

Abstract

This article illuminates the relationship between the increased importance management has gained in public institutions, and political reality in everyday work lives. It attempts to gauge the rationalities behind the managerial and the political system and derives a heuristic structure from them. On the basis of this discussion, an analysis is conducted of the origins of new public management, using Switzerland as an example. It is concluded that NPM reforms started as managerial reforms of public institutions, but that they developed into de facto political reforms. Thus the managerial background of project managers, consultants and public management scholars is a necessary but not sufficient precondition for a successful implementation of NPM in the politico-administrative system. The contribution which public management is able to make to the governance debate must not be underestimated. Not least, it leads to a clarification of the sources of legitimacy of government action. The rationality model introduced in this article is designed to make systemic differences between management and politics visible – and to improve communication between politicians and public managers.

Key words

Rationalities model, Switzerland, administrative reform, political rationality, new public management, control

‘... AND POLITICS?’

Public management developments in the light of two rationalities

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INTRODUCTION

In many countries all over Europe, new public management instruments and structures have been developed and implemented. However, reformers complain that they are not used properly by politicians. Why is this the case? And who defines the 'proper' use of these instruments? Are politicians acting irrationally? When interviewing administrators, you realize that political decisions are often considered to lack logic. 'This is getting political' becomes synonymous with 'We do not understand what is going on'. Could it be that reformers who promote public management reforms do not understand how politicians function, and vice versa? If so, the new public management (NPM) is in danger of falling into the same trap as other 'rational' decision-making systems, such as the Planning Programming Budgeting System, Zero-Based Budgeting or Management by Objectives.

In order to avoid this, public management as a discipline that is both scientific and practical must arrive at an improved comprehension of the relations between administrative entities and politics, and integrate these relations into its models. This article illuminates the relationship between the increased management that is called for, and political reality, by attempting to gauge the rationalities behind the two systems and deriving a heuristic structure from them. On the basis of this discussion, an analysis is conducted of the origins of new public management, and the coming issues of modernization are presented. The case of Switzerland has been chosen as the developments in this country actually led to the author discovering the need for a new approach towards politics and management. It is revealed that to date, public management reforms have taken too little account of political rationality and are therefore condemned to fail unless they are adapted.

NPM DEVELOPMENTS IN SWITZERLAND

In order to demonstrate the roots of thought for this article, the case of Switzerland has been chosen. For the last few years, projects have been conducted at all three government levels in Switzerland, which are supposed to test the possibilities of applying the instruments of the new public management model. The first initiative was launched in 1993; the big wave of NPM was observed between 1995 and 1998. Virtually all the projects were conceived as trials that had to be evaluated at the end. This was supposed to enable the political bodies (as a rule, parliaments) to make an informed decision about the definitive and possibly comprehensive introduction of NPM. It was clear from the start that NPM could not be taken over from model countries such as New Zealand and the Netherlands without momentous modifications. For this reason, Switzerland opted for its own, expressive designation first labelled by Buschor (1993) as *Wirkungsorientierte Verwaltungsführung* (effects-oriented public management). Thus, the Swiss opted for the design of a *Helvetised* NPM reform programme.

In the course of the Swiss NPM projects evolving, a significant development of theoretical concepts was observable. The first years (lasting from 1993 to 1996, approximately) were unmistakably driven by managerial aspects of modernizing the administration and its control instruments. One-line budgets were developed and introduced, linked with performance agreements. For some pilot projects, a considerable amount of internal deregulations came into effect in order to increase the *room to manoeuvre* for public managers. In many others, however, these attempts were restricted due to the resistance of central control agencies such as the treasury, or the human resource department. In general, a struggle about the internal diffusion of power within the administration went on, but hardly any 'real' political debate was perceptible.

The concepts then developed were based on management control theory, and to some degree on institutional economics. Starting with a funder–provider split which was adopted from New Zealand, Swiss NPM concepts tried to eliminate politics from operational administrative work. Reformers were well aware, though, that this crowding of politics out of policy implementation processes would have to be compensated by other means of political control. The Dutch 'Tilburg Model' of the 1980s seemed to deliver the perfect match to solve this problem: administrative products were defined and performance agreements between political bodies and the administration were created. According to this concept, reformers had to find ways to design and install a managerial control and feedback loop that allows politicians to behave like political managers. Early critics such as political scientist Peter Knoepfel (1995), who in an invited essay pointed out that this managerialist approach would not work in the political world, were effectively ignored. After all, first results were encouraging, and the reactions of line managers within the administration were nearly enthusiastic.

