Public Sector Capacity and Innovations:
Challenges, Crisis, and Opportunities

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Trust in Government

Example: Trust in the American Federal Government
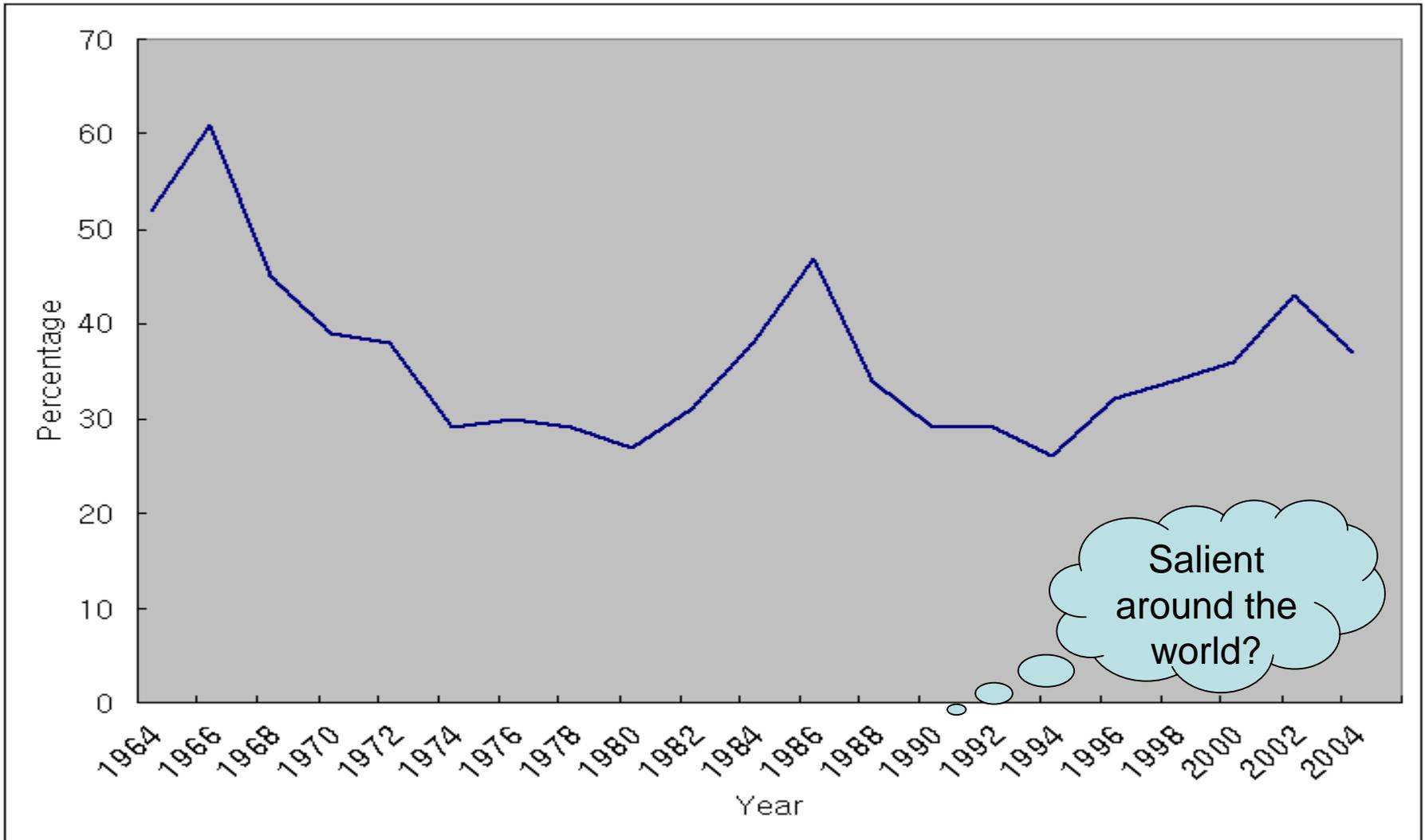
The Purpose of Public Sector Reforms:

To Make Our Public Sector:

- More efficient/effective
- More watchful/transparent
- More reliable/dependable
- More responsive
- More accountable
- More timely
- More participatory
- More fair
- Less wasteful.......

