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# PUBLIC SECTOR REFORMS AND NEW PUBLIC MANAGEMENT: EXPLORATORY EVIDENCE FROM AUSTRALIAN PUBLIC SECTOR



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## ABSTRACT

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This study is about the exploration of public sector reform agendas in the context of New Public Management initiatives in Australia. Australian public sector has been adopted as the field for investigation. The purpose of this study is to understand how new public management ideals become embedded in the new financially and managerially oriented Australian public sector which may be a learning for public sector in Southeast Asia. Evidence supported that the Australian Public Sector has operated within the context of a range of reformed government policies, strategies and laws. The primary catalyst of reforms in Australia was generated by government regulatory policies. It is also evident that the Australian Public Sector had made changes in their structure and operation to achieve cost-efficiency, budget accountability and an improved customer focus in service delivery. The research also demonstrates that implementation of reforms initiatives are the functions of New Public Management in the key areas of financial management. These findings are consistent with the view that changes to the Australian public sector promoted managerial accountability and a culture of performance.

**Contribution/ Originality:** The study contributes in the existing literature of Public Sector Reforms and New Public Management initiatives learnt from Australian Public Sector which may also be applicable to Asian Public Sector.

## 1. INTRODUCTION

From the 1970s the public sector organisations in the advanced economies faced a significant pressure arising from volatile economic conditions and pressures for government cost cutting. Governments found it difficult to fund their activities from recurrent revenues and the increased debt arising from budget deficits reacted adversely on their economies (Bourgon, 2008; Barton, 2009; Webb, 2010). This has created a basis for organizational change in the public sector (Alam and Lawrence, 1994; Parker and Bradley, 2000; Larbi, 2003; Ellwood and Newberry, 2007). Mascarenhas (1996) pointed out that in the 1980s the performance of public enterprise in industrial economies has been the target of severe questioning and the main reason for such questioning is the comparisons with private sector standards of returns on investment and it turned public sector organisations from service orientation to commercial orientation. Mascarenhas (1996) also claimed that during the 1970s a variety of factors influenced public sector organisations to depart from the original developmental goals set for the public organisations and have mostly been assigned specific financial objectives similar to those in the private sector. In

this context the practitioners started to adopt new management approaches as the basis for improving performance in the public sector (Metcalf and Richards, 1992; Osborne and Gaebler, 1992; Hughes, 1995; Girishankar, 2001; Robbins, 2007; Alam and Nandan, 2008; Broadbent and Guthrie, 2008; Christiaens and Rommel, 2008; Dooren *et al.*, 2010; Walker and Boyne, 2010; Hoque and Adams, 2011). The new management approach has been based on the premise that the efficiency and effectiveness of the public sector organisations could be improved through the introduction of private sector management techniques (Painter, 1988; Hood, 1995; Tooley, 1999; Parker and Bradley, 2000; Atreya and Armstrong, 2002; Crawford *et al.*, 2003; Christensen, 2005; Cohen *et al.*, 2007; Alam and Nandan, 2008; Bouckaert and Halligan, 2008; Berry *et al.*, 2009; Christensen and Parker, 2010).

Pollitt and Bouckaert (2004) mentioned that, this new management approach in the public sector creates the changes to the structures and processes of public sector organisations with the objective of getting them to run better. The introduction of this new management approach in the public sector is to promote a culture of performance (Baehler, 2003; Mir and Rahaman, 2006; Jansen, 2008) is to achieve cost-efficiency, budget accountability and to adopt a customer focus in service delivery (Hamburger, 1993; Tanzer, 1993; Kennedy, 1995; Dixon *et al.*, 1996; Lane, 2000; Barzelay, 2001; Alam and Nandan, 2008; Groot and Budding, 2008). More precisely this new approach is centered on NPM ideals (Hood, 1991; Dunleavy and Hood, 1994; Hood, 1995). The term 'New Public Management' is used to describe the changing style of governance and administration in the public sector. The most definitive characteristic of the NPM is the greater salience that is given to what has been referred to as the three 'Es'- *economy, efficiency and effectiveness* (Barrett, 2004). NPM is the commonly used label for the ambition of government organisations in many countries to run the public sector in a more businesslike manner (Jansen, 2004). During the 1980s and 1990s the term NPM was used to denote a number of reforms that were carried out by several countries in the world (Sahlin-Andersson, 2001). Maor (1999) also observed that NPM has shown a remarkable degree of consensus among the opinion makers of various countries about the desired nature of change.

