

## REINVENTING PUBLIC SERVICE: AN EVALUATION OF PUBLIC SECTOR EVOLUTION IN AUSTRALIA AND OTHER WESTERN COUNTRIES

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### ABSTRACT

*Government reform can be little more than politically symbolic restructuring, or it can involve changes which are pervasive and permanent. During the last twenty five years a number of countries have undertaken real and significant reform in their public sectors. Many of these reform programs have entailed the introduction of competition, the measurement of results, the decentralisation of authority, and the introduction of meaningful sanctions for managers who fail to achieve their objectives. The decision to embrace this new approach, and the process of introducing the requisite changes, has often been referred to as reinvention. This paper discusses discusses some of those changes and evaluates the different approaches taken . The evidence suggests that cultural change in the public sector is not a finite phase which agencies must endure, but is instead a permanent fixture for agencies. If this is true, then the future of the reinvention movement seems assured.*

### INTRODUCTION

This paper examines the emergence of a radically different public sector model, which began to evolve from government reforms occurring in many different countries during the early 1980s. The new model dispensed with many of the cherished public service norms, and was not always well received by employees. Because the new model adopted many ideas from the private sector, particularly in the way organisations were to be managed, it was often referred to as *managerialism*. As the scope and quantum of change increased, fundamentally altering the character of public sector organisations, the process came to be known as *reinvention*. Reinvention embraced many practices used by large commercial organisations, identifying corporate objectives and plans, measuring and being accountable for performance and productivity, selecting employees on the basis of merit with no guarantee of lifelong employment, and attempting to understand and meet the needs of customers.

The paper discuss the differing approaches to reinvention which occurred around the world from the mid 1980s to the mid 1990s. While there were many dimensions to the changes which occurred at the time, this paper will focus on leadership and attempts by leaders and managers to change the culture of their organisations.

## **GOVERNMENT REFORM**

There is nothing new in attempts by politicians to make government agencies more effective. The role of government was neatly summed up as long ago as 1937 in a report which concluded that the only “ grand purpose” was to make democracy work, using up-to-date, efficient, and effective instruments and modern management tools. (President's Committee on Administrative Management, 1937)

In western democracies it is not at all uncommon for existing governments and oppositions to contest elections with substantial reform agendas. (Kamensky, 1996) suggests that government reform falls into two categories. The traditional reform agenda concentrates on restructuring, a process involving the rearrangement, but not the diminution of power and authority. This type of reform has little long term impact on organisational effectiveness, and is often implemented purely for politically symbolic reasons.

## **REINVENTION**

The second type of reform is much more pervasive and permanent. For example, instead of issuing edicts about the behaviour of public servants, it concentrates on the incentives which shape behaviour in organisations. During the 1980s many governments around the world embarked upon reform programs of this nature. The wide ranging changes, often called *reinvention* involved the introduction of competition, the measurement of results, decentralisation of authority, and the introduction of real consequences for success or failure (Osborne, 1993).

While early attempts to reinvent the public sector concentrated on those issues of competition, efficiency and accountability, managers soon realised that their objectives could not be achieved without the cooperation and involvement of their employees. There needed to be a fundamental change in the values of employees, a building of commitment in staff to the new organisational goals, and the realization that individual attitudes to daily work must be aligned to the organisation's objectives (Kamensky, 1996).

Once underway, the reinvention movement gained momentum over the ensuing twenty years. It was a truly global movement, with important contributions coming from New Zealand (Boston, 1989; Boston, 1991; Boston, 1992), the United Kingdom

(Hood, 1991), the United States of America (Barzelay, 1992) and numerous other countries.

One of the difficulties facing researchers of reinvention is the lack of an agreed definition which operationalises the concept, and the simultaneous existence of other management concepts which share many of the philosophy, objectives and practices involved in reinvention.

