

*Introduction:  
Challenges of Public Sector Reform*

Public management reform has become a priority on the political agenda of governments in major industrialized countries since the 1980s.<sup>1</sup> Nowadays, the reform of public administration can be considered a stable and autonomous public policy and the object of a distinct stream of studies.<sup>2</sup> According to Hood and Peters, “the formalization and normalization of the field” of public management studies is the third and last stage of maturation of this discipline.<sup>3</sup>

The purpose of this volume is to contribute to this growing body of literature, highlighting the main issues in the ongoing reform processes, and to help develop suggestions for public decisionmakers involved in public sector reforms by offering a comprehensive picture of the main challenges that governments face today.

Previous studies have focused their attention on the main factors and determinants that underlie the impetus for change in the public sector.<sup>4</sup>

1. The environment in which governments operate has become increasingly unstable, calling for flexibility and adaptation skills on the part of bureaucrats and administrators in the public sector. The “stable and slow changing environment” that suited traditional public bureaucracies has been subjected to huge transformations.<sup>5</sup> These turbulent changes have influenced bureaucracies in different ways, such that they now appear to be characterized by the increasing need for information about the environment. They need to gather such information and respond on the basis of it.<sup>6</sup>

2. The globalization and internationalization of business require public agencies to redefine their boundaries and cooperate across boundaries.<sup>7</sup> Organizations must cope with uncertainty and manage it well if they want to

be effective. Uncertainty increases the risk of failure of an organization's response and makes it difficult to compute the costs and probabilities associated with alternative decisions.

3. There is a growing shortage of public resources, which is leading to the rethinking of service delivery, the ways organizations function, and the degree of efficiency of the whole system.<sup>8</sup> Organizations are preoccupied with the lack of material and financial resources and with the need to ensure the availability of these resources.

4. Pressure from citizens is growing regarding the quality of services provided, combined with the widespread perception of inefficiency and backwardness of the public sector as a whole.<sup>9</sup>

Several empirical studies have shown the effects, expected or not, of public management reforms. In many cases, changes to regulations, structures, and processes have not led to the expected results.<sup>10</sup> In some cases the reforms have produced unintended consequences that have had a negative impact on maintenance of the basic values embodied by governments and the public sector. Public administrations have often imported tools and ideas for reform from the private sector or from other governments (for example, performance-related pay) while failing to bear in mind the national context or to consider the limits and weaknesses of these tools.<sup>11</sup>

Many countries continue to struggle to achieve the fundamental changes needed to respond to the unexpected effects of modernization initiatives. Such paradoxes seem to be a feature of public sector reforms, where we often witness the "indifference to careful evaluation of the consequences of action . . . particularly in domains of strong beliefs and ambiguous experiences."<sup>12</sup>

Especially in time of crisis we need to modernize the public sector and to focus on the relevance of "public value." So we need to explore the current status of government reform. After almost three decades of reforms, the role of the public sector has changed significantly. The expectations for government action have not decreased, but in fact have increased; meanwhile the nature of public policy problems faced by governments is still undergoing profound change.

Thus, there is a growing need to understand the dynamics of the public sector in general. The modernization of governments requires an understanding of the nature and dynamics of public administrations as a whole and how they work within the global society. Our volume title, "Reforming the Public Sector: How to Achieve Better Transparency, Service, and Leadership," states the challenge the public sector faces.

Sometimes with the benefit of hindsight we recognize patterns leading to the future. As noted, there is no doubt but that the public sector operates in

an ever-changing and increasingly complex environment. An intricate array of drivers of change will influence the future—some of them known, some of them emerging, and some of them yet to appear on the horizon.

