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Public and private manager: does the difference really matter?*

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ABSTRACT

Proponents of privatization have been arguing for years that private firms will respond to competitive market pressures and provide high quality service at lower costs. Too often the public decision on privatization is treated as an “either/ or” decision regarding which sector will be the most efficient provider of a service. This is problematic for several reasons. First, studies have found that the public doesn’t always get what it pays for as Sclar (2001) notes. Second, the

source of citizen preferences for public or private sector production is often very unclear. Third, the logic of “either/or” decisions is posed in terms of bad vs. good service and doesn’t reflect the development of hybrid forms of organizing that span public and private sectors. For example, in health care emerging hybrid forms of delivering services try to follow more a logic of ‘both/and’ (cf. Arendt, 1956) where underlying libertarian and egalitarian ideologies seems to be embedded in those hybrid forms of services (e.g. public-private partnerships). As a practical matter privatization proponents attempts to ‘fostering entrepreneurship’ often means highlighting the freedom of choice as a good itself and positions individuals as the best judges of their own welfare (Williamson 2005). However, privatization also creates a good deal of uncertainty regarding the source of production of public services challenging the public’s knowledge of what services are being produced, whether or not they are eligible, and whether they should approach a transaction as a citizen or a customer. This paradox is very hard to overcome and affects heavily how the public might judge reality (Vuori & Kingsley) These paradoxes lead us ask the following questions: how can we get rid of the “either/or” decisions in delivering services? How the scholars of the field can overcome their ideological conflicts in rather stark terms? Are public and private services really different in the minds of citizens in a sense of either/or decisions? If organizations are not public or private ones any more, should we start to teach public *and* private management instead of public *or* private management?

Keywords: public, private, partnerships, management

Introduction

The distinction between the "private" and "public" sector operates at a common sense level of consciousness and serves as a basic reference point in every day life (Bailey 2002). The distinction has been said to be one of the "grand dichotomies" of Western thought: public and private denote separate areas of human activity - distinct 'realms', 'spheres', or 'spaces' (Seligman 1999, Weintraub 1997, Arendt 1956). The boundary problem of public and private management derives heavily from the dualistic ontology (cf. Cartesian worldview). We argue that this boundary problem is taken for granted theoretically and methodologically in many comparative studies. Unexpectedly, it leads us to paradoxical empirical results: the more we find similarities between public and private organizations, the more we find differences between them as well.

Therefore, there is reason to believe that methodologies of public and private management as well as services are based on a very pernicious dualistic approach in continuously pluralistic world of hybrid organizations. Undeniably the dualism is also embedded in hypotheses to be tested in comparative studies. Appropriately, the interpretation of results are following the idea of "either /or" logic. For example, an item used in a recent study posed the following distinction: "private sector managers are more apt to support budget decisions made with analysis... " (Nutt 2005). If participants (e.g. managers) of comparative studies are asked to evaluate their our behaviour in their sector context there is always risk that they construct the reality based on *a priori* views of public sphere rather than action in a specific managerial context in general (cf. Vuori & Kingsley 1999, Kingsley & Vuori 2000, Rainey & Bozeman 2000). Those *a priori* views are quite often based upon arguable differences between the sectors such as the following:

the public faces more complex and ambiguous tasks; the public employs more people with wider range of motivations etc. (see e.g. Parsons 1995); the public has more problems with implementing its decisions; public managers have less capacity to reward employees than do their private counterparts.

In most studies there is little evidence that the participants have sufficient knowledge of real public-private differences. Consequently, socio-cultural distortions may manifest themselves in a self-fulfilling prophecy: if a manager of public service believes that s/he will not receive any response to his/her needs, s/he may believe this is actually the case (Vuori 1996. Vuori & Kingsley 1999). Strong *a priori* positions among many economists and political scientists can treat this distinction between public and private organizations as a truism as noted by Rainey and Bozeman (2000). However, when such truisms are tested little support is found. For example, in most empirical comparisons of public-private manager's perceptions regarding the ambiguity of goals little difference exist across sectors in spite of an abundance of literature claiming that public managers operate in a more ambiguous goal environment. Seemingly, we are trying to find some evidence for dualism in the context of pluralistic organizational forms and *ad hoc* behaviour of managers (cf. Mintzberg 1975).

In this study, we suggest, that strong claims about sector differences in the management of public and private organizations is likely to be inherently misleading because the procrustean dualism of their categories will tend to blank out important phenomena (Weintraub, 1997, 15). Public and private managers both find themselves operating in environments, which we describe as spaces (see below), that combine both market and political forces. We have tended to ignore the pluralistic forms of organizing because the hypothesis of public private comparison is easier to describe on the basis of either/or logic or the ontology of rational man.

