Public sector, private sector – where would we be without a few good stereotypes?

Introduction

First of all, we will look at some assorted opinions, framed within a commentary from me. After that there is an argument in a pub. These two opening sections are simply intended to start some ideas running about public/private similarities and differences. Subsequently, in the later parts of the chapter, there will be an attempt to summarize what (some) academics have proposed concerning the public/private distinction, and to see what relevant evidence has been turned up. Is there really a distinct species of public managers, or are there just managers?

Some opinions

. . . the best management is a true science, resting upon clearly defined laws, rules and principles . . . the fundamental principles of scientific management are applicable to all kinds of human activities, from our simplest individual acts to the work of our greatest corporations.

(Frederick Winslow Taylor, founder of the ‘scientific management’ movement, in his famous *The Principles of Scientific Management*, 1913: 5–7)

Well, this is a clear start. Management is management is management, says Taylor. There is no suggestion here that public sector management should or would be any different from private sector management. Notice also that Taylor claims that management is (or should be) a science. It will have immutable laws and principles. This evidently appealed to Lenin, who was a noted admirer of ‘scientific management’.

There are many points which could be made about Taylor’s formulation. One is that it is not clear what for him is the scope or domain of management. For example, where does management end and policy-making or strategy-making begin – did he even recognize such a distinction? In fact much of Taylor’s work was done at what would now be regarded as fairly low levels of management – the supervision of manual and manual/mechanized tasks. So it is an open question how far such ‘principles’ as could be derived from these studies could be stretched to
apply to other situations. Would they, for example, translate from the manufacturing settings in which Taylor carried out his research to service contexts? Would they apply in the public sector as well as the private sector – to the management of a team of social workers for example, or the management of an export promotion unit? Certainly Taylor seemed to think so – ‘applicable to all human activities’ he wrote – and so did many other people who subsequently tried to apply Taylorian principles to government.

A second question is what Taylor meant by ‘science’. It sounds as though he had what we would now regard as rather an old-fashioned view of its nature. Most philosophers of science nowadays would not think of it as an activity principally concerned with generating unchanging laws which could be applied in every situation.

We move on to our second opinion:

While the similarities between governmental and non-governmental organisations are greater than is generally supposed, some differences nevertheless exist. Most often these are differences in degree rather than kind. (Simon, Smithburg and Thompson 1950: 10. Nobel prize-winning Herbert Simon was probably the single best-known organization theorist of the twentieth century. This quote comes from an early, classic work on public administration.)

Simon et al. say that there are differences between government and non-governmental organizations, but from his perspective these are not fundamental. This sounds different from Taylor, although it should be noted that Simon is talking about organizations and Taylor is talking about management – not quite the same thing.

Public and private management: are they fundamentally alike in all unimportant respects? (Allison 1983. Graham Allison was a prominent American decision theorist and policy analyst.)

Allison shifted the balance of his assessment further towards the ‘different’ pole than Simon. In the article from which this quotation comes he acknowledged that managers in large private corporations and in government departments shared common tasks, such as objective-setting, staffing and so on, but argued that the content of these activities, and the circumstances in which they were performed, were fundamentally different. He considered it unlikely that many private sector management skills or practices could be directly transferred into the public sector.

Experience has indicated that a wide range of essential services can be provided better by government than by any private business arrangement thus far invented, or, as in the case of basic research, will be undersupplied because of public goods aspects, if left to competitive markets.

We do not need to reinvent government. Governmental organizations are needed, as they have always been needed, to enforce the rules of the game (including the rules of market contracting), to facilitate coordination
of private organizations, and to perform services that are unlikely to be performed effectively by the private sector.

(Simon 2000)

This was the same Herbert Simon as in the earlier quotation. I was there to hear him speak, with marvellous clarity and authority, 50 years after the publication of *Public Administration*, and 65 years after he first began to study public administration. But here the emphasis is different from the first quote. The argument here is that government is indispensable because it does some things better than the private sector (including enforcing the rules of the game that make modern commercial life possible, and providing services which would be undersupplied or unequally supplied if left to market firms). So this is not to say that all public sector management is completely different from private sector management, but it is to say that there are certain roles and functions which government performs better.

The government is not GB Ltd. It does not have a strategic ‘core’ business . . . It comprises a whole range of activities, many of which have no connection with each other . . . Nor is there normally the test of profitability or the concept of profit control. There is no systematic way, other than the general philosophy of the party in power, whereby the benefits from resources for, say defence, health or motorways can be compared and evaluated.

(Hunt 1983: 1–2. Sir John Hunt was the Secretary to the (UK) Cabinet in the late 1970s and early 1980s – under Mr Callaghan’s Labour administration and Mrs Thatcher’s Conservative one.)

Here is a practitioner – a top civil servant – whose experience leads him to believe that government organizations are fundamentally different from private sector corporations. Notice, though that he is talking about the whole of government, and he is taking a view from near the summit. Even if he is correct, it would still be possible that, at a lower level, general management principles could be applied to specific tasks – the purchase of office supplies, for example, or the issue of licences.

. . . the capacity to distinguish clearly between politics and administration; between public and private; and between national and international, is fundamental to territorial, representative democracy. If voters are deprived of that capacity, political accountability is bound to fade away.

(Jørgensen 1999: 566)

Jørgensen – a Danish academic – here goes wider and deeper than Sir John Hunt. He argues that the very concept of liberal democracy, as it has developed in Western Europe over the past century or so, is founded on a distinction between public and private sectors (and, note, upon two further distinctions – between politics and administration and between national and international). As we will see throughout the remainder of this book, over the past couple of decades there have been significant changes along all three borderlines. But if we cannot distinguish a public sector, says Jørgensen, then we cannot apply to it the special procedures of
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democratic accountability that are part of the very definition of democratic
government.

It makes a big difference whether President Carter kisses the Empress Farah
Dibah in private or in public.

(van Gunsteren 1979: 258)

This neatly makes the point that identical actions can carry different
meanings according to the location or sector in which they take place. The public
sector is a very particular place, with some special characteristics (or, at least, so it
will be argued later in this book). Imagine, for example, that a businesswoman
representing a big company buys a lavish lunch for a businessman from another
company who she is hoping to persuade to leave his firm and join hers. Nothing
unusual about this. But now suppose that she buys the same meal for a civil servant
in the ministry which regulates her sector of business. This raises an ethical issue –
should the civil servant accept this kind of thing? (See Chapter 6 for more on public
service ethics.)

People in the public sector are more rooted in the concept that if its always
been done in this way it must always be done in this way than any other group
of people I’ve ever come across . . . It’s not that there aren’t wonderful people
now with a tremendous commitment to public service, but you try getting
change in the public sector and public services – I bear the scars on my back
after two years of government.

