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## **UNIT 1      PUBLIC SYSTEMS MANAGEMENT: CONCEPT, NATURE, SCOPE AND CHARACTERISTICS**

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### **1.0      LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Analyse the theoretical foundations of the evolution of the concept of public systems management
- Examine the nature and scope of public systems management; and
- Highlight the characteristics of public systems management.

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### **1.1      INTRODUCTION**

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Public administration both as a practice and a discipline is undergoing change in view of contemporary global developments in the socio-economic arena. The current globalisation trends have led to a rethinking about the role of the State and government. Approaches to public administration are also embedded in wider conceptions of the State, the relationship between State, market and civil society. The market model of governance has been emerging since 1980s. Public administrators are now viewed by many as entrepreneurial managers whose job is to attain cost effectiveness. They are expected to be more entrepreneurial and result-focused. In this context, the concept of public systems has added a new dimension to the structure and system of working of public administration. Public systems management is a developing theme lending a new dimension to the discipline of public administration. In this Unit, an attempt is made to explore the evolution, nature, scope and characteristics of Public Systems Management (PSM).

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### **1.2      PUBLIC SYSTEMS MANAGEMENT: CONCEPT**

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A system, according to Gore and Stubbe (1994), is a “combination of resources working together to convert inputs into outputs”. Every organisation comprises systems with certain goals to fulfil, converting inputs into provision of goods and services. For example, it can be personnel, finance, logistics, marketing systems and so on. Public systems management, broadly speaking, comprises several sub-systems

operating in the public arena. Each of the sub-systems aims at achieving certain prescribed goals through utilisation of resources – human, financial and material. Public systems management operates within a broad framework of rules, regulations, catering to the needs of the public and making use of public finance.

The public domain or system has certain distinct characteristics and functions to discharge and operates within a prescribed framework. Hence it cannot totally accept the private sector principles and styles of operation. As we have discussed, globalisation over the past twenty years, had a significant impact on public systems. The neo liberal views, public choice perspective have resulted in the roll back of the State from key areas, and led to quasi markets, separation of policy from execution, professional administration, etc. Public systems, still, function within the domain of State, law, and politics and pursue the public interest. Attempts to equate business and public administration, under the name of public management reform, signify conservative mistakes of not distinguishing the different logics that govern the private and public realms. Public management reforms draw inspiration from business management where decision-making autonomy is enjoyed by the managers of companies. Nevertheless, the difference between public administration and business administration, derived from the different nature of private and public organisations, needs to be made clear. There are two basic differences. First, the business organisation has definite owners and seeks profit, while the public organisation belongs to everyone and pursues the public interest. Second, the private company is governed or coordinated by the market, which falls within the scope of economic theory, while the State particularly the democratic State goes by the logic of democratic politics, which is analysed by political science and public law (Pereira, 2004, emphasis added).

Public systems management, it can be said is concerned with the designing and operation of public services and the functioning of executive government. This sort of a reform attempt of State bureaucracies seeks to make government more ‘business like’ providing a prominent role for bureaucrats as managers.

Public administration has always been entrusted with the major obligation of promoting public interest assuring equity, representation and responsiveness to the citizens. But its excessive reliance on bureaucracy, hierarchy, rules and regulations, over time, raised significant questions of its efficacy and effectiveness. Several factors such as the collapse of the USSR, increasing levels of public expenditure and taxation, dissatisfaction with the structure and functioning of bureaucracy, and the impact of globalisation have given rise to management orientation in the operations of the public systems.

