

## New Public Management and Digital Era Governance Approaches in Function of Promoting Entrepreneurship in the Public Sector

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### ABSTRACT

*Entrepreneurship in the private sector is one of the main pillars for promoting economic development in theory but more important in the practice. Without entrepreneurial behavior of the individuals and organizations we cannot speak about achieving any income and profit. In other words, entrepreneurs are people that are moving the whole economy forward by creating new values in the products and services that they produce and deliver to the final consumers. Besides the private sector entrepreneurship, in the last few decades the concept of entrepreneurship was becoming very popular among public sector officials, public sector theoreticians and practitioners. Thus, the goal of the research in this paper is the analysis of the concept of public sector entrepreneurship and the role of the New Public Management and Digital Era Governance paradigm in developing and promoting the concept of entrepreneurship in the public sector. The main methods that will be employed are historical method and content analysis of various researches in the past about the New Public Management, Digital Era Governance and public sector entrepreneurship. The results point to many facts about the inter-relationships between these three concepts and their great role for the development of entrepreneurship in the public sector. The results point to many conclusions about the real implementation of paradigms and the success of implementing entrepreneurship in the public sector.*

**Keywords:** *entrepreneurship, public sector, New Public Management, Digital Era Governance, public management value*

### INTRODUCTION

In theory, many public management approaches to public sector organizations evolved during the years. All of them had one central purpose i.e. how to make public sector organizations more effective, more efficient and more transparent and responsive to citizens they serve. They are officially founded by state regulations and exist in order to deliver services. In other words, to satisfy the public interest by delivering services in order to satisfy the growing needs of the public.

As a difference, in private sector organizations we have far more different picture. The main goal of private sector organizations is to generate satisfying income and to generate or make profit. The profit is a condition sine qua non for the existence of private sector organizations. In order to make profit, the private sector organizations are more dynamic, more flexible and more business-oriented than the public sector organizations. In doing that,

the private sector organizations must permanently employ various innovative methods and techniques or to permanently involve entrepreneurial behavior within their organizational settings and to build tactics and business strategies that will enable them to be more competitive on the market. Simply said, these types of organizations are market-oriented and they transform according the environmental factors that exist in their internal and external business environment.

There are parts of organizational politics but their organizational politics is largely subordinated and in function to achieving their goals by successful implementation of their business plans in the eyes of the customers.

On other hand, public sector organization functions in more different world of their counterparts in the private sector. Party politics is much more involved besides the business effects i.e. achieving effectiveness, efficiency, transparency etc. Public organizations often

serve to satisfy the political goals of the current political party on power rather than achieving the public interest. And that is a big problem especially in low income countries or post-communist countries that have real and permanent problems with corruption and installing democratic values in the public institutions.

As was mentioned above, the science of public administration through the years evolved around the question of making public sector more business oriented. In public management literature and theory, there are conceptual transitions from the traditional “Old” or “Weberian” public sector management, through New Public Management i.e. New Public Administration or New Public Service to the modern most recent scientific concepts called Digital Era Governance in many phases of their theoretical or conceptual development.

The evolution of public management approaches was inevitable and just question of time. It is very big true when we say that traditional public management or Weberian bureaucracy was not able to sustain the strong external and internal environmental influences of the contemporary industrial and technological development. In other words, the old bureaucratic elements of public sector organizations were not immune of the new technological developments that enforced more efficiency and effectiveness in achieving the goals of the organization.

As a reaction to new reality, during 80s of the last century, under the great influence of Thatcherism a new public management approach was labeled as New Public Management or NPM. But further, many theoreticians in the field of public administration and public management today write about a new public management paradigm called Digital Era Governance in order to emphasize a new phase or new modern times of public sector organizations and their management under the great influence from information technology.

But, the questions are: What about entrepreneurship in public sector organizations besides the existence of various management approaches? What we need to know about public sector entrepreneurship? etc.

In the following pages of the paper will be given an analysis of these concepts and their great influence on accelerating entrepreneurship in the public sector organizations.

## MATERIALS AND METHODS

### New Public Management Paradigm: Basic Characteristics and Elements

Before making a broader and deeper analysis of the principles of new public management, in this segment of the research it is necessary to answer the following questions: what is “new public management”; for what he serves; for what principles it is; what is their meaning; how did this management come out? etc.

