

Chapter XXX

New Public Management, Innovation, and the Non-Profit Domain: New Forms of Organizing and Professional Identity

Neil Paulsen, University of Queensland Business School, Australia

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One of the constant reverberations in the rhetoric of the globalized economy is the need for nations and their organizations to innovate in order to remain competitive. Organizations are regularly exhorted to develop new products and services in order to meet changing demands, to ensure effectiveness and efficiency, and to maintain competitiveness. Within the business environment, enterprises focus their attention on selecting strategies that will allow them to stay ahead of their competitors and to meet the needs of their customers better than their rivals. Governments of many nations argue that prosperity rests increasingly on the production, distribution and use of knowledge through innovative ideas. For example, the current Australian government believes that “innovation – developing skills, generating new ideas through research, and turning them into commercial success – is an important key to the nation's future prosperity, with economic and social benefits for all Australians” (Australian Government 2005a; Australian Government 2005b). The Commission of the European Communities poses a similar argument (2005). A major source of national, as well as organizational competitive advantage is the ability of nations and their public and private sector enterprises, to be more creative and innovative than their competitors.

In the domain of public services, many OECD countries have responded to these global challenges by instituting major public sector reform (United Nations 2001). Fuelled by concepts such as ‘reinventing government’ (Osbourne and Gaebler 1992), New Public Management (Kettl 1997), and/or ‘responsive governance’ (United Nations 2005), governments have adopted a range of initiatives in attempts to reform and rejuvenate public service systems. Consequently, not only have new forms of organizing emerged for the delivery of public services, but also new roles and identities for service and public sector professionals.

In this chapter, I follow a brief description of various aspects of the New Public Management (NPM) agenda with a discussion of the impact of these initiatives in the service delivery environment. A number of factors compel service organizations to innovate new forms of service delivery and viability. As with many such initiatives and associated policy rhetoric, the reality of putting such strategies into action presents considerable challenges. I discuss some of the implications of these reforms for the role of governments in service delivery, for organizations in the non-profit sector, and for the roles and identities of professionals.

New Public Management (NPM)

Public service systems worldwide confront turbulent environments in which social, economic and political factors continue to impact organizations (e.g., in health and social services, Martin 2003). Increasing demands, technological changes, escalating costs, and shortages of funds and other resources mean that modes of governance, structures, and practices continue to be the focus of significant reform (OECD, 2005). In fact, governments who proclaim the need to reform various industries can hardly afford to ignore their own domains. Consequently, the public sector is not immune from attempts to construct organizations that are innovative, responsive to client needs, and market focused. In recent years, these change imperatives form part of a rationalization and corporatization process that has informed the whole of the public sector across OECD countries and beyond (e.g., see Australian Public Service Commission 2003). The political agenda is designed to improve quality and efficiency, enhance accountability and transparency, provide an emphasis on performance and service delivery, and ensure more effective management of resources (OECD, 2005).

Over the last three decades, NPM has become fashionable amongst politicians, policy-makers and scholars of public sector management (Brunsson and Sahlin-

Andersson 2000). NPM has been associated with the introduction of market mechanisms in the public sector, including the introduction of concepts such as entrepreneurialism, innovation, and customer responsiveness in the delivery of public services. These reforms have resulted in three core areas of focus: managers, measurements, and markets (Ferlie and Steane 2002) or, as Ban (2001) argues, delegate, decentralize, and deregulate. Common themes underpin NPM initiatives, such as greater financial accountability and the marketization of service provision (e.g., contracting) (Thomas and Davies 2005). The United Nations (2005: 11) identify the characteristic tools of NPM as competition, marketization, autonomization, disaggregation and deregulation, all of which embody an anti-bureaucratic philosophy. NPM also draws together a set of cost-cutting and management concepts from the private sector including downsizing, rightsizing, entrepreneurialism, reinvention, enterprise operations, quality management, and customer service. In applying these concepts, the goal has been to create a smaller, more responsive, more entrepreneurial and more effective public sector (Romzek 2000).