In response there is now a paradigm shift in public administration tending to change the nature and character of public systems. This reform process has four components. These are:

- i) Privatisation and deregulation
- ii) Establishing market like mechanisms
- iii) Decentralisation, and
- iv) Debureaucratisation

All the above are intended to create competitive public systems premised on managerialism. There is a global trend now to introduce a series of methods and techniques in the governmental system. Public organisations have liberally borrowed different approaches from private management. A historical perspective would reveal that bureaucracies throughout the world have rarely responded effectively to

environmental challenges on their own. They have lagged behind the times. The remedies to bureaucratic ailments have been offered more by scholars of management. New Public Management is one such manifestation. The classical public administration based on Taylor's Scientific Management and Weberian model have emphasised on division of work, specialisation, rule orientation, impersonality, rationality, neutrality and anonymity in public services. These models aimed at the internality of the administrative system and ignored its externality. The rigidity of models could not suit the dynamic societal changes. Further, the conventional model of public organisation is theoretically rooted in the Wilsonian dichotomy of politics and administration. The outcomes of this dichotomy include inefficient bureaucracy, nexus between the trio-politicians, bureaucrats and pressure groups or covetous interests, alienation of citizenry from administration and mounting financial burden of administrative machinery on the State exchequer. Many studies have questioned the responsiveness and efficacy of these models and their applicability to the present globalised scenario. This led to the search for alternative models of public administration. All this resulted in significant changes in the management of public systems. Broadly, these changes aim at the entrepreneurial role of public organisations with a market orientation geared to effectiveness and economy in the functioning of public systems. This new model of administration system is being called 'new public management'. We have already discussed in detail about this in Courses 011 and 012 of this Programme.

The theoretical foundation for this change is provided by several interrelated strands of literature mainly contributed by the new right, public choice approach, property rights literature, the principal agent relationship and organisation and management orientation.

### **New Right Philosophy**

The term 'New Right' was first assigned to a group of monetarists from Chicago University in 1970s. The new right school of thought propagated the idea of non-interference by the government in the economy as it created distortions in the market, which produced adverse outcomes. It broadly maintains that State involvement leads to increasing monopoly, expanding budgets and suppressing of entrepreneurial behaviour, limiting choice, over production of unwanted services and encouragement of waste and inefficiency. In view of this, the new right philosophy has forcefully argued in favour of a reorientation of the State as regulator and producer. Therefore, deregulation and privatisation are amongst the six - point reform agenda of the New Right. The other measures are the reduction of inflation, lower taxation, increasing role of the market in the provision of public services and institutional and constitutional reforms. The aim of these reforms is to promote competition between rival bureaucracies, reduce the influence of interest groups and corporatist institutions and impose a constitutional upper limit on public expenditure as a proportion of the gross national product.

The new right philosophy has always given predominance to the values of individual rights and choice. The protagonists of this school assigned a key role to the market in creation of economic wealth and employment.

### **Public Choice Approach**

The proponents of public choice approach hold the bureaucracy responsible for the declining quality of public services. A basic argument of this approach is that an individual manager or a client is a utility maximiser who is always in search of increasing net benefits. This approach questions the three major orientations to the study of public administration, viz., Wilsonian politics – administration dichotomy,

Weberian bureaucracy and Herbert Simon's rationalist decision-making model. In broad terms, the policy recommendations of the public choice approach are to:

- i) Minimise the role of the State
- ii) Limit the discretionary power of politicians
- iii) Reduce public monopolies to a minimum, and
- iv) Curb the functions of government agencies.

The impact of public choice approach has been very significant on the scope of governmental activities. For example, the public choice theorists express doubts about the very basis of government. The central role of the State is being questioned. Market-like processes will take away the monopoly of decision-making authority from the hands of civil servants. The decentralised market-like arrangement is posited as an alternative to a coercive and ineffective bureaucratic hierarchy. An important organisational assumption in public choice approach is the desirability of decentralisation, democratic administration and organisational competitiveness. According to Buchanan and Tullock, decentralisation creates opportunity for the promotion of competition among governmental agencies, and in the process the individual citizen's choice increases.

The public choice approach has helped develop a new framework for governmental functioning. This approach has laid the basis for a new administrative framework, which has strongly favoured reinventing the governmental functioning according to the market concepts of competition and efficiency.

### **Property Rights Theory**

Property rights theory provides a way of understanding the incentives for performance that exist in private sector and examining whether they can be introduced in the public sector. The owners do not have absolute control over the assets, and there are many others who have right over the revenues which include managers, employees etc. Hence there is incentive for performance, which is lacking in public sector.

