

*The Asia Pacific Journal
of Public Administration*

亞太公共行政學

*Volume 30 Number 1
June 2008*

Performance Management: It's the Results that Count

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The ultimate worth of a performance management system is the use that is made of it. By that standard, performance management in government is not performing well. This article addresses the various issues involved. It proposes a system designed to respond to different needs at three levels: agency, system-wide and societal.

Introduction

The focus on performance in government is not new. It can be traced back to the early 1900s in the United States and Canada. At the time, the focus was primarily on the efficiency of local and municipal governments.

After World War II, the scope of performance management in the public sector expanded and the interest shifted to the cost of government. It was the time of Planning, Programming and Budgeting (PPB), of Management by Objectives (MBO), and of Zero-Based Budgeting (ZBB).

In the 1980s and 1990s, under the influence of the new public management (NPM), the field expanded once more. Performance measurement became more extensive and more intensive, to the point where some authors consider that one of the most striking features of the public service reform agenda over the past twenty years has been the focus on performance in the public sector.

Where is it all leading? Some now talk of its "international apogee" (Bouckaert & Halligan 2006), while others see no signs that the trend is about to slow down. Others worry about the proliferation of performance indicators. The real question is: Will performance management be an impediment or a contributor to good governance, good government and the renewal of public administration over the coming years?

Despite the progress to date, performance management is not currently well-positioned to improve decision-making in government or to improve results by creating higher net public value. In essence, performance management and performance measurement systems in the public sector are underperforming.

For those in a position to influence the future directions in this field, it is important to explore the question: How can performance measurement and performance management be repositioned to best serve government and citizens in the 21st century? Answering this question requires a prior

understanding of how public administration as a discipline is evolving and what are the most important trends.

Not Entirely of the Past, Not Yet of the Future

The past thirty years have been a rich period of experimentation in public administration aimed at making government more efficient, effective, productive, transparent and responsive. It was also a period where much was learned about governance – the shared responsibilities of the public sector, the private sector, civil society and citizens to create public goods to serve the collective interest by achieving a high standard of living and quality of life.

Good governance is a necessary condition for economic prosperity and social justice. Government provides the structure and sets the agenda. Governance is how the work gets done.

The Classic Model of Public Administration

The classic model of public administration emerged from the nineteenth century, a period characterised by the industrial revolution, where government was the primary institution responsible for serving the public good. The model was founded on a number of conventions and multiple separations between:

- market and democracy;
- politics and administration;
- public policy-making and implementation;
- staff and line agencies.

Public services were tangible, consumable, and for the most part were provided directly by government agencies, without intermediaries. The model was well-suited for repetitive and predictable tasks performed under precisely prescribed rules. Under the influence of scientific management, it was believed that, with few exceptions, it was possible to define the “best way” to achieve complex results by breaking them down into simple tasks. Controls, and in particular central controls, were the way to ensure performance and accountability.

New Public Management

NPM is an extension of the classic model of public administration. It had a number of positive impacts, including a greater focus on service

delivery, quality of service, user satisfaction, and efficiency. However, it has exacerbated the separation between politics and administration: between public policy-making and implementation. It has increased the desegregation of government through the creation of arm's length agencies, thus making inter-agency coordination and cooperation more difficult (Gregory 2007).

Despite all that was said about the need for flexibility, the reliance of NPM on scientific management has meant a continued reliance on *ex ante* controls, as well as an increased impetus for ex post quantification and the use of performance measurements. As a result, public administration in many countries is more bureaucratic today than ever before.

Towards a New Model of Public Administration

Today, few government activities come close to the classic service delivery model, which was organised hierarchically and controlled by delegated authority (OECD 1997). A recurring theme of the global government reform movement is the growth of non-traditional, non-hierarchical and often non-governmental approaches to service delivery (Kettle 2005). Thus:

- Governments achieve results in a world of shared governance, characterised by a dispersion of power and authority involving the public sector, the private sector, civil society and citizens.
- No government, and no country, controls all the tools or has access to all the levers needed to address the complex problems people really care about. Coordinating complex operations that span beyond the control of government is the trademark of public administration in the 21st century.
- Most government activities and services are not the final results but simply an intermediate step in a chain of activities involving many organisations working toward achieving a desired public outcome.
- An increasing number of public policies require the active participation of citizens, as agent, to achieve the desired outcome, in particular when issues require a change of societal behavior that is beyond the legislative authority of the state or the government's ability to act. Furthermore, modern communication and information technologies allow citizens to reclaim their public institutions by contributing to service design and in some cases taking charge of service delivery. This is turning public administration on its head (OECD 2007).