The ongoing reform process that most governments are undertaking demonstrates that public management reforms still represent a priority and offer an important opportunity for rethinking how to make changes effective and how to manage reforms. This recognition led to the idea for this book, whose aim is to contribute to the growing body of literature and develop this stream of research, to help practitioners and policymakers tackle the problems and challenges they face every day. It is hoped that this volume will

- Make possible a better understanding and discussion of the principles underpinning the ongoing reforms in the public sector

- Provide the community of practitioners with a scientific understanding of the main issues at stake in the reform processes

- Place the approach to public administration reform in a broader international context

- Identify the roadmap for public management

The priority of public sector reforms is also emphasized in this book. The contributors to this volume discuss some of the most relevant areas of modernization in the public sector in European countries: four imperatives that are coming together and forcing public sector managers, researchers, and policy experts to intensify and extend the agenda of public sector reforms.

1. *Enhancing transparency.* Enhanced transparency is regarded as a highly prized value, one often studied by academics and emphasized by practitioners. It is generally discussed as a tool for increasing government accountability, as a desirable principle for reducing corruption in public administration, and as a means for putting pressure on government performance.

2. *Boosting the motivation of public servants.* This can be done by focusing on the relevance of motivational factors of public employees, including not only material incentives and bureaucratic efforts to control actions but also the need to improve performance by managing the values that motivate public employees. The review of policies and motivation systems of human resources represents one of the areas of ongoing public reform.

3. *Improving leadership.* The need has emerged to strengthen leadership and enhance managerial responsibility in order to create a qualified cohort of civil servants capable of ensuring coherence, coordination, and continuity within the public sector. Reforms relating to leadership emphasize several concepts, such as the definition of the key skills of future leaders and the development of human resources departments for the recruitment of public leaders.

4. *Measuring performance.* The effective use of information on performance remains one of the most debated issues in the public sector today. Public sector organizations around the world face unprecedented pressure to improve the quality of their services while at the same time lowering their costs. The importance of strengthening the systems used to measure and assess performance has plainly increased in recent years.

## The Structure of This Book

This volume has five parts, one each focusing on the four main challenges just described and a section on public sector reforms from an international perspective.

Part 1 introduces the issue of transparency in the public sector. Transparency is the focus of growing attention not only of governments but also of international organizations such as the World Bank and the Organization for Economic Cooperation and Development. Most studies agree on the universal underlying assumption that transparency in government is a critical ingredient for efficient and well-functioning economic and political markets. In more general terms, transparency is seen as a cornerstone of democracy. In fact, the call for a transparent government is embedded in the birth of the modern idea of democracy.<sup>13</sup> In chapter 2, Maria Cucciniello, Greta Nasi, and Raffaella Saporito provide an interesting definition of transparency, combining the different streams of research focusing on this subject: “Transparency is discussed as a tool to enhance governments’ accountability, as a principle to activate for reducing public administration’s corruption and as a means to diffuse government’s performance information.” This concept of transparency leads the three authors to suggest a model for measuring the degree of transparency in public organizations that is “based on the following four . . . dimensions: institutional, political, financial and service delivery.” Irvine Lapsley, in chapter 1, offers a critical perspective on transparency, using the concept of the “Audit Society” proposed in 1994 by Michael Power.<sup>14</sup> As Lapsley states, “The diffusion of audit and the significant increase in the quantum of audit-like processes of checking and verification have given primacy to audit thinking and audit work across a wide range of contemporary society.” Lapsley leads us toward an interesting investigation of the unexpected consequences of transparency in government: “The subtle shifts in the significance of audit activity in contemporary society may have deleterious effects as the audit view of the world may not capture the subtleties of complex service provision.”

The focus in part 2 is on the relevance of public servants' motivation as a tool for boosting public sector productivity. One of the most popular managerial devices all over the world introduced by civil service reforms is performance-related pay schemes.<sup>15</sup> Pay-for-performance systems are tools borrowed from the private sector, designed to increase individual productivity. The impact on motivation of these incentives appears less strong in the public sector than in the private sector.<sup>16</sup> A growing body of evidence demands a rethinking of civil service reform policies and more exploration of the specific features of public service motivation (PSM).<sup>17</sup>

In chapter 3, James Perry describes the extensive diffusion and consolidation of PSM as a subject for public management study. Research on PSM is not just a good field for interesting intellectual challenges, where empirical evidence shows counterintuitive findings regarding the relationship between incentives and motivation; it can also become a very influential theory with inevitable effects on strategies and policies for human resources.