There are, for example, similarities between reinvention, Strategic Management (SM) and Total Quality Management (TQM). In addition, many of the principles of Best Practice programs are to be found in reinvention. (Ehrenberg & Stupak, 1994 p.81) have suggested five principles which must be present for the successful implementation of TQM in either the private or the public sector. They suggest:

- The use of quantitative measures to improve processes continuously
- Focus on providing quality services that meet customer defined expectations
- Empowerment of individuals to improve processes and assume accountability for products and services
- Decisions based on facts
- A commitment from top management to change the culture and embrace the TQM philosophy

### **REINVENTION PRINCIPLES**

Reinvention principles have reflected many of the cultural changes introduced by large companies in the last twenty years. Often these changes occurred as a response to better educated employees and global competition imperatives, pressures from which the public sector was not immune. Other drivers of change included the need to achieve competitive advantage, revenue or budget constraints, and regulatory requirements (U.S General Accounting Office, 1994). These changes included flatter structures with decentralized decision making, business process improvement, empowerment of employees, teams, and a focus on meeting customer needs. Managers in the public sector tended to monitor these changes much more than they had in the past, and found that the changes being made by their private sector counterparts often had equal applicability in their own organisations.

(Kamensky, 1996 pp. 250-251), drawing on the work of others, suggests a set of guiding principles for managing in the modern public sector.

- Management skills to complement policy skills
- Reliance on measures and targets rather than input controls and bureaucratic processes

- Devolution of management control and the development of appropriate reporting, monitoring and accountability strategies
- Private ownership, contracting out and competition in service delivery
- Disaggregation of large bureaucracies into quasi-autonomous agencies
- Separation of commercial and noncommercial activities
- Separation of policy advice from policy implementation
- Use of private sector practices such as short term labour contracts, corporate plans, performance agreements and mission statements
- Preference for monetary incentives rather than ethos and status
- Emphasis on efficiency and cutting costs

### **INTERNATIONAL REINVENTION APPROACHES**

Because reinvention evolved in different countries simultaneously, reform elements differed across jurisdictions. Notwithstanding the differences, the objectives have been remarkably similar. Following is a summary of some international experiences.

#### **New Zealand**

Central to changes which occurred in New Zealand was the concept of managers having greater autonomy (Weller, Gardner, Ryan, & Stevens, 1993). These changes were enshrined in legislation with the passing of the State Sector Act, based on agency theory. Agency theory adherents see all commercial and government activity in terms of a contract between a principal and an agent. In the public sector context this contractual arrangement exists between chief executive officers and their ministers (Aitken, 1991; Weller et al., 1993). This arrangement is also often referred to as a purchaser-provider agreement. Organisations operating in this context face many of the same challenges of the private sector. They need to provide good service to their customers and keep costs down as much as possible (Wilson, 1991). Failure on either of these counts will lead to questions being asked by the minister, or principal. A second aspect of this approach is that the principal retains responsibility for policy development, while the chief executive, or agent concentrates on service delivery. Agency theory has been a fundamental component of public sector reinvention

#### **United Kingdom**

In the United Kingdom, a slightly different approach was taken, with service delivery 'executive agencies' being created within departments of state (Weller et al., 1993). These executive agencies had a greater degree of freedom than was previously the case, operating along similar lines to a profit centre within a private firm. Agency heads were required to submit plans and estimates, adhere to prescribed policy and

work within authority limits set by ministers and departmental heads. These changes were implemented by a government sensitive to public reaction. A Citizen's Charter was introduced, which provided that tax payers had the right to good service. Further initiatives provided a framework for citizens to assess and provide feedback on the service they encountered. Understanding and responding to customer needs, and an organisational focus on customer service has been a second major component of reinvention.

### Canada

The 1990 White Paper 'Public Service 2000: The Review of the Public Service of Canada' also emphasized service improvement through a client focus strategy (Weller et al., 1993). In addition, the Canadian view considered that there should be devolution and decentralization of decision making and accountability. Decentralisation has become a third major dimension of reinvention.

### United States of America

In the United States the National Performance Review, established in 1993, had the objective of transforming the basic culture of federal government agencies from a hierarchical, conservative task culture to a performance and customer focused culture (Kamensky, 1996).