- An increasing portion of government services are intangible and knowledge based. The quality and the nature of the services provided depend on the accumulated knowledge of the organisation and on the know-how of the public servant providing the service. The tasks cannot be precisely defined, even less prescribed. In this context, controls do not lead to improved performance; instead they transfer resources from serving citizens to internal purposes; they may even stifle innovation.
- Indirect tools account for the bulk of government services. The use of these instruments (such as grants, loans, insurance, transfers to other levels of government, tax credits) breaks the link in the traditional accountability model between funding decisions and service delivery. New forms of accountability for results are needed to take account of this situation (Salamon 2002).

As a result, the current practice of public administration is no longer entirely consistent with the classic model and practitioners are left without the benefit of a modern integrated theory adapted to today's circumstances (Bourgon 2007).

Societies everywhere have struggled to cope with the radical shift from the Industrial Age to the Information Age. Government is no exception. All administrative systems in government, including financial management, performance management, human resource management and control systems of all kinds, come from the industrial age and a mechanistic and monopolistic concept of government operations. The world has changed (Osborne 2006).

Part of the reform efforts in government over the past 30 years has been to start the process of reclaiming public administration to ensure that it is better connected both in theory and in practice with its time and the problems it must solve (Kettl 2002).

Politics and Administration are two parts of a single dynamic and open system: where ends and means, values and facts, policy and service delivery must meet; where what is judged to be desirable must converge with what is feasible; see Figure 1.

A good public policy is one that achieves intended results at the lowest possible cost to society while minimising unintended consequences. While policy decisions get the most public attention, policy implementation is where success is defined. The role of public administration is to transform ideas into solid results to serve the public interest (Levin & Sanger 1994). Performance management for results forms part of the common language connecting politics and administration.

Future trends in public administration involve moving from an intellectual framework of multiple separations to one of multiple democratic interactions to meet the imperatives of serving in the 21st Century.

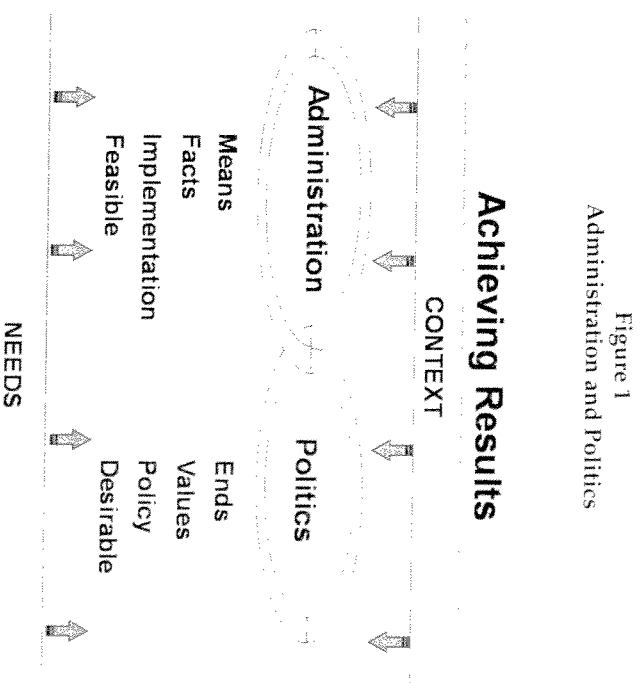


Figure 1
Administration and Politics

Achieving Results

Performance Management for Results

Poor Performance To-date

The ultimate worth of a performance management system is the use that is made of it. By that standard, and despite the progress that was made during the 1980s and 1990s, performance management in government is not performing very well.

There are reasons for this. First, in the vast majority of cases, the focus has been on performance measurement, not on performance management. Second, performance measurement systems have been asked to serve multiple users and multiple purposes – some political, others administrative. They are used as control mechanisms and, at the same time, they are expected to encourage learning, innovation and continued improvement.

No system can credibly be all things to all people (Thomas 2004). The results have not been very satisfying for anyone. All the indicators point to the fact that the use of performance evidence by programme managers at all levels is limited.

