Assessing impediments to NPM change

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Abstract

Purpose – When new public management (NPM) emerged in the mid-1980s, most governments such as New Zealand, Australia and Canada embraced it as a better way to provide public services. A more recent assessment of NPM would conclude that its appeal has faded. The purpose of this paper is to assess the serious impediments to NPM-inspired change.

Design/methodology/approach – The literature is diffuse, and therefore its insights have been limited by the lack of synthesis. In this paper the authors set out to synthesize the main work already available.

Findings – Change, such as breaking up large public sector hierarchies, or developing internal market-like competition and contracting out public services is indeed disruptive. Such change cannot be achieved without shifting decision-making processes, disrupting existing roles and working relationships and leaving some confusion and uncertainty among staff. Many of the changes feature numerous levels of ill-defined processes, ongoing multi-layered and complex decision making, and no easily agreed or clear path to resolution.

Originality/value – The terms "wicked problem" and "disruptive innovation" are increasingly familiar to public managers and policy makers. This paper argues that managing NPM-style change represented yet another wicked problem in managing public organizations. The authors set out to synthesize the main work available, and in so doing, frame the various attributes of NPM-inspired change – five basic parts, five types of uncertainty and five fragmenting forces. The conceptual framework suggests hypotheses as the basis for further research.

Keywords New Zealand, Wicked problems, Public sector, Change

Paper type Conceptual paper

New public management (NPM), is a term that refers to government policies from the 1980s that pertain to the reform of the public sector in order to generate greater efficiencies (Hood, 1991). NPM has also been referred to as an elusive phenomenon (Savoie, 1995). While some scholars view NPM as the simple transfer of private market principles and management techniques into the public sector (Ferlie *et al.*, 1996), the NPM label has been applied unilaterally to all kind of public sector activities. Historically, when NPM emerged in the mid-1980s, many governments embraced it as the "all-purpose key to better provision of public services" (Hood, 1991, p. 3). A more recent assessment of NPM suggests its appeal is no longer universal (Dunleavy *et al.*, 2005). For instance, New Zealand has a history as one of the first countries to provide universal health care (Starke, 2010). The New Zealand Government's discussion paper – A Health Service for New Zealand (McGuigan, 1975) introduced the NPM

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"purchaser-provider splits" and other linked reform strategies (Gauld, 2001, 2008) associated with a deregulated economy. Reforms continued through the Palmer and Moore Labour Governments into the Bolger National Party Government and included exchange rate floatation, financial liberalization, fiscal and inflation restraint, privatization and changes to industrial relations legislation (Castles *et al.*, 1996). The later Shipley and Clark governments reversed many of these social policy and health reforms, due to a general scepticism of the benefits of market driven welfare and health policies. What appeared were local "community-based" governance with District Health Board structures (Starke, 2010, p. 511) instead. New Zealand's acceptance and then shift away from NPM suggests a diminishment of its lustre in public management theory and practice.

In a similar way competition and contracts were introduced across Australia as mechanisms to facilitate reform in costs, productivity and quality (Steane and Walker, 2011). From local government to the Commonwealth, and across public, NGO and private providers, competitive tendering was the *modus operandi*, in the 1990s. Contracts were understood as a tool to achieve political and economic objectives associated with NPM reforms. Subsequent assessments by the Australian Industry Commission (1996) have indicated the savings were transitory at best, and that cost-benefits were unsubstantiated (Quiggin, 1996, p. 229). In fact, the little research that exists, suggests such structural impositions actually increased costs (Jensen and Meckling, 1976).

In Canada NPM is currently considered as one of the main causes of the ongoing legitimacy crisis and fall in popular support for governmental institutions. In Europe and other OECD countries (OECD, 2010) questions about the unintended contribution of the shift from traditional democratic, public-sector values to the market-based, private-sector values of the NPM are raised. As Van de Walle and Hammerschmid (2011, p. 193) pointed out:

> Managerial innovations did not only have a positive impact on short-term economy and efficiency, but also created new problems of fragmentation and coordination. The new thinking about the role of government did not only instil a more entrepreneurial spirit into the public sector, but may also have had negative effects on equity and social cohesion.

