THE ETHICS OF NEW PUBLIC MANAGEMENT: IS INTEGRITY AT STAKE?

EMILE KOLTHOFF
LEO HUBERTS
HANS VAN DEN HEUVEL
Vrije Universiteit, Amsterdam

ABSTRACT

Since the late 1980s, public administration has moved to a more businesslike approach, commonly referred to as New Public Management or NPM. Output budgeting, privatization, competition and commercialization receive more attention. The question has been raised if too much identification with the style of the private sector might not generate undesired effect, for instance in the area of public integrity.

In this paper a theory, based on existing knowledge is provided about the possible negative, as well as the positive, effects on public integrity of the introduction of businesslike methods in the public service.

The overall conclusion of the paper is that the effect of introducing businesslike methods in the public sector depends more on the establishment of practical principles to ensure that these methods are exercised in an effective and ethical manner, than the introduction of businesslike methods as such.

INTRODUCTION

In this paper we work toward a theory on the effect of the introduction of NPM on public integrity. We define public integrity for this purpose in a negative way, that is the lack of integrity or, more specifically the level of integrity violations. The theory is based on a set of hypotheses, derived from the literature and existing knowledge. When the presented theory has been tested in practice, it can contribute to a more ethical public administration by providing managers with guidelines how to manage integrity in an NPM environment.
First, the concept of New Public Management (NPM) is briefly explored. What are the main differences from the traditional Weberian concept of bureaucratic government? We conclude this paragraph with summarizing the four characteristics of NPM and the classification of integrity violations that we will use as a framework of reference.

In the next part of the paper, the possible relationship between NPM and Public Integrity is analyzed through concepts as public entrepreneurship, accountability, and productivity. Finally, hypotheses are formulated to construct a theoretical framework for empirical research.¹

THE BASICS OF NPM

In this paragraph the concept of NPM² will be explored in more detail starting with the principles of NPM as distinguished by Pollitt (1993) and Walsh (1995). After a brief detour along the Reinventing Government and New Public Service developments we will conclude this paragraph with summarizing the four characteristics of NPM that we will use as a framework of reference. To complete the framework of reference we will add the classification of integrity violations to be used as the concept to relate to the characteristics of NPM in the hypotheses.

The first principle of NPM is managerialism, defined by Pollitt (1993: 2-3) as involving:

- Continuous increases in efficiency.
- The use of “ever-more-sophisticated” technologies.
- A labor force disciplined to productivity.
- Clear implementation of the professional management role.
- Managers being given the right to manage.

Throughout its history the public sector has intermittently rediscovered the need for a focus on
productivity, performance and control (Walsh 1995: xiii). In the United States all new political leaders – from the Taft Commission in 1910 to the National Performance Review in 1993 and the eight reform initiatives between them – assume in the opening statements of their reform visions that “....government is dysfunctional, fragmented, badly organized, and incapable of performing at a level acceptable to the public” (Huberts and van den Heuvel 1999: 6). Taylor had a significant influence on government services before the First World War (Nesbitt 1976: 284) and even Weber represented bureaucracy as a threat to parliamentary democracy. Once bureaucracy is established, he said, it becomes almost impossible to abolish. Moreover it serves as a “power instrument of the first order – for the one who controls the bureaucratic apparatus.” Weber also seems to doubt that even “the one who controls” can truly do so, for bureaucracy is both indispensable to society and highly technical and secretive in nature. The elected politician, supposedly bureaucracy’s master, becomes to Weber an impotent dilettante (Gerth and Mills 1946: 228-29, 232-33). The aim of managerialism is to gain more effective control of work practices.

The second principle of the NPM is based upon indirect control rather than upon direct authority. The strategic center attains its objectives through creating processes of management that involve appropriate incentives and value commitments. The emphasis is not so much upon managers’ right to manage, as upon the need for managers to be appropriately motivated and believe the right things. The characteristics of the second principle of the NPM are according to Walsh (1995):

- Continual improvements in quality.
- Emphasis upon devolution and delegation.
- Appropriate information systems.
- Emphasis upon contract and markets.
- Increased emphasis on audits and inspection.

The two principles of NPM are quite distinct. The first, Taylorist, principle is based on the adoption of industrial production engineering techniques within the public sector. It is not a rejection of bureaucracy but its fulfillment. The second is based on the primacy of market-based coordination.

The argument for the introduction of market processes is that it increases both efficiency and accountability. Efficiency is argued to follow from the clearer statement of what is to be provided, and the pressure that results from consumer choice. The argument for the greater efficiency of the market compared to traditional bureaucracy is often simply asserted, with little attempt at justification. In practice, the evidence of greater efficiency of the new pattern of public service management is limited. The evidence on effectiveness and the quality of service is even more debatable (Walsh 1995: xix). Van Mierlo (1995) mentions some examples and concludes that the opinion that business organizations have succeeded much better in fighting bureaucracy and bureaucratization than government organizations, is based more on speculation and prejudice than on the results of empirical research.

A variety of market mechanisms have been proposed and adopted for the reform of bureaucracy, apart from outright privatization. The basis of organization is changing from hierarchical authority to contracts and markets. To some extent this change parallels developments in the private sector, where there is a growing use of contracts, internal pricing and outsourcing of services.

