The Effect of New Public Management on Participative Decision-Making in a Public Sector Organisation

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ABSTRACT

This paper explores the effect of New Public Management on Participative Decision-Making in a public sector organisation. Data were collected from a large public sector organisation in Victoria, where 24 semi-structured interviews were used to obtain information on the aforementioned phenomena. The findings suggest a ‘hybridity’ of traditional bureaucratic public sector management and new public management, including participative decision-making (i.e., delegation and participation). Implications arising from these findings are discussed, including the provision of appropriate training for managers and subordinates to prepare each for their decision-making roles.

Keywords: New public management, Decision making, Employee involvement, Public sector reform

The 21st century organisational landscape – characterised by globalisation, advancements in technology, market deregulation, and the ideologies of managerialism and New Public Management (NPM) – has exposed organisations of both the private and the public sectors to an increasingly competitive environment. Making quality decisions is one of the vital roles performed by managers as they strive to meet the challenges posed by today’s competitive markets. Furthermore, participative decision-making (PDM) – involving employees in decision-making processes – is an effective developmental strategy that can be used to improve managers’ and employees’ decision-making capability (Vroom & Jago, 1988) and which, in turn, will enhance the quality of decision-making in an organisation as well as the quality of the relationship between managers and employees (Scott-Ladd & Marshall, 2004). The aim of this paper is therefore to explore the impact that NPM has had on decision-making processes, specifically PDM, in the public sector.

NEW PUBLIC MANAGEMENT IN THE STATE OF VICTORIA

Public sector organisations have been traditionally established and structured around ‘Weber’s rational routinization’ which is characterised by systems of rational rules and procedures, structured hierarchies, formalised decision-making processes, and advancement based on administrative expertise and seniority (Gerth & Wright Mills, 1991). Furthermore, public sector organisations have been subject more to political rather than market controls as they are accountable to the public
through political processes; therefore, their objectives, structures, and practices have often been
controlled by legislation, public opinion, and political ideologies (Parker & Bradley, 2000). Such
bureaucratic characteristics prevailed in the public sector in Australia until the early 1970s when
successive federal and state governments started to implement reforms and interventions (Alford,

Australian public sector organisations have undergone managerial reforms and public
management interventions aimed at tackling the weaknesses of the traditional bureaucratic model
(Alford et al., 1994; Parker & Bradley, 2000). These reforms, focusing on ‘management more than
administration (Steane, 2008), were based on the premise that the application of a more market-
oriented management approach could improve the efficiency and effectiveness of the organisations in
an increasingly competitive environment (O'Flynn, 2007; Parker & Bradley, 2000). During the 1980s
the government in the state of Victoria introduced the ‘managerialist-driven model’ to government
organisations, implementing a more market-oriented approach accompanied by a degree of
privatisation of some public services and an increasing focus on delivering outcomes (Hughes &
O'Neill, 2001). Throughout the 1980s, the Victorian public sector organisations were given defined
autonomy to deal with specified community service obligations. A performance-based pay approach
was adopted to remunerate senior executives based on their performance, with bonuses for successful
achievement (Alford et al., 1994).

In the 1990s, the government in Victoria introduced almost all the elements of NPM and
introduced a ‘contractual model’ (Alford et al., 1994). The objectives of the NPM introduced
involved: i) a hands-on approach to professional management; ii) explicit standards and measures of
performance; iii) a heavy emphasis on output controls; iv) disaggregation and greater competition; v)
discipline and thriftiness in resource use; and vi) an emphasis on private sector styles of management
(Hughes & O'Neill, 2001). Implications of the new approach included the privatisation or outsourcing
of core functions of government, the establishment of contractual relationships and competition
between core departments, and the establishment of contractual employment relationships between
managers and subordinates within the public service (Alford et al., 1994). The new employment
contracts for public servants featured fixed-term employment and a performance-based pay approach
(Hughes & O’Neill, 2001). The administrative reforms applied in the public sector organisations were directed towards improving the accountability of public agencies, enhancing efficiency and effectiveness (Steane, 2008), and encouraging more participative decision-making (Dixon & Kouzmin, 1994).