The property rights literature reveals that property rights are not neutral. Variations in these arrangements have a far-reaching impact on the behaviour of employees and thus on performance. According to Dunsire, "the central argument is that private sector organisations in which right to profit are clearly defined will perform better than those in the public sector where rights are diffused and uncertain". Privatisation, which entails changes in property rights in favour of private ownership, is thus considered beneficial for the promotion of efficiency.

### **Principal-Agent Theory**

Changes in property rights transform the relationship between the owner of the firm or organisation and management. In order to explain this phenomenon, the proponents of privatisation rely upon principal-agent theory in which owner is the principal and management is the agent. According to this approach, the principal and the agent follow different objectives. The principal desires, that the agent should act towards fulfilment of his goals. The principal however is not fully equipped with the information concerning actions and behaviour of the agent.

The principal-agent theory is based on contract as the basis of social and political life. The agent agrees to perform tasks on behalf of the principal and in return, the principal agrees to reward the agent on mutually acceptable manner. Contracting is resorted to by the principal, as, the jobs to be performed require specialised knowledge, expertise and skills. Agents in a contractual relationship, take decisions

that affect the principal and act in ways that contribute to fulfilment of principal's objectives in a maximum manner.

### **Organisation and Management Literature**

The focus of organisation and management literature, providing a critique of the Weberian model of bureaucracy is the internal structure of the organisations. This literature promotes the culture of adoption of private sector practices in the public sector particularly in fast changing and hostile environment.

Most of the countries have made structural adjustments in their public systems to limit the role of the State, including downsizing bureaucracy, devolution of authority, cost reduction, contracting out some of the operative functions of government, developing and designing result - oriented appraisal system and commercialisation as well as market orientation of the governmental activities. The argument is that more market does not mean less government, but different government. The administration is apparently moving from rule to result orientation, from systems to enterprise, obedience to reward, inaction to action, centralisation to decentralisation and from the duties of administrators to the rights of citizens. Contemporary reforms are reorienting governance towards management philosophy. This management perspective explains the crux of the Public Systems Management.

Its three core central tendencies have been identified by some authors as under:

- Organisational restructuring in order to shift emphasis from centralised administration to decentralised management through the creation of autonomous and semi-autonomous agencies and the devolution of resources and operational decision making to front line managers
- Increasing use of market type mechanisms such as charging for services, privatisation and contracting out, whilst regulating providers and making services responsive to users/customers
- Increasing emphasis on performance-an attempt to shift the methods of doing business in the public sector away from merely complying with procedural rules towards getting results (Batley and Larbi, 2004).

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### **1.3 PUBLIC SYSTEMS MANAGEMENT: NATURE**

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Over the years, different forms of political and administrative systems and methods of governance have been focusing on the ways to reconcile the interests of the citizens with that of the role of the State. The emergence of the concept of public systems management in public administration has added a new dimension to the whole issue of governance. Public systems management has been considered by many as “administration and management of both direct and indirect institutions engaged in the public policy making exercise and in delivery of public services”. It is a style of management, which emphasises output targets, limited term contracts, monetary incentives and freedom to manage. The focus of the PSM is on results, efficiency and measurement. It brings the following changes in the functioning of public organisations viz.

- i) There is a greater flexibility in tailoring the organisation to circumstance, instead of necessarily following a rigid Weberian model
- ii) The focus is on results

- iii) Greater attention is paid to strategic planning
- iv) Private sector personnel practices have been adopted such as paying more for good performance or less for poor performance.

PSM propagates managerial pursuits in governance, with a focus upon the following:

- Steering role of the government instead of direct provision
- Concern on results and outcomes
- Orientation to the needs of customers, and
- Use of market mechanisms in those activities of public sector which cannot be privatised.

In public systems management, the unique aspect is the 'public domain' or the 'publicness'. Ranson and Stewart (1994), insist on the uniqueness of public domain, which, they do not doubt, cannot be reduced to the principles of private administration. As they observe 'in the public domain any notion of management which cannot encompass the recognition of politics and conflict as constitutive of a public organisation rather than as an obstacle to it is barren'.

