being indivisible, unless the country is successfully invaded. McLean (1987: 93) also questions the applicability of the *laissez-faire* view – which is based on the classical model in which a firm seeks to maximise profit and each employee is a part of the profit-making machine – to bureaucracy altogether. According to him, this model cannot be realistically applied to even to private sector organisations, because it cannot be expected that every employee’s only objective is the same as the organisation’s objective. Finally, McLean (1987: 28) points out that no complex society may exist without a government of some kind to provide at least two things of critical importance: rules and compensation for market failure.

Pollitt & Bouckaert (2004: 164) have collected a list of paradoxes in the context of administrative reforms. For example, the reform promises to improve political control of the bureaucracy while freeing managers and empowering the consumers of public services. Another good example is the idea of improving motivation and promoting cultural change while weakening tenure and downsizing, which are activities that do not certainly motivate staff. In effect, there may be serious consequences in terms of morale.

*Public versus private*

The public sector reforms have led to a situation in which it is difficult to operate within the context of traditional three-way classification consisting of public, private and third sector. This is due to the use of flexible, *ad hoc* solutions that may involve parties belonging to each of these three categories in the provision of public services. As Pollitt (2003: ix) puts it, the boundaries between the private and the public sectors have been obscured. According to him (*ibid.* 16–17) there are two approaches to the traditional dichotomy of public and private sectors. These are normative approach and descriptive approach; the former is concerned with what should be and the latter is concerned with identifying which differences and similarities exist between the two sectors.

According to Pollitt (2003: 19) many right-wing politicians as well as organisational theorists perceive that the most important features of organisational life are common for both private and public sector organisations, whereas others – practitioners as well as scholars – argue that there are and *should be* differences. Pollitt says that he personally takes the side of the ‘difference’ faction but remarks that the differences are not simple. However, others perceive that public management is distinct because of its universal purpose. For example, in comparison to most private sector managers, public sector managers have different kinds of requirements to consider, for example those related to public accountability (Pollitt 2003: 17–18).



## 2. BELIEFS

Managerialism appears to be a complex phenomenon that quite effectively evades simple definition. The second research question of this study involved the beliefs underlying managerialism. A belief is something of political, ideological and cultural nature. To answer the second research question, this part of the study places these beliefs and ideas in an ideological and historical context, also from the point of view of additional sciences. Tentative comments are discussed from the point of view of some relevant disciplines, especially sociology.

### *Initial notes: an overview*

One of the basic assumptions underlying managerialism is that an important aspect of social progress lies in continuous improvement of economically measured productivity. The process of continuous development is made possible by the ongoing process of technological development. (Pollitt 1990: 2–3.) Reddick (2004: 339–340) states that managerialism implies that public sector efficiency can and should be improved by utilising management techniques found in the private sector organisations.

Pollitt (1990: 7) states that the belief in possibilities of enhancing administration via better management is related to a favourable perception of the performance of private sector organisations. It has been assumed that public sector organisations have become inefficient because they have not faced competition. Hence the idea of introducing private sector methods, managerial practices and disciplines for improving organisational performance into the realm of traditional administration (Pollitt 1990: 49). As for managerialism's values, Pollitt (1990: 7) identifies management itself as a value. As a side note it may be mentioned that management itself has been seen as something which includes elements close to religion, e.g. faith assumptions, rituals and such (Pattison 1997). Furthermore, managerialism includes rather visionary rhetoric of aspiration (ibid. 1997: 23).

In relation to the discussion on the cultural developments and *zeitgeist* of the contemporary era in the previous part, it is interesting to note Reddick's (2004: 340) remark of managerialism as a commitment to results in public sector being quite consistent with the philosophy of the late 20<sup>th</sup> century. Johnson (2004: 267), in turn, has paired managerialism with economic rationalism. Indeed, managerialism has been described as a dogmatic ideology that insists that only markets directed by professional managers can organise human interaction in an efficient manner (Murphy 2004: 315).

## 2.1. Neo-liberalism

A recurrent theme in the debate concerning the public sector reforms of the recent decades is the one of neo-liberalism. Managerialism has been seen as tool for reforming the public sector in accordance to an ideal, which would limit state intervention and rely on the markets as the method of distribution of resources. For example, MacKinnon (2000: 298) has argued that managerialism is a product of realisation of neo-liberal political rationalities. Many a scholar seems to regard these developments as of great importance; the direction of the societies affected is at stake, and thus, it has provoked strong reactions (see Terry 1998; Arestis and Skuse 1990).

In order to discuss neo-liberalism further in the context of managerialist reforms, the concept of liberalism and neo-liberalism as its contemporary development have to be defined and their roots have to be examined to place these phenomena in context, so that the mental process leading to managerialist ideas can be understood. Heywood (2003: 25) states that the term 'liberal' has been used from the fourteenth century onwards in a variety of meanings whereas the term 'liberalism' to denote a certain political allegiance has been in use from the early nineteenth century. Liberal ideas are a product of the demise of feudalism in Europe, and the rise of market capitalist society.

In its time liberal ideas were quite radical; the interests of the rising middle classes were in conflict with those of the aristocracy. Both the French and American Revolutions of the eighteenth century reflect this setting. In a political sense, liberalism definitively

sought to replace monarchic absolutism with constitution (and later with democracy) and in a cultural sense it was connected with the ideas of the Enlightenment, challenging traditional beliefs concerning society, politics and religion. The other major ideologies, conservatism and socialism, were born to oppose it. (Heywood 2003: 25)

In general sense, liberals are optimistic about human nature but recognise the impact of egoism that leads to conflict, which is to be handled preferably by negotiation based on reason (Heywood 2003: 34). This is the cross-roads in which liberals part into separate camps; liberalism holds two contradicting traditions, classical liberalism and modern, or welfare state liberalism (Heywood 2003: 27); whereas contemporary neo-liberalism draws its inspiration in economic sense from the classical liberalism which perceived state intervention as detrimental, modern liberalism sees market regulation and welfare services as necessary for a society in which an individual may lead a full life. In effect, neo-liberalism combines a conservative social ideology with a laissez-faire economics drawn from the early, classical liberals.

According to Heywood (2003: 30), classical liberals and the new right have adopted an egoistical view of individualism that concentrates on self-reliance and self-interestedness. In turn, modern liberals (welfare state liberals) subscribed to a developmental approach of individualism that places human flourishing and thriving as central. One concept of interest – in connection with the ideological framework of managerialist ideas – is that of meritocracy, which is related to liberal ideas, as well as to the ideas of New Labour of United Kingdom. Heywood (2003: 35) states that it means literally the rule by the talented or those who are able to. It is connected with the liberal belief of equality of opportunity; liberals reject the idea of social equality due to the fact that people are born different. Meritocracy, or a situation in which inequalities in wealth and social standing reflect directly the inequality of merit and skills between individuals, is just (Heywood 2003: 35).

Liberalism is commonly perceived to fall into a political category called ‘the right’ (as opposed to the socialist ideas which fall into the category of ‘the left’). However, as Norman (2004: 326) points out, these labels of the nineteenth century hardly fit with

ease to the setting of contemporary political milieu. Nevertheless, as Pollitt (1990: 48) states that managerialism has been increasingly important element in public service policies devised by right-wing governments. Managerialism has been seen as fundamentally being a result of a fusion of business management practices devised for organisational change and neo-liberal political rationalities (MacKinnon 2000: 298, quote from Clarke & Newman 1997: 34–55.).

Additionally, Johnson (2004: 1) states that managerialism and economic rationalism have been defining ideologies of a number of governments seeking to improve national economic competitiveness. Indeed, MacKinnon (2000: 302) states that neo-liberalism as a political rationality answers challenges that rise due to the process of globalisation and technological change by promoting entrepreneurial mentality and local initiative.

Ryner (2004: 98–99) sees neo-liberalism as a hegemonic force that has a variety of facets. In the case of Sweden, disciplinary devices to constitute market-conforming behaviour have been introduced, as well as Sweden's extensive quantitative controls of the capital markets have been abolished. These actions are part of a process that Ryner (2004: 98–99) calls neo-liberalisation of social democracy. This process has altered the labour market relations. Boucher & Collins (2003: 296) claim that the European model of neo-corporatism implies social partnership between the government, firms and employees who negotiate for social good as opposed to the American neo-liberal model, which sees neo-corporatism as rigid and unresponsive to the market. According to Fairbrass (2003: 317) neo-corporatism and policy network analysis concern the role of pressure groups within political systems. According to Dabscheck (2003: 85), both globalisation and neo-liberalism has been associated with the decline in trade unions.

Lewis (2004: 149) perceives that neo-liberalism implies a new kind of state, which utilises self-interest as a method of control and introduces self-regulation as government programme. Control is exercised remotely from the centre via contracts as well as emphasising responsibility towards the market and the community (Lewis 2004: 149). Karan (2003: 15) claims that global neo-liberal reform ideology includes elements such as commercialisation. He sees commercialisation as a product of policy networks and

neo-corporatist standard setting process, which in turn, are related to agency and public choice theories.