(Prime Minister Tony Blair, speaking to a group of ‘venture capitalists’
on 7 July 1999)

At the time, this speech received a lot of publicity. Not surprisingly, it rankled
with many public service union leaders. Equally unsurprisingly, it seemed to go
down fairly well with the immediate audience of venture capitalists. To thousands
of teachers, doctors, nurses and social workers, exhausted from more than a decade
of constant re-organizations and innovations and ‘initiatives’, the accusation that
they were slow to change may have seemed a trifle bizarre, but one thing that can
certainly be said for Blair’s rhetoric was that it was tapping into a well-established
stereotype – that of ‘the bureaucracy’ as stubborn and slow-moving. One or
another version of this stereotype has proved a popular instrument for politicians of
various persuasions over a very long period of time. We will have something to say
about stereotypes of bureaucracy in Chapter 2.

Surveys show that public managers often hold stereotypes about business
managers and business organizations, and vice versa.

(Rainey 1997: 60. Hal G. Rainey is an American academic who has
probably written more – and more influentially – on public/
private similarities and differences than any other author of
the past quarter century.)

Stereotypes again – this last quotation takes us neatly into the argument in the
pub.
The scene

[The Cricketers, a suburban pub in north-east England, ‘themed’ as a cricket pavilion. The decoration includes rather dusty sets of ancient bats and stumps mounted round the bar and faux-old prints of bewhiskered cricketers hanging on the wall. Three neighbours are ‘having a quiet pint’, though ‘quiet’ is something of an exaggeration, given the noise coming from the fruit machine and the overhead large-screen television, which is currently showing Gaelic football. Giles is a local social worker, Dave is the salesman at the Nissan car dealership on the main road. Jeremy is a recently retired primary headteacher. They are talking about their jobs.]

Giles: Well, it’s obvious that they are different, isn’t it? The bottom line for you is profit, but for us it’s public service.

Dave: Which makes us sound like the baddies and you the goodies. But are you really goodies, or just do-gooders? And even if you are doing good, shouldn’t you do it efficiently? We have to be efficient, whereas if you and your mates operate inefficiently nothing happens except the taxpayers’ money trickles quietly down the drain.

Giles: Huh! Your garage is so efficient that your beloved customers sometimes have to wait two months for the colour and model they want. You forget, my friend, that Kath tried to buy that midnight blue Micra from you last year. And anyway, if we are a bit shambolic occasionally, it is probably because we are being re-organized every couple of months. I wish they’d just leave me alone to get on with my job.

Dave: Yeh, but what is your job? People want cars – and they pay good money for them, but who actually wants your lot? Hardly a month goes by without something on the news about social workers messing up a child protection case or finding an old lady who’s been lying dead at home for three weeks. I mean, what is it you are really trying to do? Why interfere with people’s lives if you can’t offer them a real alternative?

Giles: It’s OK for you to say that. Because you only deal with people who have money. If they don’t have the money you send them away. We deal with the people who have no money, and not much else besides. Yes – don’t look at me like that – society shuns them, so we end up having to take care of them. Then we get abused by people like you for doing so. What would you prefer – to let fathers beat up their children and old people starve in their hovels? There are actually millions of these folk, in one way or another – in fact I bet someone in your family gets help from us. But you are basing your whole view on a handful of extreme cases which creep into the media. Where, of course, they get exaggerated and misreported. Maybe I should judge the car trade on the basis of the three worst cases each year – they sometimes reach the newspapers as well?
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Dave: Since it’s your round, I’ll accept that last point as fair comment. But, all the same, you do have a bit of an image problem, don’t you? I mean, a lot of you social workers don’t even look efficient – jeans and sweaters aren’t exactly à la mode you know.

Giles: Oh, come off it! You all have to wear suits – it’s just the uniform, isn’t it? As if you can read off efficiency from the clothes people wear – like Robert Maxwell always wore expensive suits, so his business was fine, was it?

Jeremy: I worked in state schools and private schools, and I didn’t notice any glaring differences in efficiency. If anything the state schools had to be more efficient, because they were more strapped for resources. The big difference isn’t so much the one between public and private. It’s between those jobs where you sell things and those where you provide a service. And anyway, schools aren’t mainly about being efficient – they are about teaching kids. Efficiency is desirable, yes, but in the end it is not the top priority. It’s really about achieving a good education.

Dave: OK, but this service versus selling idea doesn’t really fit, does it Jeremy? The first thing they teach us on the salesmen’s training course is that we aren’t just selling cars, we are providing a service. Customer loyalty is the big thing, and if we are going to get that then we have to provide an integrated service – sales, after-sales service, maintenance, spares – a continuing relationship for years and years.

Giles: Salesmen’s training course? Don’t you have any women in your team then? That’s another thing – I can’t scratch my ear at work without thinking of the equal opportunities implications, whereas your lot sound as though they all go home to their caves in the evening dragging a dead dinosaur over their shoulders for the little woman.

Dave: Stand by your beds! Here comes our daily dose of political correctness! Thank God the private sector is free of that nonsense.

Jeremy: Well, it isn’t that free – the women’s refuge in Arlington Street is part of the private sector too, and I don’t think you would survive very long down there with that kind of attitude.

Dave: No, the women’s refuge is public sector, surely? Actually, our Therese helps down there sometimes.

Jeremy: It’s private sector, but non-profit. It gets a grant from the local authority, but it was set up privately, as a voluntary organization.

Dave: OK, OK. But let’s get back to my main point. Giles says he just wants to get on with his job. But what is that job? I know mine – I have to shift X cars each month, and keep ‘em coming. I can easily see whether I have been successful or not. And if I’m not successful, sooner or later I will be out on my ear – probably sooner, since that shark Giddens took over as general manager. But Giles’ Department seems to want to reform the world – to interfere in anything and
everything. I’m quite willing to admit that occasionally they do good things – yes, Therese’s gran gets meals on wheels and couldn’t do without them. But how on earth do they know whether they are efficient and effective when they have such a vague mixture of this and that to do?

Giles: It sounds as though we are all of us in the infantry here tonight. You do what you are told to do by Giddens and I do what I’m told to do by the Director of Social Services. And she does what she’s told to do by the politicians and the law. That’s how I know what I’m supposed to do. Anyway, you may be surprised to know that efficiency is measured down at the Town Hall. In fact, we are smothered in performance indicators. And they are always comparing us with other local authorities. How would you like it if your car sales performance was printed up in the newspapers every year – alongside all the other salesrooms in the country? That’s what happens to us. And we have the Audit Commission and the Social Services Inspectorate sitting on our shoulders.

Jeremy: Yeh, it was getting like that in schools too – it’s one of the reasons I’m glad I’m out of it now. I went into education to teach kids, not to fill in forms for the Ministry and undergo ritual humiliation by government inspectors.

Dave: You still haven’t answered my point. What is your business? What are your targets? Filling in forms sounds like just more bureaucracy to me, not real performance. We have things called competitors, and if we don’t perform they take the business away from us and we go bust. That’s efficiency. But the Town Hall goes on for ever.

