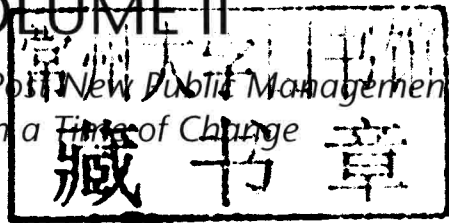


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PUBLIC SECTOR REFORM

VOLUME II

Management and Politics: New Public Management:
Reform in a Time of Change



Edited by

Andrew Massey



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A Public Management for All Seasons?

Christopher Hood

The Rise of New Public Management (NPM)

The rise of 'new public management' (hereafter NPM) over the past 15 years is one of the most striking international trends in public administration. Though the research reported in the other papers in this issue refers mainly to UK experience, NPM is emphatically not a uniquely British development. NPM's rise seems to be linked with four other administrative 'megatrends', namely:

- i. attempts to *slow down or reverse government growth* in terms of overt public spending and staffing (Dunsire and Hood 1989);
- ii. the shift toward *privatization and quasi-privatization* and away from core government institutions, with renewed emphasis on 'subsidiarity' in service provision (cf. Hood and Schuppert 1988; Dunleavy 1989).
- iii. the development of *automation*, particularly in information technology, in the production and distribution of public services; and
- iv. the development of a more *international* agenda, increasingly focused on general issues of public management, policy design, decision styles and intergovernmental cooperation, on top of the older tradition of individual country specialisms in public administration.

(These trends are discussed further in Hood 1990b).

NPM, like most administrative labels, is a loose term. Its usefulness lies in its convenience as a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many

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of the OECD group of countries from the late 1970s (see Aucoin 1990; Hood 1990b; Pollitt 1990).

Although ill-defined, NPM aroused strong and varied emotions among bureaucrats. At one extreme were those who held that NPM was the only way to correct for the irretrievable failures and even moral bankruptcy in the 'old' public management (cf. Keating 1989). At the other were those who dismissed much of the thrust of NPM as a gratuitous and philistine destruction of more than a century's work in developing a distinctive public service ethic and culture (cf. Martin 1988; Nethercote 1989b).

NPM's rise also sparked off debate as to how the movement was to be labelled, interpreted and explained. What exactly was the public management Emperor now wearing? Where did the design come from, and did its novelty lie mainly in presentation or in content? Why did it find favour? Was it an all-purpose and all-weather garment? This article attempts to discuss these questions, with particular attention to the last one.

What the Emperor Was Wearing: The Doctrines of NPM

Different commentators and advocates of NPM have stressed different aspects of doctrine. But the seven overlapping precepts summarized in table 1 appear in most discussions of NPM. Over the last decade, a 'typical' public sector policy delivery unit in the UK, Australia, New Zealand and many other OECD countries would be likely to have had some exposure to most of these doctrines. But not all of the seven elements were equally present in all cases; nor are they necessarily fully consistent, partly because they do not have a single intellectual provenance.

Where the Design Came From: NPM as a Marriage of Opposites

One way of interpreting NPM's origins is as a marriage of two different streams of ideas. One partner was the 'new institutional economics'. It was built on the now very familiar story of the post-World War II development of public choice, transactions cost theory and principal-agent theory – from the early work of Black (1958) and Arrow (1963) to Niskanen's (1971) landmark theory of bureaucracy and the spate of later work which built on it.

The new institutional economics movement helped to generate a set of administrative reform doctrines built on ideas of *contestability*, *user choice*, *transparency* and close concentration on *incentive structures*. Such doctrines were very different from traditional military-bureaucratic ideas of 'good administration', with their emphasis on orderly hierarchies and elimination of duplication or overlap (cf. Ostrom 1974).

