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**Benefits Of Public Management Reform  
Experiences in Developed Countries  
"Towards Enhancing the Egyptian  
Management Reform."**

**بعض الدروس المستفادة من تجارب الإصلاح الإداري**

**في الدول المتقدمة**

**” نحو دعم الإصلاح الإداري في مصر. ”**

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**Abstract:**

A significant pressure for reform has been witnessed as a consequence of the growth of the public service over the past three decades. Existing agencies in governments around the world have been expanded and new units, sub-departments, departments and statutory bodies have been created to implement government's expanded program of social and economic development. According to this expansion and reform trails, a number of successful experiences around the world has emerged to be taught as a reference for countries in the mid-way of reform. For this reason, this working paper will clarifying the most significant points in the public administrative reform in France, Japan and Malaysia. Each reform

experience will include four major points concerning in which sector the reform has taken place, why the reform has been performed, by which method the reform has been implemented and finally the results and lessons from these reform cases.

### **Introduction <sup>1</sup>:**

Public Sector Reform emerges from the need for the Government to take serious reform initiatives and action to achieve its development objectives. Rapid changes in global socio-economic, political and technological environments dictate that the public sector must be transformed into a more active and responsive agency if it is to assist the Government in its quests for sustained economic growth and development. Over the last decade, there has been a shift in global economic relations towards the establishment of mega trading blocs and economic unions. This, coupled with developments in information technology, has resulted in the formation of a “global village”. Some noticeable features of this phenomenon are increased competition and the creation of successful private/public sector alliance.

It is now widely recognized that government must invent a radically different way of doing business in the public sector. The public sector can no longer function in the traditional mode. The new millennium will require a more flexible institution and the emphasis must be on strategic approaches to planning.

Reform as a concept involves inducing and managing change and is seen and used as a strategy for achieving improved performance within the public sector. The Government sees public sector reform as an integral part of the changing role of government. It is a response to problems arising from domestic and external pressures for change. It is an important part of a solution which governments have embarked upon to achieve improvements in public sector management. A significant pressure for reform has been witnessed as a consequence of the growth of the public service over the past two and a half decades. Existing agencies have been expanded and new units, sub-departments, departments and statutory

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<sup>1</sup> PHILOSOPHY FOR PUBLIC SECTOR REFORM. Retrieved from: <http://reform.gov.bb/page/whitepaper.pdf>

bodies have been created to implement government's expanded program of social and economic development.

In responding therefore to such pressures, government's role in managing the economy, must undergo fundamental transformation from being an organization consuming labor, to an organization which is appropriately staffed, streamlined and effective in delivering services.

Public Sector managers will therefore be required to focus on and give greater priority to actions which will avoid wastage, will enhance the efficiency of operating the public service, and in so doing reduce the pressures and eliminate the difficulties which challenge the government in achieving its development goals.

### **1. The Malaysian Public Administrative Reform Case<sup>2</sup>:**

1- 1 In which sector the reform was adopted. The public sector

2- 1 By which method or technique the reform was taken.

The earlier initiatives like management by objectives, performance budgeting, balanced scorecard, and quality movements have largely remained piecemeal and disjointed efforts. Also the euphoria surrounding such drives was short-lived as they produced only limited impacts and often met with many practical and methodological questions.

As a result Malaysia has followed a global trend in public management reform and introduced measures akin to that elsewhere with "managing for results" as an overarching goal. Thus, "managing for results" has been a leading feature of contemporary public management reforms globally. Although managing for results within the public sector is not entirely a new phenomenon. It was applied in Malaysia by:

A. Human Resource Management Reforms

B. Budgetary and Financial management reforms

#### **A- Human Resource Management Reforms**

Public sector human resource management is among the major area that has lately witnessed significant changes. The 2 key elements of human resource management reform are as follows:

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<sup>2</sup> For further information concerning the Malaysian reform case:

Noore Alam Siddiquee, (2010), "Managing for results: lessons from public management reform in Malaysia", *International Journal of Public Sector Management*, Vol. 23 Iss 1 pp. 38 – 53. Retrieved from: <http://dx.doi.org/10.1108/09513551011012312>

### **New Remuneration System (NRS)**

Introduced in 1992, the immediate objective of the NRS was to streamline the public sector personnel management by removing the anomalies prevailing in the previous system and by establishing a link between pay and performance.

