New Public Management (NPM) as an Effort in Governance

The Advocacy Coalition Framework Approach to Row House Policy in Tamansari, Bandung City

Saving Industry of Garments Solid Works In West Java (Review of SE and SK Determination Policy on West Java UMK in 2020)

Privatization in State-Owned Enterprises: A Systematic Literature Review

Swallow Nest Tax Control in Cirebon Regency
New Public Management (NPM) as an Effort in Governance

Charity Latanza Indahsari¹, Sam’un Jaja Raharja²

ABSTRACT

New Public Management (NPM) is an approach in public administration that applies knowledge and experience gained in the world of management and other disciplines to improve the efficiency and effectiveness of public service performance in modern bureaucracies. New public management focuses on public sector management that is performance-oriented, not policy-oriented. Based on the results of this study, there were three policies or strategies in the New Public Management (NPM) as an effort in governance, which were the reorganization of public administration, decentralization of partnerships and networks, and innovation. The purpose of making this literature review was to add insight into the New Public Management (NPM) as an effort in governance. The method used in this research was Study Literature Review (SLR), using several articles found in searches on Scopus, which were published in the last five years.

Keywords: New Public Management, NPM, governance, public sector

INTRODUCTION

The bad image of services in the public sector has motivated many parties to make improvements or reforms. One of the reforms needed is an example of reforms in accounting and finance, especially related to transparency and accountability.

Basically, the aim of reforms is to improve public sector performance and increase transparency and accountability. More broadly, this is a manifestation of the desire to go towards good governance. The implementation of Good Corporate Governance in managing a company is very important because it can directly provide clear instructions in making appropriate and responsible decisions and enable safer management of the company so that it can increase the value and trust of partners or the community (Suwandi, Arifianti, & Rizal, 2019). At present, there is a rapidly developing concept related to the public sector, which is New Public Management (NPM).

New Public Management (NPM) is an approach to running public service organizations used in government agencies and public services, both at local and national levels. This term was first introduced by academics in the UK and Australia to describe the approach developed during the 1980s, as part of an effort to make public services more straightforward and to improve its efficiency by using a private sector management model. New Public Management (NPM) is generally seen as an approach in public administration that applies knowledge and experience gained in the world of management and other disciplines to improve the efficiency and effectiveness of public service performance in modern bureaucracies. New public management focuses on public sector management that is performance-oriented, not policy-oriented.

Lately, public sector organizations have often been described as unproductive, inefficient, of low quality, and lacking in innovation or creativity. The emergence of

¹ Student in the Master’s Degree of Business Administration Program, FISIP Unpad; email: charity19001@mail.unpad.ac.id
² Lecturer in the Master’s Degree of Business Administration Program, FISIP Unpad; email: harja63@yahoo.com
various criticisms addressed to public sector organizations eventually led to a movement to reform public sector management, namely the concept of New Public Management. In the concept of NPM, all leaders or managers are encouraged to be able to find new and innovative ways to get maximum results or to privatize government functions. They no longer lead by sweeping all jobs (rowing), but by "steering", which means controlling, leading, and also directing strategic things only.

The concept of New Public Management (NPM) is an important issue in public sector reform. This is because NPM relates to the concept of innovation in the public sector, which discusses changes that can be applied effectively in processes, products, services, and methods of delivering services to the public (Wicaksono, 2019). In addition, the concept of NPM is also related to public sector performance management issues because performance measurement is one of the main principles of NPM. The NPM movement initially took place in developed countries in Europe, but in its development, the concept of NPM has become a global movement so that developing countries are also affected by the global spread of this concept. The emergence of strong criticism directed at public sector organizations led to a movement to reform public sector management. One of the public sector reform movements is the emergence of the concept of New Public Management. New Public Management has influenced the process of changing public sector organizations comprehensively in almost the entire world. The emphasis of the New Public Management movement is on the implementation of decentralization, devolution, and modernization of public service delivery. The term New Public Management was originally introduced by Christopher Hood in 1991.

The purpose of this review literature is to add insight into the New Public Management (NPM) as an effort in governance. The method used in this study was Study Literature Review (SLR), using several articles that had been found in searches on Scopus, limiting them by articles published in the last five years (2015-2019). Based on the discussion in the previous paragraph, the Research Question (RQ) in this research was "What strategies are discussed in the New Public Management (NPM) as an effort in governance?"