A second phase of the reforms began with the practical implementation of new control mechanisms for political bodies (1996 and later), such as mid-term planning; performance-related budgeting; a re-design of decision-making processes in political bodies, etc. Management theorists and their dominantly managerial concepts were increasingly challenged by lawyers and political scientists who got progressively more involved in the public debate about NPM in Switzerland (see, for example, Bolz and Klöti 1996; Finger 1997; Mastronardi and Schedler 1998). Moreover, practical experience working with politicians taught reformers that their managerialist concepts were insufficient and badly received by their major target group. It became clear soon that controlling and reporting systems had to be adjusted according to the specific needs of their addressees, the politicians. Some insightful projects were launched in order to include political bodies in the development of a so-called 'political control system'. An interesting example is the City of Berne where a *Reformkonferenz* (reform conference) was created, consisting of leading members of parliament as well as elected executive politicians and public managers. Its task was to create a set of reports that enabled government and

parliament to fulfil their functions along the line of the Bernese democratic tradition.

A similar approach was chosen by the Canton of Soleure, whereas the Canton of Berne was seeking new ways of educating and training its members of parliament: in the latter canton, new instruments for parliamentary control were introduced with a two-day simulation in parliament (see Schedler and Kettiger 2003 for a detailed description of these approaches). In sum, nearly every project tried to find ways to get politicians to think and act in a new mode so that the effect-oriented public management could be implemented with full coverage of the entire administration.

After the conclusion of the pilot reform programmes – as a rule, in the year 2000 – six independent evaluations were conducted at the cantonal level (Econcept 2000a, 2000b; Farago 2000; Rieder and Bächtiger 2000; Rieder and Farago 2000; Rieder and Furrer 2000), which yielded quite comparable results in spite of the different methods that were used. Rieder and Lehmann (2002) synthesize these results. They distinguish four levels of possible effects of NPM reforms: parliament; government and the ministries; agencies affected by the reforms; and general results – effects that were in fact expected by champions of the reforms. See Table 1.

Table 1: Four levels of possible effects of NPM reforms in Switzerland (Rieder and Lehmann 2002)

<i>Levels</i>	<i>Possible effects</i>
Parliament	Change in the organization of parliamentary processes Change in parliamentary structures Change in the division of competence and power between parliament and government Change towards strategic decisions
Government and the ministries	Change in relationships between ministries and agencies (buyer and provider) Performance contracts as the main management instrument concerning agencies
Agencies affected by the reforms	Change in culture towards performance orientation More scope of action in allocation of resources Change in processes of the agencies Change in structure of the agencies Change in the culture of the agencies (customer and cost orientation)
General results	Change in output (quality, quantity) Savings Impact on target groups of the agencies

As they analyse the evaluations of NPM reforms in Switzerland, Rieder and Lehmann (2002) find that on the level of parliament, the expected results have in fact occurred – with the exception of parliamentarians taking more strategic decisions. NPM reforms do lead to changes in the organization of parliamentary processes, they foster closer and more direct communication between parliament committees and government agencies and they seem to conflict with the existing division of power between government and parliament. NPM appears to be successfully furthering structural change at the parliament level, but less so promoting a new 'effects-oriented' or strategic behaviour of parliamentarians.

At the level of government and the ministries, it was hoped that ministries would take on the role of the buyer, with government agencies as the providers of public services. Performance contracts were to develop into the main management instrument, and as a whole, there was expected to be a cultural shift towards performance orientation. As Behn (2001) puts it, the NPM is to create a new accountability for performance, and maybe for process. In practice, evaluations show that in most cases the Government and especially the ministries do not conceive themselves as buyers of products. The ministries and their reporting entities (government agencies) keep building a unity – if necessary against the rest of government – rather than creating a new accountability scheme between them.

As far as the two remaining levels are concerned, heads of government agencies turn out to benefit the most from the reforms. Rieder and Lehmann (2002) summarize the results of the evaluations as follows:

- (1) The agencies have more competences and expanded their scope of action in the budgetary process as well as on personnel issues.
- (2) Motivation of top management at the agencies has risen. On the other hand, surveys at the federal level show that motivation at the lower echelons has changed very little. Sometimes job satisfaction at the level of lower management and the workforce has decreased with the introduction of NPM.
- (3) The processes within the agencies have developed towards a product orientation. The new financial instruments help an agency's management to manage their unit.
- (4) The structures within the agencies have changed. Especially at the federal level, the introduction of NPM has been accompanied by a change in structure. In the short run, this often led to conflicts, yet in the medium run, management and the workforce often turned out to be in favour of the changes.