Giles: Not true, not true. Our jobs are on the line too. We were downsized 15 per cent just 18 months ago. Everyone had to reapply for their own jobs. And back in the mid-1990s all sorts of stuff was contracted out and closed down. Most of our residential homes have gone, the vehicle fleet was rationalized – the pressures are endless.

Jeremy: And in education the government can contract out a whole local education authority if they don’t like what you’re doing. Headteachers are replaced: it happens every week.

Dave: But the Town Hall still goes on, doesn’t it? You may replace people and fiddle about with organizations, but the Education Department and the Social Services Department are still there, aren’t they?

Giles: Nissan isn’t about to disappear either, is it? Nor Ford, nor VW. Your garage may get the chop but the big organizations usually survive, don’t they? It’s like I said – we are the infantry. We are replaceable, but big business and big government go on down the road.

Dave: You’re right there. By the way, will someone do me a favour by shooting that kid on the fruit machine – those flashing lights are driving me mad.

Giles: Don’t knock it – the fruit machine is probably more profitable to this pub
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than you or me. It's a very efficient way of doing business - what the customers want. Who are you to question the laws of the market?

Dave: Like I said, your round.

Comment

Dave’s argument contains the following suggestions:

A The public sector (or, at least, Giles’ Social Services Department) is less efficient than the private sector (or, at least, the local Nissan dealership).

B The roles of public sector bodies sometimes entail ‘interfering’ – controlling and punishing people, against their will, whereas the private sector supplies consumers with things that they want.

C Public servants have to kow-tow to fashionable (but often ephemeral) notions of political correctness.

D The roles of public sector organizations sometimes seem very broad/mixed/poorly defined. Where this is the case it must be hard to know how to measure success/failure.

E The private sector has competitors which keep it efficient, the public sector does not.

Let us consider each of these suggestions in turn.

Suggestion A is very widely made, and probably very widely believed, especially in the USA and the UK. (The image of government as essentially inefficient and partly unnecessary has tended to be more widely accepted in the USA and the UK than in countries like Sweden or France, despite the fact that the continental European countries actually have considerably bigger public sectors, by most of the usual measures, than the UK or, especially, the USA.) However, it is remarkably difficult to prove this alleged efficiency deficit in a strictly scientific way. There is no weighty and widely-accepted body of scientific literature demonstrating that this is so. The difficulty is partly that one would have to find identical or very similar functions in the public and private sectors, and that is not so easy. Even with schools (the example used by Jeremy in the debate) comparison is difficult. Private schools usually have more scope to select their pupils than state schools, and they may well start off with higher per capita resources – both of which would need to be allowed for in efficiency comparisons. On the other hand the state schools may gain from being members of a wider local authority network of schools which can benefit from economies of scale (for example, by establishing shared expert units for educational psychology or teaching skills). One academic who has studied public–private differences for more than a quarter of a century summarizes the state of research as follows:

Ideally . . . studies would have huge, well-defined samples of organizations and employees, representing many functions and controlling for many variables. No one has had the resources or inclination to conduct such studies.

(Rainey 1997: 71)
One test might be whether activities which were privatized (that is, where ownership was changed from public to private) demonstrated efficiency improvements – as people of Dave’s opinions would expect them to. Surveying the literature, one public sector economist recently put the matter thus:

Empirical studies of the impact of privatization upon economic performance do not give much support to the proposition that privatized companies perform significantly better than nationalized utilities. [Jackson then gives a series of references to such studies, and says they] ... could find no significant improvements in efficiency following privatization. Changes in ownership are not the key to efficiency improvements.

(P. Jackson 2001: 13–14)

A final point is that efficiency is not the same as effectiveness. Efficiency concerns the ratio between inputs and outputs – how many lessons are produced for every million euros spent on teachers, or how many benefit claims are processed per member of staff per week. Effectiveness, however, is usually defined as the extent to which an organization achieves its objectives – do the schoolchildren learn to read and write and do their sums, do benefits claimants receive enough help fast enough to live a decent life? It is perfectly possible to be efficient without being effective, and effective without being particularly efficient (a point that will be returned to in the next chapter). Interestingly Herbert Simon, in the second of his two quotations at the start of this chapter, asserted that there were some important tasks at which the government was more effective than the private sector.

The criteria the public sector is supposed to pay attention to extend beyond efficiency and effectiveness. For example, there are at least two more important ‘E’s – economy and equity. Economy is simply the minimization of inputs – spending as little as possible. Governments frequently believe that they have to make economies – although cutting inputs may damage either efficiency or effectiveness or both. Equity is the principle of treating similar cases in the same way. Citizens expect to receive the same services and benefits as other citizens in similar circumstances: they do not expect public servants to show favouritism to particular individuals or groups, either intentionally or by accident. Even if we stop at these four ‘E’s (one could go on to add other criteria) it is already plain to see that judging a public programme can be a complicated business, with ‘success’ on certain criteria existing alongside ‘failure’ on others. The issue of evaluation is dealt with at greater length in Chapter 6.

So – to return to efficiency – the truth seems to be that we don’t yet know enough to make a firm generalization about public sector efficiency, one way or the other. Indeed, perhaps there is no generalization to be made. Public sector organizations sometimes show very considerable measured efficiency improvements (Giles’ point a bit later in the discussion), and we can all think of some occasions when private sector, for-profit firms are inefficient (the totally unreliable garage which used to service my car for instance). So it may be that it all depends on circumstances – that public or private ownership by itself tells us little about what level of efficiency to expect. We need to know about many other things before we
can predict the level of efficiency – things such as the amount of competition or potential competition (‘contestability’), the quality of the leadership, the specificity of the task, the measurability of its main outputs and outcomes, the level of understanding of its consumers/users and so on. A number of interesting studies suggests that these other factors are more important than ownership alone (for example, Dunsire et al. (1988)).

Suggestion B is, in part at least, both true and important. It is public bodies which get left with most of the ‘social ordering’ functions – such as controlling weights and measures, protecting children from abuse, fighting drugs, preventing and detecting crime, imprisoning or otherwise supervising convicted criminals, and so on. These tasks have a definite ‘control’ element – one which is seldom part of the activities of private, for-profit firms. The ‘customer’ for such regulatory and safeguarding roles is often the community as a whole rather than just a few identifiable individuals. Nearly all of us benefit from an efficient police force, not just those whose stolen property is recovered but also those whose property isn’t stolen in the first place, because of good preventive policing. If the Clean Air Inspectorate discover that a factory chimney is exceeding emission standards for pollutants, and insists that the firm installs better control equipment, then everyone in the area benefits. Indeed, in some cases emission reduction programmes in one country actually or potentially benefit other countries or the entire world – hence the fuss over the high levels of ‘dirty’ energy use in the USA, and its effects on global climatic change.