The ideal society of neo-liberalists seems to be something of a perpetually dynamic entity shaped by the relations between private parties and the manifestations of individual action and unrestrained creativity. Robinson (2004: 407) states that neo-liberalists believe that in a world where markets are defined by voluntary transactions between self-interested individuals, possible market failures are produced by external interventions and thus, markets are to be protected from the rationality of politics. As human beings differ in terms of capabilities, some individuals will affect societies to much greater extent than other. In connection with this issue, Robinson (2004: 408) discusses what he calls 'neo-liberal technocratic elites'.

## 2.2. Economic rationalism

Another recurrent theme in the context of managerialism is that of *rationality*. This concept, which traces its roots to the Age of Reason and liberalism, is also the central building block of mainstream economics, which assumes that human beings strive to maximise their utility, and thus act rationally in economic sense. Understandably, this view has drawn much criticism, as it does not consider the whole of human existence and the subjectivity of rationality (see Walker 2003; Colombatto 2003).

According to Zamboulakis (2001: 37) *economic rationalism* is a kind of 'realistic simplification' of reality in the historical and cultural context of the rise of capitalism. However, in the context of managerialism, this concept underlies a number of related theories. Of these, public choice theory, agency theory and theory of transaction-costs have been selected for further examination as they are inter-linked and exquisitely elaborate the rationalities of managerialist reforms.

### 2.2.1. Public choice theory

Public choice theory as a branch of economics, which is concerned with the decision-making behaviour of public servants, voters as well as politicians. It has been defined as application of economics to political science (Schmidt 2001: 138). According to Terry (1998: 197), 'neo-managerialism' is partially based on a variety of elements from organisational economics and public choice theory and Schmidt (2001: 138) states that public choice theory shares the basic behavioural postulate with economics. This means that a human being is seen as a rational utility maximising automaton. Commenting this assumption, Terry (1998: 197) states that rational activity is driven by self-interest, and thus, in his perception, rational actors tend to be deceitful, self-serving, opportunistic and exploitative. It would seem that Terry somehow equates economic rationality with rationality in general, thus playing by the rules set by the very right-wing commentators he wishes to oppose so vigorously. Nevertheless, Terry (1998: 198) sees a contradiction between managerialism and the democratic ideal itself, for a public manager should be primarily concerned with the public interest.

Also Lemieux (2004: 22) perceives that the idea central to public choice theory is that politicians, bureaucrats and individuals as voters are self-interested and attempt to attain maximal advantages. So called positive branch of public choice theory is seen as something which analyses how the state assumes its *raison d'être* and responsibilities in the sense of allocative efficiency and redistribution whereas normative part of public choice theory seeks to identify those institutions which provide individuals what they want to have without conducting exploitation (ibid. 2004: 22).

According to McLean (1987: 1) public choice, utilising the tools of economics in the study of politics, involves applying logical, deductive reasoning to work out how a rational actor would behave in order to maximise the chances of getting what he or she wants. Thus, a picture of an economy where everybody acts indeed consistently rationally can be devised and compared with the real world economy in order to make predictions. Economics is based on the concept of scarcity. This means that there is a limited amount of resources available for utilisation and thus, in any society, there must be a

way of allocating resources. There are many possibilities of organising resource allocation, but economists have traditionally concentrated on a model called the market. (McLean 1987: 9.) In turn, politics can be described as ‘authoritative allocation of values’; politics is concerned with devising rules for both material and non-material matters (McLean 1987: 9–10).

Brunetto & Farr-Wharton (2004: 597) state that amongst public choice theorists there is an assumption that implementation of managerialism within public sector organisations has improved management processes as well as both efficiency and effectiveness, and ultimately created better outcomes. However, this may not be easy to prove. As Simon (1994: 37) points out, the efficiency criterion is not as simple for public sector organisations as it is to private sector organisations. In commercial organisations, money provides a necessary, common denominator for measuring both output and income. This is not always the case for public sector organisations, which in many cases produce services that cannot be measured in any sensible way in terms of money. Hence one may consider the assumption of increased efficiency due to managerialism critically simply due to fact that the ‘balance sheet’ efficiency (as Simon calls it) does not work very well in the case of public sector organisations.

### *The Problem of Public Goods*

The issue of ‘public goods’ poses a problem in relation to the entrepreneurial approach to public sector management. McLean (1987: 11–12) defines a pure public good as a good that requires indivisibility of production and consumption, non-excludability and non-rivalness. For example, clean air is a public good. Also rules are public goods.

In the context of public choice theory, politicians may be seen as entrepreneurs, who strive to provide necessary public goods with least cost as possible. Thus, an entrepreneur is an innovator, who is always seeking new ways of doing things in order to achieve more and consume fewer resources. The difficulty lies in the matter of measuring the extent of the success of a public manager? Public goods are non-excludable. (McLean 1987: 28.)

### *Game theory*

A related concept to public choice theory is the one of game theory. It is connected to applied mathematics. It studies situations in which ‘players’ strive to maximise their utility in a setting of a game and it has been applied widely to a plethora of fields, from philosophy to political science. According to Osborne (2004: 1), game theory’s main focus lies on biological, political and economic phenomena. It consists of a collection of fairly simple models that aim to capture the essence of a situation of interaction. Many of these models are based on theory of rational choice (or rational choice theory); rational in this context being understood as consistency of decision.

#### 2.2.2. Agency Theory

As managerialism involves utilisation of private or third sector parties in public service provision, another relevant theory is that which concerns the relationship between a principal and the agent. As Ekanayake (2004: 49) expresses it, agency theory is concerned with agency relationships, or principal-agent relationships. In these kinds of relationships one party, the principal, delegates work or even decisions to another party, which is called the agent. Agency theory is based on the premise that agents are rational, risk averse and self-interested actors, who attempt to exert less effort and project higher level of capabilities than they really have. This state of things leads to what is called an ‘agency problem’. (ibid. 2004: 49)

According to Trailer, Rechner and Hill (2004: 308) public-private relationships include multiple conflicting objectives. For example, a private organisation may have the purpose of maximising the value of the firm, whereas a public organisation may try to create jobs and services to the public. Consumers may be seen as a third party to public-private relationships. Their interest lies in maximising consumer surplus. (ibid. 2004: 308)



Agency problems can be also seen as something, which concern situations in which managerial autonomy leads to problems; managers use state resources opportunistically to attain other goals than those related to innovative investments. On the other hand, lack of managerial autonomy can undermine purposeful allocation of resources. (Lazonick 2004: 291–292) However, these problems are quite universal. For example, Zajac and Westphal (2004: 435) discuss so called agency logic of governance in the context of private sector organisations, which implies that managers prefer strategies that conflict with the interests of shareholders. Agency problems are dealt with contracts, supervision and follow-up measures by the principal. These measures consume resources and time of the organisation. These costs are part of so called transaction-costs.

### 2.2.3. Transaction-cost economics

Transaction-cost economics, which is part of new institutional economics along agency theory, is related to the logic of organisation. The theory is based on market-organisation dichotomy. Organisations exist due to transaction costs, e.g. the costs that arise from entering agreements with other parties. These may include, for example, legal costs, monitoring costs, etc. Thus, should these costs be high, a service or a product may be produced in a hierarchy at a lower cost than by contracting an outside party. (Masters, Miles, D'Souza & Orr 2004: 47.) In transaction-cost economics, issues may be examined by a number of properties, for example the flows of benefits, actions, temporality of exchanges, volatility of the economic environment and the nature of the interests involved (Spiller & Tommasi 2003: 283).

The agency problem discussed earlier is connected with transaction costs (see Leeuw 2002: 139). All transaction costs cannot be calculated beforehand. As Williamson (1996: 136) points out, problems in contracting are caused by unavoidable incompleteness of all contracts; it is impossible to predict all possible contingencies. For a practical example, see Van Gramberg and Teicher (2000: 476–478), who discuss the reforms of the local government in Australia involving the significant increase in utilisation of contracts in relationships between local government and its providers.

### *New institutional economics*

Coase (1998: 72) states that it was Ronald Coase, who started the new institutional economics by publishing the article “The Nature of the Firm” in 1937. What made it new was the insight concerning transaction costs as something which defines structures and its use as a metric in comparative institutional analysis. Ronald Coase asked that due to which circumstance it is that two institutions, the market and the firm, continue to exist while performing the same function. Later, a body of ideas has accumulated on this basis. In Dallery’s (2001) perception, new institutional economics takes a form of a loose grouping of ideas aimed at introducing institutional realism into economic analysis of organisations. This means that new institutional economics recognises that in the real world, individuals have a limited capability to process information and thus are only boundedly rational.