The NRS was presented as a strategy to promote meritocracy in the public service and thus enhance its ability to acquire and retain the best and talented employees who would bolster performance, quality, and productivity.

Under the NRS, the schemes of services have been regrouped and civil servants have been reclassified into three distinct categories: Top management, managerial and professional group, and support staff. The NRS as introduced a matrix salary schedule (MSS) which replaced the linear salary scale followed earlier. The MSS allowed a greater degree of flexibility in the area of salary progression based on employees' performance. Accordingly, it has introduced four different directions of salary movement: static, horizontal, vertical and diagonal.

### **New Performance Appraisal System (NPAS)**

The implementation of NRS has required a fair, reliable and objective assessment of employees' performance. The NPAS has several distinct features including the determination of Annual Work Targets (AWTs), mid-year review and the introduction of detailed evaluation criteria.

The process of performance appraisal begins with departmental planning and target setting where employees and senior officers will sit together to determine departmental activities, programs and projects for the year. Then, the AWTs for individual employees are set through discussions between superiors and subordinates by taking into consideration the departmental plans and core activities the employees are involved in. The other significant aspect of the NPAS is that it has established a direct link between an individual's performance and rewards in terms of increments and promotion. Although detailed criteria are applied in judging performance of an employee, the most crucial factor is "work output", The work output can be measured based on costs, quantity, quality and time

factors. The other aspects of evaluation include – activities and contributions, knowledge and skills, personal traits, interpersonal relations, and cooperation.

## **B- Budgetary and Financial management reforms**

The allocation and utilization of public funds in an efficient and prudent manner has always been a key concern in Malaysia, as it is elsewhere. Such concerns have triggered major initiatives to reform public sector budgeting and finance seeking to gain greater rationality and effectiveness in public financial management. But in recent years, budgetary reforms have been driven more by the desire for achieving better performance and results of governmental operations/programs than anything else. The budgetary reforms in Malaysia entailed two important phases: program and performance budgeting phase and the MBS phase.

### **Program and performance budgeting system (PPBS)**

The first phase began much before the NPM (New Public Management) paradigm came into existence, with the introduction of program and performance budgeting system (PPBS) in 1969. As a drive to performance-based budgeting that became fashionable at that time the PPBS replaced the line-item approach to budgeting being followed in Malaysia. As a replica of the US-Canadian approach the PPBS had shifted the focus of budgetary decisions away from objects of expenditure to the programs and projects and emphasized performance measurement and devolution of authority. It required the departments to identify clearly their missions and objectives, devise program structures in a way that helped achieve those objectives and enable a match between inputs and outputs

#### **1- Modified budgeting system (MBS)**

The second phase of budgetary reform in Malaysia started with the introduction of the MBS in 1990. The MBS essentially involves a set of modifications to PPBS – hence the name “modified.” Officially, the MBS sought to correct the anomalies and inconsistencies of PPBS and thus revitalize Malaysia’s budgeting system by aligning it to contemporary budgetary reforms elsewhere. The drive in Malaysia was pushed mainly by external factors rather than local fiscal and economic realities.

### **3- 1 Why the reform was needed.**

Because of the introduction of new public management (NPM) public governance around the world has witnessed considerable transformations in its various spheres. Various referred to as managerialism, market-based public administration, and results-based management, the NPM has thus emerged as a powerful force bringing about rapid and at times unprecedented changes to public sector governance in developed as well as developing countries. The NPM is understood to mean the application of private sector values and principles in the public sector in order to increase its efficiency, effectiveness, and general performance.

NPM entails wide ranging changes involving organizational structures as well as operational processes and principles of public administration. At the heart of these changes is the emphasis on outcomes and results, cost-cutting, efficiency, and flexible management, among others. In that sense, NPM employs private management and business philosophy seeking to improve the performance of public bureaucracies. It also calls for building a new public service culture that promotes competition, empowers customers and citizens, measures performance and focuses on results and outcomes, With such features NPM marks a move away from traditional rule-bound and process-oriented administration to flexible and results-based management in the public sector.