Major Contents of Public Sector Reforms

Trajectories of Reforms	Number of Countries (N=99)
Privatization	63
Decentralization	39
Downsizing	31
Civil Service Reform	24
Financial & Budgetary Reform	22
Regulatory Reform	20

Consequences Benefits/Costs?
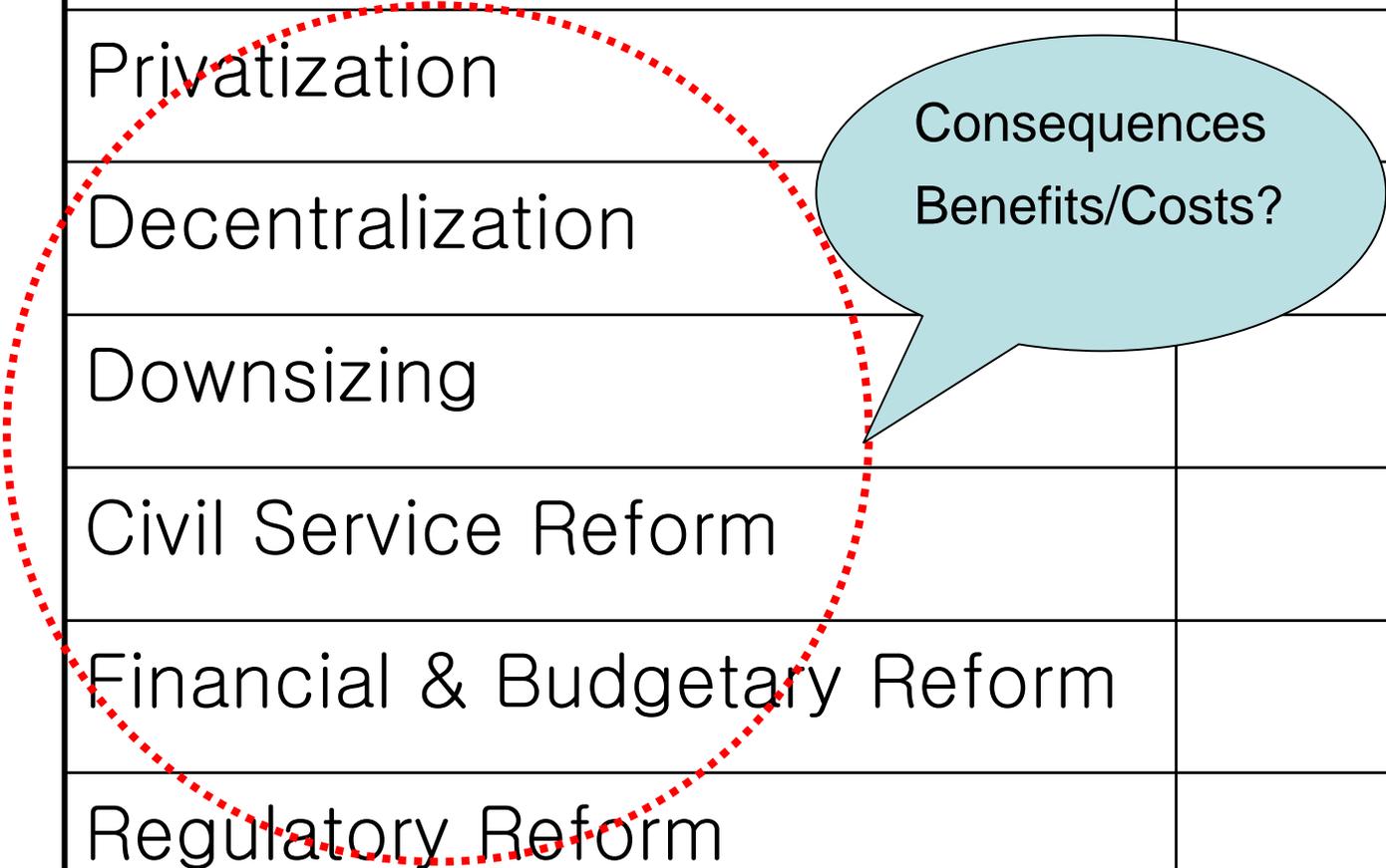
* Others: E-government, public enterprise reform

Source: Karmack (2000)

Reform Strategies:
Change from coercive to consultative/collaborative style

Style of

Management

Collaborative

Consultative

Directive

Coercive

Type 1

Participative Evolution

Type 2

Participative Transformation

Type 3

Forced Evolution

Type 4

Dictatorial Transformation

Fine Tuning   Incremental   Modular   Corporate

Adjustment   Transformation Transformation

Scope of

Reform

Source: Modified by the author from Durphy and Stace (1992).

