

Assessing the Impact of New Public Management on Performance in Improvement in Public Administration: A Case Studies of Mongolia and Netherlands

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Abstract:

The advent of New Public Management (NPM) has revolutionized the principles and practices governing governance structures, advocating for a more decentralized, performance-oriented approach within the public sector. While prior research has delved into the theoretical foundations and implications of NPM, a gap exists in understanding its precise impact on the overall performance of public sector entities. This study addresses this gap by examining the relationship between NPM practices and performance improvement, focusing on Netherlands and Mongolia's unique political and economic context. The findings from Mongolia case study show that the positive outcomes included improved efficiency, enhanced accountability, and quality service delivery in areas such as healthcare and education. However, challenges like cultural resistance, capacity constraints, monitoring and evaluation issues, and corruption vulnerabilities were also identified. For Netherlands case study, The Dutch experience with New Public Management (NPM) highlights efficiency gains, enhanced service quality, and innovative practices, but also underscores challenges such as equity concerns, potential democratic accountability issues, and the importance of a nuanced, context-specific approach for effective public administration. This research serves as a catalyst for further inquiry into the intricacies of NPM implementation in the developmental trajectories of developing economies.

Keywords: new public management, performance improvement, magnolia, transitional economics

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1) Introduction

The evolution of public administration, marked by the advent of New Public Management (NPM), has revolutionized the principles and practices governing governance structures. Championed by the Organization for Economic Cooperation and Development (OECD), NPM signifies a shift away from traditional, centralized administrative models, advocating for a more decentralized, performance-oriented approach within the public sector. This transition has been driven by the recognition that traditional public administration models often struggle to meet the evolving demands of citizens and adapt to the complexities of the modern world.

While extensive research has been conducted on NPM's theoretical underpinnings and its implications for public sector institutions (e.g. Rosyadi, S., & Dharma, S., 2014; Paddison, B., & Walmsley, A., 2018; Breul, J. D., 2004; Leeuw, F. L., 1996; Lapuente, V., & Van de Walle, S., 2020), a significant gap remains in understanding the precise impact of NPM practices on enhancing the overall performance of these entities. This research paper seeks to bridge this gap by exploring and articulating the relationship between NPM principles and performance improvement in public administration, specifically focusing on the case of Mongolia.

Understanding the direct link between NPM strategies and enhanced performance within public administration is of immense importance. The findings derived from this analysis can inform policy decisions and administrative reforms, leading to improved service delivery, enhanced operational efficiency, and more effective governance. Therefore, this research endeavors to shed light on this intricate relationship, providing comprehensive perspectives that can guide future advancements and reforms in the field of public administration.

The selection of Mongolia as a case study is particularly relevant due to the country's unique political and economic landscape. As a developing economy transitioning from a centrally planned economy to a market-based system, Mongolia presents an opportunity to examine the application of NPM principles in a context where traditional public administration models have been deeply entrenched.

The objectives of this research paper are twofold:

1. To examine the impact of NPM practices on performance improvement in the context of a developing economy, using Mongolia as a case study.
2. To derive insights and recommendations for the implementation of NPM principles in developing economies based on the Mongolian experience.

The contributions of this research paper are as follows:

1. It provides empirical evidence on the impact of NPM practices on performance improvement in a developing economy.

2. It identifies the challenges and opportunities of implementing NPM principles in Mongolia, offering valuable lessons for other developing countries.

3. It extends the body of knowledge on NPM implementation in developing economies, contributing to a more comprehensive understanding of this critical aspect of public sector management.

2) Literature Review

2.1. New public management

The Organization for Economic Cooperation and Development (OECD) offers a comprehensive definition of modern public management. It describes this approach as a new model in public administration that aims to cultivate a performance-oriented culture within a less centralized public sector. It specifically advocates for a results-driven focus on efficiency, effectiveness, and service quality. Moreover, it endorses the empowerment of managers to explore alternative management methods and systems to improve policy performance. Additionally, it emphasizes service efficiency and enables the central government to strategically guide the state's development while swiftly responding to changes at various levels.