The issue of generalizability is also explored in chapter 4, by Wouter Vandenebeele and his coauthors. He found that the relationship between PSM and job satisfaction is moderated by country, suggesting that "with regard to individual civil servants, both the origins and the outcomes of individual PSM are subject to the institutional context in which they are situated." This work is also an important example of how comparative studies can help underpin public management research.

In chapter 5, Nicola Bellé and Paola Cantarelli provide a review of literature on the PSM construct and also present "the definitions of PSM along with details of the context where they were proposed. By making the contextual factors explicit, it is possible to achieve an understanding of the concerns that each definition was intended to address." The most interesting contribution to PSM literature by this article is its focus "on methodological issues related to the measurement of PSM." This chapter also looks at the generalizability of the construct of PSM across sectors and countries outside the United States, where the concept was originally introduced. Accordingly, the two authors grouped all the articles they analyzed according to the type of statistical relationship used.

Part 3 analyzes the role of leadership in public sector reforms since 1990. To effectively lead a new tide of public management reforms we can leverage on what has been done up until now. Christopher Pollitt, in chapter 6, tries in particular to highlight what can be learned from thirty years of public management reform, in order to act in this policy field in a more successful way. Moving from the past, he identifies three levels of learning: "The first kind is

simply (or not so simply) learning *what has happened*. The second is *unlearning*, that is, learning what errors there were in some of the views that one held oneself—or that influential others held—in the past. We could call this correcting false impressions. The third kind of learning is finding explanations—identifying reasons and processes that help us understand *why* things happened as they did.” Having identified ten key observations about the character of public management reform, on the basis of these three types of learning he offers seven main lessons on what can be learned from previous reforms.

Montgomery Van Wart in chapter 7 examines which leadership skills are related to reforms and focuses on the Italian context. Using the analysis by Paul Light, Van Wart divides the reform initiatives into four fundamental types and provides a description of different types of leadership according to Bernard M. Bass and the related skills that should be emphasized in order to achieve the different types of reform.<sup>18</sup> According to Van Wart, “Transactional skills are likely to be much stronger than transformational skills, but with less discipline than new Italian public law calls for. The new and critical transformational skills are likely to be largely deficient because of a lack of opportunity and practice.” The author advises Italian governments that “transformational skills will therefore need to be bolstered at all levels of Italian government through extensive training programs, widespread investments in new education, and role modelling.”

Mariannunziata Liguori, Mariafrancesca Sicilia, and Ileana Steccolini, in chapter 8, discuss “leadership” from an interesting point of view, investigating the emerging roles of administrators and politicians at the local government (LG) level. As a consequence of the waves of “modernization” in the public sector, “administrators are increasingly being asked to wear the hat of managers. . . . Politicians and administrators are seen as actors with separate functions, whereby the former are supposed to play a strategic role, deciding on broad policies and setting targets for managers, [and] the latter are expected to reach these targets in an efficient and effective manner.” The authors offer several suggestions concerning the implementation of future reforms within LGs that are based on the Italian experience: policymakers should acknowledge the existence of the political, managerial, and professional dimensions within LGs and try to keep these balanced. “Emphasizing only one of the three (as often happens during processes of modernization) may foster organizational tension that may ultimately slow down the success of both the LG and the reform process itself,” the authors conclude.

The chapters in part 4 discuss public sector performance and the possibility of managing governments by numbers. Governments are increasingly managed by numbers—that is, decisions are based on various types of statistics.

In chapter 9, Geert Bouckaert suggests that “this solves certain problems, not all, and creates new problems. This shift also helps to make legally defined responsibilities substantial and tangible, and substantiates accountability beyond a formal level.” However, he argues that it is important to combine the logics of numbers with the logic of governmental systems (consequences and appropriateness) into logics of public management. To do this, it is important to look at the management of numbers “to guarantee a sufficiently large scope and depth of performance, to match supply and demand of numbers, and to choose trajectories by using numbers in a broader context.”

