Process not Outcomes in New Public Management? ‘Policy Coherence’ in Australian Government

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ABSTRACT

Declining state capacity to deliver policy coherence is a fixed feature of contemporary public policy literature, and in the Westminster democracies the ‘hollowing out’ thesis has emerged as the latest account. In the rush since the early 1980s to transform bureaucracy and force public services onto a ‘market’ footing — referred to as the ‘new public management’ (NPM) — governments have, according to the thesis, unwittingly weakened their ability to influence and manage public policy outcomes. Despite NPM’s focus on managing for outcomes, the changes are not delivering the intended results. The aim of this paper is to briefly reassess this argument by reorienting the decline of policy coherence debate in Australia from a focus on policy outcomes to a more traditional understanding of coordination as a process. Using the evaluation of public service policy advising as an example, it will show that NPM techniques that embrace procedural coordination — as opposed to coherence in policy outcomes — are more sensitive to the political nature of public policy management and hence provide more leverage for policy improvement.

Keywords

New Public Management, Performance Measurement, Policy Coherence, Policy Advice

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I have heard it said about the difference between results and consequences that results are what we expect, consequences are what we get.  

Robert S McNamara (Hendrickson 1996: 376)

**Introduction**

The aim of this paper is to analyse public service policy advising as a tool for ‘policy coherence’ in Australian government. Concerns about the ability of government to steer policy through increasingly complex political and economic environments are now a fixed feature of contemporary public policy literature. Most recently, however, this unease has been heightened by a perception that government’s capacity to ensure ‘policy coherence’ is diminishing rapidly in the face of the unintended consequences of wide-ranging public sector reform. A number of factors are said to be at work.

The first revolves around the rationale for public sector reform in Westminster democracies. The story is a familiar one: perceived inefficiency in government administration and self-interested behaviour by bureaucrats led to the transfusion of business management practices and the transplant of market mechanisms for the delivery of public services. Increasing ministerial control of the bureaucracy was a priority, but so too was ‘letting the managers manage’ (Aucoin 1990). This tension has, for many critics, undercut the value of bureaucratic policy advice relative to that sourced from political advisers, and severely disoriented those central agencies responsible for advising peak decision-makers and ensuring coordination in government action (Peters and Savoie 1994, 1996; Hart 1998).

The second, typified by the ‘hollowing out’ thesis, raises more fundamental questions about the viability of the state bureaucracy as a managing agent of public policy. In this case, the rise of the ‘contract state’ — whereby contractual relations form the basis of state employment and public service delivery — reduces government leverage over public policy because of escalating fragmentation and loss of expertise (see, for example, Rhodes 1994, 1997a, 1997b; Foster and Plowden 1996).

The overall charge is a serious one; it is also a difficult one to prove. The relationship between structural reform in government and policy performance is notoriously hard to gauge, and new public management (NPM), despite its internal logic of self-evaluation, is no exception (Pollitt 1995). At the same time, whilst the marketisation of the state may have unwittingly increased the potential for a reduction in policy coherence, aspects of NPM can also be seen to provide tools for responding to such problems. In particular, the evaluation of public service policy advice is one way that central agencies can enhance their ability to influence policy.

This paper surveys the Australian experience with measuring policy advice, arguing that the objective of coherence in policy outcomes through managerial means is an
elusive one. It proceeds in three steps. The first section examines the contours of the ‘decline of policy coherence’ thesis and unpacks the concept of ‘policy coherence’ in terms of more traditional understandings of policy coordination as process. The second part traces the development of policy advice evaluation in Australian government and demonstrates how it conformed with this procedural understanding of policy coherence, but is currently subject to re-orientation under market-based reforms. The third section concludes by presaging some key lessons from the application of these management practices to policy coherence issues.

**Policy Coherence**

Question marks have long hung over the capacity of the modern state to ensure some sense of ‘coherence’ in relation to its policy arsenal. ‘Coherence’ is both a political imperative that derives from the threat of appearing inconsistent in the electoral arena, and an economic imperative that arises from the need to organise a large and complex organisation to conserve scarce public resources. State restructuring has, of course, proved to be one of the most common responses to these imperatives, and NPM is the most recent example. For a number of commentators, however, efforts by reformers to reconfigure institutional capacity, especially along market lines, have exacerbated the problem of delivering policy coherence. This is the decline of policy coherence thesis. This discussion begins by examining the nature of the thesis and the meaning of policy coherence in this context.