Performance evidence is rarely used as the basis for new public policy decisions by elected officials – in fact, in most countries there has been limited demand for performance information by elected officials. While performance evidence can inform budget decisions, there is room to debate

the advisability of performance-based budgeting – rewarding the best performers with incremental resources or linking performance results and performance pay at the expense of rewarding collective efforts.

After years of efforts, led by central agencies, to integrate performance measurement into planning, programming and budgeting there is little evidence that it has contributed to framing parliamentary discussions. When eventually some performance measures enter the public domain, it is generally focused on “horror stories”, which immediately create a chill for both political officials and administrators.

Separated from the political process, public debate and management decision-making, performance measurement and management is simply an instrument of control and an expensive one at that (Halligan 2007). Increasing costs, unreasonable expectations and, above all, limited use of performance information by decision-makers will eventually lead to course correction, thus running the risk of losing the positive aspects in the process.

Performance management and performance measurement systems might not just be at their “apogee”. If changes are not made, after 20 years of expansion, they are at risk of disappointing everyone and going into decline.

There is no need to wait for that to happen. Performance management in government needs to be repositioned to improve its performance. The ultimate worth of the system is the use made of it by managers, by elected officials and ultimately by citizens.

Repositioning Performance Management

Repositioning performance management must start with clarity of purpose. The goal of performance management should be to improve decision-making in government at all levels in order to achieve better public results and enhance the net public value of those results. The test of good performance management is to:

- contribute to better decisions by managers, better public policy decisions by elected officials, and a better understanding of public policy choices open to citizens; and
- help identify and remove the obstacles to better results, as well as shed light on the reasons for failures and the need for adjustments.

Better knowledge about results, outcomes and impact should form part of the learning and feedback process to improve results. It should inform the political process by bringing relevant information on the outcomes and impact of policy choices to the attention of ministers, elected officials and

citizens. To play this role, a number of changes should be considered.

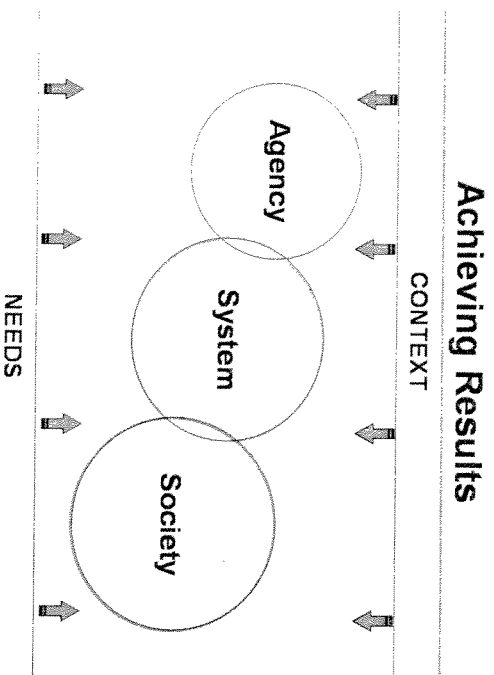
Performance management for results should be kept distinct from central control mechanisms. Performance management should be an instrument of innovation and performance improvement, not an instrument of control and compliance. While it can help inform the need for controls, a reasonable distance should be maintained between control mechanisms to ensure compliance and performance management systems to achieve better results. The two roles are needed, but they are different and at times even in conflict (Aucoin 2001). Performance management for results should help make the case for the orderly reduction of controls and their impact on results. To some, this is heresy, but there is reason to believe that the limited use of performance information by managers and public sector decision-makers flows directly from the lack of clarity on this point and the inherent conflict between the two roles.

Performance management systems should integrate the needs of elected officials and citizens. Government programmes, direct or indirect, and government funding were born out of a political process. If a performance management system is to assist ministers, then their views on the desired outcomes, as well as the indicators most susceptible to encourage public debate, must be factored into the design of the performance management system. Securing an understanding of what constitutes success must be part of the process, in particular when the outcome requires the contribution of several agencies and multiple partners. Likewise, citizen involvement increases the likelihood of integrating performance information and public policy decisions. It helps to identify the areas of greatest interest to citizens and to get user feedback on the need for improvements. Citizens, as users, are an important part of the government innovation cycle (Ho 2007).