The question is: what conclusions or implications does one draw from this particular feature of many (but by no means all) public services? As Giles tries to argue, someone in society has to undertake these sometimes thankless and often unpleasant tasks – unless, that is, we are prepared to accept a much more liberal – and more lawless – society, in which citizens are allowed to abuse and cheat and rob each other without any controls. If we are not prepared to accept the consequences of such a control-free approach, then it is illogical to criticize those (mainly public) organizations whose job it is to control for carrying out controlling actions. Of course, we may think that a particular organization or official is too interfering or harsh, but the remedy for that would seem to be proper appeals and grievance procedures, not the abolition of the control framework itself.

The point about ‘political correctness’ (suggestion C) is partly just a jibe thrown in by Dave to irritate Giles. Behind it, however, stands a more general and important issue: namely, that there is a widespread expectation that public organizations will set high standards in respect of whatever ethical standards happen to be accepted in the society at the time. So if equal opportunities for women, the disabled and ethnic minorities is an official policy and objective, then it is to be expected that public sector employers will set a good example in this regard (see the spring 1989 issue of Public Administration, vol. 67(1), for a collection of articles about equal opportunities and public administration).

Again, as with the point about social control, there may certainly be individual instances where there is an excessive or extreme interpretation of what is required, but the answer to that is not to remove the obligation to behave according
to high ethical standards but rather a twofold approach that has been increasingly characteristic of the public sector. First, ensure that there is an independent inspection or audit or monitoring process. Second, provide opportunities for citizens (and staff) to complain and criticize if and when excesses seem to have occurred.

The deeper problem, one might say, is where private sector organizations believe they have the right to avoid such ethical duties – where corporations display little or no ‘social conscience’. In such cases, where ‘profits come before principles’, private companies may bribe government officials or employ child labour in developing countries, or knowingly sell inappropriate products to unsuspecting or underinformed consumers. We do not normally think of the Netherlands as a corrupt country, but it was there, during the 1970s and 1980s, that a public bank with almost 3000 employees and 90 offices had ‘offered customers the chance to launder large amounts of black money by means of false name accounts, numbered accounts, safe deposit credits, and the so-called “envelope trick”’ (see Bovens 1998: 80–85, for a summary of the case of the Slavenburg Bank). Or, if we look at the trade in high technology military weapons, large bribes seem to have been routine, not only in Third World states but also in Europe and Japan (Sampson, 1977). And, lest British readers are beginning to feel smug, we should remember the long sequence of deliberately illegal or fraudulent activities by profit-thirsty companies in the UK. Giles’ ironic reference to Robert Maxwell’s suits was to remind Dave that Maxwell illegally manipulated the accounts of his companies and, inter alia, took large sums from his own employees’ pension fund in order to invest them (and lose them) in risky business ventures (Bower 1995). As this book was being completed the papers were full of the accounting malpractices at the giant US companies Enron and Worldcom, which appeared, through their effects on investor confidence, to be having a serious negative impact of world stock markets.

Argument D is that public sector organizations have very unfocused, vague mandates, and that that is why they are inefficient. This is an interesting idea, but needs some further analysis before it can be more accurately formulated. First, it seems clear that some public organizations have very well-specified tasks. The Driving and Vehicle Licensing Agency issues licences. It is not that hard to measure how well it does this – the speed and cost of its service to licence-seekers. So, even if Dave is right about Social Services Departments, we should not assume that all or even most public sector organizations share that particular characteristic. Some public sector organizations do, however, have pretty broad missions. When the UK Chancellor of the Exchequer formally stated that ‘The Government will deliver a world class education service, offering opportunity for all to reach their full potential’ (Chancellor of the Exchequer 1998: 42) one may imagine that the civil servants in the then Department for Education and Employment cringed slightly. How were they – or anyone else – supposed to discover and measure the ‘full potential’ of every schoolchild in the country? What is a ‘world class education service’ anyway, since different individuals, groups and cultures disagree about what the style, content and even purpose of education should be?

Sometimes, therefore, public sector organizations are given huge, multi-dimensional roles to perform. This could well lead to confusion inside such
organizations about how their tasks should be approached, and which aspects should be given top priority. It is worth pausing, however, to reflect on why this state of affairs does sometimes come about. These grandiose missions often reflect the equally heroic aspirations of politicians. It remains the case that politicians come to power by promising to do things – or undo things. They compete to do more to address public concerns (as shaped by the mass media) than the other parties. They not infrequently end up promising more than they could ever be sure they could deliver. One outcome of this process is that public organizations get left holding highly ambitious sets of political objectives. However, from a management perspective, things may not be as impossible as they seem. A strong trend of the past 15 years or so has been to supplement the grand mission or policy statement with a set of key performance indicators. Thus, for example, the vision of a ‘world class education service’ referred to in the previous paragraph was backed up by a whole array of specific targets and measures. At one point the Labour Government’s Secretary of State for Education even prescribed how many minutes per evening children throughout the country were to spend on homework (despite ‘weak, mixed or conflicting evidence as to the efficacy of such prescriptions’ (Fitzgibbon 2000: 37)). So even if the politicians have proclaimed a very broad and vague mission, staff working in the organization may be guided by a much more detailed and specific set of targets (though not by any means necessarily one that exactly matches the mission).

Before leaving argument D it should be noted that the assumption that all private sector organizations are very tightly focused can also be questioned. Although it is often said that firms are focused only on ‘the bottom line’, that is profit, it seems unlikely that this simple view is entirely accurate. To begin with, it can be shown that, over time, the ways in which the performance of for-profit companies has been measured has changed significantly (Meyer and Gupta 1994). At one time the key measure is the percentage return on investment, at another it is the earnings per share. Analysts also juggle with net present value, shareholder value, various quality measures and other indicators. In practice there is ‘massive disagreement as to what performance is, and weak to degenerate correlations among performance measures’ (Meyer and Gupta 1994: 319). Furthermore, the business literature shows that there is considerable theoretical discussion about what for-profit companies are really trying to maximize. Are they after short-term profits, or long-term profits, or growth, or customer loyalty or shareholder value? Each of these may pull in a slightly different direction.

Finally, it is as well to remember that (as Jeremy points out in the discussion) the ‘private sector’ consists of much more than just privately-owned, for-profit companies, selling products. Most Western European and North American societies contain large and diverse ‘third sectors’ (or ‘voluntary’ sectors) made up of ‘private’ organizations such as charities, social and sports clubs, religious organizations, trade unions and so on. These organizations are not principally there to make profits. They may be small, but some are quite large. They are economically as well as culturally significant – it has been estimated that the non-profit sector provides an average of about 7 per cent of jobs in Western Europe (with interesting variations,
for example 6.2 per cent in the UK and 12.4 per cent in the Netherlands – Hupe and Meijs 2000: 29–30). So these voluntary sector organizations need to be taken into the argument as well. How well-focused and efficient are Dr Barnardos or MENCAP or the Transport and General Workers Union, or even the local mosque or non-conformist chapel?

