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PUBLIC AND PRIVATE MANAGEMENT: CHARACTERISTICS AND RELATIONSHIP

Review Article

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Abstract

The dominant view in the literature and academia associates public sector management with a set of negative characteristics, placing it in a lower position compared to private management. The shortcomings of public management have led to the initiation and development of a transfer of standards, methods, tools and practices specific to private management to the public sector. The present study provides a review of the literature on some specific features of public sector management, highlights and explains the relationship between public and private management and identifies some impediments and recommendations related to the transfer of private methods, tools and practices to organizations from the public sector.

INTRODUCTION

Both in the specialty literature and in academia, the view that the management of public sector organizations is associated with a set of negative characteristics, sometimes stereotyped and caricatured, which places it in a position far below private management, was and remains predominant. Of course, this positioning is mainly due to the ideological opposition between economic science focused on the concepts of free market and private property on the one hand, and maintaining control of public organizations over sectors or areas of economic and social activity on the other hand, but also due to the common sense in the society, based on individual experiences shared en masse, which attribute some very concrete characteristics to public institutions.

This relationship led to an entire campaign (with a different scale and temporal anchorage in different countries) of implementing private methods, tools and practices in the management of public organizations. The process continues until nowadays.

This problem has led researchers to study the specific characteristics of management in the two sectors, in order to determine whether it has a different character, whether private methods, tools and practices can be implemented in the public sector and what may be the impediments in this regard.

The studies identified in the specialty literature offer different points of view and results as answers to the above-mentioned questions. On the one hand, some studies state that public and private management are not inherently different, at least in terms of fundamental aspects (e.g., Murray, 1975; Boyne, 2002), other highlight important aspects in terms of differences (e.g., Smith Ring and Perry, 1985; Nutt, 2005), and a third category states a balanced position that no definitive conclusion has been reached or that the degree of convergence or divergence differs from one institution to another (e.g., Boyne, Jenkins & Poole, 1999; Meier & O'Toole, 2011).

The present study aims to present some specific characteristics of public sector management, to highlight and explain the relationship between public and private management and to identify issues related to the transfer of private methods, tools and practices to public sector organizations based on the analysis of the specialty literature.

The paper proceeds with four sections that reflect the aspects that constitute the aim of this study, followed by conclusions.

CHARACTERISTICS OF MANAGEMENT IN THE PUBLIC SECTOR

The literature offers a range of studies that present the specific characteristics of the public sector organizations management. Multiple studies, including those based on large and representative samples of organizations, have identified trends towards stronger centralization and formalization in the public sector. Government (public) organizations are subjected to more restrictive procurement regulations, broader laws regarding conflict of interest, are characterized by more elaborate personnel actions, more extensive limitations on how the organization can be structured, and by lack of freedom to create or eliminate local offices or to decide whether to contract a central function. Private organizations have fewer restrictions imposed and, respectively, more freedom to adopt different organizational forms.

Although there is a common understanding of the stability of the public organizations' structure, no studies have been identified that present a longitudinal comparative analysis of public and private organizations and assess the relative change of structures (Meier & O'Toole, 2011).

Smith Ring and Perry (1985) developed a study that managed to incorporate some important features of public sector management into five ("relatively unique") statements that present constraints related to strategic management in the public sector that are generally not taken into account in discussions related to strategic management. These statements are as follows:

1. Political directives tend to be less well defined for public organizations than for private ones. The separation of functional responsibility, the diversity of interests integrated in the higher body, the need to create political coalitions involving various objectives are the most important factors that determine the inaccuracy and ambiguity of policies and objectives associated with public sector management. On the other hand, private sector organizations generally operate within a relatively stable framework of objectives, such as growth, profitability or market share.
2. The relative transparency (openness) of the decision-making process creates greater constraints for public sector managers than for their counterparts from the private sector. Both the results of the research and the reminiscence indicate that the media and other institutions hinder thorough discussion of the issues and cause political leaders to be concerned about the external aspect of the policy and about how it will work.
3. Public sector political leaders are generally subjected to more direct and sustained influence from a large number of interest groups compared to private sector managers. Top public sector managers need to pay more attention to a diverse

audience. The strategic management process in the public sector must take into account a multitude of stakeholders' interests. Most likely, these stakeholders will evaluate the results of strategic management in a different way, often reaching conclusions that are difficult to reconcile.

4. Public sector management has to deal with more artificial time constraints than those faced by private sector management. Time becomes a major constraint factor in the processes of public strategic management in two aspects: the first is associated with the status of civil servants and reflects the duration of the activity within the institution; the second involves the temporal constraints imposed by law, by the court, or created by the requirements of the elective political office. For the private sector, time constraints tend to be defined by the type and intensity of market changes. These seem to result from the natural interaction of market forces, while the temporal constraints in the public sector are related to the lack of coordination between subsystems, thus being imposed more artificially on those managers.