With the introduction of the MBS, the whole orientation of public budgeting in Malaysia has changed in the sense that it emphasizes on linkages between inputs and outputs, performance indicators, and more broadly, on result-orientation. While it has retained many of the salient features of PPBS, it has placed clear emphasis on the relationship between inputs and outputs/outcomes of a particular program.

### **4- 1 Results and lessons from the reform experience.**

Obviously, the Malaysian experience offers a number of useful lessons. Managing for results requires far more than introducing new measures. It requires the development of capacity and skills of all those involved in managing and doing things in a very different way than they have so far been accustomed of doing. It envisages a set of changes in

managerial attitudes, work habits, and organizational cultures that emphasize results and performance. Such changes are unlikely to occur unless they are supported by other measures that foster cultural change and work practices. There is a need for correct incentives and sanctions. More important is the enforcement of such measures in their true spirit. Managing for results cannot be implemented and institutionalized in the absence of strong and continued support from the leadership.

## **2. The Japanese Public Administrative Reform Case<sup>3</sup>:**

### **1-2 In which sector the reform was adopted.**

The whole country.

### **2-2 By which method or technique the reform was taken.**

#### **A- Restoring Japan's Earning Power**

##### **1- Companies to change (Improving productivity)**

Japanese companies had lower productivity than their Western counterparts, So Japan worked on improving productivity by carrying out business selection and concentration through bold business realignment, exploring promising new businesses, promoting overseas expansion and management reform by using information technology. A critical stage has come for companies to improve their earning power.

##### **(Enhancing corporate governance)**

First, it is important to strengthen the mechanism to enhance corporate governance and reform corporate managers' mindset so that they will make proactive business decisions to win in global competition for the purpose of attaining targets including globally compatible level in return on equity.

##### **(Accelerating industrial restructuring and venture businesses)**

Urging existing companies to reform themselves alone would be insufficient for promoting business restructuring to shift investment and employment to more profitable and productive areas. It is very important to

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<sup>3</sup> For further information concerning the Japanese reform case:

Cabinet Office (2014), "Japan Revitalization Strategy: Revised in 2014 – Japan's challenge for the future", Cabinet Decision on 24 June.

Retrieved from: <https://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/honbunEN.pdf>



develop an environment where venture businesses are launched one after another to drive growth areas.

## **2- Changing the Country**

### **(Strengthening competitiveness of Japan as a business hub)**

In order to strengthen the competitiveness of Japan as a business hub to promote the investment in Japan, we must further reinforce macroeconomic and institutional approaches for improving the business environment through: breaking through the so-called “bedrock” regulations in order to locate themselves overseas.

### **(Realizing a national system of innovation and the world’s most excellent intellectual property-based nation)**

Japan worked on building a “national system of innovation” to create innovative technology seeds continuously and bridge them directly to new products or business models by combining research, human resources and funds beyond borders between the industry, academia and public sectors.

### **(Realizing a robot revolution to solve social challenges)**

Robot technology is a symbol of innovation for which Japan has led the world and will be able to create new markets in the future.

## **B- Cultivating Human Resources -- Promoting women's social participation and reforming working styles**

### **(1) Promoting women’s further active social participation**

Particularly, unleashing the “power of women”, Japan’s greatest potential, lead Japan not only to secure human resources but also to bring various values and creativity to the company, the government and regional communities and to vitalize society while cherishing the values of families and regional communities.

### **(2) Reforming working styles**

Under last year’s Growth Strategy, the government shifted from an excessive employment stability policy to a labor movement supporting policy to enable individuals to smoothly change jobs, fulfill their potential and play active roles for economic growth.

### **(3) Utilizing foreign human resources**

It was important to let foreign human resources fulfill their potential in Japan, who have various values, experiences and skills.

### **C- Nurturing industries to become new growth engines and support regional communities**

#### **(Developing aggressive agriculture, forestry and fisheries.)**

Through integrated reform of agricultural committee, agricultural production corporation and agricultures cooperatives, etc.

