

New Approaches to Public Management

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Contents

I. Notes on Terminology

II. Traditional Approaches to Public Management
   1. The Established Bureaucratic Structure of Administrative Management
   2. Management Reforms in the ’60s and ’70s
   3. The “New Steering Model” as a German Variant of NPM Reforms

III. A Survey of Current Endeavours to Modernise Public Administration in Germany
   1. The Perception of a Need for Reform
   2. The Mainstream of New Public Management
   3. The “New Steering Model” as a German Variant of NPM Reforms

IV. Approaches to Management within the “New Steering Model”
   1. First Steps Towards the “New Steering Model”
   2. Components of the “New Steering Model”
   3. Progress in Implementing the “New Steering Model”
   4. The “New Steering Model” – Prospects for Success

V. Perception of New Approaches to Management in Academic Circles
   1. The Current State of the Academic Debate
   2. Current Reform Models – Unresolved Issues and Critical Questions

I. Notes on Terminology

The two German terms central to any discussion on public management – “Führung” and “Leitung” – are not used in any consistent way in the relevant literature. The term Führung is frequently equated with the Anglicism “management” – commonly used in German, especially in the context of the private sector (where Führung is equivalent to Unternehmensführung – i.e. corporate management). In a much narrower usage, the term Führung is often defined in terms of a form of direct and goal-orientated, social/emotional guidance of co-workers, and is consequently regarded as that component of “management” which is concerned with leadership functions (the equivalent German term is Personalführung). This second interpretation is particularly prevalent in the social sciences.

The term Leitung is employed particularly in organisation theory in the sense of steering and directing operations, and thus contrasts with more implementational functions. This view
of *Leitung* is defined as the execution of management functions by “officially” appointed and accountable *Leiter* (“leaders”) invested with the authority of office and within the hierarchically defined remit of an organisation. *Leitung* is consequently also a component of “management”.

In the following remarks on new approaches to public management in administrative bodies in Germany, the concepts underlying the German use of *Führung* and *Leitung* are condensed under the cover term “management” – a word which has been adopted into German to express this more general meaning. The approaches outlined below can then be characterised in brief as new approaches to administrational management. In this context, “management” means the shaping and “steering” of organisations with the purpose of focusing both the organisation itself and its staff on achieving the objectives which have been set for it. Management can, therefore, be divided into a material dimension (initiating and steering organisational decision-making processes) and a personnel-related dimension (leadership).

Within public administration in Germany the concept of “management” still meets with a considerable degree of apprehension. The term appears to be so strongly associated with private-sector notions and practices that there is great reluctance in some quarters to adopt it with application to the public sector. It is largely because of this that the term “Steuerung” (steering) has recently taken on a new lease of life and is now frequently employed within ongoing reform projects in German administration for matters which can in fact be subsumed under the heading “management”. As will be explained below, the major impetus towards establishing the term “steering” has come from the KGSt (*Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung* – the joint local-government agency for the simplification of administrative procedures) with its proposal for reforms in local-authority management, which it promulgated throughout Germany under the watchword of a “new steering model”. Although the word *Steuerung* is also employed in German administrative science with a quite different sense (including to refer to influences on action processes at the micro-level), within the context of modernisation in public administration this term can seen as being largely synonymous with “management”. The same applies to the term *Lenkung* (“guidance”).

II. Traditional Approaches to Public Management

I. The Established Bureaucratic Structure of Administrative Management

In its basic structures and procedures, management within German public administration today still follows the underlying tenets of the bureaucratic model formulated by Max Weber at the beginning of this century to explain and justify organisational power structures. The division of functions, the hierarchical structures, obedience to commands, formalisation, meticulous regulation, permanent and full-time employment of professional civil servants, discipline and the professional ethos are just a few of the attributes frequently cited to characterise bureaucratic organisation. These features of organised normative control are still prevalent today throughout public administration in Germany. Consider, for instance, the provisions contained within the Common Rules of Procedure for the Federation and the *Länder*, or the standard procedures for various types of supervisory control, or the “established principles of the system of a permanent civil service”, which involve controlling behaviour by providing material security and by the use of legal norms. German administration must be acknowledged as displaying “consistency and persistency in its
normative and regulatory control”, and – apart from the reform tendencies to be outlined below – there have hitherto been very few signs of any fundamental departure from this style of management.

