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Introduction

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The agenda for public service improvement

Jean Hartley and Chris Skelcher

Introduction

The global focus on improving public services reflects a rediscovery of their central role in the well-being, sustainability and growth of communities, cities and nations. This new awareness of the social, economic and cultural contribution of government, public organizations and public services has resulted in a significant period of reform and experimentation. At the heart of these initiatives is the idea that improvements to the ways in which public services can be governed, managed and delivered will produce improved outcomes for citizens. This idea is driving different kinds of reform initiatives in different parts of the world. For example, in the UK, there has been a major process of management reform aimed at enhancing the capacity of public services to deliver improved outcomes for citizens (Newman, 2001; Stoker 2004). In contrast, the post-Soviet states of central and eastern Europe are building democratic governance to guide and steer public services in new ways (Campbell and Coulson 2006).

The field of public service improvement is one in which there are important questions to be answered at the theoretical, conceptual and practical levels. For example, one issue arises from the use of public–private partnerships, co-production with civil society organizations, and other new governance arrangements. These developments open up questions about the extent to which such new organizational forms deliver benefits of innovation, efficiency and responsiveness, as well as their impact on processes of steering and accountability in a democratic context. A second, longer term problem is to understand the conditions under which improvement strategies, and their implementation in complex settings, make a difference to the performance of public services. We need evidence-based theories of the relationships between managerial and political leadership, organizational culture and structure and relevant outputs and outcomes to do so. A third and related question concerns

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the extent to which metrics can be created and applied such that decisions can be better informed and changes in performance can be tracked and managed. This moves into the politics of performance management as well as the methodology of choice valuation and efficiency measurement. There are, of course, other questions to be addressed. But these give a flavour of the leading-edge public service improvement issues dealt with in this volume and their significance for political, managerial and academic audiences.

The purpose of the book is to build new understandings of managing public service improvement. It does this by using a multi-disciplinary approach to explore the governance, management and performance dimensions of public service improvement and their intersection in various fields of policy. One focus is the contribution of ‘public management’ as an activity of professionals, managers, and political decision-makers (whether elected or appointed). It is located within the new and growing transatlantic research community who are addressing the question of when, how and why management matters to public service performance (e.g. Lynn *et al.* 2001; Boyne 2003; Lynn 2006). But the book widens the debate by examining the introduction and sustainability of change in large complex systems. There is also a strong focus on the politics and measurement of public service performance, including the application of economic approaches to decision-making and efficiency measurement.

This chapter sets the context. First, we explore the issue of why public services matter. This provides a reference point for the subsequent chapters, grounding them in the reality of public services’ contribution to the well-being of societies. Second, we elaborate the governance–management–performance–policy framework which we have developed in this book and show how these dimensions all connect to public service improvement. Third, we use this framework to outline the contribution of the various chapter authors and to show how their work connects with the overall agenda of public service improvement.

Why public services matter

Globally, public services have emerged from a period of considerable criticism and devaluing. This period of challenge to public services and the role of government generally was generated by the rise of neo-liberal ideologies in the 1980s and 1990s. These ideologies promoted market solutions above state provision and led to substantial privatization and disinvestments in public services. Now, in the early years of the twenty-first century, a new settlement

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between state and society has emerged. This more refined version of neo-liberalism recognizes the role of government and public services in creating stable social and economic conditions, but in a new coalition with business and civil society actors.

Public services are important in a number of ways. First, they matter because of their scale. Public services still consume a major part of GDP. Jackson (2003), using OECD data, notes that the ratio of government spending to GDP across the OECD countries in 2000 was 37 per cent, just over a third of GDP. He also notes that the relative size of the public sector in most OECD countries was greater in 2000 than it had been in 1980, despite the attempts to 'roll back the frontiers of the state' under the Thatcher and Reagan administrations in the UK and USA. Indeed, the UK was slightly above the OECD average, with the public sector consuming 38 per cent of GDP in 2000. In recent years there has been a substantial increase in UK public expenditure, particularly for health and school education services and consequently, by 2005, 45 per cent of GDP was consumed by the public sector (Pettigrew 2005).