During the last 30 years the three tiers of Australian government (Commonwealth, State and Local) have also implemented a series of financial and administrative reforms linked to the new public management. These reforms have forced the Australian public sector to promote private sector models of organization structure, management systems, accounting practices, and accountability relationships (Greiner, 1990; Wanna *et al.*, 1992; Guthrie and Johnson, 1993; Parker and Guthrie, 1993; Brown *et al.*, 2003; Guthrie *et al.*, 2003; Barrett, 2004; Mir and Rahaman, 2007; Hoque, 2008). The primary driving force behind these reforms was Financial Management Improvement Program and the ultimate goal was to achieve efficiency and effectiveness of the government through the introduction of market disciplines. These market disciplines forced the public sector organisations to adopt commercial management practices through commercialization or corporatization (Broadbent and Guthrie, 1992; Parker and Guthrie, 1993; Dixon and Kouzmin, 1994; Coventry and Nutley, 2001; Hoque and Moll, 2001; English and Guthrie, 2003; Mir and Rahaman, 2003; Rose and Waterhouse, 2004) and as a consequence of these reform initiatives Australian public sector entities have undergone tremendous organizational and cultural changes (Parker and Guthrie, 1993; Zifcak, 1997; Coventry and Nutley, 2001; Hoque, 2005; Mir and Rahaman, 2006).

Parker and Guthrie (1993) argued that since the early 1980s the Australian public sector have undergone major changes in its philosophy, structure, processes, and orientation and the main objectives of these changes were to establish formal rational management, necessity for clear goal, corporate plans, internal and external accounting systems with clear responsibility lines for output performance measurement. Coventry and Nutley (2001) illustrated the change management in the Australian public sector. They mentioned that change had become a permanent feature of the public sector landscape in Australia. They argued that prior to 1980s change in the Australian public sector was mainly incremental expansion. After this period radical changes have been occurred which affected financial management, budgetary reforms, structural change, senior executive appointments, commercialization, corporatization and some privatization of government programs. Halligan (2009) argued that Australia had concentrated on management reform during the 1980s, but increasingly accepted the need for market-oriented

reform. Halligan (2009) further argued that major changes to financial management were changing the method of budgeting and resource management which was based on the framework of outcomes and outputs and accrual accounting principles. In recent years an agenda to promote good governance and improved transparency of the Australian public sector budgetary and financial management is the *Operation Sunlight* (Tanner, 2008). It derives from a critical evaluation of the existing outcomes and outputs frameworks. The key objectives of *Operation Sunlight* are: tightening the outcomes and outputs framework, changing the Budget Papers to improve their readability and usefulness, improving the transparency of estimates and expanding the reach of Budget reporting, improving intergenerational reporting (Murray, 2008). In the light of the wide ranging reforms and implementing new public management approach to the Australian public sector the present study intends to identify and explore the management reform initiatives that have been implemented in the Australian public sector.