Public sector and participative decision-making

Participative decision-making (PDM) is defined as sharing decision-making in an organisation (Scott-Ladd & Marshall, 2004). This can be operationalised in a variety of modes that include delegation of decision-making authority from a supervisor to a subordinate (Leana, 1987) and participation in decision-making in groups involving managers and employees of different hierarchical levels (Glew, O’Leary-Kelly & Van Fleet, 1995; Sagie & Koslowsky, 1994). The process of distributing decision-making authority is different, conceptually and operationally, for delegation and participation (Bass, 1990; Leana, 1987). In the current study, therefore, ‘delegation’ and ‘participation’ are considered as two separate and independent processes of PDM.

The new market-based approach placed emphasis on goal orientation, efficiency, and productivity and was broadly human-resources oriented; such an approach is associated with a developmental culture advocating innovation, risk-taking, and individual development and growth for individual benefits and ultimately collective advantages (Leana & Florkowski, 1992). The encouragement of employee-participation in decision-making and teamwork is essentially a human-relations oriented strategy to stimulate morale, trust, and mutual benefit (Locke & Schweiger, 1979) through cooperation and collaboration among managers and employees (Leana & Florkowski, 1992).

Workplace participation is one way in which the objectives of the public management reforms are achieved (Hood, 1990). Workplace policies and industrial agreements were therefore developed to encourage consultative structures and participative processes in public sector organisations in order to respond to a growing demand for efficiency and effectiveness, and the requirement of a high degree of organisational commitment (Scott-Ladd & Marshall, 2004; Somech, 2010). Through participation, individual employees – who were hierarchically unequal and often alienated from their managers in the pre-managerialist situation – are able to influence decision-making along with their managers...
(Dixon & Kouzmin, 1994; Williams, 1992). Furthermore, through participation employees have an enhanced sense of control, thus reducing counterproductive political behaviour and relationship conflict (Eddleston, Otondo & Kellermanns, 2008).

METHOD

Data collection and analysis

Semi-structured interviews were used in this study for collecting data from the participants in order to find out how they ‘made sense of’ NPM and the PDM in their work setting. There was some degree of freedom for the researcher to probe beyond the predetermined questions and also some flexibility for participants to provide additional accounts of events that might enrich the data (Bogdan & Biklen, 1982; Minichiello et al., 2008). Interviewees and interviewers could seek clarification from one another throughout the interview. The questions were general and open-ended. Sample questions relevant to this study include “Please describe your general participation in making decisions at work” and “What is your immediate supervisor’s level of authority?” The aim was that the questions would probe the extent of PDM in this organisation which had been subjected to the NPM reforms.

A computer-software package, NVivo (Version 7), was used to: i) record and code data; ii) process queries on texts and categories; iii) model concepts and facilitate data reduction; iv) manage and analyse the interview notes using the techniques of reading and coding the data; and v) identify emerging patterns and themes, and develop concepts from the tree-structured categories (Miles & Huberman, 1994; Richards, 2005).

Procedure

Ethics approval was granted by the Human Ethics Committee of the Faculty of Law and Management at La Trobe University for this study. Official permission was granted in writing by the General Manager (Human Resources) of the participating organisation for the researchers to conduct interviews in offices of the organisation at four geographic locations. Three of these offices were in
the Melbourne metropolitan area and one was in a Victorian regional centre. This study was part of a larger research project conducted in the participating organisation. This organisation was selected on the basis of having undergone the management reforms associated with new public management across a wide geographic region. The research was introduced to staff by their managers in staff meetings; the voluntary nature and the confidentiality and anonymity of the research project were outlined to the employees of the organisation.

Note-taking was used to record data provided by the participants in the interviews. It was anticipated that note-taking would suffice as the purpose of this research was not to analyse the tone of the conversations or bodily expressions (Morse & Richards, 2002) but rather to obtain information on the relevant phenomena. The researcher and an assistant took notes during the interviews in order to minimise the risk that data would be missed and to enable subsequent clarification and verification of the data. The interview records of the two note-takers were compared later and collated to improve accuracy.

Participants

The public sector organisation that formed the setting for the study has approximately 2300 employees. A total of 24 staff members – 10 females and 14 males – volunteered to take part in the interviews. Participants were a broadly representative cross-section of the demographics, professions (e.g., customer service, technical) and levels (e.g., senior managers, junior staff) within the organisation. Each of the participants was given a code number for identification, which is provided with the data presented in the findings below.