A central feature of the NPM is the separation of politics and management (Walsh 1995: xx). Politicians, it is argued, should play a strategic role, deciding on broad
policies and setting targets for managers, rather than being involved in day-to-day operational issues (Audit Commission 1990). This approach is maintained to be the route to overcoming the public choice problems identified by Niskanen (1997) and others, where both politicians and managers have an incentive to pad budgets. A combination of internal markets, performance measures and inspection is seen as outweighing the incentives of self-interest. The voice of the ‘customer’ will be heard through complaints processes.

Steering, not Rowing: Reinventing Government

Osborne and Gaebler (1992: xix) use the phrase entrepreneurial government to describe the new model they see emerging across America. In their words, referring to Say, an entrepreneur uses resources in new ways to maximize productivity and effectiveness, and this definition applies equally to the private sector, the public sector, and to the voluntary, or third sector.

According to Osborne and Gaebler the key to reinventing government is changing the incentives that drive public institutions, or changing the markets that operate within the public sector.

But market mechanisms are only half the equation. Even the most carefully structured markets tend to create inequitable results. Osborne and Gaebler (1992: 309) also stress the other half of the equation: the empowerment of communities: “To complement the efficiency and effectiveness of market mechanisms, we need the warmth and caring of families and neighborhoods and communities. As entrepreneurial governments move away from administrative bureaucracies, they need to embrace both markets and community.”

The question raised here, is why so many critics have attacked the ideas of Reinventing Government. Osborne and Gaebler describe successful projects and
experiences that merely focus on providing better quality for less money by cutting down unnecessary regulations and creating opportunities for creative solutions and cooperation. Sometimes the book even breathes the atmosphere of the New Public Service, as promoted by Denhardt and Denhardt (2000). On the other hand Osborne and Gaebler do not develop their promoted empowerment of communities, and the words value, integrity and ethics are non-existent in the 405 page book.

Contrary to the belief of most theorists, researchers, practitioners and even reinventing advocates, reinvention does not recommend that government be run like a business (Cohen and Eimicke 1998: 6). In fact, Osborne and Gaebler (1993: 20) conclude that the differences between the public and private sectors are so fundamental that government cannot be run like a business. What they do suggest is that government needs to become more entrepreneurial. Entrepreneurial government seeks to move resources from areas of lower return to areas of higher return.

Serving, not Steering: New Public Service

Some opponents of the reinventing government movement have initiated the drafting of a new concept for public service.

DeLeon and Denhardt (2000) examine the three aspects of the reinventing movement – the market model, the emphasis on customers, and entrepreneurial management. According to them there is, with regard to the market model, a long-standing tradition in public administration that government should be run like a business. For the most part, this recommendation has meant that government agencies should adopt practices, ranging from scientific management to total quality management, that have been found useful in the private sector. The reinventing movement takes this idea one step further, arguing that government should not only adopt the
techniques of business administration, but should also adopt the values of business. In the third element – entrepreneurial management – we find some concrete references to values. According to deLeon and Denhardt, entrepreneurs create and innovate. The “shadow” side of the entrepreneur is characterized by a narrow focus, an unwillingness to follow rules and stay within boundaries, and a preference for action so strong as to threaten accountability – all values opposed to the ones we consider traditional for the public sector. Bellone and Goerl (1992) even argue that entrepreneurship places value on autonomy, personal vision, secrecy, and risk-taking, which are opposite to administrative values such as democratic accountability, participation, openness, and stewardship. DeLeon and Denhardt conclude their article with a warning to administrators who support the reinvention movement, that they should recognize the aspects of democratic governance that they are rejecting – democratic citizenship, civic engagement, and the public interest. Many, they suspect, will feel uneasy when realizing that they are moving away from such fundamental values.

Denhardt and Denhardt (2000 and 2002) argue that public administrators influence, and are influenced by, all of the competing standards, values, and preferences of the complex U.S. governance system. These variables not only influence, and are influenced by, public administrators; they also represent points of accountability. They plead for a “New Public Service” instead of “New Public Management” under the slogan “Serving rather than Steering.” They conceive of the New Public Service approach as a viable third alternative to the observed dichotomy between “the old public administration” and “the new public management.” Maesschalck (2004) describes how the new public service authors largely join the traditionalist group in their negative assessment of the ethical consequences of NPM reforms but do not agree
with their solution (Frederickson, 1997 and Chapman and O’Toole, 1995). They propose new mechanisms in which “the primary role of the public servant is to help citizens articulate and meet their shared interests rather than to attempt to control or steer society” (Denhardt and Denhardt 2000: 549).

Framework of Reference

The developments described here were labelled with the term NPM because some generic label seemed to be needed for a general, though certainly not universal, shift in public management styles (Hood 1990: 205-214 and 1995: 94). The term was intended to cut across the particular language of individual projects or countries. The analogy has terms like new politics, new right, and new industrial state, which were invented for a similar reason. The term “new” does not imply that NPM doctrines appeared for the first time in the 1980s. Many of them repackage ideas which have been in public administration since it earliest beginning. Nor must NPM be confused with the New Public Administration movement in the USA in the late 1960s and early 1970s, which achieved according to Marini (1971) no real mainstream influence.