All in all, these evaluation results suggest that NPM reforms have successfully improved management within public administrations. They also advocate that material changes in political control *structures* have taken place in a form that was intended. However, it seems appropriate to be sceptical if NPM reforms have succeeded in getting their message across to the political world in a way that its members in their

behaviour would pick up the ball. Even though some Swiss communities have meanwhile decided to introduce NPM for all-of-government – which was a merely political decision, after all – considerable doubts remain as to whether these reforms make genuine sense from the perspective of political bodies.

THE RATIONALITIES MODEL

So far, I have shown that Swiss NPM reforms started as a purely managerial approach, and that only in the later reform process, legal and political aspects were added to the conceptualization of NPM *à la mode des Suisses*. Effects-oriented public management tried to transfer management behaviour and its structures and instruments from the private sector to the public sector. In an initial phase, the new concept of public *managers* was not intended to oppose politicians, but rather old Weberian *bureaucrats*. The longer the reform was going on, and the richer practical experiences with applying the highly abstract NPM concepts, the clearer it turned out to be that not only bureaucrats felt jeopardized by NPM, but also the majority of politicians. It became fairly obvious that management control did not necessarily match with the way politicians are used to execute democratic accountability. The difference in the perception of the equal realities by these two groups was just too substantial. When, for example, managerial reformers proudly presented an increase in efficiency by the use of ICT in taxation, politicians worried about the effects this would have on the distribution of power between local authorities and cantons. When the newly created reporting system printed a monthly list of performance indicators, each with green dots for ‘within a tolerated range’ or red for ‘alarm – out of the tolerated range’, politicians did not know what to do with this information. Although politicians were repeatedly demanding efficiency increases from the administration, they did not seem to care about efficiency when it came to concrete decisions. Nevertheless, both public managers and politicians claimed to be rational in their thinking and behaving. This led to our conclusion that there could be a social phenomenon that had not really been subject to in-depth discussions in the context of NPM reforms before: the existence of different rationalities among diverse groups of policy makers.

In this section, I define the concept of ‘rationality’ for the purpose of later use in creating new control mechanisms for the public sector. I argue that a specific rationality is shaped by several factors and that actors are limited by their own rationalities. Therefore, it is unavoidable for the reformer in the public sector to be aware of and evaluate the different rationalities that lie within the politico-administrative system and its relevant actor groups.

When I refer to political or managerial rationality, then I base my reflections on the following concept of rationality: Rationality is a specific way of thought, speech and action that follows a consistent and logical pattern. It is the construction logic of an individual’s or group’s very own reality, a filter that influences the perception and

assessment of occurrences in the environment. Rationality is characterized by various influencing factors, i.e. it does not evolve either irrespective of a person or irrespective of the relevant environment. As some of these factors take on specific forms for certain types of roles, consequently these roles (e.g. politicians and managers in this case) have their typical rationalities. This can be expressed in the following formula:

$$R_R = f(I, E, K, BV)$$

with

R_R = Rationality typical for a certain role

I = Incentives

E = Experiences

K = Knowledge

BV = Basic Assumptions and Values

According to this concept, rationality is a function of four major factors:

- (1) A set of external *incentives* that reward or punish a certain behaviour of an actor in his or her specific role.
- (2) Personal and historical *experiences* concerning the effects that came out of different conduct in this specific role context.
- (3) *Knowledge* that has been gained by the person, particularly by certain forms of education and training.
- (4) *Basic assumptions and values* that are inherent in an institution, a person and/or its role. This factor reflects the cultural element of the model.

This model will now be used to explain the difficulties that arose when the new public management was to be implemented in the political area. Among other things, NPM tries to transpose methods of private-sector management into the public sector. As a rule, this does not mean that such methods are naïvely taken over lock, stock and barrel. Rather, they are consciously adapted to public-sector requirements. These routines were developed in the *managerial rationality* of the market environment, and basically, this rationality also constitutes the foundation of most NPM reform approaches. The reform and the practices chosen thus make mutual sense, i.e. are consistent in themselves. However, managerial rationality is opposed by another rationality, which is equally important for the political/administrative system: political rationality. NPM may attempt to nudge administrative rationality in the direction of management, but it cannot be its concern to abolish politics. These rationalities will therefore have to be analysed in more depth.