LITERATURE REVIEW

Konsep New Public Management (NPM)

The adoption of the New Public Management (NPM) in a number of OECD (Organization for Economic Cooperation and Development) countries took place during the 1980s. This change in public management is called accounting, which accepts the doctrine of public accountability and public administration (Dunleavy & Hood, 1994). NPM is a public management theory that assumes that management practices in the private sector are better than those in the public sector. Therefore, to improve the performance of the public sector, it is necessary to adopt several management practices and techniques that are applied in the private sector.

The philosophy and concept of NPM are derived from two different sources. The first one is from private sector managerial practice known as "managerialism" and the second one is from economics such as public choice theory, agency theory, and transaction cost theory. The essence of managerialism states that management is a generic, purely instrumental activity and has a set of principles that can be applied, both to public and private businesses. The rational view of economists is that all human behavior is dominated by self-interest and tends to maximize wealth. Therefore, individuals prefer individual satisfaction and efficiency reasons. This is the logic of the public choice theory.

Agency theory lays down the argument that principals should be different from agents so that principals can control and make agents accountable for what is produced. Institutional economic theory, also known as transactional cost theory, argues that all individuals act on their behalf and prefer to maximize benefits for
their satisfaction. Every transaction fee is considered. Thus, based on these theories, there are many activities (such as reducing the role of government, saving costs, introducing market or privatization mechanisms, separating buyers and providers, decentralizing management authority, managing performance, paying greater attention to quality) carried out by developed countries to make an effective and responsible government towards the demands of citizens (Sayidah, Mulyaningtyas & Winedar, 2015).

The application of NPM is seen as a form of management reform, depoliticization of power, or decentralization of authority that drives democracy. The change starts from the process of rethinking government which is then continued with reinventing government (including reinventing local government), which changes the role of government, especially in terms of community government relations. Theoretical changes, for example from public administration towards public management, cutting government bureaucracy, and using contract systems have spread throughout the world despite varying detailed reforms. Trends in almost every country have led to the use of performance-based budgeting, outcome-based management, and the use of accrual accounting. NPM, which is a global phenomenon, but can vary in its application, depends on localized contingency factors (Mardiasmo, 2006).

The concept of New Public Management can be seen as one of the new concepts that want to eliminate the monopoly of inefficient services conducted by government agencies. Cristopher Hood states that the New Public Management can change the traditional ways and model of public bureaucracy to the ways and models of private business and market developments. The ways of legitimating the public bureaucracy to save procedures from administrative discretion are no longer practiced by the New Public Management in the government bureaucracy. Thus, it will further realize the concept of New Public Management in the government bureaucracy.

To further realize the concept of New Public Management in the public bureaucracy, it is sought that bureaucratic leaders increase productivity and determine alternative ways of public service based on an economic perspective. They are encouraged to improve and realize public accountability to customers, improve performance, restructure public bureaucratic institutions, redefine organizational missions, streamline bureaucratic processes and procedures, and decentralize policy-making processes.

**New Public Management (NPM) Characteristics**

Articles related to NPM began to be written in the early 1980s, reflecting a combination of normative principles and efforts in mapping institutional development at a descriptive level (Hood & Peters, 2004). According to Hood (1991) although some NPM writers emphasize different aspects of the NPM doctrine, in fact they can be summarized into seven aspects. Those aspects are as follows (HOOD, 1991):

1. Professional management in the public sector
2. Performance standards and performance measures
3. Greater emphasis on outputs and outcomes
4. The division of work units in the public sector
5. Competition in the public sector
6. Adoption of management of the business sector to the public sector
7. Emphasis on discipline and greater savings in using resources

From the information mentioned by diction.id, Donald Kettl (2000) calls it the term "the global public management reform" which focuses on the following six things:

1. The government can find ways to change services from the same thing and from a smaller revenue base.
2. The government can use market pattern incentives to improve bureaucratic pathology. The government can replace the
traditional mechanism of bureaucratic commands with market strategies that are able to change the bureaucratic with market strategies, which are able to change the behavior of bureaucrats.

3. The government can use market mechanisms to choose the form and type of public services, or the government can encourage those in public services to provide better services to the public.

4. The government can make programs more responsive or decentralize greater responsibility.

5. The government can perfect its ability to make and formulate policies.

6. The government can focus its attention on results and impacts (outputs and inputs), compared to their attention on process and structure.