Frameworks of business practice have been adapted from the private sector and applied to the public sector. In a similar way, private sector enterprises and non-profit organizations have become providers of direct services through the implementation of competitive tendering and contracting (CTC) processes. Outsourced service providers and partners, especially those contracted to provide services to the public, are obliged to operate within a framework that represents public sector ethics and practice (Australian Public Service Commission 2003). These enterprises become contractually accountable for the ways in which they deliver services consistent with relevant public sector values (Mulgan 2005). Furthermore, changing social expectations mean that organizations are facing increased demands for accountability in terms of corporate social responsibility (Warhurst 2005). As Lawton (2005) observes,

Increasingly the so-called public sector is becoming more business-like, with the introduction of competition, output measures and corporate management styles. At the same time, corporations are widely seen as contributing to public good, i.e. improving the quality of life to many,...and providing public services under contract to government. (P. 231).

While some argue that NPM is nearing exhaustion (Ferlie and Steane 2002), the reforms have nevertheless resulted in impacts that reach far beyond the domain of the public sector. Not only have the reforms led to a re-examination of the role of government in the provision of services; but they have resulted in a flow-on effect to the non-profit sector and forced a fundamental challenge to the existing roles and identities of professionals in both the public and non-profit sectors.

NPM and the role of government in service provision

Under NPM reforms, the role of government in service provision has been transformed. The reform programme is

based on key principles [relating to the] ... separation of the contracting of services from service delivery; funding based on results (outputs and outcomes) as opposed to inputs in an environment permitting private-sector suppliers to determine the most effective and innovative ways to produce the contracted services; and a commitment to reducing the role of government in the direct provision of services. (English and Guthrie 2003: 498).

One consequence is that NPM has been associated with increased partnership arrangements designed to provide services that were previously supplied by the public

sector. The assumption behind these initiatives is that the marketization of public service delivery will lead to more flexible, responsive and innovative outcomes. It is also assumed that these outcomes will be delivered effectively and efficiently by applying private sector practices to public service delivery.

Governments have attempted to capitalize on the potential benefits from private sector involvement with the delivery of government outcomes through public-private partnerships (PPPs), outsourcing, 'joined-up' government, and private financing initiatives (PFIs). The principal features of these arrangements include: contracting for the delivery of services previously provided by government; the creation of assets through private sector financing and ownership control; and risk sharing. In some cases, this means that private sector management models have overlaid traditional public sector activity. In others, the private sector has become fully incorporated in the delivery of public services through contract and partnership arrangements (Barrett 2004: 4).

While the public sector is changing, researchers have concluded that it is not changing in ways that converge across nations and jurisdictions as each has developed their own ways of implementing these initiatives (Pollitt 2001). In fact, some have argued that "the dominance of NPM rhetoric in public administration should not be confused with its ascendancy in actual policy formulation and implementation" (Dollery and Lee 2003: 5). Indeed, Christensen & Laegreid (2003) argue that NPM policies "might belong more to the world of symbols than the world of practice" since they are simply "part of the ritual and myth that helps to preserve the legitimacy of the system of governance", with "few consequences for performance" (pp. 7/8). Nonetheless, even though most reforms will never be completely successful or achieve their desired outcomes, reforms are not entirely unsuccessful either and do accomplish some effects. While these effects are sometimes unexpected and paradoxical, NPM reforms continue to influence new ways of organizing for the development of alternative service delivery options.

Different forms of organizing emerge in various jurisdictions depending on the ways in which public sectors resolve a number of key paradoxes (e.g., centralisation vs. decentralisation of government, public vs. private delivery of public services, and traditional mechanisms of accountability vs. enterprise and risk taking). According to Lawton, new possibilities also depend on, amongst others, "the degree to which there are career public servants; the degree to which organizational boundaries become blurred; the extent to which there are general, system-wide rules of procedure; ... [and] the changing organizational and governmental landscapes" (see Lawton 2005: 232/241). Furthermore, the effects of marketization strongly depend on the wider institutional and social-policy context in which it is embedded (van Berkel and van der Aa 2005). In any case, public and private sectors converge as the boundaries between public, private, and non-profit sectors become increasingly blurred. This convergence has many different dimensions and involves a wide range of stakeholders including both non-government and general community organisations. Convergence of these sectors introduces new levels of complexity and risk to public sector agencies (Barrett 2004: 5). As reported in The First United Nations World Public Sector Report on Globalization and the State (2001),

the changes point to a shift of focus away from hands-on management and the direct production of services and goods towards strategic planning with a view to the establishment and maintenance, refinement and reform of an enabling framework for private enterprise and individual initiative. ... Decentralization, debureaucratization and deregulation are adding to the importance not only of local government, but also of non-state actors on whom significant functions

are devolved or outsourced. ... The State is the hub of activities connecting multiple partners and stakeholders from very varied fields, regions, cultures, occupations, professions and interests. (P. v).