### Other Countries

Other initiatives were under way in other parts of the world. Northern European countries were continuing with their employee involvement and participation strategies, and Japan and South Korea were pursuing quality initiatives.

### Australia

The Australian government began a comprehensive reform program in 1983. (Weller et al., 1993) believe that public service ideas inherited from Britain were no longer viable in an environment of contracting rather than expanding government activity, increasing impact of external factors, and diminishing resources. The reforms fell into two broad categories:

- Increasing efficiency, effectiveness and accountability, including financial reforms and the adoption of commercially oriented practices
- Improving human resource management practices, including access and equity to the public service for all Australians (Joint council of the Australian Public Service, 1993a page 38).

A key element of the commercial practices to be adopted, introduced in 1987, was the philosophy of ‘user pays’, with the objective of identifying over- and under-servicing of government programs. One of the earliest outcomes of this policy was the corporatisation of the Department of Administrative Services (DAS), involving competitive tendering, significant outsourcing of DAS activities, and associated downsizing. DAS embraced agency theory, and entered into purchaser provider arrangements with other departments of state. Other reforms included changes to public service legislation, machinery of government changes which reduced the number of government departments from 28 to 18 and the establishment of the Management Advisory Board (MAB), which set up a Management Improvement Advisory Committee (MIAC).

The 1993 MAB-MIAC paper ‘Building a Better Public Service’ identified three elements which should form the basis of ongoing public sector reform:

- Making performance count – considering client needs and service quality, measuring results, rewarding , learning from and building on good results, and accepting accountability for outcomes
- Leadership – emphasizing key responsibilities, clarifying roles and sharing knowledge
- Strengthening the culture of continuous improvement – improving people management, and embedding attitudes seeking to find better ways of achieving outcomes (Management Advisory Board, 1993)

In the same year the Joint Council of the Australian Public Service (1993b) published a report which drew on five case studies and identified a number of key principles which contributed to best practice in client service:

- Ensuring a client focus, identifying all clients and their needs
- Strategic planning to ensure that client needs are at the centre of organisational activities
- Prompt response to queries and changing circumstances of clients
- Devolution of decision-making on service issues to front-line staff
- Benchmarking against best practice service providers, with client service improvement embedded as a continuous process rather than a one-off thing
- Full participation of staff and unions in the change process, leading to commitment and high quality service provision
- Participation of clients through surveys and through their representative organisations, in the change process

One of the recommended strategies for implementing these principles was improving the linkages between the public and private sectors.

In 1997 the secretary of the Department of the Prime Minister and Cabinet circulated a draft Better Practice Guide to all Departmental Secretaries and Agency Heads. The report was a joint publication of the Australian National Audit Office (ANAO) and MAB, and was one of the earliest documents to discuss the creation of a customer service culture in the Australian Public Sector. Other issues covered in the guide included:

- Key concepts of customer service
- Linking customer service and human resource management
- Communicating with the customer
- Being a customer-friendly organisation
- Continuous improvement (ANAO &MAB, 1997)

### **IMPLEMENTATION**

The most difficult aspect of implementing reinvention has tended to be transforming organisational culture. This is not just a public sector phenomenon. (Harris & Ogbonna, 1998) point to a number of difficulties in implementing cultural change, not the least of which is the range of unpredictable and unintended consequence of change initiatives. (Atkinson, 2001) suggests a number of challenges for organisations wanting to undertake culture change.

- Make it tangible and concrete
- Ensure there is a strong focus and vision
- The vision and strategy should directly relate to the reinforcement of behaviour through rewards
- People need to know what the organisation wants them to pursue and what behaviours are discouraged
- Corporate culture has to be quantifiable – we have to know the key steps and key performance indicators (KPI's) that reflect progress
- It has to be communicated to all constituencies
- Customer focus, retention and acquisition need to be central to the culture

This recipe adds another necessary ingredient to the mix – communication, and introduces the idea of measuring culture.

### **MEASURING SUCCESS**

(Kamensky, 1996) reports that one way success can be measured is through the use of case studies which examine culture change within organisations. Measurement also needs to take place over a lengthy period of time if worthwhile results are to be obtained. Other management reform studies often require a decade to establish enduring changes and trends (Task Force on Management Improvement, 1992).