In addition, according to Vigoda and Keban, there are seven New Public Management principles, which are:

1. Utilization of professional management in the public sector
2. Use of performance indicators
3. Greater emphasis on output control
4. Attention shift to smaller units
5. Shift to higher competition
6. Emphasis on the style of the private sector on the application of management
7. Emphasis on discipline and higher savings in resource use

**Ideas or Policies in New Public Management (NPM)**

The journal by Eduardo Barberis, Katrin Grossmann, Katharina Kullmann, Rikke Skovgaard Nielsen, and Anne Hedegaard Winther entitled "Governance arrangements targeting diversity in Europe: how New Public Management impacts working with social cohesion" states that since the first wave of city governance changes in the 1980s, the neoliberal policy instrument has been labeled as NPM. NPM covers various policies with several general trends, particularly the reorganization of public administration (PA), decentralized partnerships, and networks and innovation.

The reorganization of public administration (PA) is targeting the size, costs, and objectives of the PA. Public labor is often downsized (e.g., through layoffs) that supports externalization. Public action was stopped by incorporating market principles and professional style personal management in bureaucratic organizations. This includes focusing on standards, performance measures, output control, and competition (Barberis, Grossmann, Kullmann, Skovgaard Nielsen, & Hedegaard Winther, 2019).

NPM has been accompanied by a process of decentralization and devolution in accordance with the principle of vertical subsidiarity, where agencies closer to citizens are considered capable of framing problems and implementing solutions. However, managerial, if not entrepreneurial, decentralization can negatively impact social participation, especially in social policy, while social risk can be delegated without adequate resources (Barberis et al., 2019).

Public-private partnerships and networks have become joint policy instruments. Network governance requires clear expertise and roles. If local institutions use networks to dump social questions on their partners, democratic accountability will be limited and replaced by output control and financial accountability. Lack of coordination can stimulate particularistic interests, endangering the scope of risk for social groups that are less politically prioritized. In disadvantaged areas, actors taking part in networks may not enjoy the resources and expertise to develop community capacity to replace unrelated public action and to adapt to competitive management requirements. Weaker networks that need more support are likely to be more influenced by austerity measures, increasing their dependence on "grant coalitions" for public funding. Sharing goals and tools among various actors can be complicated. Unclear asymmetries of power and tasks can create holes and overlaps.
in the network, leaving social needs uncovered and powerless actors (Barberis et al., 2019).

The next one is innovation. Innovation does not have to be framed in neoliberal discourse. It can also be an NPM tool because innovative and entrepreneurial initiatives may be deemed necessary to reduce pressure on local authorities when their budgets are eroded. Innovation has also become a strong framework for social policy change. In addition, it paves the way for further use of NPM instruments. The discourse of innovation encourages project-based approaches to social problems, criticizes the rigidity of the welfare state, supports economic development, and answers structural problems through partial solutions such as environmental-based initiatives. Competition is considered to increase innovation (Barberis et al., 2019).

The latest ideas in public management research that have challenged the dominant NPM doctrine have been explored in Carsten Greve's journal entitled "Ideas in Public Management Reform for the 2010s: Digitalization, Value Creation, and Investment". Those ideas are Digital Era Governance, Public Value Management, Collaborative Governance, and New Public Governance. All of these are self-made alternatives or additional ideas for NPM. These concepts emphasize three broad themes, which are digitalization and transparency, value creation in the public sector, and engagement. The shift to a new agenda might not be smooth. It depends on how the NPM has been institutionalized and how new ideas fit into the existing policy program. There is a strategic triangle in public management that involves legitimacy, judgment, and organization. DEG and digitization are about legitimacy through transparency; PVM is about value creation, performance, and results by innovative public managers; and NPG and engagement are about managing resources through networking, collaboration, partnerships, and the citizens involved (Greve, 2015).

Digitalization or Digital Era Governance (DEG) and Transparency

Information technology has taken part in NPM's initial thinking but has always been one of the few elements that were never integrated into such a concept. New technology continues to develop all the time. In the 1990s, the internet and the web were a form of great innovation, which in turn also influenced public management and governance institutions. In the 2000s, Patrick Dunleavy and his colleagues from the London School of Economics and Political Science began to see digitalization or "E-government" as something more than just a supporting tool for the New Public Management or institutionalization of information technology (Greve, 2015).