PSM offers a more pragmatic approach to achieve the goals of public organisation. Public system managers are to become entrepreneurs and develop innovative ways of supplying government provision through the bureaucracy and providing services through other means involving the private sector. This could be more creative and dynamic. Modern governments are giving importance to managerialism to provide efficient services to people at the lowest administrative costs. Managerialism does not mean usurping of government by technocrats, a reduction in accountability or a diminution of democracy. Instead, managerialism allows the government to provide public services in a more efficient and cost-effective way. It also provides more information to the managers to take better policy decisions. PSM attempts to be people-sensitive, efficient and cost effective in delivering public services. It has both ethical consistency and organisational flexibility to remain faithful to the achievement of the goals of public service.

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## **1.4 PUBLIC SYSTEMS MANAGEMENT: SCOPE**

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Contemporary governments are attempting to be performance-oriented. Therefore, management of government needs to be deregulated. The nature of public agencies must be entrepreneurial, mission-driven, and service-oriented. Public systems managers are to be risk-takers who invite participation of other kindred organisations for partnering and reward performance. In this scenario, the scope of public systems management is confined to following areas of governance:

- Focusing on achieving results rather than primarily conforming with processes
- Introducing market principles such as competition, contracting out in the provision of goods and services
- Making public administration customer-driven to enhance service ethic and efficiency
- Assigning the role of steering activities to the government rather than rowing, relying on third parties such as non-profit organisations, other levels of government in implementation of policies
- Deregulating the government activities to make it result-oriented

- Empowering the employees to serve the customers as it promotes teamwork
- Changing the overall public administrative culture towards flexibility, innovation, entrepreneurialism, as 'opposed to' rule-bound, process orientation and focusing on inputs rather than results; and
- A new entrepreneurial, user-oriented culture is being created in public systems, with emphasis on performance measurement, autonomy to organisation and freedom to individuals.

Kettle (2002), points out certain basic concerns that the New Public Management initiatives address. These include:

### **Productivity**

How can governments produce more services with less tax money?

### **Marketisation**

How can governments use market – style incentives to root out the pathologies of government bureaucracy?

### **Service orientation**

How can governments better connect with citizens to make programmes more responsive to the needs of the citizen?

### **Decentralisation**

How can governments make programmes more responsive and effective by shifting programmes to lower levels of government or shifting responsibility within public agencies to give front line managers greater incentive and ability to respond to the needs of citizens?

### **Policy**

How can governments improve capacity to devise and track policy?

### **Accountability for results**

How can governments improve their ability to deliver what they promise?

PSM is intended to realise the above concerns in practice. Its scope is to project customer choice as the public choice through enhancing the effectiveness of public services based on many of the private sector principles and practices. The focus is more towards achieving managerial decentralisation of governance, performance and results orientation, and citizens'/consumers' satisfaction.

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## **1.5 PUBLIC SYSTEMS MANAGEMENT: CHARACTERISTICS**

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Public Systems Management advocates increasing managerial autonomy by reducing central agency control in governance. It recognises the importance of providing the human and technological resources that managers need, to achieve their performance targets. The important characteristic of PSM is that responsibility is taken by managers for the achievement of results. Under this, the relationship between politician and manager is more fluid and is closer than before. It does not disown the essential political character of government but, at the same time, would claim a degree of autonomy in terms of both input handling and results production. Another important characteristic feature is recognition of the need for direct accountability of the manager to the public or the consumer. There is thus a client focus and greater responsiveness to outside groups and individuals in public systems management. It has the following characteristics that tend to mend the traditional ways of organising

government:

- i) It is concerned with the delivery of high quality services that citizens value.
- ii) It considers citizens as active consumers and serious attempts are made to find out their expectations and needs.
- iii) It provides greater flexibility in working conditions such as contractual appointments, work place bargaining etc and is permitted to make use of more expertise and employee creativity.
- iv) It creates conditions for more positive and productive managerial leadership. To create such conditions, it simplifies organisational structures and flattens hierarchies.
- v) It develops rigorous performance measurement of individuals and organisations.
- vi) It is receptive to competition and adopts an open minded attitude towards management of public organisations.
- vii) It adopts collaborative and net-working approach to work with public, private, voluntary sectors in solving community problems and providing public services.
- viii) It advocates decentralisation of authority embracing participatory management model.
- ix) It prefers market mechanisms to bureaucratic mechanisms.
- x) It takes steps to prevent administrative problems rather than cure them after they arise.