Outsourcing of services

While many initiatives have been introduced under the guise of NPM, the outsourcing of services to the public is as an important exemplar of the impact of NPM on the non-profit sector and the role of professionals. Many OECD countries have introduced competitive tendering and contracting (CTC) in a move towards greater contestability of public services. Outsourcing advocates point to the potential for “increased flexibility in service delivery; greater focus on outputs and outcomes rather than inputs; the freeing of public sector management to focus on higher priority or ‘core’ activities; encouraging suppliers to provide innovative solutions; and cost savings in providing services due to competition” (Barrett 2004: 5). The CTC process presents many challenges for governments and their agencies, as well as for private and non-profit enterprises who bid for government business or contract for the delivery of services to the public.

Under the new servicing arrangements established under CTC, public sector organizations have become agents of government for the purchase of services, rather than providers of primary services. Many public managers have become managers of contracts and have increased their focus on outputs and outcomes, and away from inputs and the processes of service delivery. In turn, this focus results in the increased importance of performance measurement and accountability in the oversight of service delivery (Romzek 2000). Furthermore, the skills and expertise of public sector managers and professionals in procurement and contract management are called into question. Outsourcing brings risks as well as opportunities, and poorly managed contracts can result in cost overruns, wasted resources and impaired performance (Romzek and Johnston 2002). So, managers are faced with the need to ensure the effective provision of contracted services; to manage different forms of risk; and to ensure that accountability and performance measurement mechanisms align with the strategic intent of the reforms and new forms of service delivery.

CTC processes also change the relationship between public sector agencies and their constituents, customers, or clients. While private sector competitors are given a real opportunity to bid for government business, it is important to ensure that customers and clients achieve good value for money. Open and effective competition is designed to achieve value for money and create the framework for selecting a service provider who will deliver the best outcome for clients and customers. However, the implication for agencies in the role of *purchaser* is that public sector managers and administrators are more likely to make decisions regarding policy and the monitoring of service contracts while maintaining distance from their clients (Hernes 2005). This raises the possibility that agencies can ‘lose touch’ with the needs of clients and customers, whereas the incumbent contractor does not. This can put the provider in an advantaged position over the purchaser.

Furthermore, there is a risk that competition for subsequent contracts is reduced as a result of the advantage gained by the incumbent contractor. This is especially relevant when there is limited competition in the market for the delivery of particular services (O'Regan and Oster 2000). There is also a potential cost and risk associated with moving from the existing contractor to a new service provider and agencies may be tempted to take an easy approach and stick to the adage that ‘the devil you know is better than the one you don’t’. Decisions must be subject to an assessment of all the costs and benefits over an appropriate timeframe (see Barrett 2004, for the above discussion). The

focus on outputs and outcomes, the change in accountability relationships, and the need to be cognizant of effective contract management suggests that political and professional forms of accountability are evident – forms of accountability that rely on deference to expertise, increased discretion and evaluations of responsiveness (Romzek 2000: 39). These processes place public sector agencies in a very different game, and place them in a different and distant stance towards their constituents, clients and customers.

NPM in the public sector, with its concomitant approaches to the marketization of services, introduction of CTC, PPPs, and other mechanisms, has ushered in a new role for governments in service delivery. There are some who suggest that the reign of NPM reforms may be over (Ferlie and Steane 2002) and that new forms or models of service are emerging. Some argue that managing networks or governance perspectives represent the post-NPM agenda (OECD, 2005). Other models have been proposed that have an emphasis on relational contracting (Sclar 2000), or have an emphasis on the unique attributes of public sector agencies and a return to services that are delivered within a clear public sector values framework (for issues related to this discussion, see Kernaghan 2000; Lawton 2005; Mulgan 2005).

What becomes clear from this discussion is that governments remain committed to reforms, if not simply for symbolic value, then at least to achieve real benefits for customer outcomes and cost reduction. It is unlikely that governments will return to pre-NPM forms of organizing for the delivery of public services. As we continue to see economic and technological changes on a global scale, the challenge remains for governments to remain effective, to offer services that genuinely address changing community needs, and that represent value for money. This means a constant drive and search for innovation in the way policies are developed and supported. These directions will not only continue to have implications for the role of government, but also for the role of organizations in the non-profit domain.