But before answering the above questions, it must immediately be emphasized that in science there is no one and only answer, offered by only one author. Namely, there are a huge number of authors, and in addition to that, a huge number of different answers that can be correlated with the questions asked. More specifically, each author gives his own response, depending on the opinions of other authors and how they see the new public management, ie how his principles are interpreted. Some answers are complementary, some are repeated, and some go a step further. However, it is used to describe the wave of public sector reform around the world, from the beginning of the 1980s of the last century. The guiding hypothesis in the wave of reforms, contained in the notion of “new public management”, is that a more market-oriented public sector leads to more rationality in the spending of public funds, without causing adverse effects on the goals and strategies of public organizations. The basic idea of this management is to cause the public sector to function as the private sector works. In other words, the public sector should be made more productive, more inventive, more flexible, more professional, more transparent and more responsive.

Some see the new public management as the so-called concept of supply theories, leading to the so-called “Box of new public management”. The so-called “box” represents an offer of measures and instruments (or principles) that are available to local governments, ministries, or public organizations to solve existing problems of a different nature. In doing so, any public organization can accept and apply those principles whose application can help solve the problems contained in its agenda according priority. In other words, the elements of new public management that is most appropriate for solving specific problems of a practical nature will be given greater priority (McLaughlin, Osborne and Ferlie, 2002, p. 164).

According to theoretical analyzes, the new public management would be achieved through the presence of competition (as it does in the private sector), emphasizing the economic and leadership principles. Also, the new public management treats users of public services as “customers” (which is another parallel with the private sector), and the citizens, or members of the community, treat them as “shareholders”. There is a general agreement in the theory of new public management that the most prominent and influential book (which quickly becomes the bestseller, that is, the most widely read book in the United States and the world) is that of David Osborne and Ted Gable of 1992, entitled "Reinventing the public sector: how the entrepreneurial spirit transforms the public sector. “Immediately after its publication, this most read book in the United States and the world has become a kind of “bible” of the movement for new public management. The principles that Osborne and Gaebler elaborate constitute a condition sine qua non for any further analysis of the subject matter, meaning and purpose of the new public management (Osborne and Gaebler, 1992).

Many theories contributed to the further development of new public management. Namely, these are: the influence of classical theories, the influence of the theories of business management and the impact of public choice theory.

As it is difficult to give an answer to the question of what is new public management, it is also not easy to give one and only answer to the question of the principles or the elements of the new public management. Thus, Kostov (2006) argues that the main features of the new public management are: first, a directional approach to results rather than to procedures, i.e. providing flexibility; second, compulsory control; third, stressed responsibility; fourth, the development of competition and the possibility of choice; fifth, advanced human resource management, i.e. training of employees; sixth, use of information technology; and seventh, quality services for citizens, etc.(Kostov, 2006, pp. 37-8).In this context, and in his research on new public management as a global phenomenon, Borins identified the following principles:

- delivery of high quality services to clients;
- continuous measurement and rewarding of increased efficiency, effectiveness and

productivity at both organizational and individual level;

- greater managerial flexibility and entrepreneurial behavior, through reduction of regulations and rules of conduct;
- putting emphasis on competition; and
- defining the budget as a means of achieving the organizational mission (Borins, 1995, 5-11).

On the other hand, the new public management is considered as a doctrine which, according to Polit, implies four main aspects:

- the comprehensive use of market mechanisms, especially in those areas of the public sector that could not be directly transferred to private ownership (so-called quasi markets);
- intensive organizational and spatial decentralization of the management and production of public services;
- constant emphasis on the need to improve the quality of services; and
- Emphasizing the need for dedication as close as possible attention to the wishes of individual users, ie clients of public services (Shafritz and Russell, 2005, p. 311).

Namely, according to what was analyzed and consulted by the available literature, it can be summed up the claim that the new public management is characterized by the following 11 principles:

- emphasizing leadership in the public sector;
- promoting “clientelism” versus citizenship;
- anticipating problems, i.e. strengthening public sector planning;
- increasing the role of the market in the production and delivery of public goods and services;
- introducing competition in the production and delivery of public goods and services;
- decentralization in public organizations;
- putting emphasis on the achieved results, i.e. constant performance measurement, rather than investments to achieve those results;
- preferring the mission of the organization, in the first place, ie. ordering the budget for the accomplishment of the organizational mission;

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- massive use of the benefits of the information technology, ie creation of an electronic government or more precisely an electronic public organization;
- giving greater power to the community in the decision-making process of public character; and
- introduction of entrepreneurial behavior of managers in public organizations (Dimeski, 2010, p. 100).