## 2. PUBLIC SECTOR

Public sector represents the activities undertaken almost solely by governmental agencies, and accomplished by a mix of departments of state, statutory authorities, and other legal and political institutions (Aulich and Nutley, 2001; Flynn, 2007). Broadbent and Guthrie (1992) and Lane (2000a) also argued that the public sector is the part of a nation's economic activity which is traditionally owned and controlled by government. They mentioned that the public sector includes those public organisations which provide utilities and services to the community and traditionally have been seen as essential to the fabric of the society. The public sector organisations are funded by grants raised by government from taxation and these organisations provide supply services and utilities which is the part of the infrastructure of the society. However, a movement away from this situation has emerged and the emphasis is given on efficiency, effectiveness, cost savings and managerialism in the public sector (Broadbent and Guthrie, 1992; Wollmann, 2003; Starling, 2011). These changes have redefined the public sector and have given increased standing to costs and to new systems and symbols of accountability. Broadbent and Guthrie (1992) pointed out that in Australia, the various levels of government have introduced 'market discipline' and 'best commercial management practices' either through commercialization (the process of introducing commercial management principles, practices and accountability regimes); or through corporatization (use of a corporate form of legal, governance, management, accounting and accountability purposes for public sector business activities); or finally through privatization (the selling of part or all of a corporatized public sector entity to private capital).

Research on public sector organisations has revealed that traditional public organisations were run by rational rules and procedures. The structured hierarchies, formal decision making processes and advancement based on administrative expertise were found in the traditional public organizations (Bozeman, 1979; Parker and Bradley, 2000; Brown *et al.*, 2003; Webster and Hoque, 2005; Carlin, 2006; Rondeaux, 2006). These public sector organisations are subject to political rather than market controls (Dehardt and Dehardt, 2000; Parker and Bradley, 2000; Ball, 2007; Koch *et al.*, 2011). Another characteristic of traditional public organisations is that these public sector organisations are motivated by political considerations than by financial considerations (Perry and Rainey, 1988; Alam and Lawrence, 1994; Coventry and Nutley, 2001; Boyne, 2002; Hoque, 2005). Public organisations are accountable to the public through the political process and for this reason there have been conflicting demands from the various interest groups (Hughes, 1994; Walker, 2009). In terms of objectives, competition and management systems there are differences between public sector and the private sector.

## 3. PUBLIC SECTOR REFORM AND THE NEW PUBLIC MANAGEMENT

Aulich *et al.* (2001) discussed about reforming public sector management and presented three basic models of the state which are: traditional administrative state, managerialist state and market state. Aulich *et al.* (2001) mentioned that the first model focuses the traditional theory of public administration, dominated by process, inputs, hierarchy and the use of public sector for service delivery. The second model recognizes management as a central

operating principle and the focus of the management is on results and outputs instead of process and inputs. In the third model, competition is the dominant value, management focus is on outcomes and the role of private sector has dominated. In recent times the concept of the market state has become particularly influential and sometimes this type of state, termed as 'enabling state', with its role transformed into an 'enabling' organization. It delivers services through a range of government and non-government agencies that have been contracted under some form of market process (Aulich *et al.*, 2001).

Osborne and Gaebler (1992) differentiated the governmental position between service delivery and policy making, and introduced market mechanisms instead of just service delivery function. Hopwood (1994) pointed out that agencies of the state are being asked to account for their aims, actions and achievements. Now many more of their activities are being seen in quite explicit economic terms and 'value for money' has entered the vocabulary of government (Hopwood, 1994; Harris, 1995).

It has been observed that worldwide public sector reform processes have created a wide range of changes in many different areas of service. Manning and Parison (2003) reviewed some developments in public administration reform among selected 14 countries: The Russian Federation government, Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States of America. Their study summarized elements of reforms that were publicly stated by governments in the 14 countries. These are reducing government consumption; reducing patronage; developing flexibility in employment contracts; improving monetary incentives; improving service delivery; building public and private sector confidence; and improving operational inefficiency and poor service delivery. These elements of reforms created a new orthodoxy in the public sector, namely 'new public management' (NPM) (Hood, 1991; Dunleavy and Hood, 1994; Hoque, 2005; Alam and Nandan, 2008). The NPM movement has emphasized the value of market efficiency in the public sector and stimulated various managerial reinventions (Moon, 2000; Tooley, 2001; Christiaens and Rommel, 2008; Luke, 2008).