In fact the third/voluntary sector itself contains a fascinating variety of organizations. At the non-profit, charitable end it embraces organizations which are very much concerned with public rather than private purposes – protecting the natural heritage, promoting research into cancer or even just providing a local centre for vulnerable teenage kids who might otherwise get involved in street crime. At the other end stand co-operative and mutual organizations which are working for the material good of their own customers/members, and which may distribute financial surpluses to these members. At the time of writing the largest banks in France and the Netherlands are ‘co-operatives’ (Credit Agricole and the Rabobank). Somewhere between socially-oriented charities and commercially-oriented co-ops there are non-profit organizations which may nevertheless accumulate considerable financial surpluses but are obliged to reinvest these rather than hand them out to shareholders, as would ordinary for-profit companies in the market sector.

One final point is that even commercial sector, for-profit companies are not necessarily purely ‘private’. The largest European car manufacturer, Volkswagen, has the state government of Lower Saxony as its biggest shareholder (18.6 per cent at the time of writing). The Airbus Industrie company, which now rivals Boeing as a constructor of airliners, describes itself as ‘a 20.5 billion euro turnover private sector enterprise’ (http://www.airbus.com (accessed 28 June 2002)) but that is not how it has been viewed by its main rival, the US company, Boeing. American sources refer to it as ‘a government-funded consortium’, and a top Boeing executive was reported as saying that his company competed at a disadvantage against Airbus’s ‘impermissible government subsidies’ (http://seattlepi.nwsource.com (accessed 28 June 2002)).

Argument E is that competition is the crucial difference – that it provides a sharp spur to improvement in the private sector but is fatally absent in the public sector. We can divide this argument into two parts. First, factually, is it the case that the private sector is always competitive and the public sector always sheltered? Second, is it true anyway that competition is a uniquely powerful predictor of efficiency and good performance?

To the first question we can answer that, no, it is not true that the private sector is always competitive (and neither is it true that the whole of the public sector is sheltered from competition). When public sector monopolies in, for example, telephone communication or water supply were privatized during the 1980s and 1990s there was often a period when these organizations continued to dominate their market, and where, according to classical economic theory, they were therefore able to earn excess profits and operate in a less-than-optimally efficient fashion. Of the UK experience one expert says that: ‘Returns to investors were high in the early years of privatization because of the underpricing of shares when the firms
were floated and because the industries were privatized at a time when there was little competition’ (Parker 1999: 107). However, he adds that ‘since privatization competition has developed speedily in telecommunications, gas and electricity’, though indicating that this beneficial development has much to do with the determination of government regulators (Parker 1999: 100).

We may also note that many important sectors are characterized by oligopoly rather than open competition (more and more according to van Tulder, van den Berghe and Muller 2001). Competition certainly exists in oligopolistic markets, but it tends to take a very different form from that portrayed in the economic textbooks for open competitive markets.

As for the second question (the power of competition to promote efficiency), there is little doubt that this is a very widely shared belief, both among economists and the wider public. However, one review by an economist suggested that: ‘... general belief in the efficacy of competition exists despite the fact that it is not supported by a large corpus of hard empirical evidence in its favour’ (Nickell 1996: 725). Nickell found that there were both theoretical reasons and empirical reasons to support the connection between competition and efficiency, but that this evidence was certainly not as overwhelming and conclusive as one might think. There was still room for debate and doubt.

In fact it looks as though competition can have a variety of effects, depending on the circumstances. In some circumstances it can lead to the development of new products and services, and to an expansion of consumer choice. In others it can drive down standards and variety, as some people believe has happened with television and films. Very stiff competition can make some organizations strive to reduce costs and risks by producing a basic, low cost service for the most obvious consumers, while abandoning more complicated services or more difficult clients. Patents, for example, can be seen as a form of temporary monopoly designed to give researchers and inventors protection from early competition, so that they will have sufficient incentive to go on trying to innovate. Nevertheless, it is very widely believed that serious competition, or the threat of serious competition, is one of the most effective stimulants to increasing productivity, all other things being equal.

Finally, economists have long recognized that there are certain types of service or product where it may be impossible to create or sustain strong competition anyway. These are usually called ‘public goods’, and are particularly those where it is impossible or very difficult to exclude individuals from the consumption of the good, once it is provided. Examples include clean air, national defence, street lighting, etc. Herbert Simon referred to them in the extract from his 2000 speech in Washington (see above, p. 2–3). The point here is that, even if competition was shown to be a magic wand, there would still remain important goods or services where competitive private sector provision would be hard to put in place. This is one of the reasons why such ‘public goods’ have very often and in many countries been provided by public authorities rather than the market sector. Alternatively, even if they are not actually produced by the public sector, such natural monopolies are likely to be strongly regulated by the public sector.
activity which seems to have grown in importance and complexity since a number of countries launched privatization programmes during the mid-1980s (Baldwin and Cave 1999).

**Box 1.1 Is the weather public or private?**

For most English people of my generation the weather is obviously public. After all, weather ‘happens’ in the air – which is surely a public space – and its vagaries are reported to us by the ‘Met. Office’ – a government agency. Most of us, I suspect, associate the Met. Office with the TV or radio news, on which widely-recognized figures such as Michael Fish or Isobel Lang read the weather forecast, accompanied (on TV) with an ever-more sophisticated array of visual aids. All this is close to the heart of daily life (the English are famous for their eagerness to discuss the weather) and may appear to be innocently public, wholesome and uncommercial.

The truth is considerably more complicated. Meteorology is quite serious money, for several reasons. First, collecting the data is expensive. One needs satellites, aircraft and computers. Then one has to employ well-paid scientists to build models of climatic systems and interpret the data. Second, the weather is definitely a saleable product. Apart from Michael Fish talking to all of us after the TV news, many organizations will pay good money to obtain specialized forecasts, because the weather directly affects their lives and livelihoods. Airports and airlines, farmers and traffic managers, companies organizing big events such as motor races or golf tournaments – all need the best possible forecasts to arrive on time and in an easily understandable format.

A moment’s thought will also indicate that the weather itself is not neatly organized into national units. It comes and goes without regard to political or administrative boundaries. Today’s weather in London may be tomorrow’s in Cologne. If the Met. Office only collected data from or over the UK, they would not be able to make very good forecasts. So there needs to be – and is – considerable international traffic in data and forecasts. Generating and managing this traffic is a complex mixture of public non-profit, public for-profit and commercial (private) organizations. Listen to the following extract from an interview which a colleague of mine conducted recently with a Dutch meteorologist. He had worked for the Dutch meteorological office (Koninklijk Nederlands Meteorologisch Instituut, or KNMI). Later he had transferred to a Dutch commercial company which sells weather forecasts:

> Every [national] institute has their own network [of data collection instruments] and a monopoly of observations in their own country and provides the world with their observation set. For example, Great Britain has recently given their observations for free, and that is good. Well, KNMI is busy trying to get to that point . . . but they are not there at this moment. Well, when we started this [commercial] company we had to buy 800,000 guilders [363,000 euros] of data: that’s almost 15 per cent of our company value! So that is very huge. Well, we have brought that back to 5 per cent, or something like that, by just getting the data out of the [United] States. And we are able to do that because we are part of a Japanese company which has companies in a lot of countries, for example also in the USA. So in the US the data is free. So that’s how it works.