**The decline of policy coherence thesis: an overview**

The contention that the state is losing or ceding its capacity to direct policy comes from the ‘hollowing out’ thesis, first developed in the British context (Rhodes 1994; Foster and Plowden 1996). It reflects a perception that aspects of the NPM — specifically privatisation and contracting — have exacerbated the decline of state coordinating capacity. It also reflects a response to the evolution of politics in liberal democracies more generally, towards greater interdependence between the state and non-state interests in policy setting and implementation. There is, understandably, some uncertainty as to whether political system changes are driving state responses or vice versa, but the direction of influence is an important question, as the arrest of internal ‘hollowing’ (rather than external ‘erosion’) will be within the state’s purview (Saward 1997). Whilst this goes to wider issues relating to social and economic change as well as normative questions about the role of the state, the underlying claim remains — the state is losing control not only over the direction and coherence of policy within the political system, but also over its own constituent parts (Weller and Bakvis 1997).

NPM reform itself has proceeded through two stages, and the supposed decline in policy coherence has mirrored them (Davis 1997). The first phase of reform
corresponds with the preference for management over policy. This was fuelled by a perception that public service coordination and advisory capacities were either unresponsive to political direction or inherently inadequate when compared to the private sector. The second phase reflects the more ideologically-driven move to replace bureaucracy with the market. In this case, declining policy coherence is a product of fragmentation in the public service, an intended outcome of market reform that would subject bureaucracies to competitive pressures. Along this continuum, hollowing out can be analysed as a strategy to rationalise and enhance the power of political leaders and their supporting central agencies (Saward 1997). However, whilst the strategy may produce ‘more power’, it is ‘more power over less’ (Rhodes 1997b: 209–10). At the same time, the political leadership remains dependent on the ‘servicing’ provided by central agencies, and hollowing out is likely to weaken organisational capacity at this level.

The consequences of these strategies are most acute when applied to policy advice systems (Halligan 1995). A combination of political system change and state restructuring opens up a closed policy process by promoting increased externalisation (whereby policy advice is sourced from outside government) and pluralisation (whereby many more interests are legitimating themselves as a source of advice). Policy control wanes. In these circumstances, the key to advising governments is the effective management of the policy process across both external interests (policy networks) and a wider array of bureaucratic actors resulting from the separation of policy and implementation; in other words, ‘governance’ or strategies for political negotiation (Rhodes 1997a). Note that coherence is associated with instrumental notions of ‘control’. In the decline of coherence thesis, loss of control is likewise the source of inconsistency in policy content, whereas it is the process itself that requires more effective management. The question here is whether policy coherence is best seen in terms of control.

**Policy coherence and coordination**

In unpacking ‘policy coherence’, two definitional issues will be examined. First, is policy coherence principally about the control of process or outcomes? Second, is control the same as coordination? Two perspectives on the decline of policy coherence thesis will provide an entry point.

The first comes from academe and the work of Rod Rhodes, a British political scientist, who defines coherence in terms of ‘logically and consistently related policies’ and capacity as ‘the ability to produce that coherence’ (Rhodes 1997b: 222). Here, coherence is unambiguously an outcome. Concentrating on the contribution of NPM to the hollowing out of core executive capacity, Rhodes contends that NPM is framed around control for the achievement of outcomes (what is achieved) rather than the management process (how things are done). The problem with this *modus*
operandi, according to Rhodes, is that it misdiagnoses the policy problems facing the state and ‘restructures without restructuring’ — the NPM is in reality little different to existing bureaucratic structures and remains insensitive to a policy environment requiring the management of diverse networks of organisations (Rhodes 1997a: 55; cf Kickert and Koppenjam 1997). For Rhodes, it is political system change that is forcing state restructuring and the performance management focus of NPM is simply the wrong response.