There can be no doubt that the management structures which characterise the bureaucratic model did indeed have some merit in the social and political context of the early 20th century and in connection with the forms of state intervention and regulation which prevailed at that time. They prevented arbitrary and subjective exercise of power and provided a guarantee that citizens and their concerns would be treated in an impartial, predictable and proper manner in accordance with regulations. Both the foundation in the rule of law and the supervisory control thereby safeguarded over administrative actions – two key components of the bureaucratic model – are without any doubt still valid and indispensable principles for public administration. Nevertheless, it is important to question whether the internal factors affecting administrative organisation and the external conditions within which they were embedded – and which administrative management under the bureaucratic model in its day was designed to address – are still just as relevant today. Does then the traditional concept of bureaucratic management have any (general) validity today?

The majority of experts on administrative reform in Germany would answer this question with an unreserved “no”, observing that the last few decades have witnessed a major transformation both within administrative bodies themselves and in the general context within which they exist. They would go on to refer in particular to the shift in function away from regulation and establishing order to performance and the delivery of services, to the changes which have taken place in the values and attitudes of both citizens and administrative staff, as well as to the continuing crisis in public finances, which, it is widely claimed, calls for more cost-efficient and “leaner” administrative structures. There is – it is argued – an ever-widening gulf emerging between the demands currently being made on the administrative system, from within and from without, and the management structures which have been handed down. Once a hallmark of excellence, the mechanistic functioning of the bureaucratic apparatus has come to be its Achilles’ heel.

2. Management Reforms in the ’60s and ’70s

In the vast majority of cases, reforms to public management in the Federal Republic of Germany over recent decades have been concerned with perfecting bureaucratic management structures. Both the horizontal and the vertical division of tasks and functions have been further refined with management structures extended to form an ever-steeper pyramid. There has been an increasing separation of decision-making from execution, and of sectoral responsibility from responsibility for resources. The personnel system has similarly been affected by the drive to perfecting regulatory control, a development which has in turn spread from posts governed by civil-service law to non-civil-servant grades.

In the 1960s and ’70s there were a number of endeavours in the Federal Republic to introduce reforms in order at least to provide some counterweight to the pathological bureaucratic effects of administration. Some examples of such attempts at reform are:

- attempts to introduce new procedures to improve the instruments of forward planning and decision-making by the state (e.g. cost-benefit analysis, ideas from programme budgeting);
• experiments with corporate management concepts widely employed in the private sector, in particular “management by objectives” and “management by delegation” (widely associated in Germany with the label “Harzburg model”);
• proposals to improve the public service in Germany by adopting notions and applying instruments taken from the field of personnel management (e.g. the instruments for staff recruitment, selection, assessment and development put forward by the commission set up by the Federal Government in the early ’70s to consider reforms to public-service law);
• attempts to bring public administration closer to the citizens it serves by instituting a broad programme of retraining and in some cases through internal reorganisation (e.g. a number of towns set up “one-stop offices” to simplify access for citizens to public administration.

Although these – and other – attempts at reform have triggered a wide-ranging debate among academics, and have indeed on occasion brought forth some practical changes, their success overall can only be regarded as partial since they have not made any substantial and lasting impression on administrative practice in Germany. Reforms have also not seriously challenged the entrenched concept of bureaucratic management, but have principally been concerned with addressing isolated symptoms and thus essentially with maintaining the status quo. Moreover, since these reforms were largely foisted onto administrative bodies from outside, without any real attempt being made to adapt them to the specific conditions in public administration which would affect their application, and without there being any serious commitment to them in political circles, these early attempts at management reform in public administration in Germany have largely remained reforms only on paper. One other explanation for the continued survival of bureaucratic normative control in Germany is surely also to be found in the high regard which public administration in Germany has enjoyed over a considerable period of time for its efficiency (primarily its dependability and its legal basis), and in the fact that it has been able to depend on its comparatively highly-qualified staff – with legal qualifications in the preponderance.

In summary, and taking a retrospective view, it is undeniable that the fundamental concept of public management in German as a matter of Führung and Leitung has survived the last few decades intact. Only relatively late in the day has any fundamental discussion been instigated in Germany on “new” forms of management. This will be the subject of the following survey.

III. A Survey of Current Endeavours to Modernise Public Administration in Germany

1. The Perception of a Need for Reform

In the period of economic growth in Germany up to the end of the 1980s, it was possible in many cases to paper over the structural deficits in administration simply by increasing budgets. Only as the financial crisis has become more acute, particularly with the financial effects of German unification, have more swingeing curbs on public spending been resorted to, primarily at local-authority level. It was only then that it became evident that the traditional tools of management – designed for a period of growth – were ill-fitted to meeting the needs of a period marked by economic decline. This gave backing to endeavours in the Federal Republic to institute the root-and-branch modernisation of administrative management.

