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**School of Communications Studies
Nanyang Technological University
AMIC**

Managing Finance

**Dr Martin Putterill
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**Nanyang Business School
Nanyang Technological University**

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10/17/00

SCS AMIC Managing Finance Part I

INCREASING ADOPTION OF MANAGERIALISM [NPM]

- FROM RULE BASED ADMINISTRATION>>
- TO NEW PUBLIC MANAGEMENT WHICH IS BASED ON AGENCY THEORY, PUBLIC CHOICE THEORY AND TRANSACTION COST ECONOMICS.
- THERE ARE DIFFERENCES IN THE RATE OF CHANGE IN ADOPTION OF NEW IDEAS.
- NEW ZEALAND AND UK HAVE MOVED AHEAD. COUNTRIES LIKE CANADA, AUSTRALIA, USA ARE FOLLOWING

PA

NPM

- | | |
|---|--|
| <ul style="list-style-type: none"> • MACHINELIKE • EMPHASIS ON LAWS, INSTITUTIONS AND POLITICAL PROCESS • EQUITY, POLITICAL SALIENCE, RESPONSIVENESS | <ul style="list-style-type: none"> • INVISIBLE HAND • COMPETITIVE MARKETS, CUSTOMERS, SELF - INTEREST • EFFICIENCY, EFFECTIVENESS, CUSTOMER, ADAPTATION |
|---|--|

PA

NPM

- | | |
|---|--|
| <ul style="list-style-type: none"> • Values- Public Interest, demographic concerns, differences stressed between public/private. • Leadership. Political elites and administration separated. • Planning. Specification of constraints and justification of costs. | <ul style="list-style-type: none"> • Values. Service Quality, Agency& Management Accountability, Public made to look like private sector. • Agency. Managers Contract with politicians. • Planning. Mission, Strategic Intent, Vision, Goals, Customer focus. |
|---|--|

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PA	NPM
<ul style="list-style-type: none">• Structure. Functional hierarchy with centralised decision making.• Jobs. Standardised, specialised and formalised.• Technology of Work. Routines, SOP's and sequential processing.	<ul style="list-style-type: none">• Structure. Networks of self-organising teams with authority to act.• Jobs. Multi-tasked with a focus on outputs and outcomes.• Technology of Work. Reengineered, contracted out, co-production with private sector.

PA	NPM
<ul style="list-style-type: none">• Rewards. Rule and Regulation Based.• Training. Learn rules.• Information Processing. Low Minimal Computers• Financial Management. Spending plans, Cash based accounting, Input based Appraisal.• Culture. Minimise risk, Follow rules, Orderly.	<ul style="list-style-type: none">• Incentives for reaching Targets.• Develop Mastery.• Computer networks, expert systems.• Responsibility centres, accrual accounting, ABC, Output performance measures.• Manage risks, identify & solve problems, continuous improvement

IMPLICATIONS OF MOVING TO NPM
<ul style="list-style-type: none">• ACTIVITY BASED MANAGEMENT- particularly service activities, HR, quality, capacity and value chain.• PROCESS ANALYSIS - key functions, costs.• FOCUS- hierarchy of activities, systems design, reporting structure, internal capacity, customers, and external contracting.

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WIDENING EXPECTATIONS OF PERFORMANCE- show us!!

- EU. COMMON ASSESSMENT FRAMEWORK.
- LEADERSHIP: excellence, responsive, effective, responsible, value for money.
- POLICY AND STRATEGY
- HUMAN RESOURCE MANAGEMENT- functions, recruit, train, develop, empower.
- EXTERNAL PARTNERSHIPS & RESOURCES.
- PROCESS AND CHANGE MANAGEMENT
- CUSTOMER/CITIZEN/SOCIETAL OUTCOMES

PUBLIC MANAGEMENT- Current OECD Approaches.

- Decentralisation of authority and devolution.
- Re-examination of scope of government actions (do:pay, not do: pay, not do: not pay).
- Downsize , corporatise and privatise.
- Find cost-effective ways to deliver services i.e. contracting out, market mechanisms, user charges, regulation simplification.
- Customer service standards i.e. Citizens Charter.
- Benchmarking and Measuring Performance.

PUBLIC MANAGEMENT: OECD CONCERNS

- Tension accountability after delegating.
- Flexibility and innovation= mistakes happen.
- Customer focus, but what of the silent needy.
- Increased devolution- unequal local resources.
- Consultation consensus-favour narrow interest groups.
- Economic cost of responsiveness-paralysis .

SCS AMIC Managing Finance Part I

OTHER OECD CONCERNS

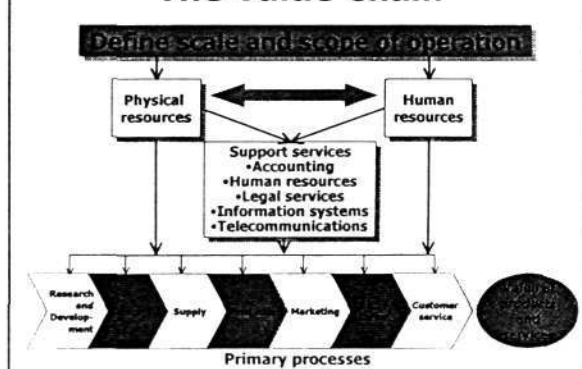
- The potential of the media as a means of communicating with the public versus the threat of media as an undue policy influence.
- Balancing the advantages of information technology, in terms of service delivery and availability of public information, versus citizen privacy and unrealistic expectations for government response.
- Conflict between deficit reduction as basis for future growth and current imperatives.

SYNOPSIS-

International Public Sector responses to NPM are diverse.

Generally the trend is towards NPM concepts.

The Value Chain



Managing Finance Part I

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International Developments in Public Management New Role of Cost Management Finding Opportunity and Leading Change

Widespread Impacts of Change are the following:

- Central government Departments
- Government agencies
- State owned enterprises
- State government
- Local authorities
- Public utilities
- Non profit institutions
- Charities
- Increasing adoption of managerialism (NPM)
- From rule based administration to new public management which is based on agency theory, public choice theory and transaction cost economics.

There are differences in the rate of change in adoption of new ideas:

- New Zealand and UK have moved ahead. Countries like Canada, Australia, USA are following

PA NPM.

- Machinelike
- Emphasis on laws, institutions and political process.
- Equity, political salience, responsiveness.
- Invisible hand.
- Competitive markets, customers, self interest.
- Efficiency, effectiveness, customer adaptation.

PA NPM

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