Hood (1991) was the first to use the term New Public Management (NPM). Hood (1991;1995) explored changes in public sector financial management in a number of OECD countries over the 1980s linked to the NPM. Hood (1991;1995) argued that NPM involved a different concept in public accountability, with different patterns of trust and distrust and hence a different style of accounting. Hood (1995) pointed out seven dimensions of change within this NPM and mentioned the doctrinal components of NPM which are: (1) a shift towards corporatized units; (2) a shift towards greater competition both between public sector organisations and between public sector organisations and the private sector; (3) a move towards private sector corporate management practices; (4) greater stress on discipline and parsimony in resource use; (5) more emphasis on visible hands on top management; (6) a move towards more explicit and measurable (or at least checkable) standards of performance; (7) attempts towards output control. In his doctrinal components on NPM, Hood (1995) also showed some possible accounting implications, for example: more cost center units, identifying costs and understanding cost structures, private sector accounting norms, more stress on the bottom line, more use of financial data for management accountability, performance indicator and audit and broader cost-center accounting.

Dunleavy and Hood (1994) argued that the term 'new public management' has proved to provide fairly durable and consistent agenda and is a way of reorganizing public sector organisations which brings management, reporting and accounting approaches closer to the business methods. They pointed out that NPM involves a shift in the basic design which consists of the following:

- Reworking budgets to be transparent in accounting terms, with costs attributed to outputs not inputs, and outputs measured by quantitative performance indicators
- Viewing organisations as a chain of low-trust principal/agent relationships (rather than fiduciary or trustee-beneficiary ones), a network of contracts linking incentives to performance.

- Disaggregating separable functions into quasi-contractual or quasi-market forms, particularly by introducing purchaser/ provider distinctions, replacing previously unified functional planning and provision structures.
- Opening up provider roles to competition between agencies or between public agencies, firms and not-for-profit bodies.
- Deconcentrating provider roles to the minimum, feasible sized agency, allowing users more scope to 'exit' from one provider to another, rather than relying on 'voice' options to influence how public service provision affects them (Dunleavy and Hood, 1994).

Therefore, according to new public management philosophy, management in the public sector is not different from management in the private sector. Since 1980s the Australian public sector has been dominated by the NPM principles and introduced private sector management practices.

#### 4. THE AUSTRALIAN PUBLIC SECTOR

The public sector in Australia includes all entities that are majority-owned and/or controlled by Commonwealth, state or local governments. The public sector includes government departments, which deliver traditional public services, and government-owned businesses (Australian Treasury, 1990). These government organisations perform a wide range of functions and provide a variety of services to the community. The nature of these organisations has been public utilities providing transport, electricity and water supply services. Other public sector organisations operating outside the public service framework include non-commercial broadcasting organisations, government-supported education and research institutions, authorities overseeing the marketing of primary production, and organisations providing licensing and regulatory arrangements for those requiring professional or skilled trade qualifications (Australian Public Service Commission, 2003). Parker and Guthrie (1993) and Guthrie (1995) mentioned that the Australian public sector undertake activities in the public sector of both budget and non-budget natures.

Hughes (1998) presented the total picture of the Australian public sector. Hughes (1998) divided the Australian public sector into two broad groups, the Commonwealth and State. The Commonwealth sector is further subdivided into two groups, Commonwealth budget authorities and non-budget authorities. On the other hand, the state sector is divided into state government and the local governments. State government is compartmentalized by state budget authorities and non-budget authorities. Hughes pointed out that the budget sector is also known as the 'general government'. This sector includes those areas of government which are funded by taxation rather than user charges. This budget sector provides non-market goods and services such as defense, education, health and social security. Non-budget authorities are those public enterprises which are engaged in selling goods or services to consumers similar to the private sector. In both the Commonwealth and the state sector, these public authorities may receive loans or advances from their respective governments but their receipts and expenditures are not shown in the government's own budget (Hughes, 1998). Since 1980s a number of significant changes have been observed in the Australian public sector which forced the Australian public sector to promote managerialist model and a focus on outputs.