### DIGITAL ERA GOVERNANCE

Besides the great importance of the NPM package of reforms during 80s and 90s of the last century, at the beginning of the 21st century (or more precisely from 2005 until now), a new era in managing public organizations has emerged. This new era that is somewhat continuation of the New Public Management was titled Digital Era Governance. By many, the term was first coined in 1978 by Giovanni Duni but in the area of public management and administration was first claimed and further established and developed by Dunleavy and Margetts (Dunleavy and Margetts, 2005, p. 407). According the first theoreticians in this field and this concept, Digital Era Governance is characterized by three elements i.e. reintegration, holism and digitalization under the great influence from internet and information communication technologies. The influence of the internet and social media on the social life of the people in the society has tremendous impact on interactions between citizens and public administration institutions (Białyżyt, 2017, p. 123). And, not just changes but also further transformations (Dunleavy and Margetts, 2013). According Dunleavy and Margett (2015), “the expansion of the internet not only brings a technological effect, but also delivers a broad range of behavioral, cognitive, organizational, political, cultural changes related to the digital revolution in the society”.

In the early phase of the emergence of computers, the governments (public organizations) were leaders in the implementation of computer technologies and new software applications and all that caused the first wave of transformations in NPM practices as well as in the interactions between citizens and public institutions. More further Dunleavy and Margett (2015) argue that “digital environments of governments and citizens still remain significantly unmatched” (Dunleavy and Margetts, 2015). The Digital Era

Governance emerged as the public management model largely because of the central role of the digital technologies shaping the organizational structure of the public organizations (Dunleavy et al., 2005).

In the literature is pointed out that Digital Era Governance unlike New Public Management is organized around two pillars i.e. establishing a base or framework in setting up the the system of public service delivery, such as: delivering public services for free, using digital information and finally DIY (or do it yourself) in administering the services. On other hand, the second aspect is oriented towards building a normative framework in setting the system, such as: value equality of outcome over process, providing formal rights and so-called experiential learning (Dunleavy and Margetts, 2015). In order to be successful Digital era Governance, there is a key condition to be fulfilled and that is public administration affairs must be closely related to individual capabilities of citizens in managing their individual social problems.

### PUBLIC SECTOR ENTREPRENEURSHIP

There is much debate among scholars and practitioners in their analysis of the concepts of existence and further development of entrepreneurship in public sector organizations to the concepts of public sector entrepreneurship as “impossible mission”. The supporter’s arguments are that public values can be achieved if there is a “room” for creativity by the public managers during their decision making process on employing available public resources in satisfying the general and specific public needs. The other “side” or the opponents argue that public organizations are not the same as private sector organizations in terms of promoting democratic values, basic responsibilities and enhancing the organizational over the personal goals (Gomez 2011). Drucker (1985, p. 177) points out that every single public service institution must be entrepreneurial and innovative as much as any business and much more than that. Comparing to private sector research on entrepreneurship, the literature is very poor with explanation about the factors of public sector entrepreneurial development. According Hornsby et al. (Hornsby et al., 2002) there are many internal organizational variables that can influence public sector entrepreneurial activity on the middle management level. Other authors, such as Miller (1983,p. 770) points to

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the fact that innovativeness and risk-taking organizational variables are one of the most important factors in explaining the scope of public sector entrepreneurial activities. In addition, there are some studies about the applicability of entrepreneurial activities in public sector settings, such as the study of Morris et al. (2008, pp. 105-106) where the argumentation is that public entrepreneurship is not adequate in all situations but most certain in some public sector organizational environments, such as educational organizations, social services, local water enterprises etc. The concepts, such as “opportunities, innovations, maximization, change, adaptation, risk-taking” etc. are most frequent and common to almost all definitions of public sector entrepreneurship. Besides the fact that public managers do not agree on a common definition of what public value is, one of the most recognizable definition is the following: “the process of adding value to the public sector through the exercising of managerial authority- all the time” (Coats and Pass more, 2008). On other hand, the great importance of value capture, value creation and value delivery in public organizations during the process of public entrepreneurial development must not be neglected. In other words, one of the great goals of public sector organizations during their process of development is to permanently deliver public value in the eyes of the citizens. As Moore (1995, p. 28) points out: “the aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value”. In addition, according Moore (1995, p. 24), every public manager is active within the environment that is characterized by three features i.e. called as “The Strategic Triangle”. In critical economic times, the quality of public services declines and appears problems such as poverty, hunger, unemployment, crime, migration, inadequate