(Smullen 2002)
For a more systematic look at the issue of public/private differences we can now move on from the debate in ‘The Cricketers’ to see what academics have had to say about the same issue – public/private differences.

**Background and key concepts**

It may be useful to summarize some of the key ideas which have emerged from the past 40 years of debate about similarities and differences between the public and private sectors.

Broadly speaking there have been two approaches. One has been a *normative* approach – concerned with what *should* be so, from the perspective of the author. So, for example, a recent survey of public services changes all over the world concluded that serious problems were arising because of a ‘common global trend towards diminishing publicness’, and that what was happening was a replacement of ‘public norms (citizenship, representation, impartiality, equality and justice) with market values (consumerism, competition, productivity and profitability)’ (Hacque 2001: 74). A second approach has been more *descriptive* – concerned to try to identify what *empirical* differences and similarities there are between public and private sectors (and how these may be changing), without necessarily making...
judgements about the desirability of these findings. For example, Hal G. Rainey first describes ‘some of the most frequent observations about the nature of public organization’, and then goes on to examine ‘the research and debate on the accuracy of these observations’ (Rainey 1997: 55).

Of course, in practice the two approaches often overlap. The normative theorists cite a good deal of descriptive evidence to support their preferred positions and values. And the descriptive theorists cannot entirely avoid values creeping in (to begin with, simply by their selection of this topic as one worthy of discussion). Nevertheless, it is worth keeping in mind the difference in intent behind the two kinds of writing: the first to argue that there is a particular kind of problem (and often that there is a preferred solution) while the second is trying for a more clinical, non-committed description of how the world is and how and why it seems to be changing.

Let us first consider some of the key concepts and arguments deployed in the normative literature. A good specimen of this can be found in a book by two British academics from the Institute of Local Government Studies at Birmingham University. In 1994 they wrote Managing in the Public Domain. In it they argued that:

Although public sector organizations are a significant feature of everyday experience, understanding of their distinctiveness has all but atrophied.

(Ranson and Stewart 1994: 3)

While they acknowledged significant failings in public sector bureaucracies, they vigorously resisted the suggestion – which they believed was all around them as they wrote – that private sector management was the model that should be followed everywhere. On the contrary, they asserted:

The distinctiveness of public management is characterised by universal tasks and purposes which distinguish it from all other forms of management.

(Ranson and Stewart 1994: 5)

But what were these differences of task and purpose? Ranson and Stewart developed a model which identified what they saw as the defining features of public management and which I have laid out in Table 1.1.

In my view these elements are distinctive, but seldom in an utterly black-and-white, absolute way. Thus, for example, some business people also have to deal with politicians (chairpersons and chief executive officers of big corporations, for example), though they are not subordinate to them in the same way as is a public manager. Equally, some managers in commercial companies have to deal with public protest (for example, when a retail chain wants to open a large new supermarket near a sleepy home counties village, threatening it with heavy truck and car traffic). Some are obliged to operate within codes of conduct or other devices drawn up with an eye to the ‘social’ (public) responsibility of business. And many private sector managers will be concerned with partnerships and co-operation, as well as with competition. The point is, however, that most public managers are heavily influenced by these elements for most of their working lives, while many private sector managers can usually get on with their work without having to worry too
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Table 1.1 Distinctive issues for public managers (derived and developed from Ranson and Stewart 1994: 261–2)

1. Managing in a socio-political system. The need to understand the political process and work with elected representatives. The status and motivations of elected politicians are not the same as those of the board members of a normal, for-profit private company.

2. Working with public pressure and protest. Public pressure and protest are ‘necessary elements in public discourse’ (p. 261). In fact one could say they are signs not of something going wrong (as might be the case for a private company) but of a healthy democratic process.

3. A sense of accountability. Openness has not only to be accepted, but actually promoted if the particular requirements of democratic public accountability are to be met.

4. Understanding public behaviour. The ‘public’ are not only customers, but also citizens, taxpayers and voters. Their relationships with the public manager therefore tend to be more complex and multi-dimensional than those of a customer with a commercial company.

5. The management of rationing. Many public managers are in the position of having to ration services – to say who comes first in the queue or who qualifies and who doesn’t. Private sector managers are less often in this position – if there is high demand for their product the answer is to make more of it, a solution which is often not available to the public sector manager.

6. The management of influence. Rather than competing with other organizations, public sector managers are frequently required to manage co-operative relationships, or to construct partnerships.

7. Assessing a multi-dimensional performance. The performance of public sector bodies can seldom be reduced to simple, single measures such as ‘profit’ or ‘efficiency’ or even ‘customer satisfaction’. Public sector managers must accustom themselves to working at tasks which are judged against multiple, and sometimes conflicting criteria. (For more on this point, see Chapter 5.)

8. Understanding a wider responsibility to a changing society. ‘[M]anaging in the public domain needs an understanding of societal change as necessary to a learning society’ (p. 262).

much about them. Furthermore, some of these elements – the demand for public accountability for example – directly affect virtually all public managers, and only a minority of private sector managers.

At this point it should be acknowledged that the views of Ranson and Stewart were far from the only perspective on these issues. Indeed, one reason why
their book was written at that particular time was that a climate had developed in which it was frequently assumed or asserted that there was not much that was distinctive about public management, except, perhaps its sluggishness and inefficiency. For proponents of this view (the Daves of the 1980s, who happened to include the Prime Minister of the day) the answer was a wholesale importation of private sector management techniques and ideas into the public sector – plus extensive privatization of hitherto publicly-owned utilities and services. The consequences of this approach will be discussed further in later chapters, especially Chapters 2 and 6.

In fact, the debates which took place during Mrs Thatcher’s prime ministership can be seen as a local manifestation of a wider debate which has been going on for many decades, and which continues today. Not just right-wing politicians, but many distinguished organization theorists have taken the view that the most important features of organizational life (for example, the size of an organization, or the degree to which it is specialized) are common variables for both public and private sector organizations (Rainey 1997: 55–60). Against them many other academics and practitioners have stoutly maintained that there both should be (normatively – as with Ranson and Stewart) and are (descriptively) major, enduring differences. So there is and has been a large debate and controversy about this question. As indicated in the introduction to this book, I take the ‘differences’ side, but I do not think that the differences are simple. Rather, I would argue that they are multiple, and present to very varying degrees in different organizations and parts of organizations. To explore this further we can now move on to the findings of the more descriptive literature.