Public services are therefore 'big business' when it comes to expenditure, employment, organization size, investment, and the production of goods and services. In employment terms, for example, over 5.8 million employees, or 20.2 per cent of total employment in the UK, worked in some part of the public sector in 2006. Of these, 2.9 million worked in local government (National Statistics 2006). The National Health Service is also a substantial employer, with over 1 million employees across the UK. While the civil service was 'downsized' in the early 1980s, there still remain 558,000 direct employees (National Statistics 2006). The criminal justice system, the armed services and other parts of the public service also employ substantial numbers.

This analysis of employment is based on direct employees. However it is also necessary to include the workforce providing public services in contracted-out services, such as some street cleaning and prisons, in privatized services such as water, electricity and railways and in hybrid organizations which are a mixture of public support and private services, such as universities and some museums and art galleries. Ferlie *et al.* (2005) and Benington (2000) amongst others have pointed to the increasing inter-relationships between the public, private and voluntary sectors in the design and provision of public services. Public sector and public services are no longer co-terminous.

Public services are critical to the competitiveness of a nation. The welfare state is an important part of the public services; but so too is the role they play in building the conditions and infrastructure for an entrepreneurial and prosperous private sector, and for the integrity of the nation state. At a local

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level, public sector organizations (such as the health service and the local authority) may be the largest employers and have a significant impact on the local economy and on regeneration (Geddes 2001). On a larger, national scale, governments provide 'positive freedom goods' such as education, health, pensions and unemployment benefits which enable a country to develop economically (Jackson 2003). Governments also provide other infrastructure to support manufacturing and commercial development such as roads and transport, business development, labour market training, trading regulations and inspections and so forth. It is not surprising that global institutions such as the World Bank and the United Nations Development Programme see 'good governance' as central to effective economic and social progress in developing countries (UNDP 2002). Marquand (2004) also notes the crucial role of the public sphere in producing collective rules by which a society agrees to be governed (including the rules that govern markets, trading and aspects of international relations).

The above maps out the scale and range of functions of the public service sector, but different societies, different political and economic viewpoints and different ideologies will all affect the normative question about its appropriate role and scope within a fair, prosperous and sustainable society (cf. Pollitt and Bouckaert 2004; Massey and Pyper 2005).

There are, of course, challenges to the perspective on public services as a sizeable and influential part of society and the economy. There are at least two sets of arguments which propose that, academically, an interest in public services is either outdated or else is so straightforward as to warrant little attention. Certain political theories (e.g. the Chicago and Austrian schools of neo-liberal economics), with particular though not exclusive resonance in the USA, maintain that 'big government' is anathema to a free and prosperous society. These theories hold that public services should be limited only to situations of clear market failure (or anticipated failure), and that, where state services do have to exist, clear controls over public servants through, for example, performance targets are essential. This thinking has influenced the New Right (see Denham 1996), which emphasizes the primacy of the market, with smaller and more efficient public services. Neo-liberal economics and public choice theory has been one element of the 'new public management' which has swept many parts of the world, particularly the Anglo-Saxon countries.

The second argument concerns the publicness of public services and also links to 'new public management', though from a different intellectual quarter. There has been a marked export of general management ideas (and

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fashions) into the particular context of public service organizations in a range of countries over the last two decades (Pollitt and Bouckaert 2004). This has taken place on the grounds that management is underpinned by certain general principles and practices which can be applied across a range of businesses, organizations and sectors. This ‘convergence’ view of the public and private sectors makes the implementation of management ideas and practices as straightforward (or as problematic) as the use of management ideas and practices in the private sector, and makes the study of the impact of the public sector context on management irrelevant as a consequence.

Both of these perspectives about ‘big government’ and the ubiquity of general management theory have shaped both rhetoric and practice in the last twenty years and are still influential. But they are now out of kilter with the prevailing approach in the UK, many European countries and around the world. Public services are back on the agenda as a positive feature of a society, but in a new set of relationships with business and civil society groups. The management of public services is recognized as distinct because it must operate in a complex political environment, with due regard to questions of legitimacy, accountability and social outcomes. We now explore this issue in more detail, given the centrality of public management to the agenda of this volume and the importance of sustainable management capacity to the practice of public service improvement.