Implementing NPM changes in public organizations was a highly disruptive process, involving both rational decision making, as well as emergent trial-and-error learning. The process of implementing these changes often featured numerous levels of ill-defined, ongoing, multi-layered decision-making, not necessarily resulting in a clear resolution to problems. It is quite feasible, we argue, that this disruptive change process could well have been considered another wicked problem for public managers. A key lesson emerging from research on wicked problems (APSC, 2007; Rittel and Webber, 1973) is that dealing with them requires a radical change from traditional technical linear modes of thinking. This is not to suggest favouring irrational thinking, but more innovative approaches to reasoning through understanding the different elements of wicked problems and how these elements interact.

1. Five basic elements of wicked problems

It is our proposition that there are five basic elements that feature – at least to some degree – in all wicked problems: influencers, behaviours, ideology, boundaries and knowledge. Together these form a potential research framework for understanding NPM inspired change in public organizations, and its effects.

1.1 The influencers

Stakeholders are core to the challenge of managing wicked problems and key to successful implementation of change in public organizations. As Camillus (2008, p. 100) indicates: "Wicked problems […] occur in a social context; the greater the disagreement among stakeholders, the more wicked the problem". Different stakeholders fuel debate and keep the issues alive for policy-makers and public bureaucrats. Stakeholders constantly influence agendas, and use their voice to affect the process, the context(s) and content of NPM change: "It can be extremely difficult to make any headway on an acceptable solution to the wicked problem if stakeholders cannot agree on what the problem is" (APSC, 2007, p. 27). There may be partial convergence and limited adjustment, which secures at least some progress in resolving controversial issues. This may be a convenient temporary agreement among stakeholders about definition or resolution, and harm or benefit. Often, such agreement is out of political necessity and reflects no substantive agreement. It can be a momentary convergence with provisional closure, but without substantive resolution of stakeholder concerns or balancing of the legitimacy of claims. As such, some stakeholders win at the expense of the legitimacy of others.

1.2 The behaviours

The second element in all wicked policy problems – and in this case, NPM inspired changes – is behaviours of the people. The APSC (2007, p. 4) suggests:

> […] solutions to many wicked problems involve changing the behaviour and/or gaining the commitment of individual citizens. The range of traditional levers used to influence citizen behaviour – legislation, fines, taxes, other sanctions – is often part of the solution but these may not be sufficient. More innovative, personalised approaches are likely to be necessary to motivate individuals to actively cooperate in achieving sustained behavioural change.

Rothschild (1999) argues that legislation, fines, taxes and sanctions are all sources of coercion to manage behaviour. Coercion is can be effective for some social behaviours where resistance is evident, for example in drink driving. While, education is public policy implementation tool. It informs and persuades people to change behaviour voluntarily by creating awareness of the benefits of change. Overall, education is more effective when the goals of the policy are consistent with those of the targeted audience; when the benefits of behavioural change are attractive and obvious; and, finally, when the transaction costs are minimal and people have the capacity to change.

1.3 The ideologies

The third element in wicked problems is ideologies. This includes: the aims and ideas, beliefs and interests of actors. They give rise to conflicting opinions, rival perspectives and a dynamic plurality of points of view about policy problems and solutions. Indeed there can be a range of different preferences and views, resulting in volatile interactions over policy:

> […] (actors) […] address the problem are based on their perception of the problem and its solutions, which may differ from the views of others […] Diverging and conflicting strategies are the result, and these may cause stagnation and deadlocks in policy debates – they may also lead to surprising and unexpected outcomes (Van Bueren *et al.*, 2003, p. 193).

According to Douglas *et al.* (2003, p. 103) there are four mutually exclusive ideologies in which individuals approach and practice change, with: fatalism, egalitarianism, hierarchy and individualism.

Individual actors see the long term as a continuum of the short-term. The present, here-and-how is the optimum guarantee for later success. Hence, "business as usual" is the preferred course of action. Hierarchical actors see value in balancing the short and long term. The latter is not always a continuation of the former, and they are prepared to intervene in the short-term to ensure a sustainable and desirable long-term outcome. Egalitarian actors visualize the long term as a truncated series of events, with an obligation to learn from the past. For them, it is not "business as usual", but radical change. Fatalistic actors marginalize themselves with an ideology of seeing no point in resolving short or long-term goals. They resign themselves to events as they unfold (Douglas *et al.*, 2003, p. 103).