Debunking stereotypes: the complex behavior of public and private managers

Concepts that address the dimensions of public and private sectors have not been interesting in to mainstream management journals (Bozeman 1987). Rather managements journals oriented towards business schools do not see sector differences as a meaningful construct.

In contrast, the public administration and public management literatures have engaged in many comparative studies focusing on the environments that shape organizations structures and formalism (Bozeman, 1987) as well as stereotypes, performance and motivation of managers in both sectors (see Rinehart et al 1969, Rainey 1979, Perry & Porter 1982, Solomon 1986 Steel & Lovrich 1987, Steel & Warner 1990, Houston 2000, 2006).

Whether academic studies deny the relevance of sector differences (the management journal model) or embrace it as a primary topic of study (public administration journal model), both perspectives tend to obfuscate the behaviours of managers operating in a hybrid world somewhere between these sector archetypes.

The juxtaposition of macro-level (e.g. allocating resources) and micro-level (effective behaviour of public manager) phenomena causes superficial analysis of effective management itself. Therefore public managers are almost condemned to live in the frame of limited budgets, forced to be great savers of tax-payers' money, but not the efficient at allocating these resources. It follows that we have a good reason to believe that organisations will always vary on the basis of public/private actions and spaces.

The real problem here is that the actions of public or private manager are explained through the public and private spaces. In other words, public managers are not allowed to get things done, because their actions are determined in a frame of public spaces (cf. politics). In a frame of the logic of bad/good services it is easy to say that private firms can conduct the work of efficiently and save taxpayers' money.

However, achieving responsive and flexible behavior may be more issues of management and leadership, not ownership. In order to debunk stereotypes of public and private managers we should ask more frequently following self-reflective questions:

How is it possible that one can observe managers educated in the schools of economics and business engaging more bureaucratic in their behaviour than their counterparts from public management schools?

Why do we continue to try to privatize service that the public sector can still do?

These questions lead us to the action / space model of public and private management and following questions:

1. Why do we believe that citizens have in their minds the certain logic of public and private services in a frame of bad and good?
2. Can we overcome the logic of either/or in public and private management?
3. Will adoption of both/and logic impact on our methodological assumptions about public and private management?

The action /space model of public-private management

Steinberger (1999) paves a new path for the dualistic problem of public-private (see also Weintraub 1997). He claims that it would be perhaps better to think of public and private as denoting not primarily separate realms of endeavour but different ways of being in the world, a different 'manner of acting'. (p. 292) His idea stems from the ideas of Hannah Arendt, but make sense in a frame of comparing public and private organizations. He argues that the adverbial language of activity reflects more accurately our underlying intuitions about public and private than the prepositional language of areas or regions (p. 294). In other words, to act in a private manner is different in character from acting in a public manner as in many cases it is easy to see public organisations as providers for private acts, but not acting 'privately' themselves. However, Vigoda-Gadot (2007) supports the logic of both/and, because the linkage between

bureaucracy and democracy based on citizens' best judgements of the processes in public administration should be both ethical, fair, professional and equitable, but at the same time effective, efficient and smoothly functioning. In other words both public and private.

In Figure 1 quadrants A, B, C and D refers to the different combinations of public and private managers' behavior. *Quadrant A* is "private action/private space". Basically the stereotype of private management derives from the behavior in this quadrant. Managers can be efficient in their actions and they are able to work in a profit seeking context without any political dimensions in their behaviors (e.g. head of production plant). Historically the industrial managers belong this quadrant. However, in western societies the amount of these managers have been decreasing. The stereotype of the manager is perhaps alive only in developing countries.

Quadrant B is private action/public space. Here the industrial manager has turned out to be more complex in their behaviour because they are supposed to be more concerned about the law, corruption and environments (cf. global warming)(cf. Paauwe 2004). There are many private organizations that are pursuing public interests through voluntary organizations, interest groups, and philanthropy. The more the public space limits the private actions of managers the less technically efficient they will be and the more they are forced to perform on the basis of law and stakeholders interests in general. In this case "the more you measure the less you get" because increasing outputs in reaction to the demands of the public space does not necessarily serve the stakeholders interest. The number of managers operating in this type of environment has been increasing with the advent of new hybrid forms of organizing (cf. PPP).

Quadrant C is "public action/private space". Most public managers are located in this quadrant in western societies stemming from the impact of privatization and the adoption of norms advocated under the "new public management movement". The organizations in this quadrant are open-systems. Therefore, public managers are here always between a rock and a hard place trying to decide whether to define their behaviour from their own actions or professional judgments or the limits of private spaces (e.g. privatizations, contracting-out etc.) If they become aware of the logic of either/or they can attempt to engage in contracts with private managers in quadrant B (cf. PPP) and avoid the traps of limited budgets.