5. Policy legitimization coalitions in the public sector are less stable and are more likely to disintegrate during policy implementation. Public sector managers, unlike those in the private sector, often have to create internal coalitions to approve the policy, and these coalitions can often fall apart even during implementation.

Although the statements presented are intended to reflect some unique aspects of strategic management in public organizations, they may also have applications for strategic management in certain private sector contexts (Smith Ring & Perry, 1985).

Another aspect that is specific to public management can be extracted from the analysis of managers in the field of information resources (IR). Public sector managers are trying to adopt strategies that overcome the difficulties associated with long-term planning caused by disruptive political processes (e.g. the change of administrations). An example of the frequent change in the political landscape can be that as priorities change, so does data collection. This lack of continuity could reduce the analytical rigor of policy studies due to the difficulty associated with statistical analyzes, which require data sets with consistent elements. As a result, public sector IR managers seek to adopt strategies that could overcome this trend of change and ensure data continuity to the greatest extent possible (Ward & Mitchell, 2004).

Assuming that the statistical results are valid, Boyne (2002) concludes that public management is associated with more bureaucracy, a stronger focus on public welfare and low organizational commitment.

However, the view of the “great bureaucracy” as a “mismanaged monolith” is considered by some researchers as unrealistic as the vision of business as social skinning. The law of variation says that the situation differs from case to case, as management practices vary (Murray, 1975).

However, in the West, since the early 1980s, public sector managers have been stimulated to abandon their bureaucratic traditions and become more “entrepreneurial” and “enterprising” (Boyne et al., 1999).

Therefore, public management has a number of specific characteristics that explicitly distinguish it from that of private organizations, some of which became reasons for initiating and arguing the transfer of methods, tools and practices from the private sector. However, in order to establish the opportunity for such a transfer, a closer investigation of the relationship between the management in the two sectors is needed.

THE RELATIONSHIP BETWEEN PUBLIC AND PRIVATE MANAGEMENT

The degree of convergence between public and private management seems to vary from one public institution to another. It is unlikely that officials with a strong attachment to the distinctive traditions of public management will zealously adopt and implement private sector practices (Boyne et al., 1999).

At the same time, Boyne (2002) concludes that the available evidence does not clearly support the idea that public and private management are fundamentally different in all important respects.

The question of whether public management is fundamentally different from management in private organizations has been the central concern of public administration since its founding. And even if there was a substantial debate on this subject, no definitive conclusion was reached in the literature.

The predominant criteria that have been proposed to distinguish between public and private organizations include: ownership, the source of financial resources, and social control model (polyarchy versus market). Unfortunately, these three criteria are not perfectly correlated and often create situations where the public or private character nature of an organization is ambiguous (Meier & O’Toole, 2011).

Nutt (2005) mentions environmental, transactional and process factors as elements of the basic classification in the analysis and highlighting of the differences between public and private management.

The mainstream research literature assumes or even states that the differences between public and private do not exist or are trivial compared to the multitude of other organizational characteristics. Some studies simply repeat the mostly negative caricatures and ideological claims, which are related, for example, to inefficiency, rent seeking and other "non-market failures". Some of this work is supported by the theoretical argument of public choice, even if there is relatively little evidence to confirm these claims. The solid papers led to much more nuanced findings, some of which formed the basis of the theoretical logic in the study of Meier and O'Toole (2011). Of course, there is great variation both between and within the sectors, regardless of the criteria applied for the operationalization of the Public and the Private. However, patterns can be identified, even if the evidence in support of some of them appears to be stronger than that available for the other ones. Some of the public sector clichés regurgitate claims about the underperformance of government bureaucrats and the institutions they represent. In this context, Meier and O'Toole (2011) argue that the research agenda on the public-private relationship must move to theoretical development, but also to testing organizational performance in the sector.

Murray (1975) considers that the central question is whether public and private management are inherently different. And in his study, the author concludes that the answer to this question is a cautious "no". This answer is based on the analysis of substantive areas, such as goal setting and evaluation techniques. On the one hand, politics conditions judgment in both areas, and on the other hand, private decisions transcend immediate application in both sectors. The boundaries between public and private activity are blurring, as the author considers. The author argues for the importance and need for behavioral studies in the field of attitudes and values in order to identify the difference between sectors as a fact, not just as a feeling (Murray, 1975).

The relationship between public and private in strategic management is investigated by Smith Ring and Perry (1985). They start from the premise that, in an effort to maintain a separation of powers, constitutional draftsmen have clearly separated policy makers from policy implementers. Thus, legislators initiate, though mainly do not implement policy. Instead, executive institutions (organized by branch) can most often pursue only legally authorized aims. It is difficult to conceive of the situation in which management teams in private sector organizations are prohibited by corporate status from engaging in the implementation of the strategy or in which only "external" directors can make major strategic decisions. On the contrary, a direct link between the formulation and implementation of the strategy and the active involvement of all relevant parties during the process is considered to be essential for the effective development of private sector policies.