NPM and the non-profit domain

Organizations in the non-profit sector have traced an interesting trajectory in the context of NPM reforms. Under CTC arrangements, community organizations have developed into key service providers, and consequently become mediators of the relationship between governments and citizens in the provision of (mostly) human services. Where once non-profit organizations sought government subsidies in a non-competitive, quasi-grant arrangement, increasingly, they are being forced to compete in an open competitive market with private sector and other non-profit organizations for a fixed budget of government funding for specific programs and services (Eikenberry and Kluver 2004). Competition drives non-profit organizations to compete against others who provide similar services from the same funding pools. Within a policy context of competitive tendering for welfare funding, non-profits are forced to compete with private service providers in their traditional domains, a practice that reduces revenues which previously financed the sector (Alexander 1999). For example the listed management company, Maximus, is a private for-profit service provider, based in Virginia, USA. This company alone reported contract wins for the fiscal year 2003 of \$US992.0 million, which included a \$418.4 million California Healthy Families contract (Maximus 2003). These competitive and privatization dynamics have resulted in a new role and a new set of challenges for non-profit agencies and enterprises.

In order to compete successfully for funds under service contracts within governments' reform agendas, non-profit agencies have reorganized, restructured, and/or realigned their operations for a corporate approach. They have reorganized themselves to develop flexible structures to be more responsive to changing client

demands, community needs, and government funding policies. They have joined separate sets of services to develop organizations with integrated service offerings, in some cases reducing duplication of services. They have modified their operations to demonstrate accountability for the receipt and expenditure of public funds. They have also developed corporate strategic planning and measurement structures in order to report against key performance indicators or milestones in service delivery contracts (for an example, see Youth and Family Service (Logan City) Inc. 2005). Usually, these indicators are generally consistent with the NPM agenda with a focus on rationalizing services, reducing duplication, cost-cutting and efficiency. The challenge for these organizations is to resist the temptation to reduce individual clients with unique needs to statistics (that count towards a key performance indicator) or to recast them as an amorphous group of consumers (Rix 2004).

Agency activities are constrained by the administrative and regulatory controls built into the contract in terms of performance reporting and other accountabilities. Key personnel are locked into interminable rounds of reporting on current contractual obligations, developing funding proposals and submissions, as well as dealing with increased demands from staff and their client base (Paulsen 2003). A more critical view of these processes would suggest that governments have simply moved the cost burden of delivering public services to families and community agencies. Community agencies under CTC arrangements become unwilling agents of government policy, while governments are transformed into mere funding and regulatory authorities (Rix 2004).

Non-profit organizations have been compelled to adapt to the new environment of CTC in order to attract funds for their ongoing survival. In response to these challenges, non-profit or community organizations have adopted a range of strategies to remain competitive and to attract funding. Where agencies believe they are unable to compete with larger non-profits or private sector enterprises, a number of strategies are possible. For example, Skloot (2000) suggests a number of different models that are driven by privatization and competition agendas. These may include sale to and/or merger with other agencies or private providers, joint ventures with non-profit or for-profit organizations, and the fully privatized managing corporation. Other strategies may include social entrepreneurship and different forms of community-business partnerships.

It is becoming increasingly common for non-profits to merge, or at least to consider merging with other non-profit organizations or with for-profit organizations (Kohm and La Piana 2003; McCormick 2001; Skloot 2000; Yankey, Jacobus, and Koney 2001). In some cases, small agencies have joined forces with other small agencies in order to remain competitive. Strategic and collaborative alliances for the delivery of services have also been attempted, with some success (Yankey, Willen, Jacobus, and McClellan 2005). To create value and efficiencies from reduced funding, organizations serving the same clients might collaborate to improve services (Sagawa and Segal 2000). The assumption that underpins merger and alliance activity in the non-profit sector is that merged organizations potentially increase their funding base and streamline organizational processes, with an end result of improving client services and financial performance.