Trend: Three Models of Public Administration: How well are we doing?

|	Public Administration	Public Management	Responsive Governance
Citizen-state relationship	Obedience	Entitlement	Empowerment
Accountability of Sr. Officials	Politicians	Customers	Citizens & Stakeholders
Guiding Principles	Compliance with rules	Efficiency & Results	Accountability, Transparency & Participation
Criteria for Success	Output	Outcome	Process
Key Attribute	Impartiality	Professionalism	Responsiveness
Type of Interaction	Coerciveness	Delegation	Collaboration

Key Features of New Public Management

- A belief in the <u>superiority of the market</u> and therefore an attempt to introduce markets & quasi-markets into the public sector

- The notion that organizations should be <u>flexible & responsive</u> rather hierarchical

- <u>Decentralization and de-layering</u> of decision-making, with the <u>disaggregation of government</u> into agencies

- The use of <u>performance indicators & output targets</u> as mechanisms for the creation of incentives for more effective work practices (The targets approach)

- <u>Management by results</u> & a greater emphasis on the role of managers & their <u>freedom to make decisions</u>

- The use of new technology; and an increased role for audit

Source: Richards and Smith (2002)

Interpretation: Governance Shifts

1. A <u>move away from hierarchy</u> and competition as alternative models for delivering services towards networks and partnerships traversing the public, private and voluntary sectors.

2. A recognition of the <u>blurring of boundaries</u> <u>and responsibilities</u> for tackling social and economic issues.

3. The recognition and incorporation of <u>policy networks</u> into the process of governing.

4. The replacement of traditional models of command and control by '<u>governing at a distance</u>'.

5. The development of more <u>reflexive and responsive policy tools</u>.

6. The role of government shifting to a focus on providing leadership, <u>building partnerships, steering and coordinating, and providing system-wide integration</u>.

7. The emergence of '<u>negotiated self-governance</u>' in communities, cities and regions, based on new practices of <u>coordinating activities through networks and partnerships.</u>

8. The opening-up of decision-making to <u>greater participation by the public</u>.

9. <u>Innovations in democratic practice</u> as a response to the <u>problem of the complexity and fragmentation</u> <u>of authority</u>.

10. A broadening of focus by government beyond institutional concerns to encompass the <u>involvement of civil society</u> in the process of governance.


state | civil society | private sector

Source: Newman (2001)
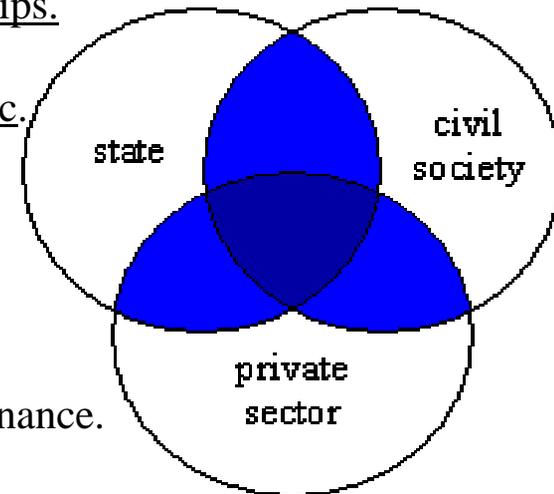
Interpretation: Transformation from the Weberian State to the Postmodern State

Weberian State ⇒	Postmodern State
Government	Governance
Hierarchy (Weberian)	Heterarchy (networks etc)
Power: concentrated	Power: diffuse
Elitist	Pluralist
Unitary, Centralized, Monolithic State	Fragmented, Decentralized, Hollowed-out State
Strong, Central State	Segmented Executive
Clear Lines of Accountability	Blurred/Fuzzy Lines of Accountability
State Central Control	State Central Steering
Single Homogeneous Public Service Ethos	Heterogeneous Service Cultures

Implications? Impacts?

Source: Richards and Smith (2002).