Performance management systems should recognise that different users have different information needs. There is no evidence that the information needed by managers for decision-making satisfy the information needs of ministers, elected officials and citizens (Thomas 2004). A more realistic approach is to recognise that different users have different but interrelated information needs. A public sector performance management system should be designed as an integrated but differentiated system responding to different needs and purposes – see Figure 2:

- The agency – keeping in mind the particular needs of managers and the users of the services.
- System-wide – keeping in mind the particular needs of ministers, elected officials and the legislature.
- Societal – keeping in mind the need for accountability to the general public for good government and good governance in the country.

Figure 2
Achieving Results



Others have also suggested the importance of looking beyond the agency level (esp Bouckaert & Halligan 2008).

Over the last 20 years, performance measurement and management have been used primarily for control, efficiency and accountability purposes at the agency level. The greatest benefits would come from a focus on effectiveness at the agency level and on system-wide results and societal impact. It would reintegrate performance measurement and management with the political process, where choices are made to accommodate different values, competing demands and interests.

Agency Results

The agency is primarily concerned about converting inputs (resources, people, and organisational capacity) in the most efficient way into activities that result in outputs. These outputs enter society in different ways: as a product (eg, a permit), as a service (eg, information on how to find employment), as an intermediate step to an outcome of value to society today (eg, product labeling to enhance consumer confidence), and as a benefit for future generations (eg, monitoring fish stocks).

At the agency level, the role of performance management should be to support sustained incremental improvements. The best performance management system would be the one that provides to the right people, at the right time, and at the lowest possible cost, with the information needed to support decisions, or to action change, in order to improve results. As

the collection of performance information is costly and diverts resources from service delivery, managers must think carefully about what to collect and why – there is a need to monitor the performance of performance management systems.

The role of a performance management for results, at the agency level, is to help create a culture of sustained improvements and accelerate the process of decisions to better achieve the intended results.

Performance management for results at the agency level should be linked to the decision-making authority able to influence results within the legislative authority of the agency. Otherwise, performance management is unlikely to remain credible for very long and to be taken seriously by decision-makers. Performance management for results helps government to rely on learning and invention rather than instruction and command.

Performance Management versus Compliance

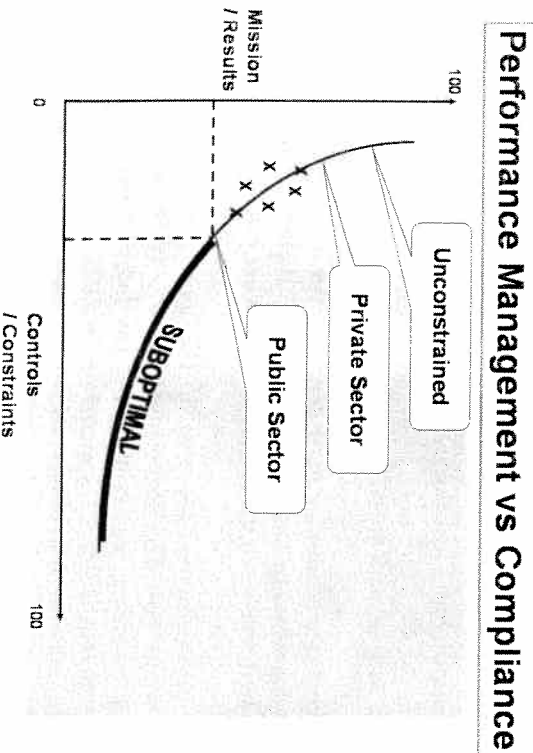
While performance management can help inform the need for controls, control mechanisms to ensure compliance and performance management systems to better achieve the intended results are not the same thing:

- In government, how you do things is sometimes as important as what you do. Some controls are fundamental in a public sector setting (eg, respect for the law, democratic values, etc) These requirements are not negotiable; they apply to all public organisations, and compliance is ensured through process controls.
- Agencies are also constrained through input controls related to the level of resources provided to the organization, as well as *ex ante* approval to access, deploy or use the resources to fulfill its mission.
- Output controls have more recently been added to the mix, leading in too many cases to an excessive proliferation of performance indicators (Gregory 2007). In some countries, controls are associated with various incentives or punitive measures, including resource allocation or performance pay.