Distinctive features of public service management

The particular conditions and tasks of government and public services have a direct impact on their management (Ranson and Stewart 1994), but so too does generic management theory. In public service management, we see a distinctive form of general management. Furthermore, as the boundaries between the public, private and not-for-profit organizations become increasingly permeable (Ferlie *et al.* 2005), there will be new kinds of interchange and adaptations between management in the various sectors.

A number of features of public service organizations and their associated governance arrangements make them distinctive from private sector organizations with, therefore, divergent implications for aspects of management and management theory.

Public service organizations do not choose their markets, but are obliged to provide services to anyone who meets the eligibility criteria (e.g. anyone living in a particular locality or anyone with particular needs). Private sector

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organizations, in contrast, may be under a contractual obligation to public body commissioners to provide services, but they are free to exit from the contract at any time, albeit with penalties if prior to the end of the contract. Furthermore, public organizations may have to provide not only services but also remind people of duties as unwilling ‘customers’, because they can use state authority to require citizens to submit to obligations, such as criminal prosecutions, planning regulations or environmental health.

Furthermore, public services are under the formal control of politicians (either directly in the case of national or local government, or more indirectly in the case of health organizations and some other public services), and the associated policy context. Politicians themselves are elected representatives of wider constituencies and stakeholders, with a democratic mandate to represent the whole, which includes future generations as well as the current population. This means that public management, operating to take account of the political and policy context, is inextricably linked to governance issues. The fact that services are funded primarily through the public purse means that there is the potential for a high level of debate, accountability and scrutiny – not to mention contested values and priorities – which may all affect the management of public organizations.

Public organizations also operate in arenas of ‘market failure’ or where the market is thought to be unlikely to operate effectively in the short or longer term. Global warming, other environmental challenges, terrorism and the ageing of the population are examples of such complex and cross-cutting challenges, where government is often expected to play a lead role. Of course, there may be a role for private organizations in addressing part of the challenge, often in partnership with public organizations, e.g. technology companies addressing alternative sources to fossil fuels, but the overall management of the challenges is generally in the hands of government and its agencies and those organizations with a remit to orchestrate the response across a range of stakeholders. The role, or sometimes duty, of public service organizations to address broad social and economic questions means that

There are more stakeholders with a greater variety of interests, and the stakeholders are more present. The boundaries between organizations and the external environment are more permeable . . . Public management is at least as much about managing the external environment as about managing the internal organization (Feldman 2005: 959).

Rainey and Chun (2005) also point to the salience of the external context as predating certain conditions for the management of public service organizations.

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The salience of the external environment is also related to purpose – while private sector organizations have principal aims of profit and market domination and development, public organizations primarily aim to produce not profit or market positioning but ‘public value’ (Moore 1995; Benington and Moore in press). Public value means what is added to the public sphere and this may be social or economic, or it may be political, environmental or even more broadly about quality of the life. The unit of analysis of benefit may not therefore necessarily be the single organization and its outputs but also extends to consideration of outcomes across an ‘institutional field’ (Moore 2005). For example, schools may not be just concerned with examination results but with developing broadly educated and informed citizens capable of contributing to society. (Private sector organizations may also contribute to public value, for example, through innovation, philanthropy or service delivery but this is rarely a primary objective.) In addition, a public value perspective requires examining the impact of public services on ‘customers’ and users but also the impact on them as citizens.

From this brief consideration of public management we may conclude that there are some differences in context that either only exist in public organizations or that exist to a greater degree in public organizations (Ranson and Stewart 1994; Kelman 2005). This suggests that generic management theory may not be universally applied, but rather that there are some issues which require consideration of context and circumstance. Pettigrew (2005) supports this when he states: ‘The process of public transformation cannot be explained just by appeals to managerial action and associated drives for efficiency and effectiveness. Context does matter, space and time do matter in accounting for the emergence and fate of public sector reforms’ (p. 976).