In many countries the last two decades of the twentieth century witnessed vast changes in the ways in which public services were provided (Pollitt and Bouckaert 2000). These reforms (which are continuing) have certainly affected the border between the public and private sectors, and in a variety of ways. For example:

- Many publicly-owned industries have been privatized – that is, their assets have been sold on the stock exchange and they have become for-profit private corporations. This process has been particularly far-reaching in New Zealand and the UK, but has also affected, for example, France, the Netherlands, Sweden and the USA. Most dramatically, huge swathes of industry were privatized in the former Communist countries of eastern and central Europe.
- Many other public services have been ‘contracted out’. This means that the public authorities still retain responsibility for seeing that the service is provided, and still pay for it and set the standards and requirements for it, but the actual work of delivering the service is undertaken, on contract, by some other organization.
- In many OECD countries ‘public–private partnerships’ (PPPs) have become very fashionable, especially in the areas of urban regeneration, transportation and other infrastructure (see, for example, Lowndes and Skelcher 1998).
In these cases public objectives are pursued by partnerships between fully public organizations (often more than one level of government is involved), for-profit commercial companies and non-profit voluntary organizations (for official government enthusiasm about partnerships, see Prime Minister and the Minister for the Cabinet Office 1999).

- Some countries have also developed ‘market-type mechanisms’ (MTMs) for use within the public sector. These are devices which, in one way or another, oblige public sector organizations to compete with one another. For example, the Conservative administrations which governed the UK from 1979 to 1997 introduced an ‘internal market’ to the National Health Service, and also encouraged state schools to compete for students (Pollitt, Birchall and Putman 1998; more generally, see OECD 1993).

The impact of these, and other, changes has been to complicate the borderline between public and private, and to lead some theorists to talk about the ‘end of big government’ and the ‘hollowing out of the state’. For the UK, Rod Rhodes argues that the reforms of the Conservative governments of 1979–97 led to a ‘hollowing out’ of central government in which organizational structures were fragmented, public accountability obscured and the government’s capacity for strategic steering was reduced (Rhodes 1997). For the United States, Mark Peterson argues that ‘continuing attempts to privatize its administration could put much of the big state, including its social programs, in the hands of big business’ (Petersen 2000: 251). For Sweden, Michele Micheletti shows that, while central government may have shrunk somewhat, ‘Government is becoming even larger at the lower levels’. However, the public–private border is nevertheless becoming more complex because ‘Responsibility for service democracy is increasingly shared with other societal actors’ (Micheletti 2000: 265 and 275).

The studies just mentioned are of particular countries at particular stages of development. They are descriptive but they do not directly address our question about what is enduringly different about the public sector. They show what changes are taking place, but they do not much interrogate the underlying concepts and dimensions of ‘publicness’ and ‘privateness’. However, there is another section of the literature which does precisely this, and it is to these works that we will turn in order to conclude the present chapter.

We can begin with a recent article by Professor George Boyne of Cardiff University, entitled ‘Public and private management: what’s the difference?’ (Boyne 2002). In this piece he takes a pretty sceptical line on public–private differences. He points out that most of the empirical studies of such differences are American, their data were collected 20 or 30 years ago, and tended to concentrate on the views of senior managers – people at the level of the organization where differences would probably be greatest (cleaning the floors for the government is probably not tremendously different from cleaning the floors for Rank Xerox or Royal Dutch Shell). These are all strong criticisms, and Boyne identifies other methodological weaknesses as well. He then shows that, from a statistical point of view, the strength of support for several of the key hypotheses (for example the idea that the goals
of public organizations are more complex or that they are more open to public
influences) is very poor.

However, Boyne does not draw the conclusion that there are no differences. His main point is, perhaps, that the evidence – either way – is much shakier than many people suppose. In his conclusions he says that the statistical evidence does seem to support at least three aspects of difference:

- Public management is more bureaucratic (in the sense of having more ‘red tape’).
- Public managers do have stronger values in favour of serving the community – there does seem to be a ‘public service ethos’.
- In the public sector there tends to be a weaker commitment to the manager’s employing organization, possibly because there is often only a very weak link between performance and individual rewards.

Boyne also acknowledges that more qualitative research methods seem to indicate the existence of other significant public–private differences, including:

- In human resource management policies.
- In the management of ethical issues.
- In styles of decision-making.

Near the beginning of this chapter there was a quotation from one of the most prolific writers on public–private differences, Professor Hal G. Rainey of the University of Georgia. Like Boyne, Rainey is mainly interested in empirical evidence. His conclusion, having reviewed the fruits of his own work and that of many other researchers, is that there are very significant public–private differences. However, he is also careful to acknowledge that there are other factors, such as organizational size or the nature of the task itself, which can heavily influence the nature of management whether the organization is in the public sector or the private. This having been said, Rainey provides an extremely useful summary of the main differences which it has been asserted as existing between public and private management. In Table 1.2 I have simplified and adapted Rainey’s synthesis.

In Table 1.2 one can hear many echoes of the earlier discussion in this chapter. For example, the idea that public organizations have to work with greater goal ambiguity is precisely what Dave was saying to Giles. And the expectations of greater openness and accountability were important elements in the work of Ranson and Stewart discussed above and summarized in Table 1.1. We should be clear, however, that Rainey is not saying that all these alleged differences actually exist, or that they permit us to draw a firm, neat line between the public sector and the private sector. On the contrary (and like Boyne) he is attempting to draw a far more complex and graduated picture. He argues that many of these factors should be seen as variables on a scale, not binary variables which can be marked ‘present’ or ‘not present’. Each particular public sector job can be characterized in terms of its position with respect to each of these variables. One can therefore think in terms
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Table 1.2 Distinctive characteristics of public management (extensively adapted from Rainey 1997: 73–4)

### Environmental factors
1. Not a market environment – revenue comes from budgetary appropriations, not sales of goods and services
2. Presence of elaborate formal legal constraints
3. Presence of intensive political influences

### Organization/environment transactions
4. Public organizations produce ‘public goods’, and tend to deal with situations where there are significant ‘externalities’ (effects on others who are not directly producers or consumers of the service in question)
5. Public services are often monopolistic and/or coercive
6. Public activities tend to have a very broad impact, and often carry a high symbolic significance
7. Public managers are subject to more intense public scrutiny
8. Public managers are expected to have higher degrees of fairness, honesty, openness and accountability

### Organizational roles, structures and processes
9. Greater vagueness, intangibility or unmeasurableness of goals. Also greater multiplicity of goals and a higher incidence of conflict of tension between goals
10. General manager roles involve more political, expository activity. More crisis management
11. Less decision-making autonomy, less authority over subordinates
12. More red tape – more complex organizational structures and procedural requirements
13. Strategic decision-making more vulnerable to interruptions and interventions by external groups
14. Fewer extrinsic incentives (for example high pay and benefits packages) and a weaker link between performance and rewards
15. Different, more community-oriented work-related values (the ‘public service ethos’) but also lower work satisfaction
16. Greater caution, reluctance to innovate

of multi-factorial ‘degrees of publicness’. One job – let us take Giles’ position as a local authority social worker – may be highly ‘public’, because:

- It does not have a market for its outputs, and receives a budget appropriation not closely related to its measurable performance (but perhaps rather to estimated ‘need’ in the community).
- It is subject to elaborate legal and other formal constraints.
- It may be subject to intense political influence (especially if anything seems to go wrong).
- It involves coercion of citizens.
- It has high symbolic significance.
- It is subject to considerable goal ambiguity.