#### **(Vitalizing the health industry and providing high-quality healthcare services)**

Through creation of a nonprofit holding company-type corporation system (as tentatively called), substantial expansion of the system for combining insured and uninsured medical services, etc.

### **D- Regional Revitalization and Innovation of Small and Medium-sized Enterprises/Regional Economic Structure Reform**

#### **(Regional revitalization and innovation of small and medium-sized enterprises)**

Regional revitalization depends on whether attractive employment opportunities including those for youths can be realized. To this end, companies supporting regional economies should be realigned and restructured to improve profitability and productivity and stabilize regional employment and wages.

#### **(Regional economic structure reform)**

Under the severe reality of declining population in Japan, regions must commonly acknowledge the demographic situation. The Growth Strategy will not be successful unless vigorous rural communities are realized. Therefore, it is important to promote a comprehensive policy to maintain regional vitality, prevent excessive concentration in Tokyo and overcome the declining birthrate and population. A headquarters for the promotion will be created to develop government-wide arrangements.

#### **3-2 Why the reform was needed.**

When the Abe administration was inaugurated, the Japanese economy was obsessed with a chronic deflationary mindset after an economic slump that lasted for more than 20 years. It was in a grave situation in which corporate managers and individual citizens had lost self-confidence and hopes for the future. Corporate managers had lost their spirits to take on challenges. Opportunities were limited for skilled people

to demonstrate their performance. Excellent technologies or ideas had nowhere to go. Household financial assets and companies' internal reserves failed to be utilized in Japan. Human talents, goods and funds were structurally left idle.

#### **4-2 Results and lessons from the reform experience.**

##### **Results:**

The strength of the Japanese economy was restored, as shown in real GDP growth, the employment situation, capital investment and Other economic indicators. Price trends show the economy is making steady steps forward to break free from deflation.

Corporate profits have recovered to pre-Lehman Shock levels, leading to wage hikes and expanded employment that result in expanded consumption and further investment. A “virtuous economic cycle” has begun to work. Under such environment, the administration raised the consumption tax rate, making the first step towards achieving both economic growth and fiscal consolidation. As people have begun to hold hopes for the future, human talents, goods and funds have begun to move for growth after remaining idle for a long time.

##### **Lessons:**

As soon as the Growth Strategy is revised, renewed challenges to tackle various issues will be launched. It is important to reflect the fruits of growth to people’s livings as early as possible. Particularly, people living in the regional communities, and small and medium-sized enterprises who are still left in severe conditions.

We must structurally and boldly reform regional economies and take comprehensive measures to nurture unique industries that contribute to enhancing the sustainability of regional communities. Needless to say, the Growth Strategy aims not only to secure Egypt's medium to long-term growth in the global community but also to restore vigor in regional communities and allow individual citizens to feel affluent through local-Abenomics, so to speak, which spreads the effects of Abenomics nationwide and brings about positive cycles in regional economies.

Until the Japanese economy gets on a secure growth path, there will be no end to the Growth Strategy and it has to keep evolving in line with economic and social changes.

### **1. The French Public Administrative Reform Case<sup>4</sup>:**

#### **1- 3 In which sector the reform was adopted.**

The first attempts at reforming the French public administration sector was in the early 1990s. The reform included various governmental management structures such as ministry of education, ministry of general administration, ministry of finance, ministry of public works and agriculture and finally Police. Recently, one of the new suggested reform trends by scholars targeted the idea of a discrete change in the management practices through management instruments or use of indicators.

#### **2- 3 Why the reform was needed.**

The reasons behind the French public administration reform varied based on motivations for reform. One of these motivations was, the French public sector is by no means immobile in the face of changing management practices and modern techniques developed in the private sector have been extensively adopted. This reason was behind the general prevalence of objectives, dashboards and the small number of services affected by competition from the private sector and some of them have been tendered out to the private sector.