#### 5. PUBLIC SECTOR REFORMS AND NEW PUBLIC MANAGEMENT IN AUSTRALIA

The Australian government has been engaged in implementing a series of financial and administrative reforms for more than 30 years. It began in 1970s and started with a set of administrative law reforms. In the 1980s the Australian government introduced a set of ambitious managerialist administrative reforms (Dixon *et al.*, 1996). Wilenski (1986) mentioned that economic, social, political and managerial factors came together in the early 1980s to accelerate the reform initiatives of the 1970s. Yeatman (1994) argued that as a creative and pro-active agency of management, public sector has more to do than with just technical routines of administration. In this context, the

Australian public sector has been seen to move from an ethos of public sector *administration* to public sector *management* (Hawke, 1990; Halligan and Power, 1992; Wanna *et al.*, 1992; Parker and Guthrie, 1993). Public sector administration was traditionally characterized in terms of administering the legislated functions of government organisations. It was an authority-based administrative approach that was characterized by bureaucratic structure and process model originally laid down by Max Weber. Over the last decade in the Australian public sector, this approach has been supplanted by the managerialist model with a focus on outputs (Parker and Guthrie, 1993; McKay, 2003; McPhee, 2005; Halligan, 2009).

Dixon and Kouzmin (1994) also observed that Australia has gone through a process of radical change from the early 1980s. Dixon and Kouzmin (1994) observed that in 1980s the public agencies were not able to meet the contemporary community needs and as a result the reforms emerged. They mentioned that the objective of these reforms was to make public managers more accountable for their activities, more efficient and effective in their use of resources, less discriminatory in their personnel management decisions, more participative in their decision making styles; and more customer –oriented in their service delivery.

Halligan (2004) argued that in addition to various administrative reforms since the 1980s the different levels of Australian public agencies have implemented a series of financial reforms. These financial reforms have also increased the sophistication and complexity of public service financial management and provided a powerful tool for public sector resource management and accountability (Barrett *et al.*, 1994). The Financial Management Improvement Program (FMIP) was a major initiative in this context.

### 5.1. Financial Management Improvement Program

Since 1983 the Financial Management Improvement Program has been central to the reform program in Australia. Halligan (2009) argued that the FMIP dominated the reforms of the 1980s as an initiative designed to produce more efficient use of resources. FMIP is the product of a report on the efficiency and effectiveness of the civil service. A governmental inquiry committee was formed and John Reid chaired the Committee (Common Wealth of Australia, 1983). Reid believed that private sector management techniques could be used in government to improve the public sector (Zifcak, 1994). In the public sector, the leadership should be improved and managerial authority should be developed. Zifcak (1994) further argued that principles of accountable management should be introduced to ensure that performance was regularly evaluated against approved goals, strategies and priorities. The major components of the program were in the areas of forward estimates, the running costs system, portfolio budgeting and program management and budgeting (Ball, 1990; Holmes, 1990; Shand, 1990). Barton (2009) argued that the adoption of accrual accounting and budgeting systems was central to the program of Australian public sector financial management reform over the past 30 years. Halligan *et al.* (1992) claimed that FMIP was essentially an umbrella concept for a range of initiatives which involved a standard managerialist line-up: corporate and program management, corporate planning, program budgeting and performance evaluation. The program aimed to help managers to focus on ‘managing for results’, rather than directing their efforts to inputs and processes in order to obtain greater resource efficiency and effectiveness (Shand, 1990; APSC, 2003).

Barrett *et al.* (1994) reported same finding about FMIP in their study. They discussed the role of financial management in Australia and mentioned that financial administration provides a powerful tool for public sector resource management and accountability. They pointed out that public sector financial management works on two levels. At the macro level management covers total public service, and at the micro level, it includes portfolio, program or project activities. The main objective of financial management at macro level is to support economic management and the main objective of micro level management is to provide government goods and services. At each level there are two basic tasks of financial management: the allocation (control) of public resources (staff, equipment, consumables, etc.) and inspecting that the resource allocations meet certain standards.

