

Public Management in Austrian Government

1. Transition from the bureaucratic model of Public Administration to Public Management

Public administrations in Austria – like in many other European countries - currently find themselves in the middle of an extensive modernization process. The public sector experiences a comprehensive transition from the “bureaucratic model” to the concept of Public Management. This process is taking place at all levels of government in Austria and in all different public institutions (from postal services to universities).

As a consequence of transformation of public mandates, which for instance at the local level consisted primarily in the expansion of a variety of social services and services related to local infrastructure, an adaptation of the planning and control processes in the functioning of the public administration became necessary. The public sector has undergone crucial changes, which were described by Osborne and Gaebler: “Today’s environment demands institutions that are extremely flexible and adaptable. It demands institutions that deliver high-quality goods and services, squeezing ever more bang out of every dollar. It demands institutions that are responsive to their customers, offering choices of non-standardized services; that lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership. It demands institutions that **empower** citizens rather than simply serving them”¹.

Public Management accordingly means:

- to create the organizational preconditions for goal-oriented fulfilment of public tasks;
- to focus on recipients of public services and goods;
- to take into account all relevant tendencies within the environment of the organisation;
- to empower all members of the organization in respect of the content of the duties and the personal competencies.

¹ Osborne, David/Gaebler, Ted: Reinventing Government – How the Entrepreneurial Spirits is transforming the Public Sector. Addison-Wasley Publishing, Reading (Mass.) 1993, p. 15.

Further highlights of this transition are:

- results-oriented government – funding outcomes not inputs;
- customer-driven government – meeting the needs of the customers, not of the bureaucracy;
- decentralized government – from hierarchy to participation and teamwork;
- competitive government – injecting competition into service delivery.

Accordingly, comprehensive and systematic restructuring is taking place in the whole public sector. Based on a democratic consensus about the core values and goals of public action, these efforts exhibit the following components:

- Development of strategies in defence of public interests and for further advancement of public mandates;
- Breaking up mandates and improving funding structures in federal states;
- Partial deregulation and partial creation of more effective regulation (e.g., supplemented by controlling tools, with built-in "expiration date," with mandatory evaluation);
- Creation of trust in democratic institutions with the corresponding responsibility toward civic groups;
- Increased application of management principles in public institutions.

New Public Management (NPM) represents a new role, resulting from practical experiences, of the State itself and of civil service (public administration), which is more economically oriented and more closely tied to the criteria of management in order to operate the fulfilment of public tasks. The overall objective of NPM is to "stimulate new operative mechanisms in the public sector in order to improve quality, efficiency and effectiveness of the service production."²

² Naschold Frieder/Bogumil, Jörg: Modernisierung des Staates – New Public Management und Verwaltungsreform, Leske+Budrich, Opladen 1998, p. 79

The following table gives a brief overview of the most important strategies and tools of NPM, which are found in many cases of best practice.

Strategy	Tools (design principle) in NPM
"Political" control	Strategic management at the level of political and administrative leadership; central public mandates and their funding are clearly defined (contracts); separation between political-administrative leadership-tasks and executive tasks.
Lean, flexible organization structures	Strategies for decentralization, for break-up and/or for greater independence; combination of responsibilities as regards content and of resources at the executive level of different organisational units (creation of result and responsibility centres); cross-sectional units offer services for strategic work and for the operative units;
Processes	Focus on results by defining "products" (output) and the necessary or desirable effects ("outcome"); contract management; controlling of performance reports, cost accounting, competition, impact analysis (evaluations);
Staff- and organisational development	Increased responsibility for executives at all levels; staff development by enhancing professional training, employee meetings, career and employment planning; organisational development by creating a new corporate identity, comprehensive delegation models with emphasis on project work, positive attitude toward innovation.
Relationship with the public	Enhanced customer orientation through marketing and quality management; opening up to competition and enforcement of unit comparisons on the basis of achievement and cost benchmarks.

Table 1: Central strategies and tools of NPM

The complex approach of NPM, as summarized in Chart 1 below, shows the following elements:

- A new philosophy of control takes hold (performance measurement, teamwork);
- Successful management tools (e.g. decentralized responsibility for professional issues and resources, contracts, cost- benefit calculation) are also used in the public sector;
- New principles of organization (such as increased opening to the outside, reaction to social trends and technical developments, acknowledgement of competition); as well as
- “Culture” change (including a new definition of leadership, a different approach to errors etc.).

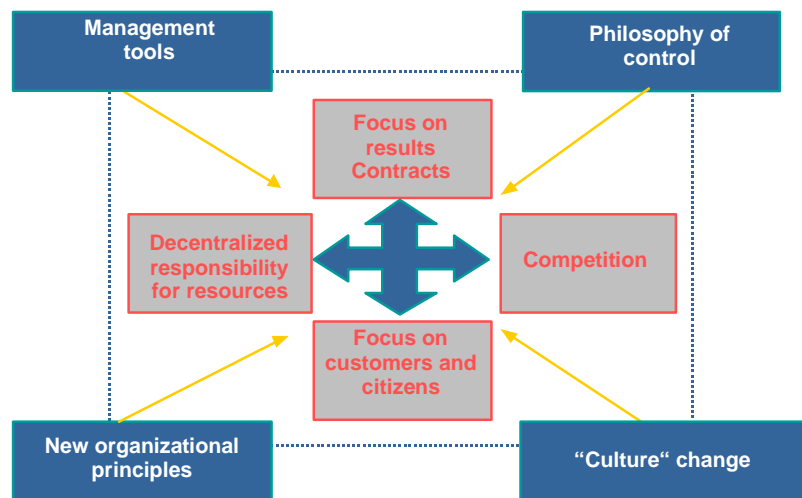


Chart 1: NPM – a complex modernisation concept

While important management tools have been widely introduced (e.g. cost accounting, definition of outputs) among most cities, regions and at the central level as well, other dimensions, especially the change of culture, are not so far developed. At the level of lower and middle management change of attitudes (goal setting), adoption of new controlling strategies ("controlling by distance") and continuous benchmarking should be the next steps for Public Management.