According to Hood (1995: 98), OECD countries varied in the extent to which they moved to adopt NPM principles during the 1980s, and there were marked differences even within similar family groups such as the English-speaking “Westminster-model” countries.

Further reform initiatives also showed these differences. Clark (2004: 491-510), for example, concludes in a recent comparative study on the implementation of “Third way” management reform that the outcome of reform in Quebec is likely to be the opposite of the UK case, with weaker institutionalization of performance management and a correspondingly stronger renewal of local governance. Case studies by Yesilkagit and De Vries
(2004) on the Netherlands and New Zealand showed, contrary to the claim advanced by comparative public management reform studies, that far reaching reforms can be implemented in consensus systems too.

Based on a study of NPM reforms in the Commonwealth countries, which includes both economically advanced OECD nations and developing countries, Borins (1998) states that in countries where the rule of law is tenuous or where newly-democratic governments are seeking to establish themselves after a long period of one-party personal rule, concern with service delivery may be associated less with the quality of services, measured by the timeliness, efficiency, and courtesy with which they are delivered, and more with the integrity of the service, gauged by the prevalence of corruption or discrimination and the consistency of delivery.

Clarity about our framework of reference is vital at this stage. Because the manifestations of the businesslike approach are very diverse, a breakdown by main characteristics seems appropriate. As a guideline with respect to businesslike approaches we will start with the breakdown by topics as designed by Pollitt and Bouckaert (2004). They distinguish trajectories in *Finance, Personnel, Organization, and Performance*. We combine these with the five core principles of the NPM approach as distinguished by Hays and Kearney (1997): (1) downsizing – reducing the size of government; (2) managerialism – using business protocols in government; (3) decentralization – moving decision making closer to the service recipients; (4) de-bureaucratization – restructuring government to emphasize results rather than processes; and (5) privatization – directing the allocation of government goods and services to outside firms. These two approaches are partly overlapping and partly supplementary. Derived from these we distinguish the following four aspects of NPM for our study:
- Downsizing and Entrepreneurship
  - privatizing
  - outsourcing
  - temporary employees (through commercial agency)
  - public-private partnerships
  - involvement with the private sector
  - introducing (internal) market models
- Decentralization
  - organization
  - budgets
  - authorities
  - discretionary power
- Performance measurement
  - organizational performance targets
  - personnel
  - performance indicators
  - contracts
- The use of a planning and control cycle
  - output budget
  - use of performance information
  - feed back on results

All of the above elements fit in with Pollitt’s aspects or with the principles as described by Hays and Kearney. However, the label may vary. One could place the planning and control cycle under Pollitt’s aspect of finance but also under the Hays and Kerney principle of managerialism. And performance measurement could also find a place under the planning and control cycle, and so on.

Since it is our objective to develop theory on the relationship between NPM and public integrity, we should also be clear about our understanding of the concept of public integrity. We approach integrity as acting in
agreement with the relevant moral values, standards, norms and rules. This means that for the purpose of this research we focus on manifestations of behavior, not on intentions or underlying values. This also fits within the framework that Bowman, West, Berman and Van Wart present as the *Ethics Triangle*, recognizing the complementary and interdependence of the imperatives of the thoughts of the different ethical schools of virtues, rules and results (Bowman, West, Berman and Van Wart 2004: 71).

In our view the manifestations of integrity violations vary from corruption to social behavior in the working environment. To draft proper conclusions on the effect of the introduction of businesslike approaches on public integrity in general, a breakdown into categories is necessary. We will use the classification of integrity violations as developed by Huberts (1998: 28-30). Huberts discerns:

1. **Corruption**, including bribing, 'kickbacks', nepotism, cronyism and patronage (with gain for oneself, family, friends or party)
2. **Fraud and theft** of resources, including the manipulation of information to cover-up fraud
3. **Questionable promises, gifts or discounts.**
4. **Conflict of interest** through jobs and activities, outside the organization (e.g. 'moonlighting’)
5. **Improper use of violence** towards citizens, suspects
6. **Other improper (investigative) methods of policing** (including improper means for noble causes)
7. **Abuse and manipulation of information** (unauthorized and improper use of police files; leaking confidential information)
8. **Discrimination and (sexual) harassment**; indecent treatment of colleagues or citizens
9 The waste and abuse of organizational resources, including time
10 Misconduct at leisure (domestic violence, drunken driving, use of drugs etc.).

One should note that numbers 5 and 6 comprise specific police topics that should be left out when conducting research in other public organizations.

In the following sections we will explore the different opinions on the relationship between NPM and public integrity. Most authors focus on integrity in general or specifically on corruption as a manifestation of unethical behavior. The influence of NPM on specific breaches of integrity will, apart from cases of corruption, be difficult to distinguish on the basis of the available literature. The research that we propose at the end of this paper should answer this question.