Public systems management is characterised by new State institutions, administrative culture and management strategies. It does not undermine the importance of State bureaucracy. On the contrary, it assigns an important strategic role to it. The public systems are characterised by :

High levels of transparency, accountability instead of mere adherence to procedures, rules, etc.

Extensive use of information technology for all operations.

Decentralisation of activities, contracting, outsourcing with State exercising control over strategic areas.

A new role assigned to civil servants, exercising technical competence, managerial skills along with policy making capacities.

A new work culture in public systems and organisations with incentive systems, performance evaluation, pay differentials etc.

In brief, PSM adopts explicit market orientation and relies on private sector practices. PSM seeks to blend managerial pragmatism and political conviction. It promises professionalism, impartiality, high ethical standards, and the reduction of corruption along with improved performance.

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## **1.6 CONCLUSION**

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Remarkable changes have taken place in the 80s and the 90s as governments in the Western developed countries sought to adapt themselves to new technology, new



societal demands and keen competition. This has led to a search for a new kind of orientation in public administration permeating all its systems and sub-systems. Rigid, rule-bound and hierarchic public administration does not suit the needs of a dynamic situation demanding speedy action. In this perspective, many of the flexible organisational designs and practices pioneered by the private sector have been introduced in the public system with suitable modifications. Public systems management today is thus being refashioned to underemphasise the traditional Weberian rule-boundedness and the focus is now more on results and cost effectiveness.

PSM considers citizens as active consumers and adopts collaborative approach to work with public, private and civil society organisations in solving community problems and providing public services. In fine, PSM seeks to make public service delivery efficient, effective and economical with the adoption of many of the management concepts and techniques of the private sector.

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## **1.7 KEY CONCEPTS**

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### **Civil Society**

It refers to self organisation of citizens. It is the collective of social organisations, which enjoy autonomy from the state and pursue special interests. Civil society includes network of groups that include financial, private, charitable, social service, development and professional organisations.

### **Debureaucratisation**

It implies reducing the bureaucratism prevalent in organisations. It is done through removal of monopolies, reducing the exercise of power and authority from a few bureaucrats or politicians in government. This is also achieved through promotion of participation of various forms of citizens' organisations in the country's governance.

### **Deregulation**

It is the process of lessening the monopolies of few in any sector of the economy by opening those sectors to other players also. The reforms ushered in India since 1990s, has thrown open certain sectors of the economy such as banking, telecommunications, civil aviation etc. to competition to provide better service at lower prices and greater choice. These sectors have been given more autonomy free from stringent rules and regulations.

### **Neo-liberalism**

This thinking gained prominence from mid 1950s in Britain. which advocated free market. It gave significance to supremacy of market mechanisms, maximisation of individual liberty and freedom, roll back of State. It propagated diminishing the role of welfare State as it was said to affect the potential of free market.

### **Property Rights Theory**

It offers a way of understanding the way incentives for performance function in private sector. According to this, in an organisation, owners do not have complete control of their assets, as employees, creditors etc. also contribute to the firm's functioning. They also have certain rights especially a certain amount of revenue from the company's assets. Hence managers, employees, have share in the profits of the company or enterprises in the form of bonus, increase in pay etc. Hence, incentives play a key role in enhancing the performance of company.

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## 1.9 ACTIVITIES

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1. Prepare a brief note explaining the changes that have taken place in the west during 1980's and their impact on the discipline of public administration.
2. Write a note on structural adjustment initiatives undertaken in any one of the countries of Organisation for Economic Cooperation and Development (OECD) or any developing country and assess their influence over its administrative system.