Dunleavy et al. (2006) stated that NPMs had carried out their duties and the different elements of NPM were stopped or had withdrawn quickly. Instead, they see DEG as the main alternative and characterize it with three elements, which are: 1) Reintegration includes roll back from institutions, joint government, re-government, restoring central processes, radically reducing production costs, re-engineering office functions, concentrating procurement and specialization, and network simplification; 2) Need-based holism including client-based or organization-based reorganization, for example, interactive information search and inquiries, data warehousing, end-to-end service reengineering, and agile government processes; 3) Digitization processes including electronic service delivery, new forms of automated processes, radical disintermediation, active channel streaming, facilitating isocratic administration and joint production, and moving towards open-book governance.

Digitalization will replace NPM as the dominant doctrine or paradigm in public management and government. The NPM has carried out its work and its different elements had been stopped or backed down quickly. The following three problems are inherent in the digitalization agenda, namely transparency,
social media, and shared service centers (Greve, 2015).

Transparency has become a major concept pursued by many governments. According to the OECD, government actions, and those responsible for those actions, will be subject to public scrutiny and challenges (OECD 2005: 29). The OECD in their 2005 report treated transparency as an element of "open government", with two other elements: accessibility and responsiveness (Greve, 2015).

The next one is social media. The way social media works has the potential to change relations within government, between politicians and public managers, and between public managers and public or citizens. New tools have emerged, including Facebook, Twitter, LinkedIn, and other services. New services appear all the time. Citizens can now become "friends" with public organizations or managers, connected to public managers, follow politicians or organizations on Twitter, and so on (Greve, 2015).

The third one is the Joint Service Center. Joint service centers are one of the main ways to achieve more efficient and effective governance. It is often promised by digital age governments. The principle is about connecting data power in large "call centers", to use economies of scale efficiency, and to see the problem of "Big Data". The practice is that the government focuses on many tasks that were previously delegated to each organization. The NPM movement has called for the decentralization of management responsibilities and managers often need their own data to be able to make strategic decisions such as business on behalf of their units. However, it becomes inefficient because data are not collected or stored in a similar manner, and therefore it is often difficult to retrieve aggregate results (Greve, 2015).

Value Creation in the Public Sector

The idea of public value management was taken from the framework of public value creation first formulated by Moore. Public managers are in a "strategic triangle" between an environment that legitimizes and authorizes, an organizational environment in their focus, and an outcome environment.

The public value management framework has something different to offer than NPM. NPM is a competitive government, while Public Value Management (PVM) is post-competitive. NPM focuses on results, while PVM focuses on relationships. NPM defines public interests as aggregate individual preferences, while PVM sees collective preferences as expressed. NPM performance goals are managing input and output to ensure the economy and responsiveness to consumers, while PVM looks at how various objectives are pursued, including service output, satisfaction, results, trust and legitimacy. NPM accountability is upward through performance contracts and outward to customers through market mechanisms, while PVM looks at several accountability systems. Ultimately, the preferred delivery system of NPM is the private sector or public body with a tightly defined arm’s length, while the PVM delivery system is an alternative menu chosen pragmatically (Greve, 2015).

The next one is Performance Management. Performance management has been around for a long time. Basically, politicians and policymakers determine the goals they want to pursue and the way to document the achieved results, thereby giving accountability for their actions. Performance management has emphasized the results but there is also a focus on process performance in several fields. The performance management agenda has been linked to NPM. However, some activities that broaden prospects have taken place (Greve, 2015).

The third one is innovation. The innovation agenda can be accommodated in the discussion of public value management because it emphasizes the strategic and innovative aspects of public management. Innovation has been the main topic for some time in the public sector. Innovation encourages public managers to be creative and think outside the box. The definition of innovation is usually to present or
to discover something new that is practiced. The practice part is important because innovation is not just about fancy ideas that produce nothing. Innovation can be seen at the level of individuals, organizations, and society (Greve, 2015).

Engagement and Partnership for Public Action

The first one is regarding Networks and Collaboration. The New Public Governance (NPG) points to the theory of relations institutionalized in society and sees governance as the main concept for the relationship between government and the non-profit sectors. The main characteristic of NPG is to focus on partnerships, networks, joint services and new ways to work together. There are many ways for citizens to become active and to enter coproducing relationships noted by many observers.