INTEGRITY AND NPM

Bovens (1996b: 125) observed that corruption and public integrity were back on the agenda in many European countries despite there being, according to him, no empirical data available to confirm this generally accepted picture of a public service tainted by corruption. Bovens suggests that the huge discrepancy between public concern and empirical data might be due to the fact that convictions might be only the tip of an iceberg, a declining respect for public authorities and the legitimacy of public policy in a climate of cutbacks in public spending and funding. However, these factors do not explain completely the raise in public concern. Bovens raised the question whether the actual situation might not be that government has indeed become less unimpeachable, however this change cannot be traced in the criminal statistics?
To answer this question Bovens (1996b: 128) took a closer look at the type of cases and allegations that gave rise to public debate and media attention. According to Bovens many of these cases did not involve behavior that could be considered corrupt in the strict, legal sense of the criminal code. They involved, for example, the following issues:

- Business presents, business trips and other perks.
- The sale of a municipal camping site to (former) municipal officials.
- Private enterprises of civil servants.
- The commercial operation of the Amsterdam police training center.
- The contracting-out of municipal catering services (to an allegedly criminal organization).
- Extra bonuses and salary packages for top civil servants and agency heads.
- Agency heads subcontracting with firms they were personally involved in (through stocks, board membership or personal relations).

All of these rather diverse cases have in common that they involve activities of the kind that we explored in the paragraph on NPM. None of the cases involved bribes in the strict technical sense. Therefore, the cases did not proceed beyond the level of public and political upheaval; no criminal investigations were started. However, they did provoke public discussion. How far can one go when introducing market values into government? This and other questions would not have arisen one or two decades ago. All of these cases and questions are related to what Bovens calls the “managerial shift in Western government,” referring to Lane (1994).

Lane also distinguishes drawbacks in this transformation process. The public administration framework cannot easily be replaced by the new
management approach, as the former has qualities not covered by the latter (Lane 1995:200). Internal markets will not be able to meet the non-pecuniary goals connected with the public sector, in particular the strong emphasis upon legality and its various values. There is more to the public sector than efficiency. The notion of justice looms large in the public sector, but where does it fit into the internal market framework?

An outspoken opponent of the NPM movement is H. George Frederickson, who sets out a model of government ethics: ‘In democratic settings government agencies and their officials in bureaucratic hierarchies are more ethical than self-interested individuals or firms in competitive markets (Frederickson 1999: 300).’ He argues that both the logic and the effects of the new managerialism move democratic government further away from the prospects for an influential and selfless public service. Box, Marshall, Reed and Reed (2001: 608) argue that today’s market model of government in the form of NPM goes beyond earlier “reforms,” threatening to eliminate democracy as a guiding principle in public-sector management. They offer an alternative in the form of a collaborative relationship between citizens and public administrators. Responsiveness in the market model suggests that democracy requires administrators who are responsive to the popular will and that only by creating a market-derived environment can government and public administration adopt some necessary reforms that will improve their performance, effectiveness and efficiency. According to opponents of this approach responsiveness is, at best, a necessary evil that appears to compromise professional effectiveness and, at worst, an indication of political expediency if not outright corruption (Rourke 1992). According to this line of argument, responsiveness contradicts the value of professionalism in government and public administration. The second approach to trying to
bridge the concepts of responsiveness and collaboration by Vigoda (2002: 528) suggests an interaction of movement between the two.

Frederickson (1999: 300-302) provides us with four axioms to defend his model that he himself believes to be both empirically verifiable and deductively demonstrable. The axioms are:

1. Most forms of government corruption occur at the point of transaction between officials formally representing government authority and the use of public money on the one hand and individuals or organizations seeking money, favor or influence on the other hand. In this assumption the key is the ‘point of transaction.’

2. Absent democratic government, laws, rules, social conventions and/or social reciprocity, rational persons and firms will act on the basis of self interest.

3. Under conditions of democratic government, government institutions are more public-regarding than either non-governmental institutions or public firms. It follows then, that the values of justice, equality and equity are greater in governmental institutions than in non-governmental institutions or private firms.

4. Efficiency values are greatest in private firms in perfect markets. As market imperfections increase, efficiency decreases.

This leads us to the topic of values in the public and the private sector, being part of organizational ethics.

Many authors have tried to sum up the basic common values involved in the public as well as in the private sector. Others distinguish between the two sectors as Lane did. What are the core values of both areas? And how do public and private sector values relate to one another? The answer is not an easy one. Contradictory visions can be found in published literature. An attempt of comparing the two can be found in the contribution by van
der Wal, Huberts, van den Heuvel and Kolthoff in this issue. And is it indeed a matter of public and private values or is there also a more general explanation for a shift in values? Lyons, Duxbury and Higgens (2005) for instance, hypothesized in a recent study that younger public sector employees would place significantly less importance on values of benevolence and universalism and significantly more importance on values related to power, achievement and hedonism. Furthermore it was hypothesized that younger employees place significantly less importance on altruism and significantly more importance on prestige in their work. The results supported the entire hypothesis.

For the purpose of this article, the view which stresses that there is a fundamental conflict between the moral foundations of the public and the private sphere is interesting. Its most prominent representative is Jane Jacobs (1992: xii) who describes in her book about moral syndromes, *Systems of Survival* a *commercial moral syndrome* and a *guardian moral syndrome*. Both are valid and necessary moral systems. However, organizations will sink in “functional and moral quagmires ... when they confuse their own appropriate moral system with the other.”