Alongside the hope that management reforms would make an effective and simple contribution to cost-savings, one instrumental factor behind the calls for reforms in Germany
was the increasing difficulty encountered in managing administrative units. As will be seen below, a “system of organised irresponsibility” was diagnosed, which was seen to stem from the increasing centralisation of service functions within the administration and from the gulf which this was opening up between those with responsibility for sectoral matters and those in charge of resources. An additional reason was to be found in the increasing independence of municipal operations (as they were hived off from the administration), which itself subsequently exposed deficits in (political) control.

The general reorientation was, however, also supported by general shifts in thinking in society at large and in politics. In the course of the 1980s the classical model of the welfare state lost credibility in the minds of many people; more objectively, it also came up against the limits of its effectiveness. In association with the general disaffection with politics and in administration – and at the same time bolstered by the apparent break-down of the Socialist economic and social model – this crisis fuelled a renaissance of more liberal attitudes to the economy and to the role of the state, which were at the time filtering through from the English-speaking world into Germany. From the end of the 1980s the conviction that the market was a more efficient regulator and a better source of solutions than either politics or the bureaucratic machinery had begun to gain ground and finally also in Germany unleashed a trend towards what was termed “new public management”.

2. The Mainstream of New Public Management

Since roughly the beginning of the 1980s a common view of administrational management has emerged world-wide which has come to be termed internationally “new public management” (NPM). The concept of NPM is generally held to be characterised by the following key attributes:

- increased market-orientation and focus on competitiveness;
- corporate management concepts adopted from the private sector;
- separation of strategic (political) and operational (administrative) responsibility;
- ideas derived from management by objectives and by outcomes, and
- decentralised, semi-autonomous structures.

The NPM model, found predominantly in the English-speaking world, is underpinned partly by neo-conservative political philosophy, but also by such neo-liberal notions as “public choice theory” and “managerialism”. In NPM-orientated models two complementary perspectives on reform are pursued:

a) the external perspective: a new profile of tasks and duties, a new policy on vertical integration of service-provision, the shift from being a provider of services to the role of “guarantor”, increased orientation to markets and to the competitive environment, improving the delivery of services to citizens;

b) the internal perspective: fundamental reorganisation of structures and processes, decentralisation, increased accountability, focus on outcomes and results, improvements to personnel and financial management, etc.

Over the last few years this NPM model has been implemented world-wide in a number of variants. Suffice it in this context to say that administrative reforms based on NPM have been
carried out as far apart as in Australia and New Zealand, in a number of European countries, as well as in the USA and in Canada. As to just how innovative the NPM model really is, opinions vary.

3. The “New Steering Model” as a German Variant of NPM Reforms

Within German public administration – so far principally at local-government level – reforms have followed one dominant pattern, namely that of the “new steering model” (NSM) developed and enthusiastically promulgated by the KGSt. This reform model has been developed by the KGSt in stages since 1990 working in close cooperation with a number of major German cities. It is modelled very obviously on the management concept in place in the Dutch town of Tilburg, which in the early '80s developed an approach to organisation and management fashioned very closely on corporate-style organisational structures found in the private sector. This management concept came to be extremely – and surprisingly – well-known as the “Tilburg model” and, at least in regard to some of its features, has been widely emulated. However, the fact should not be ignored that the NSM has picked up a number of elements which had played a very important role in administrative reforms many years earlier (e.g. decentralisation and outcome-orientated approaches). As the components of this “new steering model” are explained in the following section, it will also become apparent that – with a number of peculiarities yet to be discussed – the NSM falls clearly within the mainstream of NPM.

IV. Approaches to Management within the “New Steering Model”

1. First Steps Towards the “New Steering Model”

Triggered by the perception prevalent in many German local authorities that administrative units were becoming increasingly difficult to manage, and equally by acute budgeting problems, two central strands of reform have emerged in local authorities in Germany:

a) decentralising responsibility for resources: In order to provide a counterweight to the “bureaucratic centralism” of what had become powerful (perhaps too powerful) central service departments, an attempt was made to transfer decision-making powers and responsibilities for resources (finance, personnel, appointments) away from the central departments where they had previously been located (treasury, head and personnel offices) to the individual sectoral departments with their various special responsibilities (e.g. youth department, planning authority). For sectoral departments this represented a very significant broadening of their responsibilities rendering them responsible for the overall outcome of their actions (both technical and resource-related aspects). In effect the central departments were emasculated and from this point on were responsible solely for service and advisory functions. As a response to this delegation of responsibilities an attempt was made to safeguard the essential central management of the local authority by creating an effective central steering service to undertake the relevant controlling functions on behalf of the head of the administration.