At the level of the political leaders we experience in Austria mainly difficulties by defining objectives and strategies.

Many initiatives can be reported from the central government³:

- Concerning citizen / customer orientation (measuring acceptance, satisfaction of customers, internet portal *help.gv.at*);
- Roll out of new budgeting and cost accounting systems at most federal ministries;
- Development of performance measurement.

2. Good Governance – recognition and first steps

NPM is nowadays completed by the “Good Governance” concept. In accordance with the European Union’s White Book on “European Governance”⁴ some principles of Good Governance have been defined as follows:

Openness	Institutions and the decision-making process should be more accessible and understandable
Participation	Wide participation throughout the policy chain for more confidence in the institutions
Accountability	Clear roles of institutions in the legislative and executive process
Effectiveness	Responding to the needs on the basis of clear objectives and evaluations
Coherence	Consistency between policies and action

Table 2: Principles of European Governance

³ Dearing, Elisabeth: New Public Management in der österreichischen Bundesverwaltung; in Bauer/Biwald/Dearing: Öffentliches Management in Österreich, KDZ 2003, p. 83-106

⁴ Commission of the European Communities: European Governance – A White paper, Brussels 25.07.2001

In contrast to these principles of public management and good governance we find below some important underdeveloped aspects of e.g. regional and local governance in Austria:

- The political decisions are seldom formulated by statements of mission, measurable goals, achieved results; most political leaders working on a voluntarily basis;
- Citizen participation is mostly about institutionalising protest not about early consultation;
- In many cases poor culture of consultation and dialogue (e.g. with neighbours, experts, between politicians and administrators);
- No traditions of team-work, round-table-institutions.

Thinking on good governance has given rise to a widespread movement throughout several European countries, smaller ones such as Austria or Switzerland, bigger ones such as Germany or Great Britain to put in place governance structures and mechanisms, which include but also transcend the old government regimes which went before. We can see that the main features of this **new world of governance** are:

- A “renaissance” of the political dimensions of central, regional and local authorities.
- A new concern for old values such as equity, ethics, transparency and trust, which go beyond the three “E´s” of NPM (economy, efficiency, effectiveness).
- Multiple stakeholder approaches to public services (their design, production and evaluation), e.g. to problems in the local community (give them priority order and doing something about them) and to the decision mechanisms by which strategies should be made (where they affect the quality of life of wider groups and future generations).
- The use of co-ordinating instruments to solve “wicked problems”, e.g., strategic plans, all kinds of formal or informal partnerships and relational contracting.

For cities the concept of local governance shows us that it requires more than just efficient local self-government and goes beyond the management of service delivery. The following table points out to the differences.

Functioning of the local authority	Developing good local governance
Serving the community by producing policies, services and knowledge ("service provider")	Enabling the community to plan and manage its own affairs ("community developer")
Improving the internal efficiency of local authorities	Improving the external effectiveness of local authorities
Increasing users satisfaction of local services	Building public trust in local government through transparent processes and accountability and through democratic dialogue

Table 3: Local authorities as service providers and "community developers" (Bovaird, Löffler 2002)

Good Governance is not always directed to public administration but as well to public utilities and to the world of corporations. The following principles for governance of public utilities are in discussion in Austria, as some orientation is lacking e.g. in the field of energy production and distribution, postal services etc. On the other side there is a wide concern at the Austrian Federal Ministry for Economic Affairs and Labour to develop guidelines on Corporate Social Responsibility (CSR) and to implement CSR practices with the help of Austrian Federation of Industries and Austrian Federal Chamber of Commerce.

Principles of Corporate Governance of public utilities
<ul style="list-style-type: none"> • Define strategic aims of enterprises • Regulate the principles of the steering structures – strategical and operational controlling, benchmarking • Sustainable roles' splitting between politics and management; definition of the spheres and grades of autonomy • Definition of criteria for the filling vacancies in supervisory and management bodies

Table 4: Some Principles of Corporate Governance for public utilities

Principles of Corporate Social Responsibility⁵

- Successful operating through reliability, assure a fair competition and act as a role model
- Include others in the decision process – colleagues as partners, being responsive to the interest groups, promotion of social integration
- Consideration of the environment – promotion of the global and regional sustainable development , solution of ecological challenges in an ecological way
- Thinking of the future – pay regard to the supply principle, consider the interests of the consumer

Table 5: Some Principles of Corporate Social Responsibility

3. Resume

NPM will not primarily result in cost savings but rather in a “qualitative” increase with more effective targeting and controlling processes in public mandates, with better motivation of the employees. The new principles of governance turned out to be necessarily introduced to command in a better way public action. They correspond in a certain sense to the conception of democracy and “political planning”, which have to be shown and accepted by the citizens.

Together, NPM and Good Governance can strengthen public administration by:

- giving citizens more opportunities to participate and advancing a “civic society”,
- establishing stronger links between politics and administrative management, promoting the establishment of a general direction and other strategic decisions,
- forming the basis of an employee-friendly public administration.

⁵ Leitbild, CSR Austria, 2003