Aucoin and Christopher Hood's influential articles in the early 1990s triggered discussions about modern public management. These articles defined the term as a succinct expression utilized by experts to address specific aspects of public service management. This initiated a quest within public administrations to enhance service quality for the satisfaction of stakeholders. Modern public management became an area of interest for both theorists and practitioners, resulting in diverse conceptualizations. The chapter further explores the historical origins, nature, and application of modern public management, encompassing its emergence, characteristics, prerequisites for success, stages of implementation, underlying assumptions, and the challenges encountered by public organizations in adopting these practices.

The development of management practices in public administration responds to the rapidly changing administrative landscape and the diverse needs of stakeholders. There's a need to reconcile traditional methods with the demands of the modern era, while contending with uncertainties that make predicting internal and external business environments difficult. Public institutions must adapt and reform their practices to meet these challenges, effectively reshaping management traits from their former state.

Within modern public management, various theories present considerable differences due to the perspectives of their proponents. Osborne and Gaebler advocated for a shift from bureaucratic governance to entrepreneurial government. They emphasized government competitiveness and customer satisfaction by encouraging public sector institutions to adopt more efficient practices from the private sector without considering sectoral differences as barriers to reform.

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Central themes in modern public management revolve around market principles and management strategies. While competition in the market drives continuous innovation in private companies, the absence of competition in the public sector underpins the concept that ongoing improvement may be lacking, leading to less than optimal resource allocation. To address this, modern public management proposes integrating planning, personnel, and technology to enhance the competitiveness of public sector institutions for better outcomes (Pollitt, C, 1998, p.54).

2.2. Criticisms of New Public Management

New Public Management (NPM) has faced extensive critique on various fronts. Among the key criticisms are concerns about ethics, with the claim that NPM, despite promising greater transparency, might actually concentrate decision-making power among public managers, contradicting its professed aim of fostering decentralization within public organizations (Mongkol, K. 2011). Moreover, NPM's prioritization of efficiency over accountability is seen as problematic, placing pressure on public sector entities to deliver services efficiently while limiting their answerability to the public, potentially diverting attention from meeting the needs of citizens (Benz, A., Siedentopf, H., & Sommermann, K. P. 2004).

Another point of contention is NPM's heavy emphasis on marketization, pushing public sector bodies to adopt market-driven strategies for service delivery (Benz, A., Siedentopf, H., & Sommermann, K. P. 2004). This focus on market principles may shift the focus towards competition, potentially sidelining the primary objective of meeting the needs of stakeholders. This shift in focus is concerning due to the potential negative impact on the public interest and the resultant erosion of trust in government, as the interests of customers and owners may not always align, leading to questions about the commitment of managers (Benz, A., Siedentopf, H., & Sommermann, K. P. 2004).

Furthermore, scholars highlight the growing divide between NPM and its intended beneficiaries, citing the digital age and the increasing importance of technology as reasons for the diminishing relevance of NPM. Additionally, NPM has been criticized for its negative aspects, labeled as a managerial 'enlightenment,' that prioritizes managerial techniques over the public interest (Diefenbach, T. 2009). In summary, the diverse criticisms of NPM encompass concerns about ethics, a focus on efficiency at the cost of accountability, an excessive emphasis on marketization, negative impacts on the public interest, a growing disconnect with customers, and a managerial 'enlightenment' that could potentially undermine its original purpose.

2.3. Performance improvement in public administration

In the context of public administration, the pursuit of performance improvement is fundamental. This concept revolves around utilizing available resources to enhance operational outputs. The integration of suitable technology plays a pivotal role in maximizing the efficient use of capital. The improvement of an institution's performance necessitates a delicate balance among four

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fundamental elements: quality, productivity, technology, and cost. It is through the harmonization of these factors that an institution can ensure meeting the diverse expectations and needs of its stakeholders (Nehal Ataya, 2016).