b) the budgeting concept: Since the traditional method of retrospectively cutting budgets calculated initially in a bottom-up fashion had ceased to function properly, a top-down budget-planning procedure was tested in which the level of funding available to the various
sections was set at the political level, and each section was then free to budget flexibly within the given parameters on its own responsibility. In order to implement this change, it was necessary to relax a considerable number of the basic and “sacred” principles of the traditional cameralistic accounting system, such as the non-transferability of budget allocations (i.e. the prohibition on using certain budget positions to provide collateral for others). More recently such practices have been further facilitated by “experimentation clauses” in the local-government statutes of some Länder. As a general rule, the global budgets for each section are drastically cut so that some cost-savings do indeed accrue from the introduction of global budgeting.

Those local authorities which opted for one or the other of the two approaches to reform were soon to realise that one component of NSM in isolation did not get them very far. They came to feel that budgeting also called for the adoption of an appropriate degree of responsibility for results, or in other words that decentralising responsibilities for resources did not work without global budgeting. What this led to in practice was a situation in which both elements of reform were combined. In the course of time it very quickly became evident in the local authorities undertaking these trials that additional elements of NSM were required in order to practice a really valid and effective form of administrative management. Consequently, the ever-growing number of German local authorities which had embarked upon reforms experimented with making the terms of the “product descriptions” they drew up as concrete as possible and defining precisely with regard to quality and cost the services to be delivered to their beneficiaries. The next logical step was to institute cost/performance accounting in order to be able to calculate the cost of “products”, and more particularly for purposes of internal contra-accounting. Once products and costs had been established, very frequently the next step was to introduce the concept of financial controlling in order to facilitate effective scope for steering and for the indispensable task of reporting.

At the time of writing several hundred local-authority administrations in Germany have now experimented with a “new steering model” and are – to varying degrees – in the process of fundamentally reforming their management systems.

2. **Components of the “New Steering Model”**

In its current profile the NSM places emphasis particularly on the following principles or components:

- The principle of decentralisation: in today’s world a large or medium-sized organisation can no longer be managed effectively in a uniform manner from the centre. Consequently, the overriding principle should be “no more control from the centre than is necessary”, and “as much decentralised control as possible”. This should not be allowed to lead to “naive decentralisation”, but must follow the objective of allowing the decentralised units to act semi-autonomously within the bounds of given political objectives and with regular monitoring of their effectiveness at hitting targets.
- Steering is implemented via a hierarchy of linked control circuits: at the operational level, the various sections (offices, departments) are largely independent in the way they run themselves; they are merely steered in the desired direction by a global brief emanating from the top level of administration. Feedback from the various departments is collated and evaluated by a central steering service and redirected to the top tier of management in the form of corrective and strategic recommendations.
Steering is a matter of putting forward objectives or “outcomes”: the political committees lay down global objectives to provide a framework for the top level of administration to firm up and pass on to the sectoral departments in the form of performance and financial targets. There is constant monitoring to establish whether targets have been met with reporting back to top management on the basis of operational and target-orientated indices. Local-authority management is thus undergoing a transformation from what was hitherto predominantly “input-management” to “output-management”. This process must not, however, be allowed to halt with its orientation to direct outputs (administrative performance), but must in the final analysis strive to be outcome-orientated. Administrative actions do after all have the aim of bringing about quite specific impacts and outcomes in society at large or on those to whom they are directed.

The principle of decentralised responsibility for outcomes: whichever sectoral unit is responsible in substantive terms for a particular task is also responsible for the efficient deployment of the resources required to perform this task (finance, personnel, appointments, investment). Following the organisational principle of “congruence”, both decision-making powers and responsibilities for the technical content of on-going administrative actions, as well as the concomitant decisions on the allocation of resources are assigned to the relevant sectoral unit (sectoral departments, offices, etc.).

Detailed and regular monitoring of the implementation process (the controlling concept): an attempt is made to determine the extent to which targets have been achieved at the various tiers of administration, and to identify whatever corrective measures can be derived in a systematic feedback and evaluation process.