The primary source for the proposition of Jacobs is Plato’s *Republic*. In Plato's masterpiece the principle in accordance with which the city was founded is the principle that one man should do one job: the job for which he was best adapted. To be just is to attend to one's own business and not meddle in what is not one's concern (Jowett 1970).

Warnings against the confusion of morals often lead to doubts about practices from the commercial world being applied to the public sector and thus transforming governmental agencies into hybrid organizations with, according to some authors, an increased risk of integrity violations (Jacobs 1992, Denhardt and Denhardt 2002, and Frederickson 1996). The focus is often on imaginable
problems for public sector officials. They are confronted with the temptations of the market sector and with behavior that is considered prestigious in the private sector and corrupt in the public sector.

**ETHICAL PUBLIC ENTREPRENEURSHIP?**

So, fears are often expressed that exposing managers to the private sector values might cause them to lose their integrity. But also the implementation of techniques and tools from the private sector into the public sector can involve integrity breaches, according to some authors (Bovens and Hemerijck 1996a).

How real is that fear? Empirical research should be able to answer that question. Lawton (1999: 69) states that “the evidence is thin on the ground.” Integrity is linked to role, to office and to concepts of trust. Apart from their personal qualities, we will trust the head teacher, the police sergeant, and the doctor because of their profession and their expertise. Lawton continues that “their professional integrity will require them to act on behalf of the citizen.” Or in other words: the integrity of public professionals will not be affected by contacts with the private sector.

Elsewhere, Lawton adds that there is also little evidence that public sector integrity might be undermined by the NPM trend: “Arguments that in adopting private sector techniques, practices and people, the public service ethos is somewhat corrupted are not convincing (Lawton 1998: 65).”

Taylor (1999: 91) even goes a step further, discussing the relationship between the Australian Department of Defense and the defense industry. He stresses that the interface with the private sector needs to be carefully managed and that one of the lessons of the interaction with the private sector is: “Do not assume that the public sector is more ethically aware than the private
sector.” In other words: developments in the business sector can contribute toward making the public sector more ethical.

Bovens (1996b: 130) speculates that the present public debate about integrity can be helpful, as it exposes the possible dangers. Once most of the risks and pitfalls are charted, protocols can be drafted and procedures implemented that provide some normative guidance and institutional security. Bovens refers to examples of the experiences of large corporations, which have had to deal with these issues long before. However, some important parts of the managerial shift might cause permanent perplexities, according to Bovens. “It may very well be that managerial novelties, such as public-private partnerships, private enterprises of civil servants and public profit centers, will continually result in questions about the integrity of government. The reason for this would be that they do indeed involve a hybrid mixture of incompatible moral values, as they introduce commercial precepts into a guardian practice.” Bovens (1996b: 132) sees two possibilities for the future of the integrity of the managerial state. The first one is decomposing it into its two separate parts: All the commercial elements will then, through privatization, be performed by private organizations. In the second option, once the managerial approach has become accepted, the integrity of the managerial state might turn out to be basically a managerial problem. Combinations of commercial and guardian activities within one single agency or branch will pose formidable challenges for institutional design and managerial integrity.

In the Netherlands, the Market and Government Working Group of the Department of Economic Affairs also recognized the risk of integrity violation as a result of the businesslike approach to government (Market and Government Working Group 1997). In its final report the Working Group concluded:
“If government organizations start to pursue other activities in addition to their public duties, this can give rise to questions regarding their performance of their primary task. This can create substantial risks for the public service itself (Market and Government Working Group 1997: 14).”

The Working Group suggested the following solutions that were adopted by the Dutch government and were meant to be included in national legislation. In fact, they elaborate on the first solution suggested by Bovens.

Fig. 1. Solutions for unfair competition. (Werkgroep Markt en Overheid, 1997).

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<tr>
<th>1: Eliminate unfair competition factors</th>
<th>2: Expose public task to competition</th>
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<tr>
<td>Structural solution:</td>
<td>Privatization</td>
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<tr>
<td>Segregate and dispose of commercial activities</td>
<td>Private providers, subject to conditions</td>
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<td>Rules of conduct solution:</td>
<td>Tendering</td>
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<tr>
<td>Eliminate inequalities as much as possible</td>
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It seems safe to assume that the Working Group focused on commercial activities performed by public agencies. It is necessary to distinguish this kind of public activity from “simply” adopting practices for efficiency purposes from the business sector.

The research by van Helden and Jansen (2003: 17) into adoption of NPM styles in Dutch local government indicates that some elements (such as “performance-related pay”) are used only to a limited extent, whereas other elements (in particular increased vulnerability of top management) are increasingly important. Moreover, the behavioral impact of newly developed NPM instruments,
such as the actual use of performance information for planning and control, as well as for evaluation of managers, was limited. Although NPM made private sector ethics more important, the attention for public sector ethics has increased as well, probably, according to van Helden and Jansen, as a defence shield against the dominance of business ethics.