The second perspective comes from the world of statecraft, an OECD contribution to the decline of policy coherence debate (OECD 1996). In Building Policy Coherence the OECD concurs that social, political and economic change is transforming policy-making systems in liberal democracies, but that an appropriate response can be found among the ‘tools of coherence’ within the NPM framework. The OECD focuses explicitly on configuring structures at the centre of government so as to improve ‘government-wide policy coherence’. Policy coherence is defined broadly to mean an ‘overall state of mutual consistency among different policies’ (OECD 1996: 8). The report, however, goes on to acknowledge that the tools of coherence must be directed at managing processes rather than content, and that such processes are the preconditions for coherent policy (OECD 1996: 9, 11). Whilst there is also a trade-off — ‘excessive efforts to enhance coherence can result in a high degree of central control, and a consequent loss of flexibility in the policy-making system’ (OECD 1996: 8) — coherence remains wedded to the notion of control. So for the OECD, political system change is also forcing state restructuring, but NPM appears to contain the ‘tools of coherence’.

Both of these perspectives agree that policy coherence should be seen in terms of consistency of policy objectives. Both agree that the nature of the policy environment is changing so that political strategies of negotiation are even more of an imperative. Both see coherence in terms of control, and both also see the preconditions for policy coherence in the management of the policy process. The difference, of course, is the role of NPM. The critique argues that NPM focuses on managing outcomes rather than process and hence is incapable of responding to networks; the OECD contends that NPM’s focus on performance management enables it to focus on managing processes.

So why is process important for policy coherence? Policy coherence resonates with the more traditional concept of coordination in public administration. Coordination is the most commonly accepted way of dealing with the range and complexity of state activities where objectives must be divided up for ease of consideration and manageability. It is essentially a political process that is subject to a number of competing definitions.
As above, most commonly it is seen as control or simply coercion whereby the power of the state to ‘coordinate’ is used to impose a position on stakeholders (Peres 1978). Since this power is also constrained, adopting techniques to increase coordination will necessarily require a trade-off in government between policy performance and coordinating capacity. Alternatively, coordination has been divorced from the exercise of power; as a process of political coordination, ‘partisan mutual adjustment’ contends that individuals can coordinate their actions without anyone coordinating (that is, controlling) them and doing so in the absence of a common dominant purpose (Lindblom 1965). In a situation where decision-makers are both interdependent and self-interested, coordination can be achieved by adaptation on the part of decision-makers.

These conceptions of coordination view it primarily as a ‘political value pursued by procedural means’. Another way of framing coordination is to treat it as a distinct procedural value pursued within the state by central agencies (Painter 1981, 1987). Rather than occupying the site for policy conflict, coordination represents the management of conflict. Unlike the way in which policy coherence purportedly employs control to achieve consistency in policy outcomes, coordination as a procedural value sees policy coordination as a policy-making contest in which overlaps and inconsistencies between different subject matters are continuously addressed. Policy coordination as process is directed at creating conditions — in particular, standardising decision-making within the state apparatus — under which coordination can be achieved across different policy sectors (Davis 1995). In this way, coordination as central control is rejected in favor of ‘coordination among the parts rather than of the parts by some controlling body or person’ (Painter 1987: 8).

The potential for policy coherence lies not in the management of policy objectives but rather in the management of the policy process. The reason for this is that procedural values are seen to operate across a unified state sector (for example, service standards or employment conditions), whereas policy or political values are a function of fluctuating political demand and hence easily reversed (Dunsire 1990; Hood 1991). Coordination as a procedural value was seen to provide systemic steering capacity for central agencies, calibrating procedural settings rather than exercising strong interventionist policy control. This sits comfortably with the decline of policy coherence thesis, but not because of any perceived decline in the consistency of policy. Rather, it is because those aspects of NPM that accelerate the fragmentation of the state may reduce the capacity of central agencies to alter procedural settings both across the state sector and in the face of an increasingly diverse network of policy actors.

As an outcome, ‘policy’ is determined by institutional structures that frame the interaction of organisational interests. Within this context, coordination is essentially a political process grounded in political compromise. It would follow that approaches
to public management that seek to excise politics from coordination processes, through either value-free management technique or market frameworks, may be doing more harm than good in terms of policy coherence. This issue will be examined in relation to the measurement of policy advice.

**Measuring Performance in Policy Advice: Australian Experience**

Performance measurement has been widely adopted in Westminster-derived political systems as a framework for organising the state sector — that is, a management system that replaces bureaucratic hierarchic control with market-oriented managerial control based on accountability for performance (OECD 1997). All aspects of state sector work are expected to be subject to performance measurement, and policy advice, as a core function of state bureaucracy, should be no exception. Policy advice is both the product of and the process underpinning the attainment of policy coherence within government.