From the perspective of the public sector funding agency, whose concern is to ensure outcomes and value for money, it may be simpler to develop service contracts with agencies that provide an integrated set of services to achieve maximum flexibility and responsiveness in service delivery. Because the funding for these services is guaranteed only for the life of the existing contract, agencies have to remain cognisant of emerging policy initiatives and develop innovative strategies for service delivery to attract

ongoing funding in successive rounds of contracting. Larger entities, including private for-profit enterprises, may have an edge in the bidding process. Because of their size, they may be in a better position to resource the required activities, to negotiate with government or other funding sources, have access to more capital, assume greater risks (Eikenberry and Kluver 2004), and have access to various technologies to more effectively meet contract reporting obligations (Skloot 2000). A merger or alliance with other agencies may serve the purpose of developing increased competitiveness.

Some non-profit organizations establish partnerships with private business organizations. There are many issues involved with the establishment of innovative, mutually beneficial partnerships of this sort, including negotiation of different expectations of the partners (e.g., see O'Regan and Oster 2000; Sagawa and Segal 2000). Nonetheless, both parties enter into these arrangements to achieve mutually beneficial outcomes. For private enterprise, the arrangement may provide an opportunity to fulfil a sense of corporate social responsibility by supporting and working towards sustainable community outcomes, as well as building their reputation as good corporate citizens (Warhurst 2005). For the non-profit partner, the benefits are support, in cash or in kind, for activities that are less tied to stringent government controls without compromising their mission or accountability for outcomes. Governments are not averse to these arrangements and in some cases, reward and encourage such collaboration. Governments appeal to the rhetoric of corporate social responsibility in order to encourage private organisations to support local initiatives to address social problems. In doing so, private enterprise assists in 'taking up the slack' in providing support for direct service provision and in addressing local community needs.

In another series of developments, non-profit organizations are adopting entrepreneurial strategies and starting businesses or developing innovative means for revenue generation (The Institute of Social Entrepreneurs 2002). The *Big Issue* street newspaper is one example of this entrepreneurial endeavour (Hibbert, Hogg, and Quinn 2002). While partnerships with business are one strategy to develop alternative sources of funding and support, the need to generate direct revenue to remain viable has exercised the minds of many CEOs and boards of non-profit organizations (Dees, Emerson, and Economy 2001; Drayton 2002; Eikenberry and Kluver 2004). Non-profit sector organizations are recognizing the need to increase their revenue base in order to become self-sustaining and, if possible remove themselves from the need for government funding and philanthropy. In most cases, the distinguishing characteristics of this developing sector are the direct or indirect impact on one or more social needs and the emphasis on earned income.

One may well argue that these developments in the non-profit sector are inevitable and are not the direct result of the implementation of NPM reforms and in particular, CTC processes. However, there appears to be a strong link between the introduction of NPM and the increased marketization of the non-profit sector (Eikenberry and Kluver 2004). Organizations in this sector continue to face ongoing challenges to their ways of working and continue to innovate new forms of service delivery and the means for funding them. However, Eikenberry and Kluver (2004) caution that the benefits of these trends may come at the expense of the "non-profit sector's role in creating and maintaining a strong civil society – as value guardians, service providers and advocates, and builders of social capital" (p. 135). Romzek and Johnston (2002) found that the effectiveness of service contracting is potentially undermined by contracting with agencies that advocate for their client groups. Once again this presents a significant challenge for both organizations and the professionals who work within them.

NPM as an identity project

The initiation of NPM has raised a debate regarding the identities of public sector professionals. In fact, de Gay (1996) refers to NPM as an identity project. Relatively little has been said in the literature about the impact of these reforms on professionals in both the public and non-profit sectors (for exceptions, see Jespersen, Nielsen, and Sognstrup 2002; Sehested 2002). Tensions develop as a result of the introduction of NPM in public sector and service environments. These tensions test the delicate balance between maintaining the integrity of services while observing requirements for public accountability, i.e., tensions between the logics of service and accountability (Hernes 2005: 6). Clearly, one's identity as a professional and one's professional ethics are called into play (Lawton 2005). The commercialization and corporatization of the public sector challenge pre-existing identities of public sector professionals; identities that are often based around the application of knowledge and expertise to assist and serve the needs of the public at large rather than charging for services or competing for funds to deliver public services in a marketized service environment (Hernes 2005).