Frederickson (1996) used the Orange County\textsuperscript{14} case to present a very strong argument against the reinvention principle of enterprising government – that public officials should look for opportunities to earn rather than to spend money. Frederickson (1997) argues that business and government have very different goals and therefore the techniques of private sector entrepreneurship are seldom appropriate and often result in unethical behavior by public officials. Frederickson also argued that corruption and unethical behavior in government are on the rise because we are trying to run government organizations as if they were businesses.

Cohen and Eimicke (1999) look at four other cases of public entrepreneurship and conclude that although they share the view that entrepreneurial government increases the danger of corruption and ethical misconduct, they are convinced that entrepreneurship in government is needed, frequently demanded and can be ethical. What is needed, they continue, are better guidelines for practitioners to use the potential benefits of public entrepreneurship effectively and ethically. Cohen and Eimicke argue that the cases discussed as well as their experience indicate that even the most able public officials are not fully equipped to determine the degree of risk in a particular innovation and accurately assess the ethical questions it may encompass. Neither are they clear about the proper process to follow when seeking to make decisions regarding risk, innovation and ethics. The solution is not to discourage public entrepreneurship but rather to establish practical principles
to ensure that it is exercised in an effective and ethical manner (Cohen and Eimicke 1999). Cohen and Eimicke (2002: 233-235) provide five guidelines for public servants seeking to assess the prudence of a public entrepreneurial venture, as a counterbalance to lengthy ethical statutes and detailed booklets from ethics commissions often getting mired in advising what one should not do, providing little useful advice regarding the best course of action in a difficult situation:

- Seek justice under the law.
- Serve the public interest.
- Ensure thorough analysis.
- Act with compassion and empathy.
- Take personal responsibility for decisions.

ACCOUNTABILITY

The defenders of the traditional public administration paradigm may be willing to accept that government could benefit by employing the management techniques of business. Nevertheless, these defenders insist that the nature of government, particularly the nature of accountability in government, is fundamentally different from the nature of accountability in business (Behn 2001: Ch.2).

According to Terry, adapting the private sector concept of the entrepreneur to public administration is both “inappropriate” and “dangerous.” He argues that “we should abandon the misconceived quest to reconcile public entrepreneurship with democracy. Public entrepreneurs pose a serious threat to democracy because of the nagging accountability problem (Terry 1998).” Government must be accountable to the entire citizenry, not just to a select group of stakeholders. One important feature of this accountability is fairness. Peters notes that: “The issue of
equality raises important questions about accountability and the law. How can public management be both flexible and fair? Isn’t this why we have a government of laws, not men or women? (Peters 2001)

However, government is supposed not only to use money prudently and to treat everyone fairly; it is also supposed to accomplish public purposes. Moore emphasizes that all of the rules and procedures (even if followed) do not necessarily guarantee that government treats citizens fairly: “It is no longer clear that police organizations can be free of error, corruption, and brutality by applying tighter rules, closer supervision, and stricter penalties for misconduct. Indeed, this bureaucratic apparatus increasingly looks like an expensive way to produce the form but not the substance of a disciplined, effective force (Moore 1994: 201).” Accountability for finances and accountability for fairness reflect concerns for how government does what it does. But according to Behn (2001: 10), we also should care about what government does – what it actually accomplishes. This requires a third kind of accountability – accountability for performance.16 Here we talk about the consequences of government action.

In analyzing personnel systems, Romzek and Dubnick distinguish between those that are accountable and those that are flexible. “Certainly we need government’s personnel systems to be accountable for fairness. But why do we need them flexible? Because (presumably), if line managers have more flexibility, they will be able to employ and deploy people in a way that improves performance. Flexibility itself is not an important political or even managerial value; flexibility is important only to the extent that it helps produce better results. Indeed, if we want to hold public managers accountable for performance, we have to give them some flexibility (Behn 2001: 40, Romzek and Dubnick 1994).” Based on the findings of a larger study designed to compare the performance evaluation
initiatives adopted by Chile, Colombia, Costa Rica and Uruguay, Ospina, Grau and Zaltsman (2004: 245) distinguish a planning-oriented model and a budgeting-oriented model. The planning-oriented approach to performance evaluation in the public sector suggests that, at least in some countries, enhanced democratic accountability is given as much importance as improved efficiency, effectiveness or service quality.

Behn (2001: 217) concludes his work on Democratic Accountability with the statement that adversarial accountability works too well. By “too well” he means “that our existing institutions of accountability not only overemphasize accountability for finance and fairness. They also undercut performance. Indeed they undercut the capacity of government’s productive units from achieving the results they were created to pursue.17 We need to rethink what we mean by democratic accountability.”