In chapter 10, Denita Cepiku, Andrea Bonomi Savignon, and Luigi Corvo explore the status of strategic management in Italian ministries, highlighting the determinants of an implementation gap. They conclude that the results of the reform processes regarding strategic management in the Italian central government “have so far been unsatisfactory. Even in the most advanced cases, a formal compliance-oriented approach prevails.” The authors emphasize the need to establish stronger links between public sector reforms and the processes of budgeting, performance management, and human resources. The focus of law and central policy guidance has been (and continues to be) on strategic documents, but the “actual use of the strategic management system has not been a priority, neither of the central actors nor of the ministries.”

Part 5 provides an international perspective on public sector reforms. Michael Barzelay, in chapter 11, examines a crucial issue of public management studies: how to bridge the gap between theory and practice in public management and how to provide the community of public management practitioners with actionable knowledge. He introduces the “design science” approach to public management, a discipline that is a reference point for practitioners looking for solutions to their managerial problems: “A sensible practice for the study of public management is to target reference points, since their selection and use is an inherent feature of problem-solving and the devising of novel means within the world of practice. Since reference points are often presented as expert knowledge, they are liable to being put into question by arguments stemming from public management research.” The approach proposed by Barzelay has important implications not just for the research community but also for public management education, especially for executive education: “In some institutional and cultural settings, studying public management as a practitioner is typically staged as acquiring skills, learning techniques, and internalizing professional values” rather than learning how to recognize and classify problems, in order to look for the best solutions. “Seeking to undermine the intellectual capital of the field would be counterproductive: not only would it tend to make the audience for this methodological argument less interested

in considering what it being proposed, but reinventing conceptions of managerial challenges is entirely unnecessary.”

Elaine Kamarck, in chapter 12, examines central aspects of government reform in the contemporary era, surveying and analyzing developments and patterns in four separate historical contexts: (1) the late-twentieth-century revolution in governance in advanced Information Age democracies; (2) the late-twentieth-century revolution in governance in the world’s developing nations; (3) the postbureaucratic state in advanced, Information Age democracies; (4) the challenge of government capacity building in the developing world.

Mario Ianniello, Luca Brusati, and Paolo Fedele, in chapter 13, look at an increasingly popular practice: the inclusion of the principal stakeholders in decisionmaking. The approach of their case study is to identify the formal organizational factors affecting the results of the decisionmaking process. They found that inclusive decisionmaking processes possess a value per se, regardless of the effects and the quality of the decision: “Moreover, there is a confirmation that inclusive decisionmaking has a role in conflict reduction. . . . The higher the correspondence between the decisions taken and stakeholders’ needs, the higher their satisfaction with the decision taken, even if they are not completely satisfied with the process itself.” This conclusion has important consequences for decisionmaking settings in the public sector and for the traditional devices of political representation as a way to reach democratic decisions.

Finally, in the concluding chapter Giovanni Valotti suggests an interpretation of the agenda of public sector reforms and factors that could drive changes leading to better government in the future. To sum up, this book examines broad areas of the modernization of the public sector in European countries and the ways public managers can use the challenges listed earlier as a framework to intensify and extend their own reform agendas.

## Notes

1. See, among others, Owen E. Hughes, *Public Management and Administration*, 3rd ed. (New York: Palgrave Macmillan, 2003); Christopher Hood, “The ‘New Public Management’ in the 1980s: Variations on a Theme,” *Accounting Organization and Society* 20 (February–April 1995): 93–109; Michael Barzelay, *Breaking through Bureaucracy: A New Vision for Managing in Government* (University of California Press, 1992); Michael Barzelay, *The New Public Management: Improving Research and Policy Dialogue* (Berkeley and New York: University of California Press and Russell Sage Foundation, 2001);



Barry Bozeman, *Public Management and Policy* (New York: St. Martin's Press, 1979); Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford University Press, 2000); David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley, 1993); Laurence E. Lynn Jr., *Public Management as Art, Science and Profession* (Chatham, N.J.: Chatham House, 1996); Laurence R. Jones, Kuno Schedler, and Stephen W. Wade, *International Perspectives on the New Public Management* (London: Jai Press, 1997).