Unlike the private company, which usually has entrepreneurial roots, public organizations are always created by a higher controlling body. This body incorporates numerous and competing interests. Once established, the organization depends largely on that body in defining its objectives and providing its resources.

Competition between group members leads to negotiated compromises that are intentionally vague. A clear and precise political statement can lead public managers to believe that there is less need for decisions of nuance, for prudence and discretion. This trend can concern all decision-makers, but can be particularly annoying for public managers, due to the autonomy of employees in Civil Service systems and the social mission of most public organizations (Smith Ring and Perry, 1985).

Thus, the ambiguity of the strategy, characteristic of many public organizations, can also be an asset. In contrast, private sector organizations generally operate within a limited number of relatively stable objectives, such as growth, profitability, or market share. And top managers of more efficient organizations seem to focus on a limited set of clearly defined goals (Smith Ring and Perry, 1985). The conclusions made allowed the authors to make explicit pointing of substantial differences in the relationship between public and private sector management.

Even if that part of the authors who claim that private and public management are not fundamentally different are right, the differences persist, some of which are presented above. On the one hand, these differences and the relatively negative positioning of public management have led to campaigns of adopting private management practices by public institutions, and on the other hand, they can represent impediments in implementing these measures.

NEW PUBLIC MANAGEMENT (NPM)

Encouraging public sector managers to become more "entrepreneurial" and more "entrepreneurial" (Boyne et al., 1999), which was mentioned above and which also resulted from the differences presented above, materialized in what has been called the New Public Management (NPM). The basic element of the reform program associated with the New Public Management (NPM) is the provision that public organizations must import and implement managerial processes and behaviors from the private sector. It is considered that public managers should try to imitate the techniques of their private sector counterparts that are considered successful (e.g. management by objectives, total quality management, devolved management, performance-related pay).

At the same time, , the prevailing view in the literature of the field of public policy and administration is that public and private organizations are so different that the prescriptions of the New Public Management are inappropriate (Boyne, 2002).

PRIVATE - PUBLIC TRANSFER

However, even if there is skepticism in this regard, the transfer and adoption of methods, tools and practices of private organizations management in public institutions is ongoing, and researches in the field have identified impediments in this regard and developed recommendations for effective and efficient implementation.

Nutt (2005) considers that bodies set up to reform the government using private sector business practices in public institutions, should pay more attention to barriers (real and imaginary) to the use of analysis, if they hope their recommendations to be followed. Best practices invariably require analytical procedures and practices. These are difficult to perform in a public institution due to tradition, lack of funds and an apparent failure to assess risk. The success of the transfer of business practices from the private sector depends on overcoming these barriers. Some of them are known, such as tradition and funding issues, but the risk issue is new. In order to stimulate expected transfers of practices, public sector managers "must be sold on the value of making risk estimates".

If some researchers do not consider that the adoption by the public sector of standards, methods, etc. private sector business is necessarily inopportune, others point out that the fundamental differences between the strategic orientation of the public and private sectors can make it problematic for the public sector organizations to adopt private sector practices. For example, performance criteria in the public sector (e.g. number of low-cost public housing units) are substantially different from the private sector's ones (e.g. quarterly profits from real estate sales). While some reformers consider this difference to be an indication that public sector management is inefficient and ineffective, other researchers argue that the difference is not an indication of government management failure, but only reflects the environment in which these public sector managers operate (Ward & Mitchell, 2004).

Therefore, there is no single vision on the transfer of managerial practices to public management. However, taking into account the impediments presented and applying the recommendations will increase the efficiency and effectiveness of the implementation of standards, methods, etc. that are traditionally private by public organizations.

CONCLUSIONS

The management of public sector organizations is traditionally associated with a set of negative characteristics, sometimes stereotyped and caricatured, which place it in a position inferior to private management. This relationship has led to a campaign of implementing standards, methods, tools and practices of the private sector in the management of public organizations.

Although the literature presents different points of view and results regarding the relationship between public and private management, public management has a number of specific characteristics that explicitly distinguish it from private organizations' one, some of them becoming reasons for initiating and arguing the transfer of private sector methods, tools and practices. At the same time, they can represent impediments in the implementation of these measures.

Divergent issues that become impediments include, for example, traditions, funding issues, risk assessment and performance criteria. And even if there is no single vision on the meaning and role of these divergent elements, taking them into account and applying the recommendations will increase the efficiency and effectiveness of the implementation by public organizations of standards, methods, tools and practices that are traditionally private.

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