FINDINGS

Delegation

Delegation is a complete form of subordinate involvement in decision-making, entailing an assignment of a specific responsibility and an actual passing of decision-making to the subordinate (Locke & Schweiger, 1979; Vroom & Yetton, 1973). When delegated with additional responsibility
and authority, a subordinate increases their psychological sense of ownership and control of the tasks (Eddleston et al., 2008) and identifies more with the goals of the supervisor and those of the organisation (Lin, 2002); this increased responsibility and authority also enhance the employee’s commitment to their job (Somech, 2010).

The interview data provide evidence of managers employing delegation as a mode of PDM in the organisation. Some interviewees emphasised their satisfaction with having the autonomy that came with the delegated responsibilities, which allowed them to become more involved in planning, organising, directing, and controlling their own work:

“I operate autonomously in some areas. I’m able to make my own decisions in most cases.” [3]

“I have sufficient input to the General Manager. He wants me to be at the meetings of the Executive even though I am not a member of the Executive. They respect my input. I take that as a positive sign and compliment.” [9]

“The manager allocates tasks to subordinates based on what he thinks they can achieve. He has knowledge of their skills and abilities.” [14]

Some interviewees, however, expressed their frustration when reflecting on their dissatisfaction with a lack of delegated responsibilities at work; the following quotations illustrate this:

“The CEO has all of the power in the organisation. He chooses what to delegate to people. You could say the CEO is the company.” [12]

“Some managers are control freaks. People underestimate staff contributions.” [13]

Participation

Participation is about sharing the decision-making authority between manager and subordinate but does not involve giving the subordinate autonomy in making decisions (Locke & Schweiger, 1979; Vroom & Yetton, 1973). Some evidence of participation is as follows:

“We’ve had discussions about a possible re-structure – new departments and financial reporting issues.” [15]
“I have a lot of potential for input. He often asks for my views and I’ll contribute when asked.” [16]

Involvement in decision-making, mainly on policy-related matters, was mentioned by some participants, whereby information is communicated to the employees from the management and feedback is then solicited from the subordinates:

“The centralised decision-making model is changing, but the change is something I had to push for.” [1]

“We have input into decision-making, but I think that people underestimate the level of influence they can have… Sometimes people at lower levels don’t understand the influence of their feedback.” [13]

“Management encourages us to give ideas on how things could be done better. Suggestions go to supervisors before being forwarded to the senior managers.” [18]

Some participants mentioned that they felt that they had little or no involvement in decision-making; others revealed that their input was requested but that such input made no real difference. The following quotations demonstrate this point:

“Sometimes the supervisor can’t do much about things because the senior management is not listening… I have no real input in decisions. We make suggestions but it all goes through the hierarchy… We tried a plan of action to address a safety issue, but this disappeared up the chain.” [8]

“On some issues the management is wonderful; at other times they are indecisive, take too long to respond, or don’t listen. Sometimes you need to force the issue with them.” [19]

“Sometimes it’s a token consultative action… I think the present manager is hierarchical… He is very much already pre-planned and doesn’t easily accept subordinates’ input.” [20]

“It seems Head Office don’t understand practical problems in the frontline. Head office make rules but we at the coalface don’t get asked for input in their design of policies.” [21]
New Public Management and Participative Decision-Making

The interview data reveal that some ‘Weberian’ characteristics still exist in the organisation. These characteristics are contradictory to the participative management style supposedly adopted in the public sector (Josserand, Teo & Clegg, 2006). This is demonstrated in the following quotations:

“There is a certain degree of bureaucracy as it is a big organisation and deals with large geographical areas. There are a lot of rules and regulations for good reasons as (it is) part of the legal system – for example, compliance with laws.” [1]

“There is a tendency to centralise decision-making and have decisions filtered down – centralised in the head office. It’s a large organisation... very much result-focused.” [24]

The quotations above provide evidence of the phenomenon of ‘hybridity’ – a combination of old rationalisation mechanisms and concepts of the NPM interventions (Josserand et al., 2006). There is some evidence of decentralisation and PDM. The preceding examples also highlight, however, the organisation’s reliance on formality, rules and procedures, and internal control mechanisms (Parker & Bradley, 2000; Zammuto, Gifford & Goodman, 1999).