### 2.3. Utilitarianism

Heywood (2003: 50) defines utilitarianism as a moral philosophy developed by James Mill and Jeremy Bentham which implies that ‘good’ is practice happiness or pleasure, whereas ‘evil’ is unhappiness and pain. Thus, individuals are assumed to act on the logic of seeking pleasure and avoiding pain. Pleasure and pain can be calculated in terms of use-value. So called ‘act utilitarianism’ sees an act as right if it produces more pleasure than pain, whereas ‘rule utilitarianism’ judges an act to be right if it conforms to a rule which produces good consequences as long as it is being conformed to generally. Liberalism, a central element of the ideological fabric of managerial thinking, is, according to Heywood (2003: 50) heavily influenced by utilitarian ideas.

The case of Sweden serves as a practical example concerning the influence of utilitarian thinking on reforms of public administration. Ryner (2004: 102) claims that two utilitarian ideas explain the process of what he calls neo-liberalisation in the case of Sweden. These are the sclerosis thesis and the electoral dilemma. According to Ryner (2004: 102), the sclerosis thesis implies that due to intensive global market competition mar-

ket-conforming flexibility is required in the allocation of work and in the organisation. Thus, the perceived obstacles of welfare state institutions are to be removed. In turn, the electoral thesis implies that social democratic parties have to obtain also other voters than the core industrial working class in order to gain electoral majority. Thus, they must moderate their agenda that has appealed to the working class. Thus, the working class parties compromise their capability to mobilise their traditional voters in elections. (Ryner 2004: 103.)

#### 2.4. New public management

Managerialism is perceived to be connected with the concept of new public management (NPM). New public management is something that reflects the changes that have occurred concerning views on public administration and its theoretical background is related to the criticism of extensive public sector. The reforms related to new public management include deregulation, introduction of internal markets, decentralisation, incorporation and privatisation. A common denominator to reforms in the context of new public management is the imitation or utilisation of market institutions. (Lane 2000: 5–6.) Rouillard & Giroux (2005: 339) discuss ‘managerial rationality’ of new public management described by market values in relation to the ‘legal rationality’ of the traditional public administration that in turn, is described by democratic and professional values.

It is perceived to concern measures devised to control public expenditure (MacKinnon 2000: 298, quote from Gray 1997). Also Mullen (2004: 218) discusses the rise of performance measurement and assessment in the public sector, which is perceived to be connected with the phenomena of what he calls new managerialism in relation with NPM ideas. This theme is centrally linked to that of accountability and the aspiration producing better value for tax-payers’ money.

As for the causes of new public management, a number of explanations exist. As an example of the more conspirational approach, one may mention the rather dramatic

stance adopted by Bardouille (2000: 82), who states that globalisation as a process is market-driven and politically induced as well as mediated by states, and new public management is in fact an ideological harbinger that allows the state to manage its role in globalisation. Based on rhetoric of efficiency and prudence of state management, new public management acts in reality as a policy tool. In turn, taking another kind of viewpoint, Pollitt (2003: 35) states that globalisation, economic pressures, political pressures from unhappy citizens and technological advancements have been among the central popular beliefs. It has been seen that due to these pressures bureaucracy was bound to be replaced with some new form of public management which would be better suited to the present realities.

#### *Diverse content of NPM*

Christensen (2001: 457–458) proposes that new public management has three main elements, which are 1) the use of vertical specialisation between different levels and institutions (which is used to justify the setting up of state companies), 2) horizontal specialisation between tasks and functions (principle of single-purpose organisational units) and 3) the use of contracts on both individual and institutional levels to control and regulate instead of the traditional hierarchical control. In turn, Pollitt (2003: 27) synthesises new public management into a framework consisting eight primary elements, which does cover common ground with the abovementioned proposition by Christensen (2001: 457–458). These elements describe the changes brought about by NPM borne by the pressures heaped on the public administration in a changing operating environment.

1. A shift of focus from inputs (staff, buildings) and processes (teaching, inspecting) towards outputs (test results, inspection results) and outcomes (standards of literacy).
2. A shift towards more measurement and quantification, in the form of ‘performance indicators’ & ‘standards’.
3. A preference for more specialised, ‘lean’, ‘flat’, and autonomous organisational forms rather than large, hierarchical, multi-purpose ministries.
4. A widespread substitution of contracts (or contract-like relationships) for what was previously formal, hierarchical relationships.
5. A much wider-than-hitherto deployment of markets (or market-type mechanisms, MTMs) for the delivery of public services.
6. Alongside the flavouring of MTMs, an emphasis on service quality and consumer-orientation (thus extending the market analogy by redefining citizen-users of public services ‘consumers’).
7. A broadening and blurring of the frontiers between the public sector, the market sector and the voluntary sector (for example, through the use of public-private partnerships and/or contracting out).
8. A shift in value priorities away from universalism, equity, security and resilience, and towards efficiency and individualism.

### *Contracting*

One of the changes related to new public management concerns the methods of directing public sector activities. A replacement for the old bureaucratic control was perceived as necessary. Lane (2000: 147) states that new public management introduces contracts as the method of control and communication in the public sector. The contracts define objectives, tasks and employment relations. Thus, contracts are used to control and manage both resources and personnel. The use of contracting is based on the perception that it enhances efficiency. (Lane 2000: 147) Christensen (2001: 457–458) sees extensive utilisation of contracts to regulate accountability and activities between

institutions and levels of leadership as one of the main elements of new public management.

Contractual control requires methods that can be used in order to measure the degree to which a contract has been fulfilled. MacKinnon (2000: 299) states that auditing and targeting are the key elements in this sense, in the context of new public management. These measures have been legitimated via increased accountability and openness (MacKinnon 2000: 298–299).

*Ambiguous nature, uncertain results*

In commenting the ambiguity concerning new public management, Pollitt (2003: 26) states that new public management seems to be a paradoxical entity; it seems to suggest strict performance measurement, but not on itself. Furthermore, it simultaneously promises more control for politicians, more freedom to public managers as well as better freedom of choice to the consumers of public services. Even though it has shaped reality in many countries, it cannot be, according to Pollitt, considered to be a real revolution. In the countries that have undertaken public sector reforms during the past two decades the public sector remains quite significant in terms of budget and staff.

Pollitt (2003: 37–38) has noted that in some cases the adoption of new public management reforms have not led to lasting changes of practise; furthermore, there are also cases where governments have taken back some reforms due to dissatisfaction to results. As an example, he mentions the attempt by New Zealand and United Kingdom governments to make health care systems more efficient via the use of market-type mechanisms, but after some time reversed some of its elements. Nevertheless, As Pollitt (2003: 38) points out, the ideas of new public management have had a great influence in many countries around the world because it can be seen that many countries have undertaken reforms which have been at least partially influenced by NPM ideas.

*How new is new public management after all?*

*Prima facie* new public management as a concept seems to imply something groundbreaking in the organisation of administration. However, it would seem that this is not the case. Interestingly, Pollitt (2003: 35) points out that much of the new public management ideas are product of repackaging some quite old administrative arguments. As an example, he uses Marshall Dimock who according to him wrote in 1936 about ‘customer satisfaction criterion’. Another good example dates back to 1979. In that year, while working for the Ford Motor Company, William Niskanen (1979: 517), the future prominent figure behind the fiscal policy of Reagan administration in the 1980’s, expressed a need for enhancing the responsiveness and efficiency of the organisations supplying public services. Early on, Bell, Coase, Greenberger and Parker (1971: 4) have discussed the concept of ‘economizing’, or functional rationality, which refers to the activity of optimising the allocation of scarce resources as well as possible. Productivity refers to the ability to attain more than proportional output from an unit of capital.

In turn, James Burnham’s book, ‘The Managerial Revolution’ which was published in 1941 states a theory that implies that the society is moving from a capitalist type to *managerial* type. A social group or class called managers are struggling for social dominance and when successful the state will become property of the managers for they control *de facto* instruments of production and distribution of products. The owners – or capitalists – do not control the factors of production; it is the managers, whose expertise and know-how places them in central position in both private and public organisations. The increasing technological and societal complexity further increases the power of managers on the expense of others. (Burnham 1941: 71–81.) Benjamin Prasad (1966: 328) discusses what he calls ‘new managerialism’ in Czechoslovakia and the Soviet Union during the cold war era as a part of economic reforms. It implies adoption of enterprise goals and decentralisation of managerial authority. The elements of east bloc managerialism seem to be quite close to its contemporary counterpart; according to Prasad (1966: 332–336), the methods considered included rationalisation of conflicting performance goals, closing down non-profitable enterprises, enhancing premium payments to foremen, decentralisation, use of a flexible price system which takes into con-

sideration production costs and market forces of supply and demand, performance measurement based on profit (derived from actual sales to customers) as well as bill of rights for enterprise managers increasing their autonomy!

## 2.5. New public service

New public service (NPS) is a concept launched by Janet and Robert Denhardt as a reaction to new public management. It is a group of ideas that emphasise determining public interest and the *ethos* and mission of government. Denhardt and Denhardt (2003: 42–43) state that one of the central ideas to new public service is that the public interest in itself is a product of an ongoing dialogue concerning common values and thus, meaningful contribution to the society can be attained via shared responsibility and collective efforts.