The second one is the Public-Private Partnerships. The governance agenda in terms of public-private partnerships in which the public sector and the private sector share the risks and resources to generate excess value for the benefit of the two sectors can also be considered. Partnerships for public action has been around for a long time, and many historical examples of partnerships can be cited. In addition, the special idea of public-private partnerships has developed over the past few years. PPPs are both related to long-term infrastructure contracts that source private finance for its operations. However, PPPs can also be thought of in a broader way by linking government organizations with corporations or non-profit organizations (Greve, 2015).

The third one is involving the community through public development. Involving citizens or communities in deliberations about public services and utilizing their resources and views have been an established feature of the dynamic public sector. Now, there are signs that efforts to involve the community have been increased because people want to be involved in public affairs (Greve, 2015).

RESEARCH METHOD

The research method used in this research was descriptive-analysis with SLR (Systematic Literature Review). The data collected were secondary data by conducting literature and literature studies (literature review). This study used a digital database to find articles that were relevant to the New Public Management (NPM) by using the Scopus electronic database for research published between 2015-2019. A total of 140 articles or journals were found, and a total of 14 articles or journals were appropriate to be used in this research.

RESULTS AND DISCUSSION

From the above explanation about the New Public Management (NPM) in the Literature Review section, several issues or policies existed in the New Public Management (NPM). Those issues were mentioned in the journal by Eduardo Barberis, Katrin Grossmann, Katharina Kullmann, Rikke Skovgaard Nielsen, and Anne Hedegaard Winther, entitled "Governance Arrangements Targeting Diversity in Europe: How New Public Management Impacts Working with Social Cohesion" and in Carsten Greve's journal entitled "Ideas in Public Management Reform for the 2010s: Digitalization, Value Creation and Involvement".

Thus, there were broadly three policies or strategies in the New Public Management (NPM) as an effort in governance, which were reorganization of public administration, decentralization of partnerships and networks, and innovation. The first one was the reorganization of public administration. The reorganization of government institutions was a fundamental problem in providing public services. Institutional analysis and reorganization were carried out in detail to be able to expedite the process of public service to the community. Thus, the reorganization of public administration was done by targeting the size, costs, and objectives of public administration. In addition, the public workforce was often
streamlined, for example through layoffs, which supported externalization. Public action was stopped by incorporating market principles and professional style personal management in bureaucratic organizations. This included focusing on standards, performance measures, output control, and competition.

The second one was decentralization of partnerships and networks. In this strategy, NPM was accompanied by a process of decentralization and devolution in accordance with the principle of vertical subsidiarity, where agencies closer to the community were considered capable of framing problems and implementing solutions. However, if it was not entrepreneurship, decentralization could have a negative impact on social participation, especially in social policy. On the other hand, social risks could be delegated without adequate resources. In terms of building networks, it was necessary to focus on partnerships, networks, joint services, and new ways to work together. In addition, a public-private partnership was needed, where the public sector and the private sector shared the risk of incoming resources to generate excess value for the benefit of both sectors. Partnering for public action had been around for a long time, and many historical examples of partnerships can be cited.

The last one was Innovation. Innovation had been the main topic for some time in the public sector. Innovation was able to encourage public managers to be creative and think outside the box. The definition of innovation was usually “presenting or discovering something new that is practiced”. The “prac-ticed” part was important because innovation was not just about fancy ideas that produced nothing. Innovation could be seen at the level of individuals, organizations, and society. Innovation had also become a strong framework for social policy change and paved the way for further use of NPM instruments. In addition, the existence of competition was considered to be able to increase innovation. Innovation in NPM could be done through digitalization which was closely related to transparency.

CONCLUSION

New Public Management (NPM) was an important issue in public sector reform. In addition, the concept of NPM also had links with public sector performance management issues because performance measurement was one of the main principles of NPM. NPM movement initially occurred in developed countries in Europe, but in its development, the concept of NPM had become a global movement so that developing countries were also affected by the global spread of this concept.

The emergence of strong criticism directed at public sector organizations led to a movement to reform public sector management. One of the public sector reform movements was the emergence of the concept of New Public Management. New Public Management had influenced the process of changing public sector organizations comprehensively in almost the entire world. The emphasis of the New Public Management movement was on the implementation of decentralization, devolution, and modernization of public service delivery.

Thus, from a number of references, there were broadly three policies or strategies in the New Public Management (NPM) as an effort in governance, namely reorganization of public administration, decentralization of partnerships and networks, and innovation.

REFERENCES

New Public Management (NPM) as an Effort in Governance