In the *political rationality* of modern democracies, the formal success criterion is a majority at a formal ballot. Only those who are able to mobilize a majority for their

concerns at a decisive juncture will be successful in a democracy. The way there is embodied by critical success factors: the ability to form coalitions, skilful behaviour in political bartering processes, the formation and manipulation of public opinion, respect, the creation and activation of informal networks. What is interesting is that these processes are favoured by a lack of transparency both inside and outside the politico-administrative system. What's more, the political context is characterized by goals that can shift quickly in politics – and so will evaluation criteria by which the performance of executive politicians and governments is assessed. The public debate, driven by the mass media, can drop topics that were in the centre of attention quickly and replace them by new issues. If NPM tried to reduce political discussions to a 'strategic' set of targets, it would generate serious problems for politicians. NPM would then become senseless for political rationality. This is, in fact, a major problem for many NPM projects in Europe.

In *managerial rationality*, the entrepreneur's formal success criterion is the sale of his or her products and services on the market at a price that at least covers production costs. All management efforts therefore aim at sales, which are reflected in indicators such as turnover, profit, market shares, etc. Cross-subsidising is the order of the day, whereas pricing on the basis of full costs tends to be unusual. The critical success factors of management differ from those of politics: efficiency and effectiveness are a mirror-image of the organization's fitness; marketing creates and cultivates selling opportunities; the company's image enhances the market's trust in the company's capacities; and speed is crucial for competitiveness (the concept of 'time-to-market' being a case in point). One way of increasing turnover is to avoid competition. It is therefore rational for management to evade competition by means of arrangements. Besides the internal transparency that is necessary for managerial decision making, a lack of transparency towards third parties is conducive to the company's success.

The rationalities model has, up to this stage, not been used for normative statements. Rather, it has been proved helpful in order to understand why early attempts to apply management control systems in NPM have caused severe problems when political bodies have been stirred. It assists project managers to try and understand why politicians and public managers act in their specific way. At the outset of the reforms, both groups have been naïve and have had to learn how to interact from their own respective positions. The model may represent these differences in an idealized manner. Nevertheless, the relationship between the new public managers (along the lines of managerial rationality) and political instances is now better structured and clarified.

CONTROL MECHANISMS IN BOTH RATIONALITIES

Understanding is the first step towards the creation of successful solutions for the control problem within the politico-administrative system under the new regime.

However, it is not sufficient. The challenge for the rationalities model lies in its normative potential to deliver added value to the system. This is, will the model support project managers in their efforts to design and implement a reliable and accepted control framework for both the administration and politics? Above all, will the co-operation between the two groups be improved? Will democratic accountability be fortified by the use of the model?

The idea of the two rationalities is transposed onto the issue of how control mechanisms *should be* designed in the politico-administrative system. It then becomes clear that both sides are interested in their respective objectives being relevant for the other side. Politicians expect public management to fulfil the tasks they set it. This can only be achieved if politicians are able to communicate the expected form of behaviour to the administration. The traditional form of such control interventions is norms that legitimize and regulate administrative action. Forms of control that are typical of NPM, however, are less strongly tied to rules and make use of an additional control mechanism, namely the formulation and political determination of performance and results objectives.

The rationalities model suggests that the control system – if it is to be accepted by its addressees – take into consideration what the influencing factors of a rationality are about. In an ideal world, the control system is built upon incentives inherent in the environment of politicians and managers, respectively. Control measures and reports allow links with experiences of people and the organization as a whole. They make use of a common body of knowledge, and they support a further development of knowledge in political bodies and public management. Not least, the basic assumptions and values within the target groups are known, and messages match with these cultural elements.

For instance, clear objectives (Management by Objectives) are absolute necessities for the internal communication in managerial rationality. They are foreign to political rationality, however, since they create transparency and are thus liable to make political compromises more difficult. Therefore, the reluctance of politicians towards NPM-type performance agreements is understandable. On the other hand, if politics wants to retain its position with regard to typical NPM conduct, it must learn to communicate messages that make sense for managerial rationality, i.e. to formulate objectives. Then again, public managers have a vital interest in being able to assert their influence in political decision making. For this purpose, it is advisable to them to feed political bodies with specific information, or to prepare political decisions beforehand. However, such activities are only effective if politicians actually pick up the ball and play on with it – that is, if they use this information sensibly.