Table 1: Doctrinal components of new public management

No.	Doctrine	Meaning	Typical justification
1	'Hands-on professional management' in the public sector	Active, visible, discretionary control of organizations from named persons at the top, 'free to manage'	Accountability requires clear assignment of responsibility for action, not diffusion of power
2	Explicit standards and measures of performance	Definition of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services (cf. Day and Klein 1987; Carter 1989)	Accountability requires clear statement of goals; efficiency requires 'hard look' at objectives
3	Greater emphasis on output controls	Resource allocation and rewards linked to measured performance; breakup of centralized bureaucracy-wide personnel management	Need to stress <i>results</i> rather than <i>procedures</i>
4	Shift to <i>disaggregation</i> of units in the public sector	Break up of formerly 'monolithic' units, unbundling of U-form management systems into corporatized units around products, operating on decentralized 'one-line' budgets and dealing with one another on an 'arms-length' basis	Need to create 'manageable' units, separate <i>provision</i> and <i>production</i> interests, gain efficiency advantages of use of contract or franchise arrangements <i>inside</i> as well as outside the public sector
5	Shift to greater <i>competition</i> in public sector	Move to term contracts and public tendering procedures	<i>Rivalry</i> as the key to lower costs and better standards
6	Stress on private-sector styles of management practice	Move away from military-style 'public service ethic', greater flexibility in hiring and rewards; greater use of PR techniques	Need to use 'proven' private sector management tools in the public sector
7	Stress on greater <i>discipline</i> and <i>parsimony</i> in resource use	Cutting direct costs, raising labour discipline, resisting union demands, limiting 'compliance costs' to business	Need to check resource demands of public sector and 'do more with less'

The other partner in the 'marriage' was the latest of a set of successive waves of business-type 'managerialism' in the public sector, in the tradition of the international scientific management movement (Merkle 1980; Hume 1981; Pollitt 1990). This movement helped to generate a set of administrative reform doctrines based on the ideas of '*professional management*' expertise as *portable* (Martin 1983), *paramount* over technical expertise, requiring high *discretionary power* to achieve results ('free to manage') and *central* and *indispensable* to better organizational performance, through the development of appropriate cultures (Peters and Waterman 1982) and the active measurement and adjustment of organizational outputs.

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Whether the partners in this union were fully compatible remains to be seen. 'Free to manage' is a rather different slogan from 'free to choose'. The two can conflict, particularly where the NPM revolution is led from above (as it was in the UK) rather than from below. The relative dominance of the two partners varied in different countries even within the 'Westminster model' tradition (cf. Hood 1990c). For example, in the unique circumstances of New Zealand, the synthesis of public choice, transactions cost theory and principal-agent theory was predominant, producing an analytically driven NPM movement of unusual coherence. But in the UK and Australia business-type managerialism was much more salient, producing a more pragmatic and less intellectually elegant strain of NPM or 'neo-Taylorism' (Pollitt 1990, p. 56). Potential frictions between these partners were not resolved by any single coherent or definitive exposition of the joint philosophy. Indeed, the New Zealand Treasury's *Government Management* (1987) comes closest to a coherent NPM 'manifesto', given that much of the academic literature on the subject either lacks full-scale elaboration or enthusiastic commitment to NPM.

Why NPM Found Favour: The Acceptance Factor

There is no single accepted explanation or interpretation of why NPM coalesced and why it 'caught on' (cf. Hood 1990b; Hood and Jackson 1991 forthcoming, ch. 8). Many academic commentators associate it with the political rise of the 'New Right'. But that on its own does not explain why these particular doctrines found favour, nor why NPM was so strongly endorsed by Labour governments ostensibly opposed to the 'New Right', notably in Australia and New Zealand. Among the possible explanations are the following four.

First, for those who take a sceptical view of administrative reform as a series of evanescent fads and fashions, NPM's rise might be interpreted as a sudden and unpredictable product of 'loquocentric' success (Minogue 1986). (Spann (1981) offers a classic statement of the 'fashion' interpretation of administrative reform.) 'Cheap, superficial and popular', like the industrial 'rationalization' doctrines of the 1930s (Hannah 1976, p. 38, fn. p. 34), NPM had many of the necessary qualities for a period of pop management stardom. A 'whim of fashion' interpretation has some attractions, and can cope with the cycles and reversals that took place within NPM – for instance, the radical shift in the UK, from the 'Heseltine creed' of *Ministers* as the hands-on public managers to the 'Next Steps' corporatization creed of professional managers at the top, with ministers in a strictly 'hands-off' role (cf. also Sturges 1989). But equally, the weakness of a simple 'whim of fashion' explanation is that it does not account for the relative *endurance* of many of the seven precepts identified in table 1 over more than a decade.