Deep Impact: The *Hollowing-out* of the State

- <u>New Trends</u>: governance, policy networks, power dependence, a segmented executive, intergovernmental relations, and a hollowed-out state
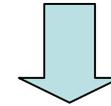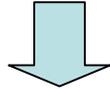
- Central government's authority, autonomy, and power have been <u>reduced by being dispersed/fragmented</u>:

  - Upwards: to the supranational level

  - Outwards: through privatization and marketization

  - Downwards: through the creation of quangos, agencies, and decentralization/devolution

- Hollowing-out identifies key trends, <u>focusing attention on segmentation</u> and its effects on executive behavior and change, and its consequences for the bureaucracy

Source: Richards and Smith (2002).

What Does It Mean?

- The key question is the extent to which <u>hollowing-out has undermined the capacity</u> of the core executive to control the policy process


> **What does it mean?**
> **What can we do?**
> **How can we build-up the capacity?**

- It is suggested that <u>order, uniformity, and predictability</u> have now been <u>replaced by complexity, diversity, and unpredictability</u>

What's Going on?
Overall Socio-Political Environmental Changes
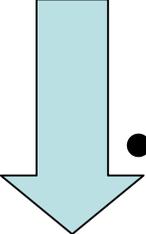
- Diminishing Role of the Head of the State

- Diminishing Role of the Executive

- Diminishing Role of the Traditionally Powerful Agencies
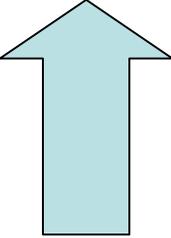
- Increasing Role of the Private Sector

- Increasing Role of Citizens & Civil Society

- Increasing Role of the Judiciary and Legislative Bodies

Evidence of Governance Change:
Influential Organizations in Korea, 2006: Private > Public?

Rank	Power	Trust
1	Hyundai Automobile	Hyundai Automobile
2	Samsung	Samsung
3	SK	SK
4	Constitutional Court	LG
5	LG	Constitutional Court
6	Police	Supreme Court Police
7	Prosecutor	
8	Supreme Court	Federation of Korean Industries
9	National Tax Service	National Tax Service
10	Federation of Korean Industries	Prosecutor

Challenges: Characteristics of a New World

- **New Challenges:**

  - More complex
  - More diverse
  - More fragmented
  - More interdependent
  - More time-consuming
  - More participatory
  - More transparent
  - More blurring/ overlapping
  - More decentralized
  - More stakeholders/conflicts/ dilemmas/trilemmas

  (Example–Dilemma: salamander/toad vs. development projects)

- **Critical questions:**

  Are we capable to deal with all these new challenges?

  Do our government officials consider the serious possibility that a <u>new policy/reform initiative may not have the capacity</u> to deliver services or effectively administer projects over time?

- **Problem Statement: Crisis**

  <u>We promoted public sector reforms continuously, but did NOT pay much attention to strengthening the public sector capacity.</u>

  (Example: As government increases its use of contracting, it <u>could simultaneously reduce</u> its own public-management capacity)

Emerging Problem: "Capacity Deficit"

- More complex
- More diverse
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- More stakeholders/ conflicts/ dilemmas....
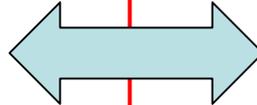
- Public Sector *Capacity* was declined:
  - Shrinking Role of the State
  - More Complex Problems
  - Critical Citizens, Lack of Resources
  - Overload & Reform Fatigue..........

- "*Deep Gap*" between new demands & the capacity (institutional & personal) → "Capacity Deficit?"
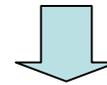
- Need to strengthen the capacity:
  Areas for (Institutional) Capacity Building
  - Infrastructure
  - System Design
  - Management
  - Leadership (collaboration)
  - Culture (learning organization)
  - Organization (coordination)
  - Others (tools/means)
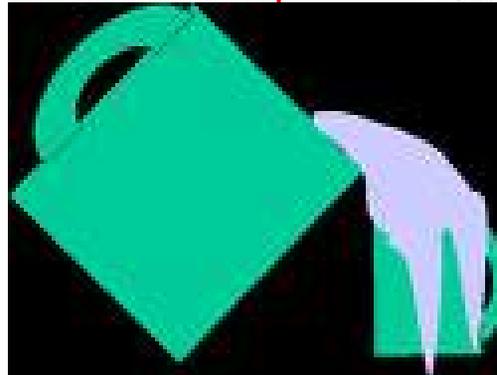
Searching for the Right Direction?
Reform and the Capacity