For these reasons, a type of transmission or 'translation' must take place between the two rationalities and their respective ways of thought, speech and action. Only in this manner will both main players in the reform of politico-administrative control be able to exchange sensible communications. Traditional input control models use the budgeting process and the budget as a transmission belt between politics and the

administration. Lynn (1996: 57) points out that the *Berkeley School* (Eugene Bardach, Jeffrey Pressman, Aaron Wildavsky) has been active for quite some time with researching ‘the implementation problem’; this is bridging the gap between political and managerial thinking. Others have added insights to the field of public administration and management, mainly deriving from public budgeting and finance (see, for example, Jones and Thompson 1999; Rubin 2000). The core functionality of these traditional budgeting systems is that there is *no systematic translation* between the two rationalities. Exactly the same figures in the budget are used by both the politicians and the managers to fulfil their different functions – and as the data are vital to both groups, their use by the one is jealously observed by the respective other. There is an expectation at least, that the budget is a one-fits-all control instrument for politics and management. In reality, this expectation has never been met.

With the new public management, a new focus has been set on the managerial aspects of public administration. The purchaser–provider split has led to a novel awareness of the different needs of the two, and the requirement for translation has come up at last. To illustrate this conversion process, the two rationalities can be represented as constantly rotating decision-making circuits. Theoretically, each rationality could work on its own. Only their interaction and the resulting necessity of mutual communication generate the impact of political activity for the administration (see Figure 1). Translation can now be attached to the interface between the two rationalities.

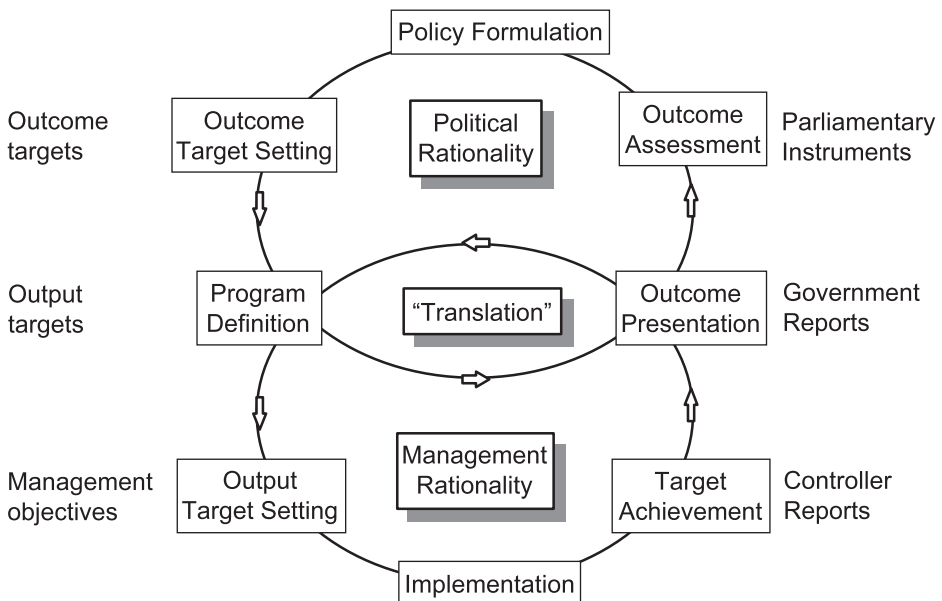


Figure 1: Using the rationalities model to effectuate control in politico-administrative systems

In the case of some Swiss projects, the model has been used to design control instruments for NPM. Political activities include policy formulation, outcome target setting, and the assessment of achieved outcomes as a core political function. For policy making, politicians rely on the traditional media such as legal acts, parliamentary interventions, *et altera*. For outcome control such as target setting and assessment, the newly created control systems are to deliver outcome information with indicator systems and causal models. This, however, is still work in progress, although some interesting cases have successfully been created in Switzerland. In order to translate policies into the managerial system, outcomes are specified in terms of outputs and resources needed to deliver these outputs. These programme definitions form the basis for performance agreements with the administration, in which output targets are set specified enough for the management to translate them into management objectives.

When the planning is done and the implementation takes place, control turns into the deliverance and the interpretation of reports. These reporting systems have been designed in mint condition for the functioning of the effects-oriented public management in Switzerland. At the operational level, management control systems create information about the achievement of targets, both in budgets and performance. Modern costing systems focus on economy and efficiency, and performance measurement sets an eye on outputs and outcomes, thus effectiveness. Along these lines, ministries should be able to ascertain if a performance agreement has been fulfilled satisfactorily by the government agency. Ministerial staffs also use these indicators to present the outcomes achieved in a way political bodies are able to work with. In most of the Swiss cantons, performance reports are delivered by government agencies two or three times a year to the ministries. The latter then publish yearly performance reports for the general public. What is more, government agencies consult with *newly created*, specialized parliamentary committees on a fairly detailed basis. Knowledge and experience, two important factors of the rationality model, are met by this system.