Government-wide controls are imposed by central authorities, but additional controls and constraints are added by departments and agencies at every level along the chain of delegated authority. The end result can be a disproportionate cost of controls compared to the expected benefits, and at the expense of delivering the mission of the agency (Barzelay & Babak 1997). That is, controls divert a fraction of the public funds voted to achieve results for citizens to a legitimate but unchallenged and, in most cases, undeclared purpose. The costs of compliance as well as the nature of the controls and constraints impact directly on the capacity of the agency to

convert input into activities and outputs – and, therefore to achieve results. Figure 3 illustrates the situation. The vertical axis represents a measure of results related to the mission of the agency on a scale of 1 to 100. The horizontal axis is a measure of the total cost of controls and constraints imposed on the organisation.

Figure 3
Results Vs Cost of Controls/Constraints



Performance Management vs Compliance

All organisations, public or private, operate under some constraints. The private sector operates in a regulated environment where organisations are expected to maximise returns. In the public sector, it is generally recognised that organisations operate under a heavier burden of constraints and controls and, as a result, their efficiency and effectiveness is diminished. Over the past 20 years, the proliferation of various public-private partnerships has in part been driven by the desire to reduce the heavy cost of controls imposed on public sector organisations. When the cost of controls imposed on public organisations becomes excessive, it undermines the role of government and justifiably gives rise to criticism by citizens. The options then are to reduce the cost imposed by controls and constraints, to abolish the programme, or to transfer it to a partner better positioned to achieve results.

Controls and constraints play a useful role when they set the limits within which discretion can be exercised by agency employees to achieve results, or when they set the parameters of acceptable behavior for public

organisations. The challenge is to find the optimal balance between minimising the cost of controls/constraints and maximising the net public value of government services. No agency is successful if it is able to comply with very conceivable constraints but unable to achieve results, or if a significant part of its resources and energy is used to ensure that constraints are met.

A performance management system focused on results should help to reduce controls when there is no compelling evidence of benefits. It should lead progressively to removing *ex ante* controls as performance management systems focused on results are put in place and as the quality of the information collected reaches satisfactory levels.

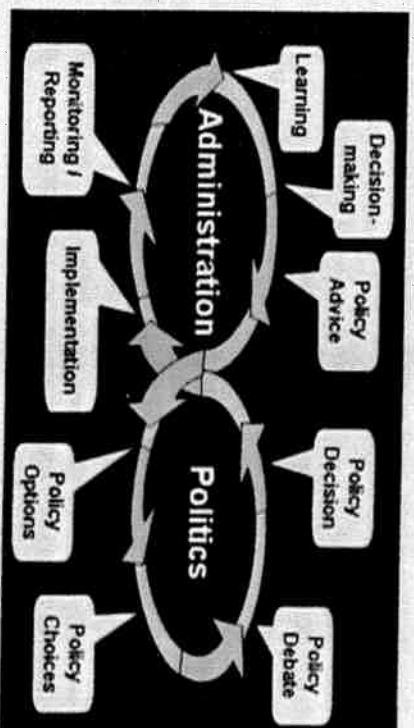
Achieving Results

In government, the path between outputs and outcomes is generally indirect and takes form through a range of actors – public, private, not for profit, and citizens themselves. Public policies do not emerge fully formed in legislation. While the initial policy intent may be reasonably clear, public policies take shape and evolve through actions.

By doing, organisations learn about themselves and about the capabilities they need in order to achieve better results. In government, small steps and incremental innovations are the preferred way

Figure 4
Policy-Making and Implementation

Achieving Results



towards achieving better results because they facilitate learning and experimentation, while reducing the risks of failure (Behn 1988).

Sometimes, actions and ongoing improvements will reveal the need to make adjustments to the initial policy intent. Performance management focused on results contributes to the political process by reporting on the impact and effects of what was previously preferred, and also by providing insights “on what we have since learned to prefer” (Browne & Wildavsky 1984). It enriches the political process because it reveals how course corrections and improvements can help achieve better results. In the process, this leads to changes in the initial policy ideas as well as the desired policy outcomes. In essence, public policies and implementation are one: “the idea is embodied in the action (Majone & Wildavsky 1984): see Figure 4 above.