Even though new public service is supposedly an alternative to the new public management, many of the ideas underlying it resonate closely with managerialist ones. For example, in addition to having a strong customer service focus, NPS relies on entrepreneurial management. Denhardt and Denhardt (2003) place the manager in a central position as a communicating, co-ordinating individual with a broad range of responsibilities and autonomy in a public organisation.

Another similarity with managerialism is the element of multi-dimensional accountability NPS seems to include. According to Denhardt and Denhardt (2003: 42–43), the purpose of public service is perceived to be meeting the shared public interest, and thus, accountability should encompass various societal and professional norms as well as laws to ensure conformity with the mentality and expectations of the whole of society. It would seem that Denhardt and Denhardt's NPS has been influenced by the stakeholder theory (SHT), which, according to Heath & Norman (2004: 247) considers all of the parties that have a stake in the operation of the given organisation. In other words, stakeholder theory concerns identifying the parties who are affected by the functioning of the organisation. According to Freeman, Wicks and Parmar (2004: 364), the starting



point of stakeholder theory lies in the necessity and significance of values. The sense of value derived from interaction is to be communicated by managers. It asks two questions. First, what is the purpose of the firm? Second, what responsibility does management have to stakeholders?

It seems that NPS shares some key elements with SHT: values, communication, purpose and co-operation. As SHT is based in a private sector setting, that is, it concerns corporate governance (Freeman et al. 2004), NPS seems to take the same ideas and place them in the public sector setting with a new label. There is a current trend going back some years that involves a rapid acceleration of theoretical development of stakeholder theory (see Buchholz & Rosenthal 2004).

## 2.6. Summary

Managerialist thought has a solid foundation in the liberal thinking (and subsequently neo-liberal thinking, especially in terms of economy). The positive outlook on the human being as an individual actor who is capable to make considerable contributions via his or her own abilities is something which has laid the foundation for the managerialist way of perceiving the role of a public servant. Hence the discussion on the traditional public administrator versus the new public manager, first of which being something of a functionaire which operates strictly within the boundaries of regulation, whereas the latter is more of an independent actor who has many choices on how to reach targets connected to the purpose of his or her organisation.

In turn, underlying liberalism is the concept of individualism, which in turn is related to that of economic rationalism, which assumes that human beings seek to maximise their own utility. It would seem that these concepts lay deep in the foundation of managerialistic thinking. From this point of view, managerialism is freedom of choice, increased possibilities, and subsequently individual responsibility for results.

Public choice theory as a branch of economics that explains decision-making behaviour builds also on the abovementioned concepts. It assumes that politicians, public servants and voters strive to maximise their utility in all circumstances. Therefore it is assumed that, an approach to public administration which gives public servants increased managerial autonomy paired with individual rewards will produce better results. Also, agency theory and related transaction-cost economics are built on the very same basic assumptions on human nature, while both being relevant in managerialist reforms. Thus, to add to the construct of managerialism, there is an element that could be called public entrepreneurship.

The abovementioned concepts were chosen for examination due to their relevance to the occurred public administration reforms in the few past decades. They reveal a trajectory, or a pattern of thinking that builds upon liberal and individualistic assumptions on human nature. Should it be accepted that these assumptions are correct, it may be assumed that managerialism is utilitarian as well, because then managerialist approach may yield better results for the consumers of public goods. Thus, managerialism could be also seen as something that seeks to maximise the utility of the general public as well.

From the point of view of new public management that is output-centred, managerialism could also be seen as a tool for both making the public sector more efficient and manageable as well as driving certain market-centred policies. In other words, in addition to being a *cause* and *reasonalisation* for public administration reforms, it may be seen as a *tool* for making it reality. Managerialism can be both the end and the mean. In turn, from the point of view of new public service, managerialism seems to take on a veneer of certain responsiveness and sensitivity to the conflicting interests of all the parties involved in public service production. These considerations are concomitant to increased managerial freedom.

### 3. PRACTICES

In order to answer the third research question this part of the study examines the implications associated to managerialism in the context of general practice of public administration. In other words, this part concentrates on the practical manifestations stemming from the mental background comprised of the beliefs discussed in the earlier part of the study. The objective of doing this is to construct a more comprehensive understanding of managerialism as a phenomenon and finally reveal the continuum of managerialist beliefs transforming the reality of public policy. Thus, a number of central manifestations have been chosen for examination considering the themes discussed in the earlier part.

A good starting point is the notion by Peters (1997: 251), who wrote that managerialist activities that have been undertaken around the world are hardly uniform; they encompass a wide variety different approaches and technologies. Managerialism utilises alternative ways of public service provision, or alternative service delivery (ASD) as Bardouille (2000: 82) puts it. These include public-private partnerships (PPPs), which have been discussed by Pollitt (2003: 19–20). Thus, the issue of contractual control was perceived as of interest due to its central role in such activities. Tying into the same discussion, the concomitant issues of objectives and performance measurement are examined as key elements of control in contracting.

The other two central themes are those of accountability and leadership, their interconnectedness in a managerialist approach and more generally, the changing role of the public administrator which requires that the issues of managerial autonomy, entrepreneurship, professionalism and co-ordination, or in other words, acting as a focal point between the needs a various stakeholder groups to public service production must be discussed as well.

In the context of managerialism, it seems that leadership is not only perceived as important, but its content seems to be expanded considerably, resulting that a multi-

dimensional setting of accountability and entrepreneurial, autonomous and individual-centred perception of leadership are proposed. Thus, the essence of key themes connected to the managerial practice – expressed on a general level as decentralised autonomy, flexibility and competition-based control by Schwartz (2002: 65) – are examined in order to reach a better understanding.

### 3.1. Contractual control

The theory of new public management replaces public administration and public law as the control and co-ordination mechanism of the public sector with contracts. Various kinds of contracts may be utilised; they may vary by duration and type. For example, transactional contracts refer to instantaneous, one-time activity whereas relational contracts refer to long-term relationship. Ultimately, the objective of contracting is to enhance allocation efficiency. (Lane 2000: 147–159)

#### *Contracting out*

Use of contracts extends beyond the boundaries of public organisations. Public services have been produced by contracting out, which according to Pollitt (2003: 19), refers to a situation in which – for example in a case of certain public service – the public authorities retain responsibility over the provision of the service but the actual delivery of the service is by some other organisation. The relationship between the public organisation and the external party is defined by a contract. In other words, contracting out is a tool of governance that entails greater involvement of private sector actors in the production of public services – in essence one of the forms of privatisation (Brudney, Fernandez, Eungha Ruy & Wright 2005: 394).

Lane (2000: 152) identifies the qualities related to contracting out, which is, in effect, undertaking an agreement governed by private law. These contracts are: 1) voluntary, 2) incentives-based, 3) objective-oriented, 4) concrete and specific and are of a limited time horizon. Contract provides clear information about what has been agreed to. How-

ever, Lane (2000: 152) continues that contracting out is not in itself cost-effective, for it is vulnerable to many a kind of circumstance, including opportunism, misunderstandings and errors. In turn, Brown, Potoski and Van Slyke (2005: 323) point out the complexities for contracting related to existing market circumstances.

### *Public-private partnerships*

Contractual control is often utilised in so called ‘Public–private partnerships’ (PPPs), which are partnerships between public organisations and commercial organisations and so called third sector organisations (non-profit voluntary organisations) (Pollitt 2003: 19–20). Hodge and Greve (2007: 545) have noted that while in loose terms PPP is a co-operative institutional agreement between public sector actor and some other party, there is disagreement what it actually is.

As is the case of managerialism in general, also scholars’ opinions vary. For example, whereas some scholars view it as a new governance tool which introduces competitive tendering and so replaces the traditional way of contracting for public services, others see it merely as a sort of ‘language game’, that is designed to hide other purposes – for example, using the term partnership instead of privatisation or contracting out can be done in order to decrease public opposition (Hodge & Greve 2007: 545–546).

These partnerships can be undertaken to a several purpose. For example, they may be used in order to shift risks, attract private finance and generally to reform management (Pollitt 2003: 58). Hodge & Greve (2007: 546) note that risk sharing has been a major consideration in undertaking PPPs. A good example of practical use of PPPs is the efforts made by the European Union (EU) to improve to make European research in information and communication more competitive. A research budget of over 9 billion Euro has been approved for the 7<sup>th</sup> research framework program, which in essence pools the resources of EU member states with those of private industry in public-private partnerships (Blau 2007: 7). Therefore it can be said, that the role of PPPs European public policy is in no means small.

### *Critique*

As managerialism in general, also the use of contracts has provoked criticism. For example, Green (2004: 553) discusses the ‘contractualization approach’, which she describes as a situation in which governments impose economic market disciplines on public managers via contracts, which in turn, according to her, means in practice that every person in an organisation works on a need-to-know basis, for the sake of efficiency, to achieve a personal, specific target to fulfil the demands of the contract. She compares this approach to Taylorism.