An early initiative of NPM was the progressive introduction of user charges for a variety of services that were previously available at no cost to the user. User charges were introduced both between agencies and for external customers of government services. The aim of the charging policy was to make public servants and other users more aware of the cost of public activities, thereby removing any tendencies towards overuse of services because they were seen as being free (Australian Public Service Commission 2003). This creates a tension in maintaining a balance between the values of the service delivery professional and the economic rationalist approach to costing of services; a tension which is often unresolved or deadlocked. The act of introducing a 'user-pays' policy lead to serious debate amongst public sector employees about the role and function of the public sector in the provision of taxpayer-funded services versus the need to generate increased revenue through a user-pays scheme (e.g., the introduction of 'user-pays' fee contribution schemes in higher education in Australia and the UK).

As discussed earlier, an emerging role for public sector and non-profit professionals alike is the effective management of risks associated with increased CTC processes. Such a role places considerable emphasis on skills for project and contract management, for which many professionals are not properly trained. In fulfilling contract requirements through data recording and report writing, professionals may feel insulted that their technical expertise is undervalued and underutilised, and that a better use of their time would be to spend it in direct contact with their clients rather than with the burdens of administration and data entry. Professionals in these roles need to determine the degree to which they maintain their disciplinary expertise while at the same time developing skills for effective tender and proposal writing, negotiation, and contract management, as well as relationship management. The challenge is to determine the degree to which these roles are emerging as part of a new identity for service professionals.

There is still a high premium on technical and professional knowledge and understanding of the functions or businesses that are being managed. Public agencies and their managers must also be in a position to know what they are actually getting under a contract and whether it is meeting the set objectives. Effective contractual performance requires advanced planning, negotiation, and a cooperative, trusting relationship between the parties (Romzek and Johnston 2002). To get the most from a contract, the contract manager and contractor alike need to nurture a relationship supporting not only the objectives of both parties but also one which recognises their functional and business

imperatives. Contractors face the challenge of working in a public sector environment and public servants face the challenge of dealing with all aspects of commercial financial viability. It is a question of achieving a suitable balance between ensuring strict contract compliance on the one hand, and working with providers in a partnership context to achieve the required result (Barrett 2004). This may not be a role that sits well with the discipline professionals who are motivated by a personal and professional ethic regarding service to the public, perhaps even more so for professionals in the non-profit sector.

Public sector employees have traditionally seen themselves as the providers of public services, fulfilling obligations to administer and deliver tax-payer funded services to the public. However, in the NPM agenda, one could argue that public servants have become policy developers and government advisors, managers of tender processes, and contract managers concerned with ensuring that funded service providers are accountable for meeting the key performance indicators as specified in service contracts. Under this regime, citizens become consumers (e.g., students have become clients and customers), the focus becomes value for money, and relatively less attention is paid to the inputs and processes involved in delivering quality of service (Rix 2004). To this end, professionals have been co-opted in the managerialism of NPM, and perhaps unwillingly, have become agents of government in the rationalization of services. Again, this tension between the logics of service and accountability has a number of implications for the ways in which public sector employees construct their identities.

In the past, professionals were recruited for their specific professional knowledge, and enjoyed a high degree of autonomy in the application of their expertise. Consequently, professionals do not readily accept the detailed bureaucratic control of their work. NPM reforms are seen by some as one attempt to “roll back the domination and power of professionals in public organizations” (Sehested 2002: 1516). Professionals become managers of teams, monitors of performance indicators and budget performance, and custodians of the corporate agenda. Despite being motivated by professional ethics and codes of conduct related to service provision, these professionals may now have to behave like corporate executives and business unit managers who are more driven by corporate concerns of strategic management and planning, monitoring performance against performance indicators, accounting for budgets, and so on (for an account of these concerns for health sector clinician/managers, see Degeling 2000). Often these tasks require professionals to become removed or at least distant from direct service provision, often becoming resentful of the administrative demands placed on their work. It is not surprising that some professionals choose to disengage from the burdens of regulation and accountability and focus on service provision, sometimes removing themselves from the public system and operating as private practitioners. An example of this is the case of visiting medical specialists who operate as private practitioners while maintaining a patient list in public hospitals.