System-Wide Results

A successful and well-performing agency does not make a successful public policy system: a well-performing hospital does not amount to a well-performing health system; a well-performing school does not mean that a well-performing education system is in place. For that, a vast network of organisations must work in synergy with each other to achieve the desired public policy outcomes and create net public value (Bouckaert & Halligan 2008).

Most of the results relevant to citizens and politicians are beyond the direct control of a single government agency (Christensen & Lægreid 2007). A system-wide approach is necessary to address the challenge of shared outcomes, where the goal cannot be achieved by organisations working in isolation and where government agencies must coordinate their activities to achieve the goals set by politicians (Cook 2004). It is necessary when the outcome is the result of the action of several levels of government, or of several actors in society over which governments do not have direct control. A system-wide approach helps to recognise the reality of multiple organisation relationships within and beyond government working through networks, partnerships and other coordination mechanisms. This is a defining characteristic of government and public administration in the 21st century.

System-wide performance management follows the chain of activities among actors leading to the ultimate public policy outcomes. It is undoubtedly difficult to do, and it gives rise to all kinds of methodological problems, including establishing the incremental impact of government actions. This, however, is no reason not to follow this avenue, since it is at this level that performance measurement and performance management are most relevant to politicians and most likely to contribute to improving government decision-making.

A system-wide approach can be used selectively in the areas of greatest

interest to politicians and citizens. It can also be used effectively in response to government priorities.

International Comparison

One promising avenue for system-wide performance measurement and management is to focus on areas that allow for international comparative analysis. Countries face different circumstances; they have different institutions, histories and cultures. They make different policy choices. Yet they all have large networks and systems aimed at achieving similar policy outcomes. This is the case, for instance, in health and education.

Over the past 50 years, the OECD Secretariat has conducted comparative impact assessments of various public policy mixes in many sectors for the benefit of member countries. Its contribution has been invaluable. The OECD methodology can be replicated in government as well as at the sub-national, national and regional levels.

Supporting Government Priorities

An ongoing complaint of elected officials is the lack of responsiveness of the administration to government priorities. A second avenue is to use a system-wide approach in support of government-wide priorities. Depending on a government's priority, system-wide performance management entails coordination among diverse types of organisations, including:

- multiple agencies under the general authority of one lead department;
- inter-departmental cooperation requiring the involvement and active contribution of several departments with independent legislative authority and accountability; and
- inter-governmental cooperation when multiple jurisdictions are involved, including local authorities, sub-national public organisations, and other levels of government with distinct governance structures and accountabilities to citizens.

A system-wide approach offers the best opportunity to modernise the role of the centre of government from the command and control role of the classic model to ensuring coherence and synergy in the inter-departmental and inter-governmental space of modern governance. It also creates the opportunity to transform the role of line departments from performing in vertical isolation to being the centre of large networks of organisations, public and private, associated with achieving a common public outcome.

Its role becomes to capture and disseminate knowledge, to accelerate decision-making and innovation in support of a common outcome, and to anticipate problems requiring policy involvement and policy decisions. The role of the department is to lead and support the collective effort in support of a common desired outcome. Some of these responsibilities are currently exercised at the center of government, which generally means that issues receive attention when it is too late and in a traditional crisis mode.

A Possible Approach

In all cases, a system-wide approach requires new coordination mechanisms, the involvement of all interested parties to achieve a shared understanding of the common desired outcomes, and a common approach to data collection and information sharing. Most failed attempts at system-wide performance management have been due to insufficient attention to one or all of these conditions of success.

Shared responsibility for results requires different management approaches and different common monitoring systems. Leadership, moral suasion, relationships of trust and traditional authorities are needed to bring about results. In this regard, the model used by the OECD experience is worth noting. Thus:

- it works through consensus to set priorities and to identify the common area of work;
- it requires all members to share the responsibility for rigorous data collection and data sharing;
- its members share the obligation to fund a common but independent Secretariat to support the data analysis and policy research on behalf of the collective;
- the work of the Secretariat is held to the highest scientific standard – its work is evidence-based and leads to creating shared statistical data bases covering long periods of time, which is essential to assess the impact of public policies; and
- it relies on peer review and peer learning as a way of spreading best practices and of encouraging innovations – with all analyses and reports being publicly available.