Other issue that has drawn critique is the concern that a public administrators can try to circumvent laws via using a PPP, in essence mitigating the effect of administrative law values and constraints applying to government (Rosenbloom & Piotrowski 2005: 175–176). In turn, some scholars have warned that cost reductions come at a price of reduced service quality and that a private sector party has a profit-incentive to ‘cream off’ easier and less costly cases (Brudney et al. 2005: 396). Additionally, Brown et al. (2005: 323) note that public administrators may be required to undertake contracting under market circumstances that are not optimal by political decision-makers.

### 3.2. Objectives and performance measurement

It seems that accountability, control and management in the context of managerialism is seen to involve the use of objectives and measuring the extent to which they have been attained. In order to measure success in these terms, measures are to be devised and utilised. As Pollitt & Bouckaert (2004: 90) note, performance measurement is as old as public administration itself. Discussing the Israeli case, Schwartz (2002: 72) states that in the old bureaucratic control model evaluation was developed in order to rationalise decision-making and budgeting whereas the control model adopted after reforms (which he calls post-bureaucratic control model) output and outcome measurement. Politicians and senior officials used the old model as a tool in order to decide most rational courses

of action. The new model, in turn, is used to assess the performance of managers and for budgeting.

According to Jun Seop Han, Meyers and Riccucci (2004: 440) defined objectives and statements of policy objectives have been seen as to be of considerable significance in the context of managing change in organisations. They see the adoption of objectives is seen as especially important considering the staff at operational level of an organisation (ibid. 2004: 440). The accountability aspect discussed by Day and Klein (1994: 202), is relevant within a public organisation, between a public organisation and its political controller as well as between a public organisation and an external party providing public services on contract which defines certain obligations.

#### *The nature of objectives*

At this point it is useful to examine what is meant exactly by the term ‘objective’. Jacques (2005: 34) undertakes a discussion on ‘goals’ and ‘objectives’, which are seen as distinct from each other. A goal is an abstract or conceptual long-term purpose whereas objectives are more something more concise and measurable. Marlow & Schilhavy (1990: 32) describe objectives as something from which events may be beheld. Thus, they serve as a tool for identifying both problems and possibilities. In case performance is not on an expected level, an objective can be used as a pointer to direct action, as a way of determining causes of insufficient performance and as a rule of compensation. Denhardt (1993: 17–18) discusses the issue from the viewpoint of the mission and values of a given organisation. Purpose dictates objectives, and values influence the manner that they can be sought to be attained.

#### *Performance indicators*

As discussed earlier, in order to decide whether an objective has been attained, some measure must exist. In the following, a number of perceptions and approaches to this issue are discussed and examined.

Carter (1994: 209) states that in theory, performance indicators provide an opportunity for controlling departments with what he calls ‘hands off’ control instead of ‘hands on’ control; in other words, government retains control while the department controlled holds greater freedom of action. Carter (1994: 213) continues the notion that from the point of view of public service delivery, the ideal performance indicator works in the way of a dial; it provides a measure of outputs and outcomes (as there is an understanding or agreement of what is good and bad performance). However, public sector organisations do not have that many precise indicators. This causes some difficulties for the performance measurement.

Rosen (1993: 4) discusses ‘productivity’ as a measure of efficiency, which is used in order to determine how well a given resource or resources have been used. Measurement is needed in order to determine the level of production of a given organisation and compare it to other organisations (Rosen 1993: 65). Measuring output and input and calculating their ratio provides the level of productivity (Rosen 1993: 5). An increase in production occurs when more or better services are produced with the same amount or with fewer resources. The relevant dimensions are produced quantity, produced quality and the amount of resources consumed in the production process. In an optimal situation all three dimensions are improved, so that more and better is achieved with fewer resources. (Rosen 1993: 6)

According to MacKinnon (2000: 298–299), targeting is an element inclusive to a system of performance control and its use as a tool of public policy has increased significantly during the 1990’s. Desired targets are included to an agreement or a contract between, for example, a ministry and some other agency. Targeting is also connected with the allocation of funds, thus possibly creating a situation of inter-agency competition. In other words, agencies compete and results dictate the level of funding in the future. Thus, pressures are born which force an agency to concentrate more on performance, possibly on the expense of its primary purpose.



### *State auditing*

In order to acquire an accurate view on the possible differences in performance of public organisations comparison is required. Furthermore, in order to compare objectively, a set of standards is required. According to Schwartz (2002: 76) auditing in its traditional form verifies compliance with financial and administrative procedural norms. He states that the use of decentralisation in the context of administrative reforms has been seen as increasing the need for audits. As an example, he uses the United Kingdom, in which the use of auditing is quite widespread, noting also that this state of things seems to contradict the idea of the reforms undertaken.

In effect, an audit measures performance against a certain set of standards and, according to MacKinnon (2000: 307), also reforms the administrative practice. Also others have made such claims. As an example, one may mention the discussion undertaken by Gendron, Cooper and Townley (2000: 278) in the Australian context. They claimed that the role of the Office of the Auditor General of Alberta had changed into something which involves promotes a particular type of accountability connected with new public management. They assess that should a state auditor, which is supposed to be independent, start to act as a consultant and involve itself with management's activities, democracy itself is under threat (ibid. 2000: 305). MacKinnon (2000: 299) adds to the criticism by noting that the judgements of the auditing experts are often hidden from the public view. In such a situation the justification of auditing as a measure that increases openness is practice rendered void.

### *Problems*

The use of economic performance indicators has been as something that potentially offers many a channel for improvement in public organisations. For example, Frant (1999: 270) sees the ideas related to organisational economics a matter that is central to accountability within a public organisation of a democratic nation. They provide means of

accountability to the public sector at large and may be used in order to increase transparency and the possibility of better aligning the interests of public managers to those of the citizens. However, a number of problems exist.

Discussing the problems related to performance indicators, Carter (1994: 211) notes that a major limitation to their usefulness as means of extending managerial control is sub-units (departments, etc.) do not completely 'own' their performance; that is, in significant respects the success of an organisation depends heavily on central decisions and co-ordination of activities. Performance is affected by factors of the organisation's environment. Carter (1994: 212) continues that performance is also affected by the interdependence of different organisational units. Additionally, Pollitt (2003: 18) has discussed 'multi-dimensional performance' assessment, which means that a public manager, unlike his or her private counterpart, cannot usually utilise simple measures such as profit.

To conclude, one may say, as Schwartz (2002: 83) notes, that there is a body of literature which points out problems which include obtaining data, constructing viable measures, reliability and incorporating the obtained information in the policy-making process. Schwartz (2002: 83) continues to say that, while auditing systems may provide opportunities for effective control, perceived problems include also increased consumption of resources for expanding surveillance activities, human stress of working in conditions described by pervasive control, and overall the weight of increasing information demands. Chandler, Barry and Clark (2002: 1052) discuss the 'human cost' related to reforms and the 'management by stress', which causes health problems and worsens work environment.

### 3.3. Accountability

Shand and his research team (1994: 79) state, that it has been assumed that making public sector managers responsible for success or failure and thus motivating them may improve performance. In other words, they are held accountable. Thus, control can be

seen as connected with the idea of 'accountability'. Pollitt (2003: 89) states that there seems to be an agreement that accountability is something good and fundamental to democracy while incorporating the idea of superior/subordinate (or accountant/accountee) relationship, in which the superior party holds the subordinate party responsible for its actions. Sanctions are used as a method of punishing unwanted behaviour.

Methods of control include both external and internal controls. External controls are such that involve, among others, budget and audit activities, ombudsman activities, legislative supervision, public criticism (for example journalism), interest groups and other interested parties. On the other hand, internal controls are enforced within the agency in question. The central questions in defining accountability of public organisation are: 1) what is the organisation responsible for, 2) to whom it is responsible and how is the responsibility ensured? Indeed, the question arises concerning the nature of the managerialist view on accountability. To whom and how is a public manager accountable? (Denhardt & Denhardt 2003: 125.)

*Multidimensional accountability: complexity and the bureaucratic remedy*

A viewpoint from the American setting to matter is provided by Denhardt and Denhardt (2003: 119), who list a number of facets of accountability. They state that public management may be held responsible to a variety of standards, including law, other agencies, public interest, other levels of government, professional standards, community values, as well as democratic norms, situational factors and citizens. This perception involving quite a complex set of accountability seems to place a public manager in a fairly difficult situation.

Pollitt (2003: 92) points out that so called *dyadic* model (accountor/accountee) of accountability does hardly fit multi-dimensional situations. One of the obvious remedies for this situation is the adoption of a formal structure of accountability. Ironically, the problems caused by networks, which have been perceived as a replacement for hierarchies (see Gray, Perkins and Galler 2005; Eccles & Crane 1987), can be fixed by bu-

reaucratic means. As for accountability to the public, the complex pattern of accountability *within* a network may be difficult to understand to interested outside parties. Pollitt's idea reminds one of the thoughts of sociologist Niklas Luhmann (1990: 24) who curiously noted that one may easily forget that one created the problems with the same principles one intends to use in the future. The shortcomings of bureaucracy are alleviated by adopting administrative reforms of managerialist nature involving shortcomings that can be, in turn, alleviated by adopting bureaucratic approaches.