Barrett *et al.* (1994) mentioned that micro accountability is an attempt to check that the micro management decisions meet standards of probity, efficiency and effectiveness. On the other hand, macro control manipulates aggregate government expenditures which provide economic benefits, for example price stability and employment generation. Barrett *et al.* (1994) added that macro accountability highlighted checking that aggregate expenditure meets budget targets. They explained that while the outcomes of the financial management reforms were not always clear and consistent, there were significant improvements in public sector effectiveness, efficiency and probity. The FMIP is still influential in the broad framework of continuing reform and renewal and ‘managing for results’ can be considered as the central focus of the service and a key component of leadership development (APSC, 2003; Parliament of Australia, 2010).

Halligan (2009) pointed out that a new stage of reform became apparent in the 1990s. At this stage Australia had increasingly accepted the need for market-oriented reform. Halligan (2004) noted that by the mid-1990s, market principles were the central element and competition and contestability became the currency of reform. Hoque and Moll (2001) mentioned that a range of social, economic and technological pressure was responsible for forcing the governments to become more effective, efficient and accountable for the use of publicly generated funds. The major catalyst for change of Australian public sector organisations has been the National Competition Policy (NCP).

## 5.2. The National Competition Policy

National Competition Policy (NCP) has been considered as one of the major driving forces for change of the Australian public sector organisations. The themes of NPM became firmly established within the Australian public sector through the NCP (Rose and Waterhouse, 2004). In October, 1992, the then Prime Minister, Paul Keating commissioned an inquiry committee headed by Professor Hilmer into the need for a national policy aimed at “promoting and maintaining competitive forces to increase efficiency and community welfare, while recognizing other social goals” (Independent Committee of Inquiry into a National Competition Policy, 1993). In late 1993, the Hilmer report was brought down. Hilmer suggested a radical departure from traditional Australian ‘state socialism’ and mentioned that the intention was to remove state-based impediments to the creation of competitive national markets (Gerritsen, 1997). Independent Committee of Inquiry mentioned that “Competition offers the promise of lower prices and improved choice for consumers and greater efficiency, higher economic growth and increased employment opportunities for the economy as a whole” (Pascoe, 1994). Ernst (1999) also mentioned that the NCP acts as a herald to public sector change which include:

- a profound shift in the ethos and culture of the public sector: the models of ‘government as business’ and ‘competitive government’ will become pervasive, and public sector agencies will be driven by broadly similar perspectives, imperatives, and incentives as the private sector;
- major structural changes to public institutions: manifested firstly and most obviously in the disaggregation and breaking up of integrated public utilities into separate competing businesses, with the private sector progressively becoming involved; and secondly and less visibly, in the creation of the so-called purchaser-provider split across the public sector, aimed at promoting market or quasi-market conditions and at securing ‘competitive neutrality’;
- new directions in service planning and provision: expressed in the movement out of direct service provision, with greater emphasis on contract management, and in the different approach taken to social policy and equity issues (where, in essence, they will be separated out from ‘core business functions’ and externalized as community service obligations); and
- liberalization of employment practices: with a probable loss of public sector employment, a drive for greater ‘flexibility’ in employment conditions, leading ultimately to the contractualization, and in many instances the casualization of labour (Ernst, 1999).

The NCP suggested that if the public sector entities are to become more economic, efficient and effective they should be operating according to the same commercial principles as applied in the private sector (Hoque and Moll, 2001). Implementing the private sector tools in the public sector also requires developing the new management focus. The reform of the Australian public sector was guided by this new philosophy of ‘managerialism’.