The application of management theory may therefore be neither solely generic nor solely specific, but contextualized or contingent. There may be some circumstances where the application of management theory and practices is directly relevant to public service organizations. For example, some of the micro-management processes of improving operations management, aspects of quality management, methods to improve efficiency and so forth may be directly applicable (see Longley and Goodchild, chapter 9). In other circumstances, generic management theories and techniques may require modification to fit services which are complex, obligatory or in the public eye. For example, theories about ways to manage turnaround in public organizations may benefit from thinking about private sector analogues, but also require drawing on wider theory, such as institutional theory, to understand the choices facing ‘failing’ public service organizations (see Boyne,

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chapter 12). In other circumstances again, the use of private sector theory and practices may be helpful up to a point but could actually be misleading if the particular context is not carefully appraised. For example the concepts of strategy, or leadership, or innovation (see Hartley, chapter 10 on this last) require an understanding of the roles of politicians and the public as well as the internal management processes of the organization. Again, an inter-organizational or institutional, not just organizational, perspective is part of this picture.

This leads to a realist position about management theory in particular contexts, which means examining what works, for whom and in what circumstances (Pawson and Tilley 1997) and an explanation of why this may be the case. And in order to assess whether management theory is generic or specific, we have to pay attention to the governance context and arrangements (how the organization is being steered and how decisions are being made) and to the external environment including the policy context more broadly. These are likely to have an impact on the ways in which problems are conceptualized and framed, and addressed. Townley (chapter 7) explores some of these issues in her analysis of different rationalities governing performance management.

Public services improvement

One approach to defining public service improvement is to measure change in performance against pre-defined standards. While this is how some organizations' improvement is judged, for example, in ministerial speeches and in parts of the media, this is a rather narrow definition. Conformance to a standard ignores both whether the standard is appropriate and also whether achievement of a standard can be sustained over a period of time. Achieving sustainable change, which is likely to involve organizational learning to achieve ongoing responsiveness and potential adaptation to changing circumstances and contexts, may be crucial. Thus, a wider view of improvement includes considerations of sustainability and capacity for future change to meet the dynamic needs of a changing society.

Furthermore, this approach detracts from the complex environment in which public services operate, where definitions of performance, let alone improvement, are contested by multiple groups of stakeholders. Public service organizations are often aiming to address wide challenges in society (for example, the health of the nation, patterns of migration in Europe, minimizing crime and the fear of crime); the degree of improvement cannot be

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assessed simply by the achievements of an individual organization or service unit, but rather is better assessed through the achievements of the whole institutional field (the set of hospitals or schools, etc.).

Finally, public service organizations are instruments of the state, and their effectiveness is partially dependent on citizens' trust of and engagement with the democratic elements of the state. Public service organizations therefore need to be judged not only in terms of their ability to 'deliver' services but also their contribution to creating a fair and just society.

There has been any number of prescriptions for public service improvement, not only within the UK but around the world, with policy and practice proposals from central government departments, think-tanks, public service peak organizations and from management consultancies and political parties. New structures have been established to 'drive' reform, such as, in the UK, the Prime Minister's Delivery Unit. Pollitt and Bouckaert (2004), taking an international view, note that reforms, transformations and restructuring have been endemic in public services but that the most recent phase is distinctive in being explicitly international with an international vocabulary, giving the impression of a unitary approach to 'modernization' of public services, but in fact concealing a heterogeneity of activities and consequences. They also note that the approaches have 'a degree of political salience that mark them out from the more parochial or technical changes of the preceding quarter century' (p. 24). In the UK, politicians have staked their reputation on improving public services, across all political parties, and improvement continues to be a high priority. This is likely to be so for the foreseeable future.

The reasons for the continuing emphasis on public service improvement are multiple and varied. Globalization and the pressures of remaining competitive in a global market-place are analysed by some academics (Benington and Moore, *in press*), along with continuing fiscal pressures. Socio-demographic and geodemographic changes, including an ageing population and changes in the composition of the family, are important in many different national settings and at a range of spatial scales (Longley and Goodchild, chapter 9). Changing expectations from the public themselves, with more disposable income and with experience of some customer-responsive and post-Fordist commercial services, and with changing attitudes to authority, have also shifted the standards by which public services are judged by both the public and the media.

Governments have adopted a number of distinct approaches to public service improvement. In the UK, an early period of blame, name and shame