Historically the first attempts at overhauling public administration were in the early 1990s, then these attempts were followed a few years later by an overall impression that reforms had got bogged down. One of these missteps that necessitated reform efforts was in the French Ministry of Finance, which had a higher management instruments usage ratio than the other ministries. The ministry maintained its lead through a series of reforms that it launched in the early 2000s, particularly the deployment of shared software for processing fiscal data in the wake of an unsuccessful attempt to merge a number of different departments within the Ministry.

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<sup>4</sup>For further information concerning the French reform case:

Gilles Jeannot, Dani\_ele Guillemot. French public management reform: an evaluation. *International Journal of Public Sector Management*, Emerald, 2013, 26 (4), pp.283-297. <10.1108/IJPSM-04-2012-0047>. <hal-00835206> retrived from: <http://memsic.ccsd.cnrs.fr/SOCIOLOGIE/hal-00835206>

### **3- 3 By which method or technique the reform was taken**

The French public administrative reform is characterized by favoring modernization of management practices over any allout market-driven approach to reform. Scholars declares that The French reform in the management practices was supported by discrete change through management instruments or use of indicators, even before the effective implementation of program-based budgeting (2006) and an institutional reorganization drive, particularly the merger of central government, regional and department level services (2007).

Management tool is declared as a mixture between real practice and recognized legitimacy of a specific management orientation. Thus, even if it didn't reflect directly real practice it remains relevant to use comparisons between different management orientations, by tool categories (are HR tools more used/legitimate than quality tools?) or along Ministries. For example, the use of quality charters, satisfaction questionnaires or one stop shop stands for consumer orientation, job opportunities bulletin board or strategic workforce planning stand for human resource orientation.

#### **List of management instruments within each category**

- **Quality:**

- Quality certification or labelling of services provided(NF, etc.).
- Drafting of or adherence to a quality charter.
- Contractual commitment to process files within a given time limit.
- User satisfaction surveys.
- Service quality audits.

- **Production:**

- Iso Certification.
- Audit of costs and procedures.
- Formally documented problem resolution procedures.
- Value analysis.
- Lean management.
- Obligatory production deadlines.

- Autonomous work teams.
- **Human resources:**
- Strategic workforce planning.
- Skills framework.
- Job opportunities bulletin board accessible to all employees.
- Transfer arrangements for certain job profiles.
- Skills assessments.
- Career advisory service or help with preparing professional examinations.
- **Communication & Information Technologies (CIT):**
- Publicly-accessible web-based information.
- E-administration {delivery of services on-line}.
- Users may monitor their file over the internet.
- Customer relationship management tools.
- Automatic terminals.
- Digital asset management tools.
- Data processing software.
- Groupware.

Reform which, in France as in other continental European countries, is based more on overhauling management practices rather than on benchmarking of market practices. But while applying a new program-based budgeting procedures (LOLF) in the Ministry of Finance, the deployment of these tools or instruments has been far from trouble-free. In particular, we note that although departmental heads in the Ministry of Finance – which played a leading role in this reform – claimed that problems were related to employee adaptation only.

To come over this problem of employee adaptation in applying new procedures, the government used two types of Human Resources instruments as mentioned in the management tools declarations. The first type mentioned in the List of management instruments in each category (Box no.1) such as strategic workforce planning and skills framework and the second type of instruments were not included in the “instrument list” which is recognized legitimacy of a specific management orientation.

#### **4- 3 Results and lessons from the reform experience.**

Scholars classify French reforms alongside those carried out in a number of continental European countries that have favored modernization of management practices over any all-out market-driven approach to reform.

As observed in many countries, human resource change seems more difficult than change in quality methods or user’s orientation implementation. This transformation however varies from one Ministry to the other in the French government.

The most significant lessons learned from the reform experience to be used in the Egyptian reform will be as following:

- 1- Supporting the idea of implementing governmental reform through the use of management instruments and indicators in different categories, by stating frame out for the management tools used in each sector or management category for better analyses and assessment.
- 2- The reform must be based on overhauling management practices and benchmarking of market practices using the management instruments.

This transformation in management practices coupled with relatively low levels of responses referring to benchmarking of market practices. In

order to support employees' response, the management instruments must be used to measure the impact on employees via codified work practices that are pretty much in line with those found in the private sector.

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