And so on (the list could easily be extended).
On the other hand, another public management job – let’s say the purchasing manager for a government department – may be much less distinctively ‘public’. If this job involves buying office furniture and equipment, arranging cleaning and maintenance services, and so on, then it is quite possible that the occupant will be more concerned with the ordinary commercial law surrounding contracts and purchasing than with any special legal constraints; will seldom have any contact with politicians; will never have to coerce a citizen; and will operate with a clear set of goals to do with efficient purchasing so that suitable items and services are purchased in a timely fashion at the lowest possible price. In short, the purchasing manager’s job will be very similar to that of a purchasing manager for a big private corporation – except that somewhat stronger requirements for public accountability may apply.

Both Boyne and Rainey are therefore warning readers not to succumb to the temptation to generalize beyond the evidence. Both see ‘publicness’ as multifactorial, and present to a greater or lesser extent in different organizations and jobs within those organizations. Neither would have much patience with the sweeping stereotypes used by Dave (or, for that matter, Giles) in the conversation which opened this chapter. I would go even further than Rainey’s disaggregation in Table 1.2, because I think that sometimes it bundles together different variables which need to be examined separately – for example, item 5 in the table couples the coerciveness of some public services with their monopolistic character, whereas I would see the two as analytically separate. One can have a public service which is coercive without being monopolistic and another which is monopolistic without being coercive. But these are perhaps details. Overall, Rainey is convinced that the cumulative differences are significant. Yet he is quite ready to concede that there are many jobs and organizations which exhibit ‘hybrid’ symptoms (and, indeed, that, with recent reforms, the hybrid zone is probably growing).

Finally, we should note that the picture is a dynamic, not a static one. Boyne pointed out that many of the empirical studies on which he (and Rainey) based their analyses were now more than ten years old. That is a major limitation in a world where intensive reform programmes have been focused on changing some of the very factors which are said to distinguish the public sector manager (for example, changes have been made in many countries to give the manager more delegated autonomy and authority over subordinates – see the discussions in the next chapter). In other ways, however, it could be supposed that the differences have intensified – for example, the pressure on public managers to be ‘open’ and to expose their reports, decisions and results to public scrutiny is probably greater than ever before.

By way of a personal conclusion, it may be of interest to refer to a visionary book that was written almost two hundred years ago. Robert Owen, founder of a model industrial community at New Lanark on Clydeside, published *A New View of Society* in 1813. Near the beginning of this work he insisted on a first principle, namely that:

Any general character, from the best to the worst, from the most ignorant to the most enlightened, may be given to any community, even to the world at
large, by the application of proper means; which means are to a great extent
at the command and under the control of those who have influence on the
affairs of men.

(Owen 1813/1991: 12)

Owen, pioneer socialist, feminist and ecologist, was clearly an optimist (a self-taught
optimist, neither an academic nor a technocrat). His optimism was by no means
always fulfilled – for example, his second model community, ‘New Harmony’
in southern Indiana, quickly fell apart in factionalism. In a sense, many recent
management gurus are his intellectual descendants. They, too, believe that even
struggling organizations can be given a good character if only leaders will apply
the appropriate methods. From this perspective, Owen, therefore, could be seen
as one of the great-great-grandfathers of generic managerialism. From another,
however, he was certainly not; he always insisted that ‘good character’ could only
be had through a collective and egalitarian approach – a complete moral and
educational context which stressed interdependence and which rose above the
competition of individual interests.

Perhaps the need for a similarly contextual approach is, after all, one of the
differences between public management and management in the for-profit sector?
The public sector context is – often, though not always – different. The public
sector, if it is to retain legitimacy in the eyes of citizens, has both to practise and
visibly to display values of equity, impartiality and a certain moral enlightenment
which are not central to the commercial marketplace, even if they are sometimes
found there. Managers in the public sector (or, at least, in those roles which have a
high degree of ‘publicness’) therefore face a more complex task than their
commercial counterparts. Like their market sector cousins, they must strive for
improvements in efficiency, effectiveness, reliability and quality. But they do so in a
different context – one in which the exercise of democratic and communal values
takes a much more salient place. Increased efficiency cannot substitute for these
values. Increased efficiency may be both admired and desired, but it cannot be
traded-off against public trust – or, at least, not very far. Increased efficiency will not
even bring political legitimacy – the public are too smart to believe that making the
trains run on time is a sufficient manifesto for government. Once the public official
loses his or her ethical distinctiveness, there is no longer any reason for the public to
regard the sector named after it as deserving of any particular respect, effort or
loyalty. But without some such recognition by the public themselves of the special
authority of government, and the link between public authority and the solution
of certain types of collective problems, the business of government becomes
immeasurably harder – some would say impossible.

Guide to sources

Generally speaking, there has been a lot of abstract speculation about differences
between the public and private sectors, but rather less in the way of actual empirical
confirmation or refutation of those abstract propositions. (To put this another way,
the temptation to write normative analyses has often taken precedence over the
more strenuous business of actually collecting detailed facts about how the world
actually is.) For example, it has frequently been said that public sector organizations
have more complex and ambiguous goals than private sector organizations, but that
assertion has seldom been tested (Rainey and Bozeman 2000).

An attempt to test the evidence rigorously was made by Boyne (2002). He
found 34 empirical studies, of which 28 were American. These included a classic
series by Hal Rainey (for example: Rainey et al. 1976; Rainey 1997; Rainey and
Bozeman 2000), which should probably be consulted by anyone who really wants
to get into this subject in depth.

More normatively-inclined discussions include Ranson and Stewart’s
Management in the Public Domain (1994) and Shamsul Hacque’s (2001) bold
attempt to survey both the developed world and the developing world in his major
article ‘The diminishing publicness of public service under the current mode of
governance’.

There have been many studies of privatization. As mentioned above, some of
these are briefly reviewed in P. Jackson 2001. A useful full length study of the effects
of privatization on economic performance can be found in Martin and Parker’s
(1997) The Impact of Privatization: Ownership and Corporate Performance in the UK. A
more recent, international study is Hodge (2000) Privatization: An International
Review of Performance.

On the specific issue of social services, a useful recent article on the attempts
to introduce market-type mechanisms to UK social services departments is to be
found in Kirkpatrick, Kitchener and Whipp (2001). This analysis helps illuminate
some of the key differences between a complex service such as residential care for
children and a relatively standardized product such as a car or a refrigerator.