An equally sceptical explanation, but one which better accommodates the recurring or enduring features of many aspects of NPM, is the view of NPM as a ‘cargo cult’ phenomenon – the endless rebirth, in spite of repeated failures, of the idea that substantive success (‘cargo’) can be gained by the practice of particular kinds of (managerial) ritual. Downs and Larkey (1986) describe a recurring cycle of euphoria and disillusion in the promulgation of simplistic and stereotyped recipes for better public management in the USA, which shows striking similarities with the well-documented cargo cults of Melanesia (Lawrence 1964; Worsley 1968). However, this explanation cannot tell us why the NPM variant of the recurring public management ‘cargo cult’ appeared at the time that it did, rather than at any other.

A third, less sceptical, approach might be to view the rise of NPM through Hegelian spectacles and interpret it as an epoch-making attraction of opposites. The opposites in this case are two historically distinct approaches to public administration which are in a sense fused in NPM. One is the German tradition of state-led economic development (*Volkswirtschaft*) by professional public managers, with its roots in cameralism (Small 1909). The other is the Anglo-Saxon tradition of liberal economics, allied with a concern for matching self-interest with duty in administration, that has its roots in utilitarianism (Hume 1981). But, like the ‘cargo cult’ interpretation, the ‘synthesis of opposites’ interpretation on its own does not help us to understand why those two distinct public administration traditions should have united *at this particular time* rather than at any other.

A fourth and perhaps more promising interpretation of the emergence of NPM is as a response to a set of special social conditions developing in the long peace in the developed countries since World War II, and the unique period of economic growth which accompanied it (see Hood 1990b and 1991 forthcoming). Conditions which may have helped to precipitate NPM include:

- changes in income level and distribution serving to weaken the ‘Tocqueville coalition’ for government growth in the electorate, and laying the conditions for a new tax-conscious winning electoral coalition (Tocqueville 1946, p. 152; Peacock 1979; Meltzer and Richard 1981);
- changes in the socio-technical system associated with the development of the lead technologies of the late twentieth-century Kondratiev cycle (‘post-industrialism’, ‘post-Fordism’), serving to remove the traditional barriers between ‘public sector work’ and ‘private sector work’ (cf. Bell 1973; Piore and Sabel 1984; Jessop 1988).
- A shift towards ‘new machine politics’, the advent of a new campaign technology geared towards making public policy by intensive opinion polling of key groups in the electorate, such that professional party strategists have greater clout in policy-making relative to the voice of experience from the bureaucracy (cf. Mills 1986; Hood 1990c, p. 206).

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- a shift to a more white-collar, socially heterogeneous population less tolerant of 'statist' and uniform approaches in public policy (cf. Hood and Schuppert 1988, p. 250–2).

The fourth explanation is somewhat 'overdetermined', but it seems more promising than the other three in that it has the power to explain what none of the others can do, namely why NPM should have emerged in the particular time and place that it did and under a variety of different auspices.

An All-Purpose Garment? NPM's Claim to Universality

Like many previous administrative philosophies, NPM was presented as a framework of general applicability, a 'public management for all seasons'. The claim to universality was laid in two main ways.

Portability and diffusion. First, much the same set of received doctrines was advanced as the means to solve 'management ills' in many different contexts – different organizations, policy fields, levels of government, countries. From Denmark to New Zealand, from education to health care, from central to local government and quangos, from rich North to poor South, similar remedies were prescribed along the lines of the seven themes sketched out in table 1. Universalism was not complete in practice; for instance, NPM seems to have had much less impact on international bureaucracies than on national ones, and less on controlling departments than on front-line delivery units. Moreover, much was made of the need for local variation in management styles – so long as such variations did not challenge the basic framework of NPM (Pollitt 1990, pp. 55–6). For critics, however, much of the 'freedom to manage' under NPM was that brand of freedom in which whatever is not forbidden tends to be compulsory (Larsen 1980, p. 54); and the tendencies to uniformity and 'cloning' under FMI points to possible reasons for the decline of FMI and its supersession by the corporatization creed of 'Next Steps.'