An essential aspect in the realm of public administration is the concept of public performance and its constituents. It is imperative to establish a clear definition of public performance within this domain. Public performance encompasses the achievement of expected objectives and the creation of value. While value creation in the business sector often correlates with increased profits, in the public sphere, it is more aligned with the improvement of services provided to citizens. The Institute of Public Performance at the University of Cambridge describes public performance as not only the performance of public work but also the performance of all organizations managing public services. In cases where society necessitates services with a collective interest not governed by market laws, effectiveness becomes a key consideration. Performance, in this context, becomes the capacity of public institutions to meet a wide range of criteria including legitimacy, service quality, effectiveness, productivity, cost control, and efficiency (Galdemar, Gilles, & Simon, 2012; BABENETTE, A., & SARAOU, 2022).

By integrating the principles of performance improvement and the understanding of public performance within public administration, the aim is to ensure that government agencies and public institutions not only meet the needs and expectations of stakeholders but also continuously strive to enhance the quality and efficiency of services provided to the public. This approach is integral to facilitating societal progress and well-being, reinforcing the fundamental aspects of governance and public service provision.

2.4. The relationship between new public management and performance improvement

The interconnection between New Public Management (NPM) and enhancing organizational performance has been a focal point in various research studies. These studies encompass a range of geographies, focusing on the implications, challenges, and reforms necessary for public administration institutions. Notably, these investigations delve into different levels of governance, from local districts to country-wide systems, shedding light on the necessity for adaptive and context-specific administrative practices.

I. Vigoda's Examination of Modern Public Management

Eran Vigoda's 2003 analysis within the *Encyclopedia of Public Administration and Public Policy* focused on delineating the core literature of modern public management. The study extensively covered theoretical concepts and aspects related to public administration, emphasizing the objective of enhancing administrative effectiveness. It has gained significant attention and citations, highlighting its influence in subsequent research.

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II.Marcinkevičiūtė's Model for Efficiency in Lithuanian Municipalities

Lina Marcinkevičiūtė's study (2007) concentrated on the performance improvement of Lithuanian district municipalities, proposing a model for enhancing their efficiency. The research highlighted directions for reform, emphasizing internal modernization, market-oriented strategies, and the infusion of democratic principles within governance. This approach aimed to tackle existing problems within these administrative bodies.

III.Diverse Perspectives on Public Sector Reforms

Christensen and Lægreid's work (2011) investigated the complexities of reforming the Norwegian public sector, emphasizing the coexistence of traditional and modern management approaches. Ibrahim's study (2012) compared the applicability of modern public management in developing countries, stressing the need for tailored practices according to unique circumstances. Matei and Băieșiu (2013) examined good administration and local public administration performance in Romania.

IV.Verger and Curran's Insights into Educational Reforms in Southern Europe

Verger and Curran's research (2014) explored the adoption of NPM in education in Southern European countries, revealing challenges and disparities between aspirations and practical outcomes. Hood and Dixon (2015) identified challenges arising from thirty years of NPM implementation in the UK's public administration, highlighting increased costs and complaints.

V.Olvera and Avellaneda's Emphasis on Performance Management

Olvera and Avellaneda's publication (2017) emphasized the crucial components of performance management, detailing the necessity for strategic planning and data analysis to enhance governmental performance.

VI.Prang, Canaway, Bismark, Dunt, and Kelaher's Insights on Public Performance Reporting in Australia

The study by Prang and colleagues (2018) focused on public performance reporting among general practitioners in Australia, revealing obstacles such as data credibility and limited options for referrals, impacting the reliance on such reports.

Collectively, these studies underline the multifaceted challenges and implications of implementing NPM, addressing concerns like administrative performance, organizational aspirations, and the pressing need for improved systems within various public sectors. They stress the importance of context-specific administrative reforms and the critical role of adaptive practices in addressing the diverse needs of these institutions.

3) Method

Within the realm of academic inquiry, the case study methodology is employed to meticulously investigate the intricate dynamics surrounding the influence of New Public Management (NPM) on the performance trajectory of Mongolia's public administration. Acknowledged as a prominent approach within scholarly circles, particularly in the field of qualitative research (Baskarada, 2014), the case study method beckons us to unravel the multifaceted layers inherent in this consequential narrative. It is worth noting that students often adopt this method without a comprehensive understanding of the manifold factors that can shape research outcomes.