**PRODUCTIVITY**

Via *accountability* we reach the topic of *productivity*. Berman and van Wart (1999) define productivity as “a set of management practices and analytical techniques that aim at increasing the effective and efficient use of resources to produce outcomes.” According to Bowman, West, Berman and Van Wart (2004: 24), pressures to improve productivity are features of both the old and new public service. The idea that values and ethics are important in productivity – indeed, that they are central to goal setting and implementation – is according to Berman and van Wart not widely shared by scholars and practitioners in public administration. “The *engineering perspective* frequently takes productivity objectives as given, and identifies the most efficient ways of achieving these goals.” Berman and van Wart refer to Lewis (1991), who argued that ethics are concerned with
the rules and standards for determining what is “right” conduct and behavior. According to Berman and van Wart ethics are involved in (1) determining how productivity objectives are established; and (2) determining how productivity improvement is implemented. Ethical reasoning is also involved (3) when managers must explain or justify the above decisions, for example, how they come to prioritize some objectives above others.

Public managers are faced with a more diverse set of stakeholders (not just customers and shareholders) than private-sector managers, with a more contradictory set of demands for activities in which they ought to excel, and a more complex set of obstacles that must be overcome to improve and create value (Behn 2003).

Berman (1998: x-xi) argues that business techniques cannot be applied to public organizations in the same manner as in business. Productivity tools are greatly influenced by the goals of public organizations, and productivity strategies must be adapted to the purpose and context of the public sector, and infused with values from this sector as well. Public organizations seek public rather than private goals, measure success by multiple rather than single standards (effectiveness, efficiency, fairness, and inclusiveness rather than profitability), and are subject to different constraints.

According to Berman (1998: 7) public organizations often define productivity improvement in terms of effectiveness. This does not mean that efficiency is unimportant in public organizations. Moreover, efficient organizations stretch their resources further and thus can be more effective. However, there is consensus that efficiency is typically a more important goal in the profit sector, where success tends to be more singularly defined as profit. Some business texts even define productivity as efficiency. Finally, public and business organizations also differ with regard to the extent that they value equity as an important
goal. Profit organizations usually have very little commitment to equity, other than avoiding discrimination lawsuits from their employees or clients. By contrast, public organizations often have great commitment to equity; they must provide services to all citizens, regardless of their ability to pay for them, and must ensure equal access to services. In figure 2, the importance of the different productivity values is summarized.

![Diagram]

Fig. 2. *The importance of productivity values (derived from Berman (1998: 9.)*

Measurement is a foundation for productivity improvement. It is consistent with professional norms of accountability, openness, and maintaining high standards, and many organizations need managers and employees with the ability to measure program outcomes (Berman 1998: 51).
The importance of ethics increases as productivity emphases shifts from program efficiency to increasing the effectiveness of services according to customer-defined standards and using empowered employees for that purpose. Berman argues that a major challenge for many organizations and managers is to increase the alignment of ethics and productivity improvement. Effective productivity improvement requires ethical behavior, ethical attitudes, ethical dialogue, and organizational policies and practices that are consistent with furthering ethics (Berman 1998: 272). The objectives of productivity now emphasize effectiveness over efficiency (which is still relevant), and dependability and responsiveness over conformity to external standards.

Failing in aligning productivity improvement with ethics and ethics management can cause integrity violations for the purpose of achieving productivity goals.

CONCLUSIONS

On the basis of the literature we can conclude that scholars do neither agree about the intensity nor on the direction of the relationship between ethics and NPM. The debate revolves mostly about the question of whether the increasing cooperation between the business and the private sector and the introduction of businesslike techniques and attitudes into the public sector, leads to more integrity violations.

Most of the warnings against introducing business values into the public sector deal with the increased risk of corruption (e.g. Frederickson 1997). But corruption is not new. Bovens argued that the figures do not indicate an increase in corruption. And, like crime, corruption is age-old. Gardiner (1970) described long before the rise of NPM how corruption took over an American city, partly because of malfunction of the bureaucratic system. A weak,
fragmented political system with a modified commission form of government, limited state supervision of city affairs (for example: no civil service protection for police and inadequate bidding regulations), and non-enforcement of laws violated by organized crime were the main sources of the situation in this American city. All have little to do with NPM or Reinventing Government.

Another consideration is that even if values of public service have been changed towards businesslike values, there is no hard evidence that this automatically leads to more integrity violations (Lawton 1999: 69). One could at most argue that the introduction of businesslike values and/or techniques asks for guidelines for civil servants and public managers to enable them to take ethical decisions (Cohen and Eimicke 2002: 233-235), and for close cooperation with stakeholders and establishing mechanisms for evolving trust as a function of accountability (Behn 2001: 217). A deficit in these kinds of guidelines and the understanding and use of them, combined with temptations caused by NPM-like opportunities, seem to be the main risks one should look for when researching the relationship between public integrity and NPM.

In sum, we see that the fear for a decline in public administration ethics is mostly related to entrepreneurial government and the introduction of the market model in the public service. With respect to the introduction of performance measurement and the decentralization of budgets and authority there is more discussion among authors. The core question here seems to be if these manifestations of NPM are managed in an ethical and responsible way. The way in which this is done will have its influence on ethics and integrity, for better or for worse. The introduction of a planning and control cycle with an emphasis on the proper use of gathered information and feedback of this information gets the support of most
critics. This can be a way of managing performance measurement and decentralization in a proper way.