Flexible organisational structures and budgeting practices: With regard to organisation, a sectoral unit must be in a position to act independently and on its own responsibility (as an outcome or responsibility centre). The law and practice of budgeting must provide the necessary scope for action in this area (e.g. more flexible (time-scale and purpose) deployment of finance, greater transparency regarding the impacts of financial decisions, freedom to take decisions on taking up services offered either internally within the administration or to draw on external service providers).

If we compare the NSM-type approaches to NPM which have so far been put into practice in Germany with those found in other countries, two peculiarities of the German situation become apparent: firstly, the German NSM concept is comparatively one-sided in its focus on modernising internal administrative structures, i.e. on the second of the two NPM perspectives outlined above. As is revealed by the preceding list, NSM reforms have essentially targeted organisational structure, financial management and internal control mechanisms. Product range, competitive orientation and the view of the citizen as a consumer of services are notions which – so far at least – remain underdeveloped within the NSM concept.

The “product range/increased competitiveness” component would appear to be in special need of development taken in the context of the general aims of reform. Experience in a number of other countries shows that these areas may harbour very significant potential for increasing efficiency. To begin with, this topic involves a fundamental rethink of the range of functions – or products and services – on offer. It needs to be established for what state or local-authority tasks the relevant public institution should in future – with regard to resources – act as guarantor, which should be funded by it, and which it should actually deliver itself. But even with regard to any single, specific task, it is important to examine very critically to what extent it should be performed in-house by a public body, or rather contracted out to an
external “supplier” (a decision on the optimum level of vertical integration). When this examination is taken to its logical conclusion, what emerges is a more finely-drawn distinction between the “client”, or purchaser of products and services (a political/elected representative body), on the one hand, and the supplier or service provider (either a public body or a non-public entity). This distinction leads in the final analysis to a model of administration for the future which might be termed a “performance guarantor administration”, similar in form to the “enabling authorities” which are currently being set up in the United Kingdom.

Secondly, this component is concerned with introducing or promoting competition: it is only when competition is introduced to the equation that NSM begins to bite; it is competition which provides the real impetus for greater efficiency. A first step towards promoting competition can be taken, for example, by creating greater transparency and comparability between the products and services on offer from different administrative units (“quasi-competition” through benchmarking, through inter-authority comparisons, by fixing price for specific performances in tenders. Equally it can be promoted by consistent implementation of the guarantor principle referred to above by awarding contracts for administrative functions on a competitive basis to the most cost-efficient provider (the system known in the United Kingdom under the label “compulsory competitive tendering”).

Another area ready for modernisation, which although falling within the scope of internal reform has largely been neglected so far within the NSM reforms in Germany, is that of personnel management. In this area the firmly entrenched model of the permanent civil service, which appears to see no need whatsoever for any approaches towards active human-resources development, has proved to be an impediment to change. As is made clear by current NSM reforms, within the new type of administrational management it is no longer the passive/reactive “applier of the law” who forms the centrepiece, but the active/shaping “public manager”, who is capable of operating effectively with the corporate-style instruments outlined above. There is a real need here for the introduction of effective and appealing material and (especially) non-material performance incentives, of appropriate managerial practices and styles and attractive opportunities for personnel development. Up to now reforms in this area have been thwarted by public-service law, which in Germany is laid down centrally by the federal government.

3. Progress in Implementing the “New Steering Model”

Since around 1990 more and more local authorities in Germany have been experimenting with elements of NSM. Initially it was principally the larger cities; more recently a significant number of medium-sized towns and county administrations have followed suit. In 1995 roughly 30% of all medium-sized and larger local authorities in the Federal Republic of Germany were in the process of trialling NSM approaches of one kind or another. It must, however, be conceded that it is very difficult to judge from the outside whether such NSM trials are indeed to be regarded as concrete and sustainable reform measures, or whether they are more a matter of quite blatant public-relations hype. Moreover, it is becoming increasingly clear that NSM is developing into something of a “reform mantle” which, in the administrative practice of local authorities, frequently wraps up very different reform elements and approaches which in some cases have very little in common with the actual ideas behind the model put forward by the KGSt.
In most local authorities NSM trials are conducted within the framework of pilot projects. In the normal case, a limited number of particularly “suitable” departments are selected for trials on decentralisation, budgeting, etc. Frequently these units are comparable to private-sector businesses (e.g. waste management) or they may be the more “exotic” units (e.g. zoos, theatres). The challenges posed by larger, more conflict-ridden departments are usually left for a second phase.