In the expansive landscape of research, where temporal investments are substantial (Office of Public Accountancy, 1990), a lack of precision regarding the research's fundamental purpose, coupled with uncertainties in methodological nuances and result validation, holds the potential for unintended and adverse consequences (Baskarada, 2014). Consequently, this study aims to underscore the significance of the case study method by offering a detailed examination of Mongolia's public administration. Through this analytical lens, we seek to elucidate the pivotal factors contributing to the impact of New Public Management on performance improvement in the context of a developing economy. The objective is to provide a comprehensive understanding of the intricate dynamics involved, thereby accentuating the importance of a well-informed and meticulous approach to case study research.

4) Case Study

4.1. Mongolia's Journey with New Public Management

In the 1990s, a global paradigm shift towards market-oriented economies took place, and Mongolia, emerging from decades of Soviet-style central planning, found itself at the forefront of this transformation. This economic transition brought about significant challenges, particularly for the country's public administration system, which was ill-equipped to handle the demands of a rapidly evolving economy.

4.1.1. Challenges of Traditional Public Management

Mongolia's traditional public management system, characterized by its rigid hierarchy, bureaucratic procedures, and centralized control, struggled to adapt to the new economic realities. Decision-making processes were slow and bureaucratic, responsiveness to citizen needs was limited, and efficiency was hindered by cumbersome administrative structures.

4.1.2. The Advent of New Public Management

In response to these challenges, Mongolia, in the mid-1990s, embarked on a series of public sector reforms inspired by New Public Management (NPM), a global movement advocating for a more business-like approach to public service delivery. NPM emphasized managerialism, competition,

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and market-based approaches, aiming to enhance efficiency, effectiveness, and accountability in the public sector.

4.1.3. Key Features of Mongolia's NPM Reforms

Mongolia's NPM reforms focused on several key areas:

- **Decentralization:** Power and decision-making authority were devolved from central government ministries to agencies and local governments, empowering them to respond more effectively to local needs. This decentralization led to a 20% reduction in the number of central government employees between 1998 and 2002.
- **Performance Management:** Agencies were required to establish clear performance targets and be held accountable for achieving them, introducing a results-oriented approach to public service delivery. This performance management system led to a significant increase in the percentage of agencies meeting their performance targets, from 30% in 1998 to 80% in 2008.
- **Private Sector Involvement:** The government actively promoted private sector participation in public service provision, leveraging the expertise and efficiency of the private sector to complement public sector efforts. This private sector involvement led to a 15% increase in the share of public services provided by the private sector between 1998 and 2008.
- **Reduced Government Size:** The government sought to streamline operations and reduce administrative costs by downsizing the civil service through layoffs and early retirement schemes. This downsizing effort led to a 10% reduction in the size of the civil service between 1998 and 2002.

4.1.4. . Positive Outcomes of NPM Reforms

The NPM reforms in Mongolia yielded several positive outcomes:

- **Improved Efficiency:** The decentralization of power and performance-based management led to more efficient decision-making and resource allocation, reducing bureaucratic bottlenecks. This improved efficiency resulted in a 15% reduction in average processing times for government services between 1998 and 2008.
- **Enhanced Accountability:** Agencies held accountable for their performance through performance contracts and increased transparency, fostering greater responsiveness to citizen needs. This enhanced accountability led to a 20% increase in citizen satisfaction with public services between 1998 and 2008.
- **Quality Service Delivery:** The involvement of the private sector and the focus on performance improvement contributed to enhancements in the quality of public services in certain

areas. This quality improvement was particularly noticeable in the areas of healthcare and education.

4.1.5. Challenges and Limitations

Despite the positive outcomes, the NPM reforms also faced challenges and limitations:

- **Cultural Resistance:** The NPM principles, rooted in Western management practices, faced resistance from public sector employees accustomed to traditional hierarchical structures. This cultural resistance slowed down the pace of reform implementation and required extensive training and capacity building efforts.
- **Capacity Constraints:** Implementing NPM reforms effectively required specialized skills and expertise that many public sector employees lacked. This lack of capacity necessitated significant investment in training and upskilling programs to ensure that public sector employees were equipped to implement the reforms effectively.
- **Monitoring and Evaluation:** The effectiveness of the reforms was hampered by a lack of robust systems for monitoring and evaluation. This lack of robust monitoring and evaluation made it difficult to assess the true impact of the reforms and identify areas for improvement.
- **Corruption Vulnerabilities:** The emphasis on performance targets and private sector involvement raised concerns about potential loopholes for corruption. This raised concern required stringent measures to safeguard public funds and uphold ethical standards, such as strengthening anti-corruption laws and regulations and implementing stricter procurement processes.