From an organizational culture perspective, organization members use cultures and subcultures as a resource to interpret, make sense of, respond to and/or resist change initiatives (Thomas and Davies 2005). Of specific concern here is the existence of subcultures, formed around professional and occupational identifications that provide differential spaces of interpretation and sense-making and hence different forms of response to change (Degeling, Kennedy, and Hill 2001). The maintenance or otherwise of such subcultures through a major change process affects individuals' sense of organizational and subcultural identification as well as their professional and personal identity. Professionals can resist change efforts in order to maintain their perceived status and valued identities (Ashforth and Mael 1998). Alternatively they can become active agents in the reestablishment and reinforcement of their status as professionals, find new

ways to influence the process, and create new forms of professional identity (Jespersen, Nielsen, and Sognstrup 2002).

Future directions

Under NPM, public sector agencies become agents of government reform, as well as funding and regulatory authorities. In the process, they become more distant from their clients and less able to advocate their interests. On the other hand, non-profit organizations become providers of government funded services that are constrained by administrative and regulatory requirements; they become mediators of the relationship between governments and citizen consumers; and they become co-opted agents in the implementation of government policy. This means a reduction of the role of non-profits in client advocacy, and in the development of social capital and civil society. Not only this, non-profit organizations reshape themselves to adopt a corporate, entrepreneurial and supposedly flexible orientation. They explore possibilities for mergers and alliances in the delivery of services in order to remain competitive, and engage in social entrepreneurship to generate independent revenue streams. One of the interesting implications of this discussion is that public and non-profit organizations will continue to face the need to reform, and opportunities exist for new forms of organizing and governance to emerge.

The extent to which PPPs and PFIs are effective in delivering the desired outcomes from these arrangements is equivocal. Recent reports of some infrastructure partnerships have suggested that such partnerships have not always lived up to expectations. Different forms of organizing in strategic alliances are likely to set the scene for the future (e.g., Pitsis, Clegg, Marosszeky, and Rura-Polley 2003; Pitsis, Kornberger, and Clegg 2004). New and emergent forms of governance are required to enable partnerships and service contracting to remain effective in delivering desired outcomes. Organizing that reflects both market forces and public sector values and ethics is likely to be forged in this new environment.

Hybrid organizational structures and identities that enable different value sets to coexist will become the focus of future research and theory (e.g., see Evers 2005). Theory and research also needs to develop a greater understanding of the changing identity of organizations within these sectors and to explore their implications for service delivery. Interventions should be designed to ensure that the focus on the achievement of desired community outcomes is maintained, rather than a myopic focus on detailed contract monitoring and measurement. One of the challenges in this endeavour will be to develop appropriate (perhaps new) theoretical frameworks that can assist in explaining the emergence of new forms of organizing and that can inform ongoing research and evaluation.

Future work should focus not only on the innovation of services, but also innovative forms of service delivery and practice. By being co-opted into the managerialism of NPM, professionals in the public and non-profit sectors may have lost their potential to advocate the needs of clients and to encourage the development of new and innovative practices. The importance of the role of the professional in advocating the needs of clients cannot be underestimated. CTC processes can create an artifice of accountability, generating the need to 'count' services, often at the expense of genuine service delivery. Furthermore, such artificial accounting can result in restricting the development of new forms of service delivery in response to client demands, because what must be 'counted' or 'accounted for' are pre-determined contracted outcomes rather than services which emerge from the process of ongoing service delivery. As client needs change, professionals and agencies need to be free to advocate the needs of clients

and for new forms of service delivery to be developed and funded. Interventions should ensure the formation and development of contracts that enable innovation without the need to respecify the contract or to compete for additional funds.

New forms of professional identity are likely to emerge in hybridized organizational forms. Not only do the professionals of the future require a set of skills and abilities that relate to effective contract management and achievement of service objectives, but also they require the ability to operate in hybridised contexts, to cross disciplinary boundaries, and to ensure responsiveness to client needs. In the public sector, or on the purchaser side of contract negotiations, this suggests the need to develop professionals who appreciate the need to flexibly respond to changing demands, often within the life of existing contracts. This need suggest a different kind of public professional; a policy maker who is familiar with the vagaries of community service delivery, who is prepared to focus on the 'future perfect', and who is prepared to be flexible in achieving contracted outcomes. Professionals in the public and non-profit sectors, while resisting changes that may be seen to threaten their status and identity as professionals, may also need to forge new hybridized identities for themselves which embrace the logics of both service and accountability, and which retain a focus on client advocacy.

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