Finally, multi-dimensional accountability involves an issue quite interesting in the context of an agenda of cost-consciousness. It is the issue of transaction-costs. In a network-type setting there must be a web of responsibilities in order to accountability to exist. Pollitt (2003: 95) reminds of the requirement of negotiation and consensus that must be achieved between parties in democratic setting before action can be taken. Thus, there may be significant effects on efficiency, which can naturally be avoided by, quite ironically, adopting a more bureaucratic approach on ensuring accountability.

#### *The managerial approach to accountability*

As for the methods of control, Day and Klein (1994: 202) state that managerial approach to accountability involves setting objectives and monitoring processes. Results-orientation removes the attention from how things are done and concentrate on results. Should a public manager be released from strict regulation and be given more room to manoeuvre in order to fulfil the obligations of a contract with the accountant, the issue of professional ethic becomes more significant. Denhardt and Denhardt (2003: 127–128) discuss the importance of ethical self-awareness in connection with societal expectations and organisational culture. In their opinion, accountability mechanisms in the context of legal framework merely restrain negatively public servants. The nature of the organisational culture, values and perceptions of the personnel in public organisations are seen as important factors which affects questions related to accountability.

The approach that emphasises values and ethics has been criticised by Rouillard and Giroux (2005: 349) as potentially harmful as they perceive that it creates confusion. In

their perception, managerialism replaces ‘discipline’, which to them implies a set of rules and regulation, with ‘control’, which is seen as something informal, anonymous, complex and evolving apparatus of normalisation.

A number of other scholars have also presented quite critical views on contractual control, objective setting and auditing. For example, Green (2004: 550–552) refers to these activities as ‘managerial modes of accountability’. In her opinion, these activities lead to corrosion of practical, or implicit knowledge in organisations. According to her, the attempt of rational management of know-how will lead to reconceptualisation of practical knowledge via unification of all practical knowledge under a template of managerial principles and furthermore, the division of knowledge into discrete parts for task and role purposes.

Pollitt (2003: 89) notes that some scholars believe that the advent of new public management reforms have led to a situation in which accountability is weakened or at least transformed. For example, Rhodes (1997: 50–51) notes that the institutional fragmentation caused by the new system (due to the combination of public, private and non-profit organisations and various special-purpose, *ad hoc* bodies involved in process of service delivery) in fact erodes accountability due to increasing institutional complexity; it becomes more difficult to determine who is accountable for what. Green (2004: 553) comments on the problem of the dispersal of the responsibility between what she calls ‘managerial units’ which have separate responsibilities and commercial targets. Interestingly, she argues that personal responsibility is difficult to locate due to a system of management by objectives.

### 3.4. Leadership

Ball and Carter (2002: 554) perceive that managerialist leadership depends on effective communication utilised to present ideal future states of being for the organisation itself as well as for the personnel of the organisation. In other words, a public manager is to set clear objectives, according to which the whole of the organisation. In order to decide

to what extent objectives have been reached, one needs to be able to measure performance. The design and utilisation of performance measures for different kinds of settings presents quite a challenge for organisations. As for the manner of undertaking this effort, Denhardt and Denhardt (2003: 133) call for an open, public process for the development of measures of performance.

Managerialist leadership is perceived to include individualist and charismatic elements (Ball & Carter 2002: 554). Under the aegis of managerial autonomy, the public manager is expected to utilise a wide range of tools and techniques, some of which have been previously used only in the private sector organisations (Bradley & Parker 2001: 351), in order to attain cost-effectiveness and plan, co-ordinate and organise in accordance with results-orientation (Denhardt 1993: 9–10). Thus, the individual qualities and skills of the manager play an important role in attaining the objectives set for the particular organisation.

#### *The leader – manager dichotomy*

Managerialism seems to include both sides of the traditional management – leadership dichotomy. Management has to do with managing things, processes and such, whereas leadership involves leading people, creating visions and recruiting personnel into their realisation. Interestingly, managerialism as a concept is connected with the concept of management, which in turn has been defined by Pollitt (1990: 5) as direction of certain activities that are performed in order to achieve a certain, defined objective. Among other qualities, an effective manager as an individual has the ability to optimise the allocation of resources, control expenditure, set and communicate objectives and motivate personnel. (ibid. 1990: 5.)

Ideally, a so called ‘public manager’, which would imply a managerialist public servant, would try to get most of available resources by both managing things and leading as effectively as possible. He or she would utilise technologies, tune and rethink processes, seek better ways to organise things while at the same time trying to act as an inspirational, charismatic leader who provides a vision, a direction for the organisation and

recruits persons into its fulfilment. Dixon, Korac-Kakabadse and Kouzmin (1998: 164) state that reformative managerialist leadership requires capabilities related to planning, resourcing, creating visions of desirable future state of things, defining strategic objectives across a variety of time periods and empowering personnel. Public managers are expected to both reduce public expenditure and improve effectiveness of public organisations, while responding to the expressed needs of a variety of societal interest groups (ibid. 1998: 164).

*The expanding role of a public manager*

In the contemporary environment, managing a large and complex organisation, which operates in an environment described by constant flux and conflict, is a considerably demanding task (Denhardt 1993: 25). In a process of change within an organisation, managers as individuals act in the key points, such as planning, implementing and finally measurement of results. The requirement of successful management is a considerably high level of professionalism on the part of the managers. Additionally, the managers are to be considerably autonomous in order to be able to function properly. (Pollitt 1990: 2–3.)

The role of a public manager seems to expand considerably in the managerialist frame of thought. Not only is a manager more autonomous, his or hers responsibility encompasses new areas and he or she has more possibilities for differing approaches in managing an organisation. Thus, manager as individual with certain skills and abilities becomes quite central. Ball & Carter (2002: 554) discuss charismatic leadership an aspect of managerialism. Central to this concept is an individualist manager, who acts as an organisational change agent and utilises teamwork, empowerment and efficient organising in order to achieve results.

As for leadership per se, Denhardt and Denhardt (2003: 145) see it as a function that extends throughout the society and its various parts and groups. Power is conceptualised as something that serves the interests of the one in power, whereas leadership serves both the interests of the leader and those of the ones being led. Leadership may also

have a moral facet. This suggests that leadership leads into action that is consistent with interests, aspirations and needs of those being led. (Denhardt & Denhardt 2003: 146)

Denhardt and Denhardt (2003: 140–141) predict that public organisations will increasingly relate to external constituencies in the future and thus such leadership skills as negotiation, facilitation and brokering will be required. Leadership is becoming associated with public values, such as equality and justice. Additionally, the personnel of the public organisations as well as the public at large increasingly seek to participate in the decision-making process, which affects them. Leadership can be seen as a process that occurs throughout organisations. A leader has a transformational role in balancing values and other considerations.

According to Vigoda (2002: 528), managerialism fosters manager-customer relationships in the public sector. Public sector organisations are to be more responsive to citizens and collaborative with stakeholder parties. He sees responsiveness per se is seen as passive, unidirectional reaction to the individuals' demands and needs whereas collaboration seems to imply an act of participation and involvement (ibid. 2002: 527). The stakeholder parties include the personnel of the public organisation itself; for example, Denhardt (1993: 71–74) calls for consideration of the psychological concerns related to the staff. In addition to development and optimisation of organisational processes, he sees the motivation and *ethos* of personnel is an important area of organisational development (ibid. 1993: 71–74).

#### 3.4.1. Autonomy

In the context of reforms, there has been a demand for more autonomy for the practitioners of public administration. Hyyryläinen (1999: 29) states that the issue of providing more leeway to public managers has been at the core of 'contemporary neo-managerialism'. As a practical example, the case of Trinidad and Tobago discussed by Bissessar (2003: 170) may be mentioned. One of the central themes in the introduction of new public management in Trinidad and Tobago in 1991 was greater autonomy for managers.



Shand and his research team (1994: 59) state that autonomy may be created, for example, by government decision or by law. This is usually done with the purpose of creating possibilities for improving performance. This may occur in a variety of ways. Personnel can be motivated by increasing their discretion and allowing decisions to be made by those, who have better knowledge of their impacts. An agency may be allowed to make appropriate decisions considering their environment. Public policies can be also customised in accordance with users' expectations or local environment. Additionally, the workload of higher-level decision-makers may lessen by providing decision making-powers to lower tiers. (Shand et al. 1994: 59.)

#### 3.4.2. Co-ordination

Co-ordination is something that is has to do with organising. Viinamäki (2004: 80) states that co-ordination is the process of interrelating organisational functions, structures and resources whereas Challis and his research team (1994: 172) characterise co-ordination as a pursuit of consistency, coherence, and comprehensiveness and of compatible outcomes. They see it as a rationalist technique for dealing with interrelatedness and complexity of social issues.