Political neutrality. Second, NPM was claimed to be an 'apolitical' framework within which many different values could be pursued effectively. The claim was that different political priorities and circumstances could be accommodated by altering the 'settings' of the management system, without the need to rewrite the basic programme of NPM. That framework was not, according to NPM's advocates, a machine exclusively tunable to respond to the demands of the New Right or to any one political party or programme (see, for example, Scott Bushnell and Sallee 1990, p. 162; Treasury and Civil Service Committee 1990, pp. ix, 22, 61). In this respect, NPM followed the claims to universality of traditional Public Administration,

which also purported to offer a neutral and all-purpose instrument for realizing whatever goals elected representatives might set (Ostrom 1974; Thomas 1978; Hood 1987).

Counter-Claims: Critics of NPM

If NPM has lacked a single definitive ‘manifesto’, the ideas of its critics are equally scattered among a variety of often ephemeral sources. Most of the criticisms of NPM have come in terms of four main counter-claims, none of which have been definitively tested, in spite of the ESRC’s ‘Management in Government’ initiative.

The first is the assertion that NPM is like the Emperor’s New Clothes in the well-known Hans Andersen story – all hype and no substance, and in that sense a true product of the style-conscious 1980s. From this viewpoint, the advent of new managerialism has changed little, apart from the language in which senior public ‘managers’ speak in public. Underneath, all the old problems and weaknesses remain. Implicitly, from this viewpoint, the remedy lies in giving NPM some real substance in order to move from ‘smoke and mirrors’ to reality – for example, in making output contracts between ministers and chief executives legally binding or in breaking up the public service employment structure, as has happened in New Zealand (cf. Hood and Jones in Treasury and Civil Service Committee 1989–90).

The second is the assertion that NPM has damaged the public service while being ineffective in its ability to deliver on its central claim to lower costs per (constant) unit of service. Critics of this type suggest that the main result of NPM in many cases has been an ‘aggrandizement of management’ (Martin 1983) and a rapid middle-level bureaucratization of new reporting systems (as in the remarkable growth of the ‘performance indicator industry’). Budgetary and control framework changes such as ‘top-slicing’ and ‘creative accounting’ serve to destabilize the bureaucracy and to weaken or destroy elementary but essential competences at the front line (see, for instance, Nethercote 1989b, p. 17; Nethercote 1989c). From this viewpoint, the remedy lies in applying to the NPM *system* the disciplines that it urges upon service-delivery bureaucracies but so signally fails to impose on itself – particularly in strict resource control and the imposition of a battery of published and measurable performance indicators to determine the overall costs and benefits of the system.

The third common criticism is the assertion that NPM, in spite of its professed claims to promote the ‘public good’ (of cheaper and better public services for all), is actually a vehicle for *particularistic* advantage. The claim is that NPM is a self-serving movement designed to promote the career interests of an élite group of ‘new managerialists’ (top managers and officials in central controlling departments, management consultants and business

schools) rather than the mass of public service customers or low-level staff (Dunleavy 1985; Yeatman 1987; Kelleher 1988; Pollitt 1990, pp. 134–7). Implicitly, the remedy suggested by these criticisms is to have disproportionate cutbacks on ‘managerial’ rather than on operational’ staff (cf. Martin 1983), and measures to ‘empower’ consumers, for instance by new systems of direct democracy (cf. Pollitt 1990, pp. 183–4).

The fourth line of criticism, to which most attention will be paid in the remainder of this paper, is directed towards NPM’s claim of *universality*. Contrary to NPM’s claim to be a public management for all seasons, these critics argue that different administrative values have different implications for fundamental aspects of administrative design – implications which go beyond altering the ‘settings’ of the systems.

In order for their counter-claim to have any significance, it must be able to survive obvious objections. First, it must be able to show that the objection is more than a semantic quibble about where the line comes between a different programme and a change of ‘settings’. For that, it must be able to show that the incompatibility problem lies in NPM’s ‘hard core’ research programme rather than in its ‘elaborative belts’ (Lakatos 1970). Second, it must be able to show that it is more than a trivial and obvious proposition. In order to survive this objection, it needs to show that there are different management-system implications of different *mainstream*, relatively orthodox values, without reference to values at the extremes of the orthodox belief spectrum (since it needs no elaborate treatise to show that different ‘fundamentalist’ values have different implications for public management). Third, the ‘incompatibility’ argument needs to rest on a plausible case that an ‘all-purpose culture’ either does not exist or cannot be engineered into existence. Unless it can do so, it risks being dismissed for mechanically assuming that there is a particular set of administrative design-characteristics which goes with the ability to achieve a particular set of values. Finally, it needs to show that the debate relates to *administrative* values – values that relate to conventional and relatively narrow ideas about ‘good administration’ rather than to broader ideas about the proper role of the state in society. Unless the critique of the ‘all seasons’ quality of NPM relates to administrative values in this sense, it risks being dismissed simply as an undercover way of advocating different *political values* from those currently held by elected governments. A case built on such a basis would not essentially be an administrative design argument, and would neither demonstrate that NPM is incapable of being adapted to promote alternative political values nor that NPM is a false recipe for achieving the narrow ‘efficiency’ values of the current orthodox agenda.