Based on the knowledge presented in this contribution we expect to find the following relations between the manifestations of businesslike approach and public ethics in an empirical setting:

1. A positive correlation (negative effect) between Downsizing/Entrepreneurship and Public Integrity;
2. A negative correlation (positive effect) between the proper use of a Planning and Control Cycle and Public Integrity.
3. A varying correlation (positive or negative effect depending on other factors) between:
   a. Decentralization and Public Integrity;
   b. Performance Management and Public Integrity.

The following relations are expected:

Fig. 3. The hypotheses of the relation between manifestations of the businesslike approach and public integrity.
In an empirical setting the dependent variable “public integrity” could include the 10 types of integrity violations as described before. The assumption is that the NPM aspects will have different effects on various types of integrity violations.

The fourth hypothesis is that the way NPM measures are implemented will greatly influence the effect on public integrity. When the introduction of NPM measures is well communicated, understood and accompanied by guidelines on how to deal with them in an ethical way, the assumption is that this can make the difference between a positive and a negative effect on integrity with concern to decentralization and performance measurement. The hypothesis is that it will slightly adjust the strength of the effect of the other two NPM aspects, without changing their nature (from positive into negative or reverse).

This looks as follows:

Fig. 4. The hypotheses of the relation between manifestations of the Businesslike approach and Public Ethics with ‘implementation’ as an intermediary variable.

Our final remark (which is in full agreement with Cohen and Eimicke (1999)) is that we conclude that the
effect of introducing businesslike methods in the public sector depends more on the establishment of practical principles to ensure that these methods are exercised in an effective and ethical manner, than on the introduction of businesslike methods as such.

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**NOTES**

1 This contribution is based on a paper that we presented at the annual conferences of ASPA and EGPA in 2003 and 2004. We thank all the participants in the discussions during these conferences as well as the two anonymous reviewers for their constructive and valuable comments.


3 This idea of separation was already one of the characteristics of Weber’s Bureaucracy (Elwell 1996).

4 The French economist J.B. Say coined around the year 1800: “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” (Quoted in Drucker, 1985: 21).
In a publication called *Making Government Work*, the Public Employees Department of the AFL-CIO recommended restructuring service delivery systems to create one-stop shopping, single intake systems, case management, and the like. It held up models such as New York State’s merger of Job Service and Unemployment Insurance offices into Community Service Centers, in which the unemployed can sign up for unemployment insurance and food stamps and receive information about education, training, child care, and jobs – even during the evening. The idea, it said, is to “serve people, not funding streams.” (Osborne and Gaebler 1992: 193).

See also Weikart (2001).

Huberts’ classification has subsequently been used in research into the occurrence of integrity breaches in local government (van den Heuvel, Huberts and Verberk, 1999) and into the implementation of integrity policies in local government (van den Heuvel and Huberts, 2003).

Bovens based this conclusion on criminal statistics on convictions for corruption (Hoetjes, 1991). This might be the reason why he did not include the scandal on police investigation techniques that caused a parliamentary inquiry into practices by the Dutch police that could be called “noble cause corruption.” (Enquêtecommissie opsporingsmethoden, 1996). For an elaboration on the topic of “noble cause corruption” see Punch (1994: 38).

Ironically, since the publication of Bovens’ paper in 1996 two major scandals, which did result in criminal charges, got a lot of attention in the Netherlands. The first was the South Holland banking scandal (described by Yesilkagit and de Vries, 2001), which had striking similarities to the Orange County bankruptcy case (Cohen and Eimicke, 1999). The second was a big fraud and corruption case in which building and construction firms with the aid of civil servants overcharged the Dutch government millions of Euros. A parliamentary enquiry was held in 2003 and the public prosecutor’s office is preparing criminal charges against private contractors as well as civil servants.

One could argue that at least some of the examples described are breaches of integrity, prohibited by governmental codes of conduct or other internal regulations. However, most codes of conduct in the Netherlands were introduced after 1996.

We would like to add that this statement is only valid in a specific cultural context. In many countries police sergeants are not the most trusted persons one can imagine.
Indeed, in recent years we observe a significant rise in the occurrence and social importance of codes of conduct and integrity awareness programs (see, e.g., Kaptein, 2003).

On July 17, 2003, the NRC newspaper reported that the government will withdraw the bill on market and government from parliament because of the many criticisms and adjustments that parliament suggested. The cabinet fears that the bill will be unworkable and wants instead to extend the legislation on fair competition, with consequently more power for the Dutch Competition Authority. Since then no activity with respect to this bill was reported.

For a description of the Orange County case in which the county went bankrupt as a result of using a high risk investment strategy, as well as a comment on Frederickson’s viewpoint, see Cohen and Eimicke (1999).

Cohen and Eimicke even introduce “entrepreneurship as a professional value” if certain marginal values are fulfilled. (Cohen and Eimicke 2002: 274-276).

Behn elaborates that some aspects of performance may concern process more than real performance: Was the public service provided promptly? Was the service provided courteously? These could be issues of fairness: Did some people get services that were more prompt or more courteous than others? (Behn, 2001: 227).

See also Anechiarico and Jacobs, who argue that to an increasing extent, the laws and energy of federal, state, and local governments focus on the surveillance and control of officials rather than doing the business of government. (1996: XI and 176).