Challis et al. (1994: 176) continue to give a more comprehensive, five-faceted definition. First, it may refer to ensuring consistency and coherence different elements and objectives of a single project or policy and second, ensuring consistency and coherence within a set of interacting policies or projects of one or more organisations or departments. Third, it can refer to ensuring that a policy is translated into a coherent and consistent set of appropriate action within one or more departments or organisations. Fourth, it may refer to ensuring that service delivery practices at the field level are such that a consistent, coherent and comprehensive package of help is available to people with specified needs. Fifth, it may refer to ensuring that the services actually consumed by the public in contact comprise a consistent, coherent as well as comprehensive package appropriate to expressed wants.

According to Challis and his research team (1994: 177) co-ordination can be beheld in terms of a number of dichotomies, which include centralised/decentralised, formal/informal, and authoritative/collaborative. Collaboration is a process of interaction in which parties identify mutual interests and freely agree to work in collaboration to achieve common objectives whereas rational planning as a technique by which a framework for guidance and co-ordination is achieved by the act of an acknowledged authority requiring different parties to submit to a single coherent strategy. Often government departments execute planning through a combination of rational planning and collaboration. (Challis et al. 1994: 174.)

### *Managing chaos*

In relation to the discussion undertaken on the subject of post modernity, it is interesting to note the remark by Challis et al. (1994: 172) that says that the search for rationality in public affairs represents the attempt to discipline the chaos generated by multiple, conflicting interests. According to them, this purpose has led at times to a situation in which rational planning has come to resemble the victory of administrative technique over politics.

A public organisation is typically connected to a variety of stakeholders of differing nature. Rosen (1993: 29) classifies the actors or stakeholders into those, who are inside the organisation (internal actors) and to those, who are outside the organisation (external actors). The internal actors comprise of civil servants and possible political appointees. The external actors comprise of the public, whose members fill the roles of taxpayers, voters and clients to public services. Also Denhardt and Denhardt (2003: 148–150) discuss the networks of organisations that have varying concerns and agendas in relation to public management. Problems may cross sector, organisational and even jurisdictional boundaries. Issues that concern public management can be seen as existing in a context of web of interdependency. McLean (1987: 103–104) discusses the question whether a thing related to democracy called ‘the will of the people’ even exists at all. Sets of demands are many and contradictory.

### 3.4.3. Professionalism

*“Central to the notion of professionalism is the assertion that what defines a professional is precisely the fact that he or she is accountable only to his or her peers.” (Carter 1994: 216)*

The rise of managerialism and market-oriented mentality has provoked considerable amount of discussion on the effects caused to professional standards and resulting conflicts of interests (for example Pawlson & O’Kane 2002; Briggs 2004; Dobson 2005). Even though public administration is an ‘umbrella profession’ (a set of professions), as Gillespie (1981: 388) puts it, there seems to be a understanding that public managers have, or have had and is supposed to have a special set of values and *ethos* derived from a public purpose (for example Denhardt & Denhardt 2003).

First of all, the examination upon the question on the nature of professionalism. Briggs (2004: 592) states that professionalism could be defined as the espousal of codes or values. Professionals relate their role to certain purposes and value-systems. According to Cohen and Kol (2004: 390), professionalism is something that has been seen as the extent to which a person is committed to a profession. It also includes some elements of skill and task characteristics. Discussing professionalism in the context of managerialism, Briggs (2004: 587) states that in scientific literature, a ‘new professional’ role has been identified for managers. This new professionalism refers to the situation in which market ideology alters the set of values. Demands of efficiency and effectiveness are introduced as new concerns in addition to the other responsibilities.

Carter (1994: 216) claims that a thing critical to a government’s ability to exercise control over public service delivery is the independence of professional accountability from the processes of managerial accountability. This state of independence makes it difficult to impose performance indicators on those who deliver public services. As an example, Carter (1994: 216) mentions the medical profession, which according to him, has proved to be quite resistant to any form of hierarchical control over professional matters.

### *The managerial class*

Avis (2002: 80–81), adopting a critical view, argues that due to managerialism the management as a group have become a kind of ‘quasi-class’ (having evolved beyond the concept of a ‘class’) who seek to secure privileges by the utilisation of discourses of globalisation and competitiveness. Their ‘professionalism’ is subordinated to management *fiat*. Furthermore, Avis (2002: 82) describes the managerial class as a new social bloc which encompasses both those who work on the private sector as well as those in public sector – an interesting idea in comparison to the idea of similarity of management in private and public sectors, which has led to the assumption that private sector management techniques can be well utilised in the public sector. The members of Avis’s bloc all recognise, and more importantly, accept the cold economic realities of globalisation, being set in a ‘construction of subjectivity’ that is designed to be in accordance to the presumed needs of the economy affected by globalisation.

#### 3.4.4. Entrepreneurship

Entrepreneurship and the adoption of entrepreneurial mentality have been a part of managerialist reforms, and they are expected to enhance efficiency and quality in public service provision. A public manager who has adopted entrepreneurial mentality is ready to utilise the managerial freedom granted in reforms to attain the objectives of the organisation using the most cost-effective choices available, whether it is from within the organisation or an external service provider. Brown and Potoski (2004: 665) discuss operating in a ‘hollow state’, i.e. in a situation where public service provision has been contracted out to a large extent. A public manager, acting as entrepreneurs, needs an extensive set of skills, including bargaining and negotiation, performance measurement, contract specification and strategic planning, utilisation of disciplinary measures towards wayward external service providers and encouraging competition.

In a critical discourse building on the behavioural assumptions of economic rationalism, Terry (1998: 197) states that according to the managerialist ideal a public manager should be an opportunistic and self-interested individual who innovates and takes risks,

and is able to take advantage of changes. There have been concerns of ensuring accountability of entrepreneurial managers (ibid. 1998: 197). Avis (2002: 84) discusses the generalisation of entrepreneurship through social formation and its interconnectedness with individualism and notions of creativity in the context of neo-liberalist understandings. An individual should acquire a realistic understanding of the significance of economy in relation to a person's life and his or her education should centre on development of problem-solving skills, teamwork, adaptability, responsiveness and interpersonal skills (Avis 2002: 86).

Avis (2002: 85) continues that the entrepreneur has been seen as some kind of hero who saves communities by seeking out market niches (of commercial or social nature) and fulfils local needs. On the other hand, Frant (1999: 270) claims that good public servants have probably always been somewhat entrepreneurial, and stresses the importance of sound incentives design.

#### 4. CONCLUSIONS

The first research question of this study was: What is meant by managerialism? In the context of scientific literature and debate, managerialism does indeed take a role of a rather large category into which great many issues, elements and approaches – some of which are contradictory – in the context of administrative reforms are placed. Its foundation is widely perceived to be based on market-orientation and the favourable analysis of private sector organisations, which have been seen as more efficient because they are subject to competition. For that reason, the answer to the first and the main research question is not simple.

Perceptions vary on the subject of its purpose. A consensus seems to exist that managerialism is something that is concerned with improving the internal workings of an organisation in order to make it more efficient. However, while others see it as serving the purpose of protecting the welfare state against changes in environment (e.g. economic fluctuations) and enhancing national competitive ability, others think that it is a tool for introducing a neo-liberal, market-oriented political rationality into the public sector, and thus, is a part of the forces, which drive globalisation. In other words, others see it as a *reaction* to change whereas others see it as a *driver* of changes that then must be reacted to. It has been suggested that globalisation is a process based on political choices. Managerialism *per se* integrates a state into this process and furthers the realisation of a market-oriented ideology on a global scale.

Disagreement exists also concerning managerialism's consequences. Others see it as something that enhances accountability, makes possible to produce more services with less resource consumption and leads to improvements on a wide range. Those of critical standpoint have suggested that it is a threat to democratic ideal itself, something which distracts public organisations from the public purpose, encourages the birth of a culture described by opportunism and selfishness, and is detrimental to working conditions in the public sector.

Esping-Andersen (2006: 75), while discussing privatisation, has noted that the academic debate has been usually little more than ideological postulating. It would seem that this is the case in much of the discussion on managerialism and the administrative reforms. While on the other end of the extreme some suggest a far-reaching right-wing plot, others on the opposite side embrace the market analogy rather unconditionally despite of the obvious problems in compatibility, such as the difficulty of measuring certain public services in terms of money. Under the market analogy, it is in many a case very difficult to identify the extent of success. However, other scholars have been more careful in their approach to the controversial subject and sought to examine these issues more objectively, taking into consideration the complex influences and drivers related to them.

Table 1 summarises the findings of this study. Implications, theoretical context and central elements of managerialism are illustrated. The table is divided into sections for beliefs and practices, as is this study as a whole. Both beliefs and practices include a large amount of theories. The implications strive to compact and sharpen managerialism's content, taking it close to the provocative.