Degree of Reform

Hollowing-out of State

(L , H)

(H , H)

High

(L , L)

(H , L)

Low

Low

High

Degree of Capacity
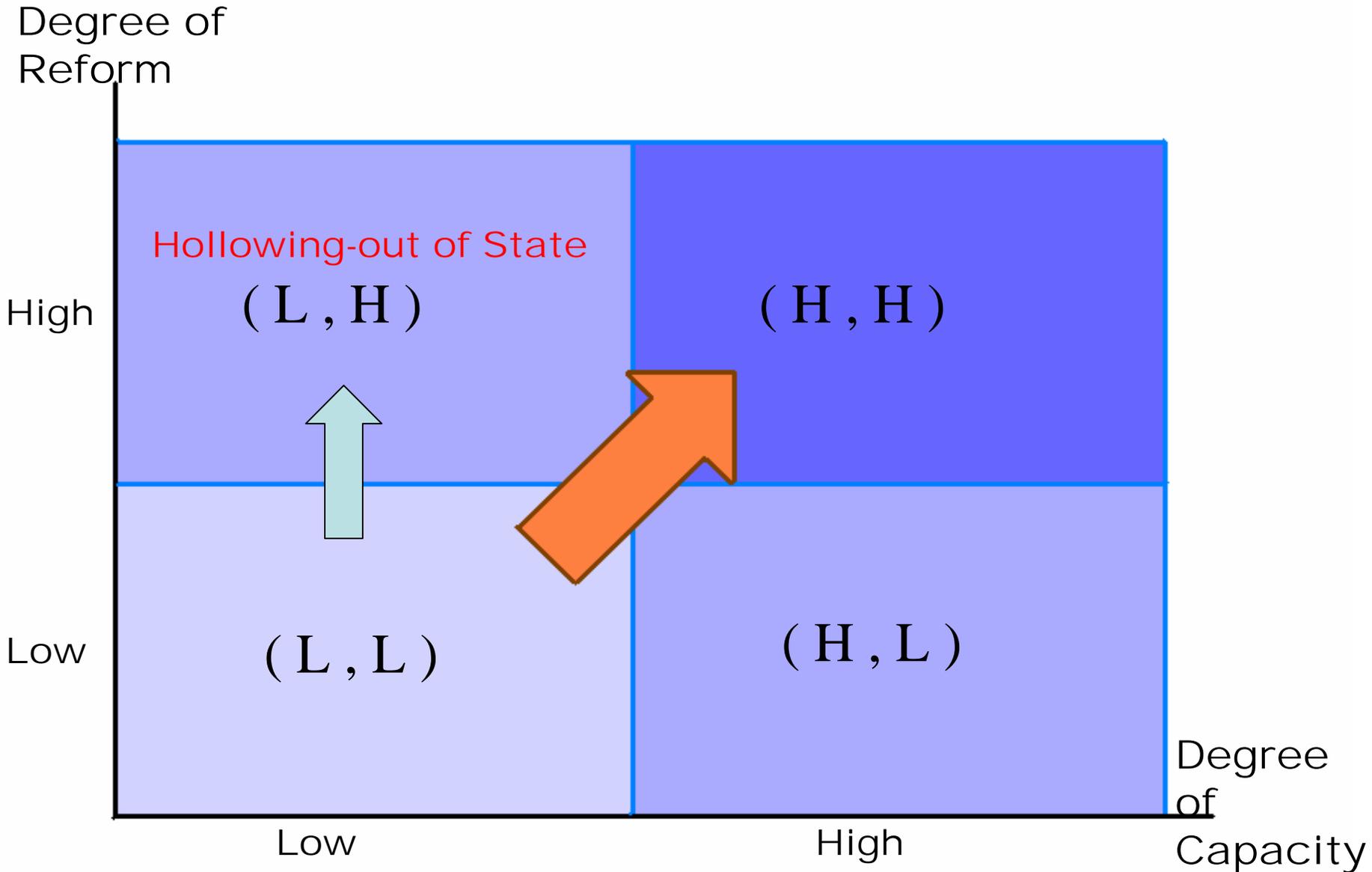
Capacity Building
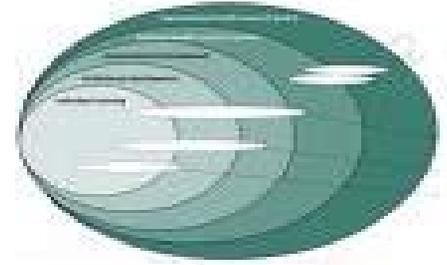
- UNDP (1991) defined 'capacity building' as the creation of an enabling environment with appropriate policy & legal frameworks, institutional development, including community participation, HRD & strengthening of managerial systems.