Most of the orthodox criticisms of NPM in this vein are vulnerable to counterattack from this last objection. Most academic attacks on NPM have questioned NPM’s universality by focusing on the equity costs of a preoccupation with cost-cutting and a focus on ‘bottom line ethics’ (Jackson 1989, p. 173). For instance, a focus on outputs allied with heavy ‘hands-on’

demands on managers is often claimed to downgrade equity considerations, particularly in its implications for the ability of female managers to reach top positions in the public service (cf. Bryson 1987; Pollitt 1990, pp. 141–2). A focus on disaggregation and a private-sector PR style is likewise often claimed to reduce the accessibility of public services by increasing the complexity and opacity of government (Nethercote 1990c), and increasing the scope for buck-passing and denial of responsibility, especially for disadvantaged consumers. However, any simple dichotomy between ‘efficiency’ and ‘equity’ can be countered by NPM’s advocates on the grounds that ‘efficiency’ can be conceived in ways which do not fundamentally conflict with equity (cf. Wilenski 1986), and that equity values could perfectly well be programmed in to the target-setting and performance indication process, if there was strong enough political pressure to do so.

Three Clusters of Administrative Values

In administrative argument in the narrow sense, the rival values in play typically do not fall into a neat dichotomy. At least three different ‘families’ of values commonly appear in debates about administrative design, and these are summarized in table 2 (cf. Hood and Jackson 1991 forthcoming). Broadly, the ‘sigma’ family of values relates to *economy* and *parsimony*, the ‘theta’ family relates to *honesty* and *fairness*, and the ‘lambda’ family relates to *security* and *resilience*.

The trio corresponds roughly to the management values used by Susan Strange (1988, pp. 1–6) in her account of the evolution of different regimes in the international sphere; and at least two of the three correspond to the groups of values given by Harmon and Mayer (1986, pp. 34–53) in their well-known account of the normative context of public sector organization. It cannot be claimed that these values are esoteric or extreme, or that they are not ‘administrative’ values.

Sigma-type values: match resources to defined tasks. In the ‘sigma’ family come administrative values connected with the matching of resources to narrowly defined tasks and circumstances in a competent and sparing fashion. Such values are central, mainstream and traditional in public management. From this viewpoint, frugality of resource use in relation to given goals is the criterion of success, while failure is counted in terms of instances of avoidable waste and incompetence. If sigma-type values are emphasized, the central concern is to ‘trim fat’ and avoid ‘slack’.

Classic expressions of sigma-type values include:

- i. ‘just-in-time’ inventory control systems (which avoid tying up resources in storing what is not currently needed, pushing the onus of accessible storage and rapid delivery on to suppliers);

Table 2: Three sets of core values in public management

	<i>Sigma-type values</i>	<i>Theta-type values</i>	<i>Lambda-type values</i>
	<i>Keep it lean and purposeful</i>	<i>Keep it honest and fair</i>	<i>Keep it robust and resilient</i>
STANDARD OF SUCCESS	<i>Frugality</i> (matching of resources to tasks for given goals)	<i>Rectitude</i> (achievement of fairness, mutuality, the proper discharge of duties)	<i>Resilience</i> (achievement of reliability, adaptivity, robustness)
STANDARD OF FAILURE	<i>Waste</i> (muddle, confusion, inefficiency)	<i>Malversation</i> (unfairness, bias, abuse of office)	<i>Catastrophe</i> (risk, breakdown, collapse)
CURRENCY OF SUCCESS AND FAILURE	<i>Money and time</i> (resource costs of producers and consumers)	<i>Trust and entitlements</i> (consent, legitimacy, due process, political entitlements)	<i>Security and survival</i> (confidence, life and limb)
CONTROL EMPHASIS	<i>Output</i>	<i>Process</i>	<i>Input/Process</i>
SLACK GOALS	<i>Low</i> <i>Fixed/Single</i>	<i>Medium</i> <i>Incompatible</i> 'Double bind'	<i>High</i> <i>Emergent/Multiple</i>
INFORMATION	Costed, segmented (commercial assets)	Structured	Rich exchange, collective asset
COUPLING	<i>Tight</i>	<i>Medium</i>	<i>Loose</i>