It is striking, however, that within the current reform process NSM trials have taken place almost exclusively in local authorities situated in the old Länder. In the new Länder of the former East Germany NSM-orientated trials did not commence until 1995 and remain very few in number. This is hardly surprising when one considers the fact that local authorities in eastern Germany have had their hands full over the last few years implementing the (obsolete) local-authority model imported from western Germany, and with the reorganisational tasks resulting from this. There are, moreover, yawning gaps in the expertise at hand.

For some time now many Länder have been encouraging the reform projects undertaken by local authorities by strategic relaxation of the statutory regulations contained in local-authority budget and economic law, as well as by being more generous about sanctioning special and exceptional cases within the supervision they exercise over local authorities. The readiness of the Länder to bow to requests to suspend “nanny” regulations – often referred to as the use of “experimentation clauses” – does indeed appear to exert a very significant reinforcing effect on the willingness of local authorities to innovate. Some Länder also provide financial support for local authorities to promote innovative management by making grants to selected model authorities to cover some of the expenditure incurred in the course of their reforms.

Experiments with new “steering” concepts have so far been limited largely to the local-authority level. No information is currently available on any significant attempts at reforming federal administration along NSM lines. In a number of Länder, however, some interest has been shown in management reforms over the last few years within the context of more general programmes for reforming their administrations. The following may serve as examples of the approaches being taken:

- In all three “city-states” (Berlin, Hamburg and Bremen) intensive endeavours are under way to reform management structures. Since 1994 a good deal of effort in Berlin has gone into introducing a corporate-style “management and steering system for Berlin”; this has involved outside assistance from external business consultants. In Bremen similarly a wide range of activities are currently being undertaken with the purpose of testing elements of a steering model and of improving personnel management. In Hamburg too, albeit on a lesser scale than in Berlin, pilot trials are in progress both to introduce management reforms and to establish controlling within the administration.
- Among the larger Länder, Baden-Württemberg has long seemed to be the most enthusiastic with regard to reform: experiments with steering models are in progress in a number of subordinate Land authorities; work is being undertaken on bringing more flexibility to financial management; a more modern concept of personnel management is being phased in.
- At the Land level Schleswig-Holstein similarly enjoys a good reputation with regard to its management reforms: for some years now a high-power task force at the state chancellery (formerly termed the “think-tank”) has been working on an NSM-led reform concept, which has been put to the test in a number of concrete projects in lower Land authorities.
The long-term prospects for the success of this very considerable wave of modernisation which a large number of German local authorities and now also a number of Land administrations have been swept up in are at present a matter of speculation. It is still early days: trials have not yet progressed beyond the phase of initial and isolated pilot projects; significant effects – even unintended ones – have not yet manifested themselves. The “sceptics” among the practitioners in German administration, as well as among academics, have been noticeably reticent during the first years of reforms; only now are they beginning to raise their voices with a note of caution and criticism. Notwithstanding the fact that there are still various questions which remain to be answered, and critical points to be addressed, there is some cause for optimism:

- The continuing pressure on over-strained public coffers can be expected to go on reinforcing initiatives towards more efficient management;
- The new management concepts are in tune with the spirit of the age – the supremacy of markets and competition; they meet with very wide acceptance among the public at large and in political circles;
- The reforms are “bottom-up” reforms originating in administrative bodies themselves; they enjoy wide acceptance among administrative staff, who are generally extremely unhappy with the prevailing structures;
- The reforms satisfy the motives of both of the major political camps: for the Social Democrats and the trades unions they represent a welcome alternative to privatisation and an opportunity to safeguard employment; for the Christian Democrats it is their conceptual proximity to private-sector management which makes them attractive, along with the promise of greater efficiency and at least the possibility of cost-savings.

In contrast to earlier and similarly motivated attempts at reform – most of which foundered – the current wave of NSM reforms do appear to display the “right mix” of concepts and consequently to be more suited to the context of today. It is, therefore, reasonable to assume that the spirit of reform towards new models of management will maintain its momentum over the years to come.