Douglas' anthropological description of these four social configurations, also known as the "grid-group theory" (Douglas and Wildavsky, 1982), suggests that structures within social organization endows individuals with perceptions that reinforce those structures. This occurs in tension with adherents of competing ideologies and the choices and positions they present. People argue from different ideological premises and positions of power, that they rarely achieve full agreement on problem formulation or solution, let alone any time-table for implementation.

1.4 The knowledge

The fourth element that features in wicked problems is the quality of the scientific and technical knowledge about the problem, its consequence and the shape of any potential solution. Often, the relationships between a problem and potential solutions are faint and blurred, and decision making can be based on inadequate information. As Van Bueren *et al.* (2003, p. 193) indicated:

> Wicked problems have to be dealt with in a context of great uncertainty with regard to the nature and extent of the risk involved for individuals and society as a whole. It is commonly assumed that uncertainty springs from a lack of technical knowledge about the nature of the issues involved and their solutions. We often do not know enough about the cause and effects of problems.

Information is can be incomplete, as well as ambiguous and unreliable. Furthermore, people can disagree on how to interpret the limited data available as well as draw causal relationships. Imperfect knowledge in the policy domain, especially over the long term, has impeded NPM change.

1.5 The boundaries

The fifth element in wicked strategy problems concerns the dispersed spread of resources necessary to manage a problem across a institutional setting:

> Wicked problems go beyond the capacity of any one organization to understand and respond to, and tackling them is one of the key imperative that makes being successful at working across agency boundaries increasingly important (APSC, 2007, p. 36).

Policy decisions often need to be made in different interdependent places and at different government levels in order to set some collective action in motion. It is this level of complexity that, according to Van Bueren *et al.* (2003, p. 211), increases the institutional uncertainty in designing a coordinated set of measures in order to resolve wicked problems:

> Actors are dependent in the sense […] the problem usually requires the joint action of various actors. But these inter-dependencies are often very complex and not easily visible […] Even if

> the actors do acknowledge their interdependency they find it difficult to engage in join action. Institutional barriers, cognitive differences, and the dynamic of the interactions themselves can block join action.

To recap, NPM change has been disruptive and understood as wicked problems. They can be characterized by what they are not: clear, definable, separable and easily solvable.

2. Discussion

Each of the five elements depicted explain some of the uncertainty in resolving wicked problems. We propose there are five types of uncertainty in wicked problems:

(1) substantive, sometimes referred to as cognitive uncertainty;

(2) strategic;

(3) institutional;

(4) procedural; and

(5) cultural.

The first three types of uncertainty – the substantive, strategic and institutional uncertainty – originate respectively from the lack of scientific and technical knowledge, from the divergence and conflicting strategies used by various stakeholders to deal with the policy issue, and from the fragmented institutional setting in which the policy issue is dealt with. They are already well documented in the literature on wicked problems (Van Bueren *et al.*, 2003 and well summarized by Head, 2008, p. 5):

> Substantive uncertainty (knowledge part) refers to gaps and conflicting understanding in the knowledge base, with the consequence that there is no agreed or clear understanding of the nature of the wicked problems. Strategic uncertainty [influencers part] refers to the fact that many actors are involved, with different preferences, and the interaction between their perspectives is unpredictable, Thirdly, institutional uncertainty (boundaries part) refers to the fact that relevant actors are attached to a variety of organizational locations, networks, and regulatory regimes, so that the processes for reaching decisions concerning wicked problems are likely to be messy and uncoordinated.

The two remaining types of are procedural and cultural. Procedural uncertainty derives from research on economic behaviours in changing environments. This type of uncertainty concerns the range of features resistance to change and the practical difficulty of convincing and motivating people to engage in the change process, that is, substantive and procedural uncertainty (Dosi and Egidi, 1991, p. 146):

> The former source of uncertainty comes from the incompleteness of the information set, and the latter from the inability of the agents to recognise and interpret the relevant information, even when available. In other words, from their knowledge incompleteness rather than information incompleteness […] The former is related to some lack of information about the environmental events, while the latter concerns the competence gap in problem-solving.