## INTERNATIONAL IMPLEMENTATION OUTCOMES

### United Kingdom

(Speller & Ghobadian, 1993) examined a number of local government case studies in the United Kingdom, and benchmarked them against the service quality model proposed by (Parasuraman, Berry, & Zeithaml, 1990). The studies suggested that, while there had been significant progress in service quality, there were a number of areas in which agencies still needed to improve.

On the positive side, they found

- a significant increase in awareness of quality assurance and TQM
- considerable work being done on quality processes and certification
- customer service improvement programmes, considering both internal and external customers
- attempts to communicate to customers about service standards, service improvement and access

On the negative side, however they found:

- Evidence of ‘window dressing’, and failing to keep promises to customers
- Failure to genuinely focus on customers in the design and delivery of services
- Failure to effectively address cultural inertia and resistance to change, particularly from managers
- Failure to combine ‘top-down’ strategic vision and leadership with ‘bottom-up’ feedback and involvement from staff in the design of services

### Greece

(Richbell & Ratsatiou, 1999) consider that in many cases insufficient attention is directed to cultural issues during implementation of large scale organisational change. They identified key differences in perceptions between management and employees following ISO 9000 accreditation. In their study of a Greek subsidiary of a US multinational air freight company, they found that while managers considered that they had implemented a ‘listening culture’, only 23 % of employees reported more open communication with managers, with 41% undecided, and 36% reporting less open communication. This example illustrates the fact that there is often significant divergence between the espoused values and intentions of senior managers, the operational activity of middle managers and supervisors, and the experiences of lower level employees.

## CONCLUSION

Public sector changes over the last quarter of a century have occurred in a dynamic context. Deregulation, the various oil crises, inflation, boom and recession have forced many governments to examine the way their institutions operate. Reinvention evolved in a number of countries simultaneously, and implementation was not consistent in terms of the reforms put in place and the timing of those reforms. However, there is considerable consistency in the objectives of all reinvention programs. Each program attempted to borrow practices from the private sector which increased effectiveness and efficiency. In many cases that involved introduction of a purchaser provider system, separation of policy making from service delivery, and a user pays environment. Each program introduced corporate planning. Each program addressed issues of leadership and improving people management. Each program attempted to decentralize decision making, and each program aimed to introduce a culture of finding out, understanding and meeting customer needs.

Attempts to implement a customer focused organisational culture have been among the more difficult reforms to implement. It is not simply a matter of providing new tools or new skills to employees. Instead it challenges managers and employees to adopt a whole new set of values.

Reinvention has made substantial improvements in respect of efficiency, cost effectiveness and customer service. Wagenheim & Reurink (1991) suggest that customer service management will become the organising and operating strategy in the public sector for the next decade. They define customer service as “an organisational perspective and process that focus on meeting customer expectations by doing the right things right the first time (Wagenheim & Reurink, 1991, p.264).

For the public sector world-wide, continuation of the reinvention movement seems assured, although different implementation strategies may be required to cope with cultural, contextual and jurisdictional realities. One thing is certain. The demand in all societies for individual, customised solutions to problems will not diminish. Organisations will consequently need to ensure that their cultures remain responsive to the needs of their multiple stakeholders. One critical dimension of this challenge is the need for appropriate leadership to entrench appropriate behaviours and to lead change. Changes to the leadership may produce a reinvigoration phase, but care needs to be taken to ensure that strong, autonomous leadership remains in place over an extended period of time to ensure that permanent cultural change occurs. In this respect, it may well be appropriate to encourage sub-cultures which can reflect changes in employee and community values.

Reinvention has already made substantial improvement in respect of efficiency, cost effectiveness and customer service. Despite this fact, it seems certain that customer service management will remain a critical management imperative for public sector leaders during the next decade. Despite continual change in almost every facet of

their work, public servants will need to provide a level of service which meets the needs of regulators, employees, customers and society.

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