The committees, through their specialization, gather them both and therefore have become the public managers' major discussion partners within the political system. In order to impact the Government's policy, parliamentary committees as well as the plenary have established new intervention processes and instruments, focusing on outputs and outcomes rather than norms and the law. Most of the projects thereby used similar concepts in principle, so that one could speak of a political control concept typical for Switzerland (for further description, see Schedler 2000). The evaluations show that most of these specialized parliamentary committees feel confident today to execute their political control within the structures created by the NPM.

The quality of this translation process relies on the ability of the members of ministerial staff to live and communicate in both systems. This is, the skill to analyse and interpret the political as well as the managerial rationality. It is not a technical, bureaucratic process, but rather a combination of art (Lynn 1996) and managerial craftsmanship (Bardach 1998).

THE RATIONALITIES MODEL RECONSIDERED: A DISCIPLINARY PERSPECTIVE

In the Swiss practice, the rationalities model has enlightened the basic difficulties of a comprehensive control model for the politico-administrative system. In this sense, practitioners found it very helpful for them to avoid basic mistakes. Yet, its main users are the project managers and consultants. Some doubts arise, therefore, about the generalization potential of the model: is the rationalities model itself bound to a certain rationality, namely the control obsession of the managerialist? Observers treat the rationalities issue differently, depending on which discipline they pursue. This is one of the major reasons for the difficulties that arise for interdisciplinary research and debate. Two positions may illustrate this statement, which is here reflected in an (idealized) discussion between a representative of management theory and a political scientist.¹ See Table 2.

The truth might lie somewhere in-between these two lines. Both disciplinary arguments come to the conclusion that NPM has to adapt ideas coming from politically more sensitive disciplines like political sciences, or sociology. There remains a great difference, however, in the assessment of the practicability of control systems for politics. As the rationalities model has primarily been designed and used for the implementation of control systems, a self-critical perspective would probably acknowledge that its purpose in itself is an indication for its managerial basis. But then, this is why the new public management in Switzerland has been so successful in the first place: the rise of management theory as a relevant discipline for the public sector.

THE USE OF POWER IN POLITICAL AND MANAGERIAL CONTROL

Management is the application of individual power to get others to do what one wants them to do. Politics is the application of collective power to make decisions binding on the general public. As a rule, power is founded on authority: technical, formal or also natural authority. In a political/administrative system, formal authority is created by legitimacy, which – in democratic countries – arises out of majority decisions. The politician's power and the manager's power may encourage similar types of behaviour, but they have different origins. In order to retain it, both politicians and managers must be successful in different reference systems.

Both politicians and managers hunt for power. The introduction of management thinking in public institutions, though, often reveals that managerial rationality is struggling to deal with power games in politics. Only most recently has the issue of the limitation and control of chief executives' individual power become a more prominent talking point in the private sector. The new public management, too, has not always been in a position to control the power of outsourced operations. Early corporatizations have made clear that there is always a second phase after the first

Table 2: Attempts at explaining the problems of the practical introduction of NPM from the typical viewpoints of two disciplines

	<i>Managerial perspective</i>	<i>Political perspective</i>
Basic proposition	Politics requires conflicts to exist in the first place. Political rationality is therefore predominantly designed for conflict	Politics requires consensus in order to fulfil its function. Political rationality is therefore predominantly about consensus building
Explanation of the proposition	In order to gain profile and to emphasize their distinctive nature, politicians and political parties have to stir up conflict all the time. Any majority that has been found is unstable <i>per definitionem</i> and does not constitute a long-term consensus	In order to provide evidence of success, politicians and political parties have to create consensus between diverging interests all the time. This is often easier if there is no complete transparency about the compromises that have been achieved
Nature of NPM	NPM tries to establish a contract culture to replace the culture of rules and regulations. Contracts are based on the consensus of two parties, which is why NPM depends on this consensus. In its original nature, it contradicts the conflict culture of political rationality	NPM tries to create the greatest possible transparency with the help of control systems, performance indicators, consolidated financial statements and similar instruments. In this way, it creates new conflicts and thus disturbs the working order of politics
Consequences for NPM	In order to be successful, NPM must give up its consensus-ridden naïveté and develop, improve and introduce its instruments in the conflict-laden environment of politics. After all, NPM will be successful in creating a politico-administrative control system that suits both needs	NPM must find ways of dealing with the (politically necessary) lack of transparency and stability, both in objectives and assessment. Trying to originate comprehensive control systems will turn out to be impossible

enthusiasm, that is to say the democratic control of these autonomous state-owned entities (SOEs). If a scandal occurs there, politicians most probably will not get away with the argument that these SOEs are autonomous and therefore self-responsible. As a reaction to early debates, corporate governance concepts for public-sector enterprises have been designed and discussed (see IFAC-PSC 2001).