In spite of these more auspicious factors, a number of risks must be mentioned which would appear principally to be located within the implementation process. The hectic manner in which these reform projects are frequently carried through often leads to the critical ground rules of a successful implementation strategy being ignored. Among the problem areas frequently encountered when introducing NSM-type management reforms are:

- Uncritical adoption of “fashionable models” with insufficient consideration to their suitability to the situation at hand;
- A complex NSM project is run “on the side” as a part of “day-to-day management” without the requisite and comprehensive project management being in place; more specifically there is often neither a clearly defined budget for the project, nor any form of project coordination, which is essential, nor any real commitment to the quality assurance which is due (e.g. by means of scientific evaluation). In most cases prospects are also hampered by an unrealistically short time-scale;
• there is a failure to resolve – or to deal productively with – the conflicts which arise between management reform, on the one hand, and the necessity of budget consolidation, on the other. Similarly there are conflicts between modernisation and privatisation (typically, instead of waiting until the administration has been modernised before examining the need for privatisation, the opposite course is taken);
• there is a failure to involve politicians at an early stage; a technocratic reform of internal structures and management instruments which is not accompanied by “political reforms” does not now appear to hold out any real prospect of success;
• the attention paid to the interests of employees is too little and too late: the success of the reform is to a very large extent dependent on them being in possession of all the relevant information on what it involves, on their participation in decision-making on reforms, and on their continuing willingness to learn new skills and procedures. Very often employees are ill informed and are unable to cope with the speed with which reforms are implemented. In order to minimise risks to reforms, it is advisable to enter into a pact with staff representatives with regard to reform, which can then form the basis for close co-operation.

In the meantime voices have been raised within the reform process – from people wholly in sympathy with the aims of modernisation measures – which warn that a very significant proportion of ongoing reform projects are doomed to fail prematurely due to the inappropriateness of implementation strategies.

V. Perception of New Approaches to Management in Academic Circles

I. The Current State of the Academic Debate

As will have become clear from the above remarks, current approaches to management reform in Germany have been born out of practice rather than theory. The various elements of NSM and NSM strategies have emerged out of the practice of (local-authority) administration, and it is here that they have been tried and tested. Within this process the KGSt, operating hand-in-hand with local-authority management in a “think-tank” capacity, has played a particularly crucial role both as a catalyst and as a missionary.

Academic circles by and large “slept right through” the birth and development of NSM-type reforms. They were relatively late in jumping on board the “reform train” – where they have indeed come on board at all; it should, however, be stated in their defence that they were never explicitly invited by administration practitioners to provide their support. This (self-)critical analysis applies equally to the academic field of business administration as well as to law and politics. For years academic business administration departments – which could have been expected to have a special contribution to make to reform models as an obvious source of assistance and support – looked on as practitioners dabbled with attempts to adopt private-sector instruments paying scant regard to the special conditions prevailing in public administration. Only more recently has this given way to, at first, cautious reactions in the form of critical evaluations of reform elements and also recommendations for further action. Equally slow at grasping the challenges posed by NSM were legal scholars, whose contribution is essential to a review of the many now inappropriate statutory provisions (ranging from local-authority constitutional law and the legal aspects of contract management to supervisory control of personnel and sectoral units). Similarly, political science has so far
largely failed to enter into a critical and constructive debate on the political aspects (especially at local-government level) of new steering models.

Although a start has admittedly now been made, there is as yet still a dearth of sound theoretical and, above all, empirical studies and appraisals of the state of reform projects currently in progress. The consequence of such abstemiousness on the part of the very disciplines of the administrative sciences whose contributions would be most relevant is that reform concepts have been put forward for implementation by administration without any critical academic reflection, and equally without any examination of unforeseen side-effects and consequences. It is becoming increasingly clear that the one-sided and somewhat limited orientation of NSM-type reform approaches to the instruments of business administration is problematical. Greater involvement of other sub-disciplines and the creation of a more interdisciplinary profile for reform models would appear to be an essential course for the future. In the light of the academic discourse which has now been embarked upon, and of a number of individual research projects to accompany on-going reform schemes, there is now good reason to hope that the coming years will see significantly increased interest and debate in academic circles on current modernisation measures.

2. Current Reform Models – Unresolved Issues and Critical Questions

In those cases where they have been implemented successfully, there can be no doubt that on-going projects to modernise administrative management represent the “chance of the century” to effect reform. There are legitimate grounds for high expectations: very substantial advances are possible in improving transparency in administrative action; organisations can quite possibly be made “leaner”; staff can be helped to apply their potential and their motivation more effectively, which in the long term will lead to increased efficiency and performance. It remains, however, the duty of the sub-disciplines of administrative science – and one which hitherto has not been embraced – to examine critically to what extent these reform models might give rise to undesirable and unintended side-effects and consequences. Some of the problem areas which remain to be resolved are outlined below.