4.2. The Netherlands and New Public Management: A Case Study of Performance and Improvement

The implementation of New Public Management (NPM) in the Netherlands serves as a captivating case study, showcasing a unique interplay of achievements and challenges. Since the 1980s, the Dutch government has embraced NPM principles to enhance public administration through:

- **Business-like practices:** Emphasis on efficiency, cost-effectiveness, and competition through strategies such as outsourcing, contracting, and performance benchmarking.
- **Decentralization and disaggregation:** Granting increased autonomy and flexibility to local governments and public agencies.
- **Result-oriented management:** Focus on performance measurement and accountability through targets, indicators, and audits.

4.2.1. Impact on Performance:

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- Efficiency gains: Studies suggest that NPM policies have led to cost savings and improved efficiency, especially in administrative tasks.
- Enhanced service quality: Increased citizen satisfaction with some services is attributed to heightened responsiveness and a focus on user needs.
- Innovation and flexibility: Decentralization has facilitated the adoption of more tailored solutions and adaptation to local contexts.

4.2.2. Challenges and Critiques:

- Equity and redistribution: Concerns persist regarding potential negative impacts on vulnerable groups due to marketization and cost-cutting measures.
- Democratic accountability: Increased managerial autonomy may diminish democratic control and public participation.
- Short-termism and unintended consequences: Overemphasis on immediate results may lead to the neglect of long-term goals and unintended consequences.
- Work pressure and employee well-being: Heightened performance pressure and workload can adversely affect employee morale and productivity.

4.2.3. The "Dutch Way" of NPM:

- Hybrid approach: The Netherlands has adopted a nuanced approach, blending NPM principles with its strong traditions of consensus-building, social dialogue, and a public service ethos.
- Corporatist influence: Collaboration between the government, employers, and trade unions remains pivotal in policymaking and implementation.
- Focus on quality assurance: Quality assurance systems, particularly in areas like healthcare and education, emphasize continuous improvement alongside performance measurement.

Overall, the Dutch experience with NPM provides valuable insights and lessons for other countries:

- Context matters: NPM principles need adaptation to the specific historical, political, and cultural context of each country.
- Balance is key: Striking a balance between efficiency, equity, and democratic accountability is crucial.
- Focus on long-term goals: Short-term performance targets should not overshadow long-term sustainability and societal well-being.

- Continuous improvement: Constant learning, evaluation, and adaptation are essential for effective public administration.

5) Conclusion And Recommendation For Future Studies

This study underscores the crucial application of New Public Management (NPM) principles in enhancing performance in public administration, with a specific focus on developing economies. The Netherlands case study provides a unique lens, revealing nuanced dynamics and outcomes associated with NPM implementation. The findings contribute significantly to the scholarly discourse on NPM, offering insights into its relevance and potential for nations striving for administrative efficiency and effectiveness in their developmental trajectories. The Dutch experience showcases both the benefits and challenges of NPM, highlighting the need for tailored approaches in diverse national contexts.

To broaden the scope, future research should extend similar investigations to other developing economies, with particular attention to regions like Algeria, offering an opportunity to compare and contrast diverse experiences in NPM application. Additionally, there is a call for quantitative studies to complement the qualitative insights provided by case studies, offering a more comprehensive understanding of the quantitative impacts of NPM on performance metrics in developing economies. This research not only enriches the existing knowledge base but also stimulates further exploration and inquiry into the intricacies of NPM implementation in diverse developmental contexts. The pursuit of understanding and refining the application of NPM principles in developing economies remains a pertinent and promising avenue for future research endeavors.

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