Quadrant D is "public action/public space". If quadrant A is traditional stereotype of private manager, this is an archetype of public manager. The pure description of public managers in this quadrant is very hard to find any more. Even activities popularly conceived of as inherently governmental functions such as judicial systems or security services operate in and try to achieve the best of both public and private worlds. Public managers are adopting in many cases the idea performance management and using standards akin to private action. If the reality of managers seems to be constructed on the basis of polarizations between B and C, does our training and educating public and private managers reflect these realities? Before we try to answer this question, let's see how citizen's perceptions are related to the quadrants.

Citizens' perceptions: does the logic of bad or good sectors exist?

Data was collected by survey from 6000 citizens in five cities in 2005-2006. The response rate was 48% (N= 2799). The paper is the part of large empirical and theoretical study in Finland that began in 2004 and will last through 2008. The data presented in the paper has been collected in five cities in Finland selected on the basis of their capability to provide both public and private health care services for their citizens. In other words, we wanted to be sure that the respondents have a real opportunity make their choice between public and private services. The questionnaire was based on the theory of sector preferences (Vuori -Kingsley 1999, Kingsley -Vuori 2000) which argues that citizens who have knowledge about both public and private sectors do not find differences between them as much as other citizens do. Here, we try to find some evidence do citizens' perceptions of services following the logic of either/or or not.

In Figure 2 we can see that people do follow the logic of either/or to some extent. But even entrepreneurs are willing to have their services in a hybrid forms (e.g. PPP). Interestingly, the public employees do not seem to favour public sector more than private employees - the difference was not statistically significant. But the 60% of private sector respondents is statistically significant.

Figure 3 is especially interesting in a sense of either/or logic. There are several surveys available concerning the willingness to pay for private services. However, most of these studies do not also ask about the willingness to pay for both sectors. The reason may be that taxpayers in Finland are supposed to get value for their money, but do not expect to pay for the services after taxes. The services are expected to be ethical, professional and equitable in this sector.

Figure 3 seems to suggest that the strong difference between the public and private sector do not exist in the minds of citizens in Finland with regards to health care services. If this is true, then by and large we academics are forced to face strong criticisms from a managerial training point of view: does it make sense to have different schools for public and private management if citizens do not have this difference in their minds? Should academics in public administration continue to train the students to adopt the idea of public interest (for public spaces)? And if they do, does it inhibit the forthcoming generation of public managers to adopt private action in order to get things done? Or vice versa, should business schools forget the importance of public actions.

Finally, when attempting to understand the problem of public private differences it is useful to be aware of the fact that in many cases it is very unclear where the preferences of political decisions stem from. The logic of "either/or" decisions seems to be the logic of bad /good service. However, the comparisons of public and private services do not support the logic. On the contrary, in health care emerging hybrid forms of delivering services try to follow more the idea of "both/and". Of course these findings are still tentative and we need to do logistic regression analysis in order to be sure for example public and private work experience explains the service choices of citizens. For now the idea bad public service and good private service does not seem to exist in healthcare amongst the Finnish public.

Concluding remarks

Obviously, we will have more hybrid organizations in the future than we are willing to admit. For example, the innovations of e-government will guide us toward the paths of greater accessibility of information and may even yet prove a conduit for citizen and customer feedback. The trend of public and private partnerships, contracting-out, tendering process etc. can be described as new forms of organizing. But on the other hand, they also generate the need for greater coordination that, if not addressed, can be manifested in organizational and managerial crises. These forms will continue to create new managerial challenges that both public and private managers have to face with a new competence and skills. Especially they need to treat public decisions on privatization as an “either/ or” decision. This suggests a need for developing stronger management strategies for the third sector between the state and the private sector: foundations, charities and civil society. This is going to be a huge challenge for all ageing societies, because quadrants A and D do not have the capacity to take care of the citizens any more.

This research serves to clarify the serious dilemma that stems from the fact that we scholars are still creating either/or theories of public and private management. We cannot even see how much we explain the managerial behavior from the macro-level in our analysis. In addition, there are still many citizens who believe the private ownership changes managerial behaviour right way. And some of us are not willing to say: do not privatize what the public sector can still do (cf. Weizsäcker et al 2005). Here we should not forget what Petersen, Plowman and Trickett (1962, 16) said already over 60 years ago: "..., management work is necessary to the welfare of society, it is important in all organizations; ..." In other words, although organizations do not seek profits, they can be run highly efficiently in terms of financial management. All in all, the continuum between private and public is still one dimensional and therefore, deficient with respect to the full and rich reality of healthy societies. Some of scholars have already started to escape this pernicious dualism in a frame of PPP. Citizens have faced this reality for years: the last 25 years of history have resulted in a situation of a highly weakened nation state (Shanin - Wezsäcker 2006). There are also many scholars who approach the issue of management from ideological and political point of view in spite of the fact that many public managers are solving very practical problems in their ordinary work lives. Perhaps we have to go back to the age of 50's when public and business administration were still together in a sense of administrative sciences (cf. Herbert Simon). On the other hand, we may have to create new management programs even in a way that has not been invented yet. In any case, we assume that new education and training programs should be established by linking the quadrants B and C more together in the future. Otherwise, we may find shortages of public and private managers who can exist, manage and prosper in a real organisations embedded in complex networks.