Since the early 1990s, the Australian Public Service (APS) has grappled with the problems associated with managing policy advice according to the dictates of performance measurement. It has encountered a number of issues: What to measure? How to measure it? How to attribute responsibility within a changing framework of accountability? One of the key obstacles has been reconciling the inherently political nature of the policy advisory process with the need to provide a credible account of performance. The initial APS response was to angle performance measurement towards the management of the policy process rather than the outcomes and, in a limited way, acknowledge the politics that defines policy coherence.

**Evaluation as policy management**

The initial phase of policy evaluation during the early-to-mid 1990s coincided with the maturation of the federal Labor government’s evaluation strategy and its imperative of underwriting the ‘accountability for results’ framework. The impetus can be identified as a combination of external (parliamentary) pressure on central agencies to demonstrate how they ‘added value’ to government processes and internal (line agency) demands for those same agencies to ‘practice what they preached’ (Waller 1996). Detailed accounts of the development of policy advice evaluation can be found elsewhere (Uhr and Mackay 1996; Weller and Stevens 1998; Di Francesco 2000). My task here is to show briefly why performance measurement was confined largely to qualitative policy management reviews of process, and the link between process and output rather than policy outcomes.

The framework for policy evaluation was developed in the early 1990s by a high level interdepartmental committee consisting of representatives from the key central agencies, Prime Minister and Cabinet, Treasury, Finance and the Public Service Commission. Not surprisingly the committee framed the task of policy evaluation in
terms of the distinctive coordinating functions of central agencies and utilised a ‘production process’ model to identify those aspects of policy advising which would be more amenable to measurement (PSC 1995). By distinguishing process, output and outcomes, the model assisted in mapping the contours of the main methodological obstacles and political sensitivities associated with bureaucratic responsibility for ‘policy’ within a Westminster parliamentary system. A number of issues loomed large, including concerns about the retrospective nature of policy evaluation and its relationship to external accountability, and doubts about the ability of evaluators to separate political and bureaucratic input to advice (something made all the more acute by the pivotal policy role of ministerial advisers, see Dunn 1997; Maley 2000).

The threshold question, however, was whether process, output or outcomes should be assessed. Should advice be evaluated when the recipient either accepted or rejected the advice and decided on final policy, or at a time when the final impact of the policy could be determined? Given the confidential nature of policy advising and the convention of locating final responsibility with Ministers, the committee argued that the desirable characteristics of policy advice output could only be identified ‘by reference to the nature of the policy formulation process’ (PSC 1995: 10, 14). As a consequence the methodology adopted was framed around internal qualitative assessments — policy management reviews (PMR) — that sought to improve the conduct of central agency management of the policy process.

The experience of the PMR is an instructive example of how performance measurement could be directed at supporting policy coherence. Five reviews were conducted between 1993 and 1995 and all targeted central agency management of internal policy development processes within budget settings (Uhr 1996) and Interdepartmental Committees (IDCs) (Di Francesco 2000), as well as the messy processes associated with intergovernmental policy formulation (Weller 1996). The reviews provided salutary lessons to the central agencies on how best to manage the bureaucratic machinations of wide-ranging IDC processes so as to minimise the effects of policy capture by both non-central agency state and non-state interests. Significantly, the potential for central agencies to increase their leverage in the IDC process — for example through agenda management (Weller 1996) and arrangements for external consultation (Uhr 1996) — also increased.

PMRs confirmed the difficulty of measuring the effectiveness of policy advice. A reluctance to extend bureaucratic responsibility for policy results ensured that management of the policy process was the target of performance measurement. This conforms with OECD pronouncements on information sharing as a key tool of coherence — in other words, knowledge of the policy development process, the capacity to appraise the quality of information and analysis, as well as the way it is incorporated into decision-making (OECD 1996: 14–16). But PMRs went further. As
practitioners have remarked (see, for example, Edwards 1996, 1998), PMRs also acknowledged that compromise is the hallmark of policy coordination and hence policy coherence. Strengthening central agency leverage over the procedural settings of IDC policy processes was one way that performance measurement could serve policy coherence.

**Measuring policy advice output**

The second phase, which corresponds with the late 1990s, reflects the trend away from bureaucratic provision of public services and a growing momentum towards increased contestability in policy advice. In the period after the election of the Howard Coalition government, state sector reform was angled towards constructing ‘output’ markets facilitated by the introduction of purchaser-provider arrangements within government (Halligan 2000). The initial focus on the political relations between ministers and agencies was supplemented with a framework for market relations; it also reflects a shift in priorities for policy evaluation away from process.