health services, pollution and so on. To ensure a better future and to improve the quality of life there is a need for an innovative approach of action for use of all available resources in order to create new values. Scientists and practitioners have suggested that public sector organizations should become entrepreneurially oriented in order to respond to the challenges they face. Social entrepreneurship is an opportunity to fill the void by providing originality and focus on customers, where private companies are good at it and avoiding the "one size for all" approaches that is characteristic of public services provided by government, designed under strict rules to respond to the convenience and political influence of the government bureaucracy (Hunter, 2009). On the other hand, public sector organizations are becoming more active, showing entrepreneurial orientation. This entrepreneurial orientation of public sector enables the development of the concept "public entrepreneurship". Public is manifested in numerous activities, such as changing the institutional environment and rules, management of public resources which is innovation in the public interest. Consequently, public entrepreneurship has many common elements with entrepreneurship and social entrepreneurship such as: innovation, proactiveness, risk taking and so on, but also it includes the creation of value or “value for citizens.”(Milenkovski,Markovska and Dimeski, 2017, p. 57).

### RESULTS AND DISCUSSION

Public sector entrepreneurship is one of the key contemporary concepts in public management and public administration literature. From the Table 1 below it can be noticed that as public management approaches evolved during the time, the more room is given to implementation of different entrepreneurial activities within public sector organizations.

**Table1.** *Different Approaches to Public Management: From Rule-Oriented to Entrepreneurial Oriented Public Sector Organization*

	<b>Traditional public management</b>	<b>New public management</b>	<b>From Public value management to Digital Era Governance</b>
<b>Key objectives</b>	Politically provided inputs;Services monitored through bureaucratic oversight.	Managing in a way that ensures economy and responsiveness to consumers.	The overarching goal is achieving public value.
<b>Role of managers</b>	Rules and appropriate procedures are followed.	Achieving performance targets.	Steering networks of deliberation and delivery and maintain the overall capacity of the system.

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<b>Definition of public interest</b>	Little in the way of public input.	Aggregation of individual preferences supported by evidence about customer choice.	Individual and public preferences over inputs and opportunity costs.
<b>Approach to Public service ethos</b>	Public sector has monopoly on service ethos.	Skeptical of public sector ethos.	No one sector has a monopoly on service ethos.
<b>Preferred system for service delivery</b>	Hierarchical department or self-regulating profession.	Private sector or tightly defined arms-length public agency.	Menu of alternatives selected pragmatically.
<b>Contribution of the democratic process</b>	Delivers accountability.	Delivers objectives.	Delivers dialogue.

**Source:** Diefenbach, FE 2011, *Entrepreneurial Orientation in the Public Sector: When Middle Managers Create Public Value*, viewed 13 June 2016,

<[http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3883/\\$FILE/dis3883.pdf](http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3883/$FILE/dis3883.pdf)>.

Entrepreneurial activities by the public managers are very important aspect in today's rapidly changing environment. Digital Era Governance employs many methods and techniques for innovating the way citizens communicate with the public sector managers. The so-called New Age of public administration development cannot be complete without entrepreneurial elements within public sector organizations. Innovations and flexibility as entrepreneurial elements lead to greater effectiveness, efficiency and accountability in public sector organizations. All the public management approaches from traditional public management until Public value management and Digital Era Governance put more or less emphasis on some entrepreneurial elements.

### CONCLUSIONS

The history of public management and public administration as academic discipline but more important as a separate field of study through the years had established different scientific approaches that can be interpreted as a silent evolution to more innovations, flexibility and risk taking in managing public sector institutions.

Both, the New Public Management and Digital Era Governance can be analyzed and interpreted as effective tools that can be used by the public managers in developing the entrepreneurial spirit among public sector employees. In digital era of managing public resources, informational and communication technologies provide many different innovative ways in communication between public sector institutions and citizens.

Other important aspect as a recommendation is putting greater efforts in establishing public sector entrepreneurship as a separate field of

study and separate but not isolated academic subject that can be part of the public management & administration curriculum at schools and universities. In other words, public sector entrepreneurship in the public sector is a result of a number of years of given efforts to steadily transform and accommodate public sector institutions to new global trends. Especially the trends of entrepreneurship that already exist in private sector organizations by adding more empirical studies about the application of entrepreneurship in public sector organizations.

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