2. See, among others, Nils Brunsson, *Reform as Routine: Organizational Change in the Modern World* (Oxford University Press, 2009); Shuan F. Goldfinch and Joe L. Wallis Jr., *International Handbook of Public Sector Reform* (Northampton, Mass.: Edward Elgar, 2009); Nils Brunsson and Kerstin Sahlin-Andersson, "Constructing Organizations: The Example of Public Sector Reform," *Organization Studies* 21, no. 4 (2000): 721–46.

3. Christopher Hood and Guy Peters, "The Middle Aging of New Public Management: Into the Age of Paradox?" *Journal of Public Administration Research and Theory* 14, no. 3 (2004): 268.

4. See, among others, Hughes, *Public Management and Administration*, p. 1; Giovanni Valotti, *Temi di management pubblico* [Themes in public management] (Milan: Egea, 2004); Stephen P. Osborne and Kerry Brown, *Managing Change and Innovation in Public Service Organizations* (London: Routledge, 2005).

5. Osborne and Brown, *Managing Change and Innovation in Public Service Organizations*, p. 4.

6. See, among others, Howard Aldrich, *Organizations and Environments* (Englewood Cliffs, N.J.: Prentice-Hall, 1979); Fred Emery and Eric Trist, "The Causal Texture of Organizational Environments," *Human Relations* 18, no. 1 (1965): 21–32.

7. Fiona Graetz, "Strategic Change Leadership," *Management Decision* 38, no. 8 (2000): 550–62.

8. Valotti, *Temi di management pubblico*, p. 4.

9. See, among others, Ian Alam, "Removing the Fuzziness from the Front-End of Service Innovations through Customer Interactions," *Industrial Marketing Management* 35 (May 2006): 468–80; David Albury, "Fostering Innovation in Public Services," *Public Money & Management* 25, no. 1 (2005): 51–56; Audit Commission (London), *Seeing the Light: Innovation in Local Public Services* (London: 2007).

10. See, among others, Organization for Economic Cooperation and Development, *Modernising Government: The Way Forward* (Paris: OECD Publications, 2005); Giovanni Valotti, Alex Turrini, and Daniela Cristofoli, *Da burocrati a manager: Una riforma a metà—primo rapporto sulla dirigenza Italiana* [From bureaucrat to manager: first white paper on public management in Italy], OCAP (Osservatorio sul cambiamento delle amministrazioni pubbliche [Observations on changes in public administration]), Collana white paper 1-2/2007 (Milan: Egea, 2007).

11. James L. Perry, Trent A. Engbers, and So Yun Jun, "Back to the Future? Performance-Related Pay, Empirical Research, and the Perils of Persistence," *Public Administration Review* 69 (January–February 2009): 39–51.

12. Hood and Peters, "Middle Aging of New Public Management"; James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press/Macmillan, 1989).

13. Christopher Hood and David Heald, *Transparency. The Key to Better Governance* (Oxford University Press, 2006).

14. Michael Power, *The Audit Explosion* (London: Demos, 1994).

15. T. J. Lah and James L. Perry, "The Diffusion of the Civil Service Reform Act of 1978 in OECD Countries: A Tale of Two Paths to Reform," *Review of Public Personnel Administration* 28 (September 2008): 282–99.

16. Perry, Engbers, and Yun Jun, "Back to the Future?" p. 14; Edward P. Lazear, "Performance Pay and Productivity," *American Economic Review* 90 (December 2000): 1346–61.

17. James L. Perry and Lois Recascino Wise, "The Motivational Bases of Public Service," *Public Administration Review* 50 (May–June 1990): 367–73.

18. Paul C. Light, *The Tides of Reform: Making Government Work: 1945–1995* (Yale University Press, 1997); Bernard M. Bass, *The Bass Handbook of Leadership: Theory, Research, & Managerial Applications* (New York: Free Press, 2008).