The prioritisation of economic or corporate-style management, which lies at the very heart of NSM approaches, can give rise to problems of two types. Firstly, it can lead to shifts in accountability, and more specifically to a loss of political accountability within the political process. Placing emphasis on efficiency may (albeit unintentionally?) lead to the neglect of other important political objectives such as fair allocation of resources, social security, democratic legitimation or responsiveness. Moreover, the strict separation envisioned between politics and administration – especially at ministerial level – may contribute to the gradual disappearance of a policy dimension within the process of administrative action, and thus also favour a more technocratic or bureaucratic orientation to action. It also appears uncertain whether this separation – and the switch of political roles it implies – will be as effective at the state level (i.e. federal and Land parliaments – governments – administrations). Quite apart from this, it remains to be seen whether, and to what extent, political decision-makers will in fact be prepared to adapt to the new role of providing the strategic framework and exercising a control function which is intended for them under this separation. It would, after all, involve refraining from the current – and, in electoral terms, very effective – practice of intervening directly in the day-to-day management of a public institution. Do they not have grounds to fear further erosion of political sovereignty, a power-shift in favour of the executive arm?
Secondly, the “corporatisation” of state structures might well blur the boundary between market and state. What is there left to be regarded as a “typical state function” in a climate where a public institution is participating directly in the marketplace, not only by “outsourcing”, but also by “in-sourcing”, i.e. by taking on what were hitherto private-sector service functions? A further question still to be resolved is whether the curative powers attributed to market forces will be just as effectual in the public sector as, in particular, voices representing public-choice theory would have us believe. In the light of the wealth of experience of the phenomenon of market-failure, is the case for the supremacy of the marketplace really so overwhelming? At times one cannot fail to gain the impression that market solutions have been postulated – especially in the context of privatisation – without any careful examination being undertaken of the actual advantages and disadvantages they might harbour, or of what consequences might follow in their wake.

At the interface between politics and administration a number of different problems remain to be resolved. There is a great need at least for a debate on the extent to which the possibilities for exercising political control over administrative actions may be influenced by NSM-type concepts. On the one hand, it has be conceded that they render administrative actions considerably more transparent to politicians. Nonetheless, the possibility cannot yet be discounted of a highly decentralised, corporate-style body, whose actions are determined by an economic and financial management ethic, in time falling prey to corruption on an even greater scale than is currently the case. A further question which remains to be answered is whether – still maligned – tendencies towards fragmentation and the ensuing centrifugal forces within an administration will be strengthened as resource management becomes increasingly decentralised. Shortcomings which have become apparent over recent years in the management of formerly municipal institutions which have been hived off and become independent do suggest that such fears may be warranted.

Similarly, the interface between administration and the public would appear so far to have been given relatively little consideration. The realisation that it is vital for all administrative activities to be orientated towards the citizen is certainly to be welcomed – particularly in the general context of quality-management approaches. It would, however, represent a wholly unacceptable derogation of civic roles if that of the citizen were to be pared down to the role of a “customer” – as appears to be envisaged in some approaches – or even to that of a “paying consumer”. This approach makes no allowance for the role of citizens as voters, as participants in decision-making processes, as members of a community (geared to mutual support), and not least as tax-payers.

A final question awaiting resolution is whether the instruments of business administration put in place within this context of management reforms – budgeting, cost/performance/outcome accounting have in fact been suitably adapted to the specific conditions affecting their implementation in public administration. In many cases there are all the appearances of this transfer of concepts from private-sector business administration having been undertaken in a somewhat naive and unreflected fashion with insufficient attention given to clarifying how appropriate they may be in the long term to public administration.

The current management reform programme is, therefore, clearly in glaring need of considerably greater illumination from within the administrative sciences. From a purely pragmatic perspective, three points appear to be evident: firstly, the bias of the steering models which currently predominate to corporate-style management needs to be balanced by the involvement of other disciplines, while at the same time carefully adapting these models to
address the various contexts affecting their implementation in the public sector. Secondly, it seems likely that the “new” models in their current design will turn out not to be equally successful at all state levels and in all areas of policy. More probably a range of variants will have to be developed, of which there are as yet, however, no signs. As this happens, a trend which is already visible will be reinforced: as far as their management structures are concerned, public institutions will become more and more diverse; sovereign authorities will in all probability stick closely to the bureaucratic model, performance-orientated administrations will move closer and closer to the corporate model. Thirdly, the “internal structure bias” of German reforms will have to be adjusted: increased competition and a more consistent orientation towards citizens, wherever this is possible, will form the second pillar of management reforms in the Federal Republic of Germany.