- <u>Institutional & legal framework development</u>, making legal & regulatory changes to enable organizations, institutions & agencies

- <u>HRD</u>, the process of equipping individuals with the understanding, skills & access to information, knowledge & training that enables them to perform effectively.

- <u>Organizational development</u>, the elaboration of management structures, processes & procedures, not only within organizations but also the management of relationships between the different organizations & sectors.

Source: UNDP (1991) and Wikipedia (2006).

How to Strengthen the Public Sector Capacity?

Example: Conceptual HRM Framework & Institutional Capacity Building

Goals

Sustainable High Performance

Culture

Organizational Learning
Unlocking the Human Potential in Public Sector

Leadership

Transformational Leadership

Principles

Impartiality	Professionalism	Responsiveness

HRM

Systems

Acquisition Mgt
• Merit-based Appointment

Development Mgt
•Competence-based HRD
•Diversity Mgt

Strategic Specialization of HRM

Evaluation Mgt
•Competence-based Appraisal
•Performance Mgt

Retention Mgt
•Rightsizing Strategy
•Effective Labor Mgt

Remuneration Mgt
•Equity & Motivation
•Total Pay Approach

Infrastructure

Effective HRM Institutional Framework

Source: Modified by the author from the UN (WPSR 2005)

Personal Capacity Building: Leadership Development
Example: GE's Program for Reorientation

- 3 Weeks Long
- Formal nominating process

- 1 Week Long
- Need manager/ HR approval

CEO-Level

Senior Exec Band

Exec Band

Senior Professional

Lead Professional

Professional

Executive Development Course (EDC)

Business Management Course (BMC)

Manager Development Course (MDC)

Advanced Manager Course (AMC)
Who: Experienced managers currently with or new to GE, and with direct reports

New Manager Development Course (NMDC)
Who: Newly appointed managers with direct reports

Foundations of Leadership (FoL)
Who: High potential individual contributors with peer leadership responsibilities

How many hours per year? In what ways?

•New Competencies: coordination/collaboration, integration, conflict resolution, tolerance for diversity and ambiguity, persuasive leadership, external awareness, political savvy……..

Towards a *New* PA Theory

Factors	From	Towards
Citizens	Legal Being	Political Being
Citizenship	Equal bearer of rights	Member of a social & political community including rights & responsibilities
Role of Government	Representing citizens interests	Promoting citizenship, public discussion and Public integration
Public Interest	The aggregation of individual interests The interplay of special interests	The common or shared interests of citizens
Role of Government	To express the public will	To articulate and realize the public interest

Factors	From	Towards
Policy & Implementation	Separation	Integration
Guiding Principles	Compliance	Results within the law
Exercise of Discretion	Rule Based	Constrained by accountability
Criteria of Success	Output	Outcome
Citizens	Non interference	Participation / Co-production
Policy/Administration Interface	Separation	Interaction
Public Policy	The result of political decision process	The result of multiple Interactions
Citizen's Role	Compliance	Engagement
Role of Government	Legislation	Deliberation

Source: Bourgon (2006).

Prediction: What's the Next?
Three Possible Scenarios in the Future?

1. A liner process towards more market, management and efficiency (NPM)

2. A cyclical process towards non-economic values (*countervailing forces* to NPM)

3. A new synthesis between the old public administration (OPA) and NPM

(Hegelian Dialectic: Thesis/anti-thesis/synthesis?)