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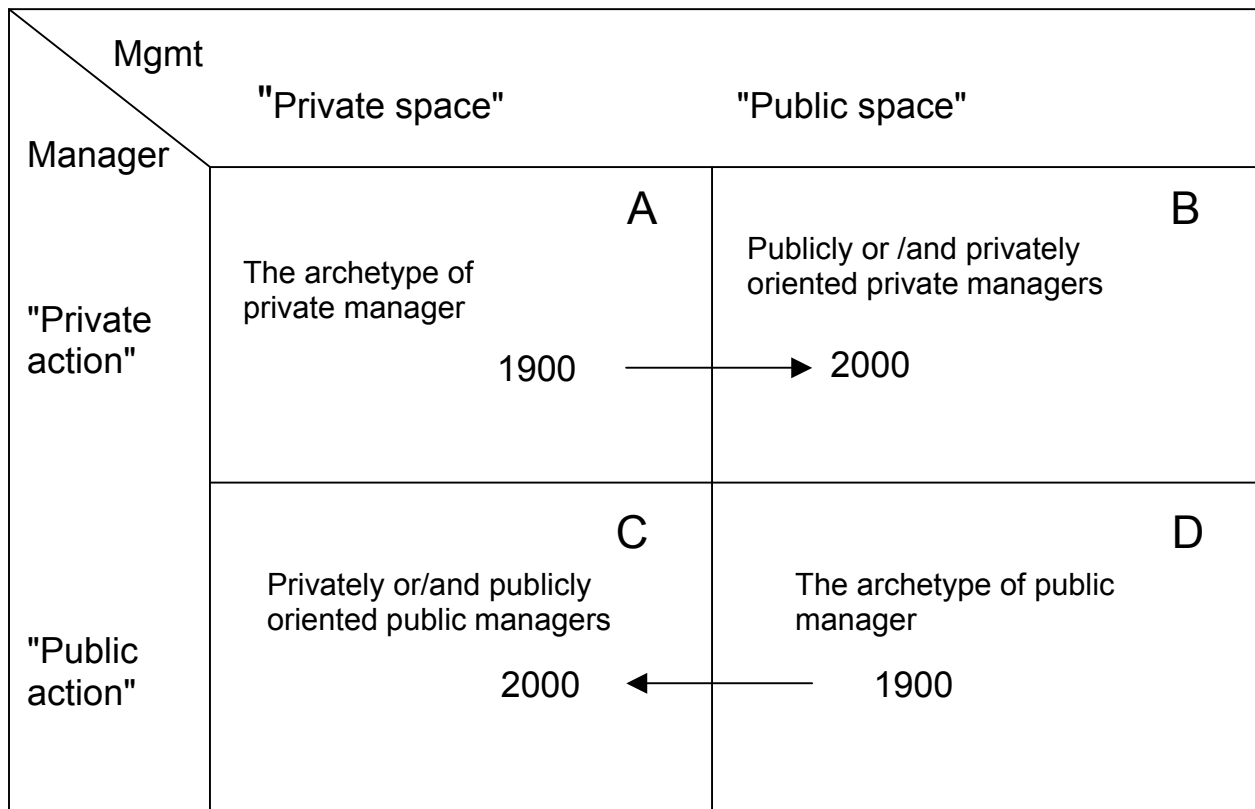


Figure 1. The pluralistic behavior of public/private managers

Figure 2. In your opinion, to what extent should public and private health care be responsible for providing health services? (experience of work)

Responsible for providing health services \ Work experience	public sector	private sector	voluntary/nonprofit sector
Public health care should carry main responsibility	53 %	39%	52%
Private health care should carry main responsibility	2%	1%	3%
Both equally responsible	45%	60%	45%
Total	100 %(n=1141)	100% (n=1206)	100% (n=58)

Figure 3. Citizens' willingness to pay for public and private health

€ \ Doctor	20	60	100	140	180	Nothing	Total
Public	n=1448 53,6 %	774 28,7 %	199 7,4 %	26 1,0 %	53 2,0 %	200 7,4 %	2701 100 %
Private	n=589 22,1 %	1197 44,8 %	554 20,8 %	127 4,8 %	122 4,6 %	80 3 %	2669 100 %