System-wide results are the most meaningful for political officials since they reveal real policy choices and trade-offs. They facilitate citizens' engagement by providing information about the results most significant to them: the performance of the education system to ensure the literacy of

their children and the acquisition of the necessary skills to compete and make a living in the global economy; the performance of the health system in terms of access, costs, child mortality or life expectancy; the performance of the security system and citizens' safety on the street or in their communities; the intergenerational fairness and impact of social security programmes.

System-wide performance reporting, political decision-making and citizen engagement are mutually reinforcing. When an effective integration is achieved, the capacity to improve outcomes is enhanced for the system as a whole (Callahan 2007).

Societal Results

Societal level performance results are a country's "scorecard". It is the sum of the contributions of the public sector, private sector, civil society and citizens themselves. It is about reporting to citizens on the overall performance of the country as a result of actions by government and all other actors. In essence, societal results are about the governance of a country. While it might not be possible to isolate the contribution of a single actor, good governance and good government can be defined and the results can be measured. They can be made available for all to see.

At the level of societal results, there is a direct connection between performance and democracy (Pollitt 2006). Societal performance reporting requires political involvement in defining the measures against which societal performance will be assessed. It needs to make use of statistical methodologies and take place over a multi-year time horizon. To be credible, it requires independence in the data collection and assessment. The involvement of the nation's statistical collection agency is necessary to meet these requirements and provide this credibility.

Societal performance reporting is a new form of public accountability to citizens. If done well, it can elevate public debate and discussion about the impact of policy choices and the trade-offs among policy options. Societal results can provide better information to those seeking public office concerning the choices they wish to advocate in the court of public opinion.

Some efforts are being made to develop and report societal performance, such as the United Nations' quality of life indicators and the World Bank's country performance indicators. Some countries, including Canada, have begun to make deliberate efforts to report societal indicators.

Conclusion

The focus of performance management in government should be about improved decision-making to achieve results – because it's the results that count. Performance management should support better decisions by managers, better public policy decisions by elected officials, and a better

understanding of public policy choices by citizens. On all of these counts, performance management is under-performing and is, therefore, at risk.

Performance management needs to be re-positioned. More measures and more indicators will not guarantee better results; therefore, they are not the answer. At the agency level, performance management needs to become an instrument of innovation and performance improvement, not an instrument of control and compliance. It should help to free the agency of unnecessary and costly controls in order to speed up the innovation process.

As government programmes are born out of a political process, the focus of performance management needs to move up to system-wide results and reintegrate elected officials and citizens. This is where the greatest benefit could be achieved.

System-wide and societal results, political decision-making and citizen engagement are mutually reinforcing. When an effective integration is achieved, the capacity of the country to provide good government and good governance is enhanced. Citizen's trust is the ultimate measure of good government and good governance. This is the result that counts the most.

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Modelling New Public Management in an Asian Context: Public Sector Reform in Malaysia

Mohan Dass and Keith Abbott

This article combines the key elements of new public management theories with theory of privatisation and total quality management. The key elements identified in this review used to establish a general model of new public management. Based on western theory the model is acknowledged as having a cultural bias. As a corrective, the article reviews empirical experience of Malaysian public sector reform between 1980 and 2000, with findings being used to identify country-specific characteristics as a means of refining the model in a way that reflects that experience. The discussion concludes by setting a revised model of new public management which takes account of its application in Malaysian context. The contention is that the process of enquiry leading to this model of new public management might be adapted along similar lines for the purpose of analysing the application of public sector reform in other developing countries.

Introduction

Between the 1980 and 2000, the Malaysian public sector underwent enormous change. Public assets were privatised or contracted out in government leasing arrangements. Public monopolies were broken up and exposed to competition by the licensing of new private sector providers in a range of private sector management practices and accountability measures were introduced into the administration and delivery of public goods and services. The public sector as a source of employment became more limited. On the surface, these developments appeared as exemplars of an ascendant "smaller government" ideas that had become so favoured by western governments over the period: a measured and calculated response aimed at reducing the country's growing public debt and improving the delivery of its public goods and services (eg, Haque 1999: 47-69; Jomo 2001: 141-60).

Applying western understandings to make sense of these developments is problematic in that they would normally fail to take account of a range of underlying circumstances that were unique to the way Malaysia's public sector reform unfolded over the period in question. In particular, political and economic imperatives arising out of the diverse ethnic and of Malaysian societal structure are identified as significant factors in the