Source: Christensen and Laegreid (2001).
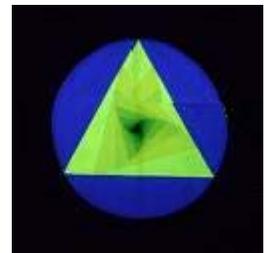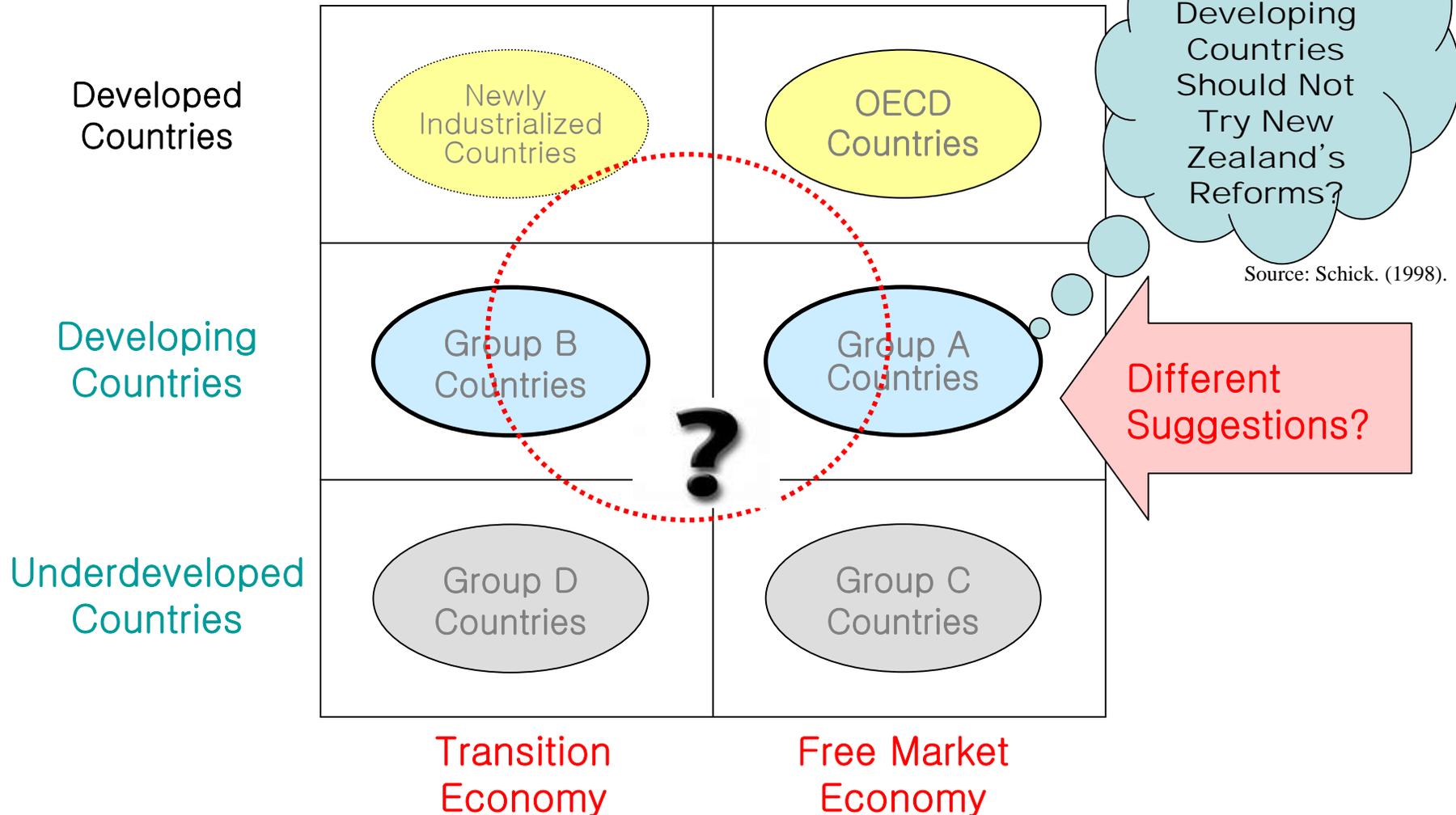
Conclusion: How to Build the Level of Trust in Government?

The Mountain of Public Administration **Purpose**

The Pinnacle Byproduct

Foothill Goals

PUBLIC TRUST

Legality · Integrity · Efficiency · Effectiveness · Involvement · Dependability · Transparency · Fairness

PUBLIC SECTOR CAPACITY:

Need to strengthen the capacity!

Source: Modified by the author from Goodsell (2006).