Here, NPM can benefit from the experience of political science. Political rationality is highly sensitive to power. The awareness of, and mechanisms for, the limitation,

division and control of power are inherent. Thus the public governance debate bridges a gap in the concept of NPM and makes it viable for the politico-administrative system in the long term.

A significant part of modern management theory hardly made an issue of the fruitful use of power for a long time. Under the impact of the generation of 1968 and its concepts, such as moderation, mediation or participative decision making, authoritarian styles of leadership had negative connotations, and the exercise of power by managers seemed to be tabooed. It is clear, however, that micropolitics within private companies is all about might and influence, symbolized by income and status. Abuses of management force, both in public-sector and in private-sector institutions, have recently increased people's awareness of power in management. In the public environment, this has resulted in a situation whereby 'political aspects' are experiencing an actual renaissance:

- (1) Single-discipline public management concepts are progressively overshadowed by public governance issues – political aspects increasingly constitute an umbrella structure for management.
- (2) Civic rights and the activation of citizens are attracting more and more attention. A prominent example in Germany is the debate about the *Bürgerkommune* (civic commune).
- (3) Controlling and reporting systems are increasingly focused on the use by politicians, thus on their role as 'translating instruments'.
- (4) Later reforms such as the Electronic Government are also adding governance aspects in concepts like 'electronic governance' trying to design comprehensive models for an E-Society (Schmid *et al.* 2001), or at least an integrative understanding of E-Government (see, for example, Schedler and Scharf 2001: 775ff.).

The distinction between *customer* and *citizen*, which is typical of public management in continental Europe, is also gaining significance since an increasing awareness of political aspects renders the differing functions of these two concepts relevant. The handing over of decisive relevance to, or in other words, the *empowering* of citizens will lead to an increase in democratic force for the electorate, such as the referenda and people's initiatives in Switzerland. The same notion, *empowerment*, in the context of the customer leads to greater involvement in individual decisions of civil servants; improved assessment of customer needs in service delivery (surveys); and a stronger integration of customers in the production process of public goods. Germany's '*Aktivierender Staat*' (activating state) focuses on the latter to a large degree.

In the rationalities model, power is not an explicit factor. It is implicitly present, though, in that influence is subject to experience, basic assumptions and values. The way the use of power and the consequences deriving are perceived is expected to have a significant influence on one's rationality.

MANAGERIAL NPM TOOLS IN A POLITICALLY DOMINATED 'MARKET FOR SOLUTIONS'

I have shown that the interrelation between the two rationalities will vary considerably between different politico-administrative (and thus national or regional) cultures. This is unavoidable as incentives diverge in dissimilar political systems, and basic assumptions and values are cultural variables as such. Consequently, any reform within these systems will have to have a specific cultural touch. In spite of this, Jones and Thompson (1999) point out that 'the new public management is a worldwide phenomenon because it is a manifestation of a fundamental transformation affecting nearly every corner of the globe' (1999: 25). Then again, international public management research clearly shows that there is no such thing as internationally standardized NPM, although politicians and researchers all over the world seem to use similar terminology. Hood (1998) argues that the differences can be traced back to cultural disparities; Pollitt and Bouckaert (2000) discern the main cause in different implementations of historical factors, but also local sense-making. Our own research work (Schedler and Proeller 2002) leads to the conclusion that the specific application of NPM largely depends on the (political) decision-makers' perception of the problems. Thus NPM is regarded here as a toolbox from which individual tools are taken to solve current problems. The great difference between old administration and new public management, therefore, is that the ingredients of this toolbox for practical solutions have changed from regulation and input-oriented control to incentives and output or outcome-oriented control. The long-term use of the single tools by the politicians, however, cannot be controlled by neither the designers of the tools nor the project managers. If you are under great financial pressure, you use NPM as a cost-cutting programme; if you want to enhance the influence of the ideology of the market, you use NPM to do so; if the most urgent problem you face is the quality of services to your citizens, NPM will be used as a quality improvement programme. In short, the problem perception of decision makers – who most often take politically rather than managerially rational choices – create the demand for reform at the political level.