Table 1. A conceptualisation of managerialism: Theories and implications

<b>BELIEFS: Managerialism as an ideological choice</b>		<b>PRACTICES: Managerialism as an organisational reform</b>	
<b>Theories</b>	<b>Implications</b>	<b>Theories</b>	<b>Implications</b>
<ul style="list-style-type: none"> <li>• Neo-liberalism</li> <li>• New Right</li> <li>• New Labour</li> <li>• Monetarism</li> <li>• Economic rationalism</li> <li>• Egalitarianism</li> <li>• Pragmatism</li> <li>• Post-modernism</li> <li>• Elitism</li> <li>• Professionalism</li> <li>• Individualism</li> <li>• Utilitarianism</li> </ul>	<ul style="list-style-type: none"> <li>• Market most efficient way of resource distribution</li> <li>• Market failure produced by outside intervention</li> <li>• Favourable perception of private sector organisations</li> <li>• Individual is a rational utility maximizer</li> <li>• Regulation causes inefficiency</li> <li>• Public spending does not reflect true demand for public services</li> <li>• Social progress lies in economic growth</li> <li>• Efficiency value per se</li> <li>• Individual rewards and accountability</li> <li>• Bureaucracy has a tendency to grow</li> </ul>	<ul style="list-style-type: none"> <li>• New Public Management</li> <li>• New Public Service</li> <li>• Agency theory</li> <li>• Public Choice theory</li> <li>• New institutional economics</li> <li>• Transaction-cost economics</li> <li>• New institutional economics</li> <li>• Stakeholder theory</li> <li>• Scientific management</li> <li>• Management by objectives</li> <li>• Strategic management</li> <li>• Entrepreneurial management</li> <li>• Charismatic leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Marketisation</li> <li>• Privatisation</li> <li>• Market-type mechanisms</li> <li>• Public-private partnerships</li> <li>• Economically measured productivity</li> <li>• Contractual control</li> <li>• Auditing</li> <li>• Objective setting</li> <li>• Specialisation</li> <li>• Results-orientation</li> <li>• Decentralisation</li> <li>• Standardisation</li> <li>• Transparency</li> <li>• Individual/localised accountability</li> <li>• Empowerment</li> <li>• Innovation</li> </ul>

The second research question was: What kind of form does managerialism take as it is examined as a belief? The answer to this question is also not a simple one. Public administration reforms of the last decades seem to build upon certain beliefs and assumptions. The ideological base for these beliefs seems to lie mainly in liberalism, and especially in its later development Neo-liberalism. When examined as a belief, managerialism seems to take the form of somewhat a post-modern phenomenon, which has been affected by a mentality which doubts comprehensive, centralised planning and relies on the market and the individual to provide better results – especially when it comes to cost-effectiveness – across the public administration. The old-fashioned state bureaucracy's justification to exist is set to question. It is assumed that an individual is a rational utility maximiser with strong competitive instinct. Thus compensation systems and accountability for results must reflect this to reach best results.



It is also assumed, that public spending does not actually mirror the demand for public services – on the contrary, it reflects the state's capability to tax and borrow. Bureaucracy is seen as something that grows indefinitely by itself, never ceasing to seek more resources and funding while using them ineffectively, partly to sustain its own bulk. Thus, a central theme in the NPM reforms was results-orientation, which in turn required objective setting, concomitant auditing to determine results and finally accountability in relation to these results brought down to local or even individual level.

The third research question was: what kinds of implications are associated to managerialism in the context of practical administration and management activities? The implications to Managerialism when examining the administrative activities in practice (or at least the goals of the managerialist reforms) seem to entwine around a few central themes. As the central problem in bureaucracy was seen to be the fact that it has not been subject to competition. Thus the reforms have included a variety ways by which it has been attempted to bring about the assumed benefits of market condition to public administration. Privatisation, understood here as in a very broad sense, has been a major part of this. The use of private sector service providers in public service provision has increased and various kinds of public-private partnerships have been used, as well as internal competition and competition between bureaux. The model is fashioned after a large Anglo-American corporation, in which internal competition is used to enhance efficiency while facing external competition as well.

From the point of view of an individual public administrator, or more becomingly public manager in relation to the goals of managerialist reforms, a considerable change in his or her role has occurred. Not only should public administration see itself as service provider to citizens who are now consumers to public services, he or she should become an entrepreneur who must make the most of resources provided. However, more resources can be acquired from the market by entering in partnerships with private sector parties (even though the saving in tax payer's money might be mitigated when, for example, a private party that has financed a motor way introduces toll fees; however, this would probably not be a part of the public manager's evaluation in terms of objectives).

Success is measured against the result achieved with the amount of resources consumed, even though this might not be a simple matter.

The individual capabilities of a public manager seem to play an important role in the same vein as the public administration reforms were often ‘championed’ by charismatic individuals who had the ability to convince the public and political decision-makers that there is a grave need for change and that the state bureaucracy is squandering taxpayer’s money. Like a manager of a private sector organisation, a public manager is to take an active role in leading the organisation and take advantage of the opportunities available in the organisation’s operating environment to produce better results with less cost. The organisation is supposed to become more responsive to the needs of the ‘consumers’, spend fewer taxpayers’ money and ultimately be more transparent and accountable towards the political decision-makers and the public at large.

#### *Further Observations*

The study of scientific literature on the subject of managerialism and related concepts and phenomena revealed a vast network of interconnected ideas woven around the central ideological currents of European history from the Enlightenment through modernisation of state to contemporary, post modern époque. It would appear that underlying managerialism is a rather positive perception of human nature quite typical to liberalism; an individual is seen as independent and capable, and he or she will achieve best results in an environment that is not constrained by hindrances to creativity such as overbearing regulation typical to bureaucracies. The beliefs of the Age of Reason are clearly manifested: through education and personal as well as professional development an individual may excel and provide a significant contribution single-handedly. This idea is in direct contrast to the group-centeredness of socialism.

It is perceived that public organisations, and ultimately the public who use their services, may benefit considerably from the leadership of the most capable professional persons, or ‘managers’ whose personal qualities are in important role. This individualistic trend reflects accurately the *zeitgeist* of the post modern era; the public sector re-

forms from the 1980's onwards were, at least in the beginning, described by strong, visible personalities acting as champions of sort in public for the reforms. One of the persons who epitomised this phase, which Heywood (2003) described with the term 'heroic' in order to express the centrality of individuals at that time, was Margaret Thatcher. The rise of individualism anew after the era of the welfare state was related to the changes in economic conditions, which affected detrimentally on the public's belief to the ability of state to provide a secure future, and on the ongoing process of globalisation fuelled by ever-accelerating development of technology. It may be seen that, in Max Weber's terms, the significance of the charismatic facet of power has increased.

It seems that often the terms 'management' and 'manager' are associated to the operation of an organisation of the private sector, whereas 'administration' and 'administrator' are also concerned with the direction of an organisation, but with the difference that the organisation's *raison d'être* involves a public purpose. Public administration seems to imply as a concept activities in hierarchies in accordance with rules and a certain *ethos*. In turn, public management seems to be something that includes a promise of freedom of means for an organisation to fulfil its stated purpose as efficiently as possible. Public management, even though the term management traditionally refers to handling of *things*, seems to include, in the context of administrative reforms of the recent decades, a strong element of leadership. However, these developments have not occurred on the expense of the significance of strictly managerial skills, which have a long tradition from the *polizei-wissenschaft* to institutions of administrative science such as Ecole nationale d'administration of France. On the contrary, their importance has become even more central.

There has been discussion on the birth of a managerial class. Its members are those who possess the skills necessary for the functioning of systems, production and the whole of society. These skills, which are becoming increasingly important as the societies become more complex and technology advances, are often quite specialised and include tacit elements. This discussion was sparked by the birth of professional corporate managers in the separation of ownership and control and later on continued in the context of observation and criticism of the developments in the Soviet Union, which relied on state

apparatus to administer allocation of resources instead of markets. Thus, it created a vast techno-bureaucracy manned by the *nomenklatura*, or ruling class of managers. The centrality of bureaucrats in the functioning of a post-modern, first-world state has sparked worries concerning the future of democracy, as public managers have been seen to gain more influence on the expense of politicians. A good contemporary example of these developments is the European Union and its bureaucracy.

### *Future research*

At least three different avenues of future research and discussion can be identified in the context of the group of ideas labelled managerialism and administrative reforms. First, an issue of considerable importance considering lies in the difficulties and complexities related to implementation of private sector methods, approaches and mentality in the scope of the public sector. What is the effect of managerialism in public organisations in relation to their objectives and responsibilities as entities, which are to meet a public purpose? What kinds of adjustments or developments are necessary in order to ensure acceptable results in implementing managerialist approaches in public sector?

Second, as managerialist change takes place in the public sector, and privatisation – and more generally marketisation – occurs, the traditional dichotomy between public and private sector may need to be rethought. Hence, on a semantic and theoretical level, discussion concerning the nature of public service production may be justifiable.

Third, a comprehensive theory of managerialism, placed in the continuum of history of administration, is yet to be developed. Such theory might attempt to identify stages of development of managerialism and create taxonomy of them, and thus clarify the phenomenon's history.

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