- ii. payment-by-results reward systems (which avoid paying for what is not being delivered); and
- iii. administrative 'cost engineering' (using resources sparingly to provide public services of no greater cost, durability or quality than is absolutely necessary for a defined task, without excessive concern for 'externalities').

The principal 'coin' in which success or failure to realize sigma-type values is measured is time and money, in resource costs of consumers and producers.

It can be argued that an orthodox design for realizing sigma-type values would closely parallel the 'mechanistic' structures which have frequently been identified in contingency theory as applicable to defined and stable environmental conditions (cf. Burns and Stalker 1961; Lawrence and Lorsch 1967). Since the 'sigma' group of values stresses the matching of resources to defined objectives, the setting of fixed and 'checkable' goals must be central to any design for realizing such values. The fewer incompatible objectives are included, the more readily can unnecessary fat be identified and removed. Equally, the more that the control emphasis is on output rather than on process or input, the more unambiguous the waste-finding process can be. To make output control a reality, two features are necessary. One is a heavy emphasis on output databases. Such an emphasis in turn requires a technological infrastructure of reporting which will tend to make each managerial unit 'tightly coupled' in informational terms. The other is the sharp definition of responsibilities, involving separation of 'thinking' and 'executing' activities and the breakup of organizations into separate, non-overlapping parts, to come as close as possible to the ideal of single-objective, trackable and manageable

units. It follows that information in such a control system will be highly segmented and valuable, so that it will be guarded with extreme care and traded rather than given away. These design characteristics map closely on to the recipes offered by the corporate management strain of NPM.

Theta-type values: honesty, fairness, mutuality. ‘Theta-type’ connotes values broadly relating to the pursuit of honesty, fairness and mutuality through the prevention of distortion, inequity, bias, and abuse of office. Such values are also central and traditional in public management, and they are institutionalized in appeal mechanisms, public reporting requirements, adversary bureaucracies, independent scrutiny systems, attempts to socialize public servants in something more than ‘bottom line ethics’ or a high ‘grovel count’ (Self 1989). From this viewpoint, success is counted in terms of ‘rectitude’, the proper discharge of duties in procedural and substantive terms, while failure is measured in terms of ‘malversation’ in a formal or substantive sense. If theta-type values are placed at centre stage, the central concern is to ensure honesty, prevent ‘capture’ of public bodies by unrepresentative groups, and avoid all arbitrary proceedings.

Classic expressions of theta-type values include:

- i. recall systems for removing public officials from office by popular vote;
- ii. ‘notice and comment’ and ‘hard look’ requirements in administrative law (Birkinshaw, Harden and Lewis 1990, p. 260);
- iii. independent anti-corruption investigatory bodies such as the 1987–9 Fitzgerald Inquiry which effectively brought down the Queensland government in 1989 (cf. Prasser, Wear and Nethercote 1990).

The ‘coin’ in which success or failure is measured according to theta-type values may be partly related to ‘balance sheet’ items (insofar as dishonesty and abuse of office is often linked with palpable waste of resources), but also involves less tangible stakes, notably public trust and confidence and the ability to exercise citizenship effectively.

Putting theta-type values at the centre of the stage has implications for organizational design which are different from an emphasis on ‘sigma-type’ values. Where honesty and fairness is a primary goal, the design-focus is likely to be on process-controls rather than output controls. Goals, too, are less likely to be single in nature. ‘Getting the job done’ in terms of aggregate quantities is likely to be supplemented by concerns about *how* the job is done (cf. March and Olsen 1989, pp. 47–52).

Hence ‘double bind’ elements (Hennestad 1990) may be central to goal setting, with line management under complex cross-pressures and with control operating through a shifting-balances style (Dunsire 1978). The cross pressures and ‘double bind’ process may operate through the activities of independent adversary bureaucracies, rather than with corporate objectives