### 5.3. Managerialism

Parker and Nethercote (1996) observed that since the 1970s the worldwide changes in the functions and organisations have affected the perceived role of senior government officials. Australia was not an exception to this trend. The interesting insight (Parker and Nethercote, 1996) provided in their study is that these trends manifested in the renaming of officials and their functions from ‘administrators’ to ‘managers’ or ‘executives’ and using the term ‘management’ in the place of ‘administration’. They mentioned that this change in vocabulary reflected a leading theme of governmental change during the 1980s: the drive to introduce private-sector management techniques. Parker and Nethercote (1996) further mentioned that most has been concentrated on changes in organizational structures and practices labelled ‘managerialism’. Pollitt (1993) argued managerialism as a set of beliefs and practices which will prove an effective solvent against economic and social ills. Pollitt (1993) further observed that managerialism has become a more prominent component in the right-wing government approach towards public services.

It has been observed that public sector reforms that took place in Australia during the 1980s were dominated by the philosophy of ‘managerialism’ (Paterson, 1990; Parker and Guthrie, 1993; Potter, 2002; Halligan, 2009). This philosophy influenced the changing character of organization, management, accounting, auditing and accountability in the public sector. The new managerial philosophy promoted in the Australian public sector included corporate planning, responsibility centers, a class of top managers called the ‘Senior Executive Service’, performance targets for the departments or their managers, contracting out, commercialization and privatization of public sector activity. Dixon *et al.* (1998) explored the meaning of managerialism and identified the challenges and threats. They described the key concepts of Managerialism as:

- placing emphasis on policy management and implementation;
- stressing efficiency, effectiveness and quality in the management of public resources;
- advocating the use of private-sector management practices in the public sector;
- seeking to diffuse responsibility and to devolve authority;
- shifting public accountability focus from inputs and processes to outputs and outcomes; and
- preferring to create, wherever possible, a competitive public management for the public agencies who are providing government services (Dixon *et al.*, 1998).

### 5.4. Commercialization

Commercialization of the public sector has been defined as a “process where markets are established for selected public sector goods and services in order to increase competitive pressures on suppliers” (Australian MAB-MIAC Task Force on Management Improvement, 1992). Wettenhall and Beckett (1992) define commercialization in a same way. According to Wettenhall and Beckett (1992) commercialization of the public sector is the process of subjecting public activities to the disciplines of the marketplace which follows businesslike approach. Business approach can be achieved through a more efficient allocation of resources, increased management devolution, improved accountability, more exposure to market forces, and the marketing and delivery of services in a businesslike manner (Dunning, 1993). Dixon and Kouzmin (1994) observed that in 1990s commercialization has flourished within the public sector at all levels of Australian government and it created a unique set of organizational needs for new public agencies. The needs are: public agencies to become more entrepreneurial while maintaining their organizational integrity and their high professional and technical standards, enhancing public

agencies' ability to generate the changes necessary to achieve a commercial orientation and enhancing public agencies' desire to grapple with the changes necessary to achieve commercial orientation (Dixon and Kouzmin, 1994).

Brown *et al.* (2000) argued that commercialization may be concerned both with delivering services on a commercial basis to increase efficiency through competitive mechanisms and with reorienting budgetary processes and fund regimes to a more commercial focus to achieve cost savings. They (2000) further argued that it is a compromise between a traditional style of public administration and marketization in the form of privatization, contracting-out and contestability. Kelaher (1991) also felt that contracting out government services to the private sector is one way of commercializing the public sector. If it is managed carefully by the public sector managers, contracting out can be one way of reducing costs and improving productivity. Kelaher (1991) mentioned that in Australia contracting out the government services to the private contractor is not a new idea. Federal, state and local governments contracted out selected services for many years.

However, Halligan *et al.* (1992) observed that the term 'commercialization' is ambiguous; it has a number of different meanings and has been applied in a number of different contexts. They used the term to denote the commercial practices of private sector adapted by the government departments. Halligan *et al.* (1992) mentioned that the list of practices introduced under commercialization has varied over time and it has consisted of improvements in asset management and cash management practices, purchasing reforms, risk management and the introduction of charging users.