A public statutory agency tends to emphasise the importance of communication and cooperation between management and employees in order to ensure a stable workforce (Parker & Bradley, 2000). This has become increasingly significant since the introduction of managerialism in the 1980s and the NPM in the 1990s. Public-sector organisations, therefore, are likely to follow the human relations and human resources perspectives in PDM to promote trust and collaboration between managers and employees, thus reducing dysfunctional conflict (Eddleston et al., 2008). These notions were supported by the interview data:

“He (immediate supervisor) is expecting me to make more and more decisions independently... I’m assisting him in making some decisions. Sometimes I feel like saying ‘you’ve got so much on your plate – let me do some more’.” [1]

“Input in decision-making is encouraged through participation, in general. People see their participation as a bridge linking the gap between managers and general staff” [13]
One participant summarised the overall way of doing things in the organisation as follows:

“It’s a government organisation; therefore it’s hierarchical. Openness and fairness are important components. There’s a great level of accountability to the public. Things must go through appropriate channels, it can slow things down compared to the private sector.” [10]

**DISCUSSION AND IMPLICATIONS**

The adoption of NPM in the public sector has been based on an objective of improving the efficiency, effectiveness, and excellence in the operations of the government agencies. This adoption has brought about a variety of management initiatives aimed at reducing the influence of the traditional bureaucracy within public sector agencies. The NPM has also emphasised participation by staff and other key stakeholders in decision-making processes.

The interview data revealed significant bureaucracy within the participating organisation that had been subjected to NPM. The interview data also revealed a phenomenon of ‘hybridity’ that comprised the old rationalisation mechanisms and the concepts of the NPM interventions (Josserand et al., 2006). This evidence was reflective of the influence of the reforms imposed on public sector organisations – particularly the emphasis on contemporary management practice (Hughes & O’Neill, 2001) including PDM (Dixon & Kouzmin, 1994).

The delegation approach to PDM emphasises autonomy, self-control over ways of doing a job, and the surrendering of hierarchical authority from a manager to a subordinate. This has implications for training in organisations, as the effective delegation of tasks to subordinates assumes that they have the relevant competencies to make decisions and to perform their allocated tasks at an appropriate level. Training is required also for managers to aid them in understanding the full implications of delegation, and to acquire the necessary skills and techniques to effectively delegate decision-making authority and tasks to appropriate subordinates.

The participation approach to PDM focuses on subordinates having ‘say and influence’ in how they undertake their job and in the functioning of their work unit. Such an approach emphasises subordinate influence in decision-making and encourages collaboration and cooperation between all
levels of management and subordinates. Managers need therefore to invite and encourage input from subordinates in the decision-making process at the individual and group levels. This can be achieved through formal mechanisms (e.g., committee structures that comprise both managers and subordinates, providing rewards for useful and applicable suggestions) or informal mechanisms (e.g., suggestion boxes, open-door policy for employees to communicate with managers).

An appropriate workplace culture needs to be developed to encourage effective PDM. The initiatives suggested above will help shape both managers’ and subordinates’ attitudes to the value of PDM. Training programs to develop the leadership characteristics of managers should be arranged so that managers become more open and approachable in order to invite high quality suggestions and constructive input from employees. New Public Management has established a favourable climate and environment for PDM in public sector organisations.

**Limitations and Future Research**

A limitation of this research is that the study was based in one organisation, which could have implications for the generalisability of the findings. Also, the nature of decision-making in organisations is complex and influenced by power and politics (Lukes, 2005), and the use of participative approaches to decision-making is not always appropriate and does not necessarily lead to favourable outcomes. These issues are worthy of further consideration in future research.

Qualitative study is potentially vulnerable to biases arising from the researcher’s personal theory, values, or experiences of the phenomena being studied. Such biases may influence data collection and the conclusions drawn from the analysis of interview data (Berg, 2003; Bickman & Rog, 1998) as interview data are always a function of the interviewers and the interview situation (Briggs, 1986; Mishler, 1986). In this study, therefore, every effort was made in the collection and analysis of the data to minimise the aforementioned limitations. Quantitative studies are therefore recommended to provide further insight to the influence of both NPM and PDM in public sector organisations.
REFERENCES