The introduction of an output budgeting framework in 1998 saw the demise of the evaluation strategy (DoFA 1998). In the absence of a price mechanism, program evaluation was intended to serve as a proxy measure of ‘value for money’. The new framework, by contrast, aims to construct a market for policy advice ‘output’ which must be ‘fully’ costed. Within this framework government determines ‘desired outcomes’ and purchases from providers, both state and non-state, the mix of output that best meets them. Performance measurement through quasi-contractual purchase agreements remains, at least in theory, the preferred form of managerial and political control.

This new framework is still in its infancy, but it does seem to embody the types of problems identified in the decline of policy coherence thesis. The prospect of creating an artificial market for policy advice seems not only to increase the risk of fragmenting the state sector in Australia, but also reduces the capacity of central agencies to influence the policy development process. Unlike the thrust of PMRs, performance measurement in an output budgeting framework does not attribute to central agencies a distinct role in managing policy coherence, particularly where this ‘policy coherence’ function can itself be made contestable. Just as importantly, performance measurement is increasingly output and outcome driven, to the detriment of policy process, so that the notion of adjustment among competing interests (as opposed to providers) is neglected. This is best reflected in the way the framework confines the purchaser of policy advice to the responsible Minister, thus narrowing the relationship between the provider of advice and the Minister to a quasi-contractual format that may exclude other legitimate interests (Di Francesco 1999).

Whilst the nature of policy advice as an ‘inherent’ function of government places real limits on the applicability of a market framework (Boston 1994), the trajectory of reform presents a number of complications for arguments relating to policy
coherence. One of the most pressing is that the management of contractual performance shifts the focus of policy coherence increasingly to output and outcome related control measures rather than process related coordination tools. This may signal a neglect of the political nature of policy advice, the processes that inform it, and the management task that forms a core responsibility of central agencies. There is real potential to exacerbate the tendency to undermine policy coherence at the centre by focusing on those aspects more amenable to measurement and ignoring the crucial role of procedural aspects of policy management.

**Conclusion: Managing for Policy Coherence?**

The Australian experience with performance measurement in policy advice is an interesting case precisely because, in its earlier manifestations at least, it is an application of performance measurement for policy coherence. Evaluation is employed as one way of analysing the policy process and the avenues available to central agencies in steering policy from a whole-of-government perspective. Australian policy practice and the OECD paper *Building Policy Coherence* certainly touch at a number of points, but the latter is a remarkable document if only because it enters the decline of policy coherence debate by avoiding the type of exclusively management-based prescriptions that have dominated the OECD’s thinking in other areas (see, for example, OECD 1995). In the case of policy advice it adopts something of a political realist position that underlines how the ‘tools of coherence’ must be directed at managing the processes of policy-making rather than the outcomes (OECD 1996: 9).

At the same time, however, the OECD casts serious doubts on the capacity of government to enhance coherence in policy, suggesting that such efforts can, contrary to the devolutionary rationale of NPM, paradoxically increase the degree of central control and inflexibility (OECD 1996: 8). Arguably PMRs could be interpreted as representing little more than a new instrument for augmenting central agency control within the state apparatus. Policy coherence as a procedural value, however, sees the steering capacity of the state exercised not through hierarchic control but rather the calibration of settings for policy-making. Market-type reforms that fragment the unified career bureaucracy and detract from the whole-of-government role of central agencies increase the potential for a reduction in this steering capacity. If incoherence in policy outcomes is observed it is only a symptom of a deeper malaise, the weakening of coherence in the institutional structures for determining policy outcomes.

This paper suggests that the decline of policy coherence thesis may have more purchase on current developments if the concept of ‘policy coherence’ is aligned with a traditional understanding of coordination as process. Under these conditions the objective of achieving consistency in policy is translated into a more realistic objective
of policy process management. The Australian experience with evaluating policy advice confirms the OECD’s concerns about the dangers of neglecting policy process. More importantly, it reminds us that the enthusiasm of NPM reformers to increase ‘rationality’ in policy-making must be tempered by reality — a degree of policy incoherence is both unavoidable and necessary for good policy, if only because democracy rests on conflicting expectations for procedural integrity and policy outcomes.

REFERENCES