Dixon *et al.* (1996) also critically evaluated the commercialization of the Australian public service (APS) and the accountability of government. They pointed out that in the 1980s the APS introduced a set of ambitious managerialist administrative reforms which made the APS more decentralized, authoritative, responsible and enhanced performance and accountability. Dixon *et al.* (1996) mentioned that these factors constructed the base of commercialization of the APS. They used the term 'commercialization' to denote two sequential but interrelated processes. The first process involves marketization, which is the creation of contestable or competitive markets for the goods and services produced by the APS. The second process involves the organizational re-engineering which they described as the adoptability of these marketization pressures. They mentioned that commercialization depends on some conditions and these are: market competition is permitted or expected, cost recovery is required or permitted, non-commercial goals have to be made simultaneously, Budget supplementation is preceded to APS clients; and Revenue retention is permitted (Dixon *et al.*, 1996).

### 5.5. Corporatization

Hughes (1998) mentioned that corporatization is a program of change to the management and structure of public enterprises, by which the public enterprises are more like private firms in all aspects except ownership. From around 1980s onwards in the OECD countries a large number of government enterprises were converted into various forms of company (Zuna, 2001). The characteristics of these companies were public in a sense that they were either part or owned by the state and second they perform the commercial activities. Zuna (2001) also observed that the primary motive of corporatization was to improve the efficiency. Wettenhall and Beckett (1992) observed that in Australia the term corporatization was widely used in discussions on administrative reform during Prime Minister Hawke's third government. Wettenhall and Beckett (1992) also mentioned that it had specific organizational connotations: it involved passing activities to bodies which satisfied tests of corporate status.

In addition to the above elements of reforms in recent years a new form of reform agenda in the Australian public sector emerged to examine overall economic performance called 'Operation Sunlight' (Halligan, 2009).

## 5.6. Operation Sunlight

'Operation Sunlight' is the new reform agenda of the new Labour government in Australia elected in 2007. It is an agenda to promote good governance practices and to improve budget transparency. It is derived from a critical examination of the existing outcomes and outputs framework. The then Senator Andrew Murray prepared the report containing the review of budget transparency issues. In December 2008 the Federal government released the document with the government's response. The report contained 45 recommendations. The then Minister for Finance and Deregulation, Lindsay Tanner, said: "The Government has considered Andrew Murray's recommendations, the vast majority of which we are either taking up in their entirety or incorporating the underlying themes into other initiatives" (Tanner, 2008). Some of the recommendations which are now incorporated under Operation Sunlight include:

- The Government will require agencies to report expenditure and non financial information at the program level in their portfolio Budget Statements from the 2009-10 Budget.
- Further transparency on the use of Special Accounts will be provided through the inclusion of a register and the provision of financial estimates in Budget Paper 4 from the 2009-10 Budget. This will complement the end of financial year audited financial information that is already reported to Parliament.
- The current practice of providing funding for depreciation will be phased out from the 2009-10 Budget.
- Agencies will implement newly devised or revised outcome statements for the 2009-10 Budget to provide more meaningful descriptions of the outcomes that are to be achieved from Government programs (Tanner, 2008).

During the 1980s Australia rejected traditional administration which was replaced by reforms based on management. In the 1990s new agenda has emerged centering on competition and contestability, contracting out, client focus, application of purchaser/provider principle (Halligan, 2009). In 2000 integration and performance phase emerged and the focus is on attaining more effective performance management (Halligan, 2009).

## 6. CONCLUSION

In this study, various elements of the reform initiatives of the Australian public sector have been explored. It was observed that reforms initiatives had fairly durable and consistent agenda. It is a way of reorganizing public sector organisations which brings their management, reporting and accounting approaches closer to business methods and is more precisely termed as new public management. By implementing this new management approach the Australian public sector is more decentralized, authoritative, responsible and enhanced performance and accountability oriented. These are the factors that constructed the base of commercialization and corporatization in the Australian public sector. From the above discussion it has also been observed that the Australian government has embarked on a wide range of reforms in the public sector and the aim of these reforms is to achieve a performance culture within the public sector. These experiences may be learning for the public sectors in Southeast Asian countries to bring issues into policy agenda and reap maximum benefits out of it.

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