Cultural uncertainty originates from the clash of ideas and social solidarities that promote incompatible policy solutions. These different solidarities are comprised of groups aligned around common interests, value systems and shared preferences (Rittel and Webber 1973). As Douglas *et al.* (2003, p. 107) suggest: "It is a battle […] between groups of actors with different perceptions of time that derive from conflicting ways of organizing and justifying social relations".

These forces occur concurrently and continuously, and operate in a push-pull effect on wicked problems. According to Conklin, (2008, p. 17) these forces are "forces of fragmentation" and challenge efforts to develop shared understanding in resolving wicked problems:

> The concept of fragmentation […] pulls apart something which is potentially whole. Fragmentation suggests a condition in which people involved see themselves as more separate than united, and in which information and knowledge are chaotic and scattered […] It is important to recognize that these forces are not due to incompetence, poor management, or any human failing. They are part of the physic of projects. There is no quick fix for the phenomenon of wicked problems (Conklin, 2008, p. 17).

Fragmentation is fivefold (Conklin, 2008, pp. 3-5). The first force is social complexity. It increases strategic uncertainty and focuses attention on the primacy of managing the stakeholders as a key part of the problem. Social complexity is the result of a range of situational or contingency factors. The second force of fragmentation is the political complexity, which exerts a "pull" influence on the ideology in finding resolution. Trade-offs and compromises between ideologies rarely provides solutions. The political dimension means dominant influencers define success as their ability to dominate with unchallenged legitimacy. A third force of fragmentation is the scientific and technical complexity of change as disruptive. Technical complexity maximizes the range of options and risk of failure (Conklin, 2005, p. 16). It increases substantive uncertainty and pulls primarily on knowledge as the key to the wicked problem.

The fourth force of fragmentation is the network complexity, that increases the institutional uncertainty and pulls primarily on boundaries as the key part of the problem. Wicked problems are disruptive in nature and do not conform to the constraints of organizational boundaries. Resolutions result not from actions by a single department but rather from the joint actions undertaken across boundaries by a set of departments and organizations. The number of organizations and the need for coordination make the situation more complex – *ceteris paribus* – than in the single agency case. Finally the fifth force of fragmentation is change complexity. It increases the procedural uncertainty and affects behaviour. Change complexity is associated with situational factors such as the scope of change, the diversity of people being targeted, the legitimacy of the goals and the comprehensiveness of the approach needed to achieve behavioural change:

> There is a growing range of complex policy areas, so-called wicked problems, where it has become increasingly clear that government cannot simply deliver key policy outcomes to a disengaged and passive public […] it is clear that achieving significant progress requires the active involvement and the cooperation of citizens […] (APSC, 2007).

This discussion of the five elements is summarized in Table I.

Table I.
The five basic part of wicked problems

Forces of fragmentation	Types of uncertainty	Key parts of the wicked problem	Contingency factors
Social complexity	Strategic uncertainty	Influences	Number size of problem
Political complexity	Cultural uncertainty	Ideology	Options understanding
Technical complexity	Substantive uncertainty	Knowledge	Shared understanding
Network complexity	Institutional uncertainty	Boundaries	Diversity collaboration
Change complexity	Procedural uncertainty	Behaviour	Strategy legitimacy

3. Conclusion

Implementing NPM inspired change is highly challenging and has been disruptive. The past couple of decades have witnessed NPM policies and practice, bearing the hallmarks of wicked problems: ill-defined, multi-layered, involving complex decision-making, with no easily agreed or clear path to resolution or successful implementation. Since the term was coined, a key lesson for decision makers was that wicked problems are inherently different from others and, therefore, that dealing with them required a radical rethink from traditional rational-technical linear ways of analysis (Head, 2008).

This paper has provided a framework for understanding change and disruption in public agencies. We have set out to synthesize the main work already available on wicked problems and in so doing introduced various attributes for further research – five elements, five types of uncertainty and five fragmenting forces.

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