Figuratively speaking, this results in a market-type situation of demand and supply: the tools of NPM are a *supply* of solutions which are generally regarded as modern and are therefore considered attractive by bureaucrats and politicians alike. Conversely, the users of NPM constitute the demand side and define their requirements on the basis of the problems awaiting solution. This means that in each individual case, NPM is a mirror-image of the problems that are seen to require solutions.

Viewed in this light, it is an important achievement of (new) public management to have developed and tested new control and leadership instruments for the various contexts of the public sector. However: no matter how desirable it would be from the perspective of managerial rationality for NPM to be introduced as a clearly defined model (and to be subjected to a scientific evaluation), it would be equally naïve to believe that it would work like this in practice. Political rationality, which often

dominates in the public sector, calls for solutions to problems that are acute and must be treated as such. Thus reform models will always be adapted to individual requirements and 'put to a different use'. Researchers are frequently amazed at the applications that derive from scientifically generated (normative) concepts once these are left in the hands of politicians. See Figure 2.

There remains one last question to be addressed: why are managerial tools attractive to politicians now that we know that they do not lecture to their political rationality? The answer lies in a still sovereign political agenda that selects topics from very different areas of life – among them management, too. The universal new public management movement has been amazingly successful in setting its own approach onto the political agenda for nearly two decades. The conclusion that NPM also achieved in altering political rationality towards a more management-oriented, strategic attitude, would be misleading. However, it is not clear today how much of the managerial control philosophy has been established in the diverse politico-administrative systems all over the world. For Switzerland, it seems that some fairly revolutionary transformation has taken place, and that this can be interpreted as a partial introduction of management control in the Swiss public sector.

CONCLUSION

Reformers in Switzerland have had to realize that NPM reforms started as managerial reforms of public institutions, but have developed into *de facto* political reforms. Thus the managerial background of project managers, consultants and public management scholars is a necessary but not sufficient precondition for a successful implementation of

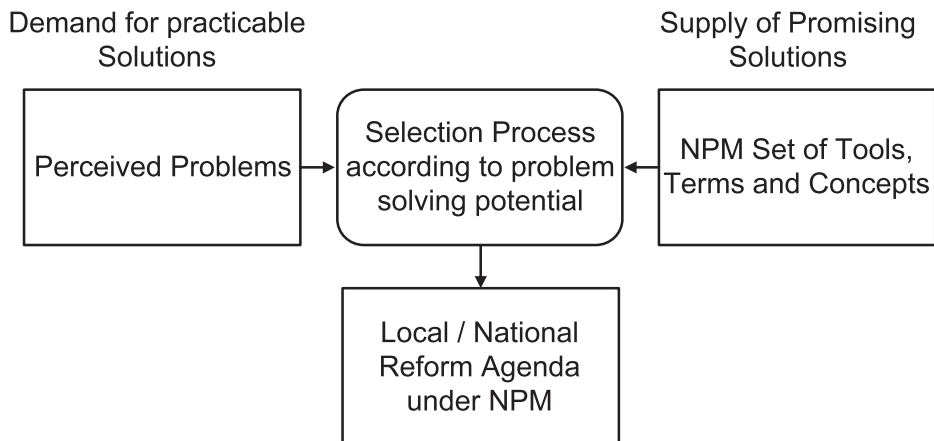


Figure 2: The evolution of a local reform agenda

NPM in the politico-administrative system. Additionally, it must be noted that a genuinely interdisciplinary discussion of public-sector control issues is hardly taking place although it is repeatedly called for. Present developments offer a unique opportunity to intensify the dialogue between economists, management theorists and political scientists. Wherever public management has one-sidedly taken its bearings from economic and market issues, it can and should be supplemented by the insights that come from political science and its currently hot debate about governance. However, it would be fatal if the new discussion were to negate the findings of the new public management. We should not replace the one by the other; rather, we need a cross-fertilizing co-operation.

On the other hand, the contribution which public management is able to make to the governance debate must not be underestimated. Not least, it leads to a clarification of the sources of the legitimacy of government action. It is advisable to link these sources of legitimacy with different practical solutions that are being developed at the moment. After all, the quality of communication processes between political bodies and the administration is essential for upholding (or improving) democratic accountability. The rationalities model is designed to make systemic differences between management and politics visible – and to improve communication between politicians and public managers. A fruitful debate about the next generation of public management should include political rationality as a fact and a source for creative approaches.

NOTE

- 1 A similar discussion did indeed take place on the occasion of the European Foundation for Management Development in Milan in 2001. The two partners in discussion were Werner Jann (Potsdam, Germany) and myself. I owe many insights in connection with this issue to Werner Jann.

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