

THE NEW PUBLIC MANAGEMENT OF SCOTTISH FURTHER EDUCATION, 1979- 2004

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INTRODUCTION

This article reviews developments in the management of further education in Scotland over a 25-year period as a case study of the implementation of New Public Management. Scottish further education policy in the period from 1979 represents a clear example of change being externally imposed on the further education system. Barrett and Fudge (1981) argue that the policy-action relationship needs to be regarded as a process of interaction and negotiation, taking place over time, between those seeking to put policy into effect and those upon whom action depends. The system of further education in Scotland presents an opportunity to examine the interface between policy and its implementation. Public policy initiatives invariably imply change through the manipulation of a large-scale system making use of variables such as changes in legislative provision, changes in funding patterns and changes in organisation structures. This study of policy implementation in Scottish further education demonstrates all three-system variables. The Further and Higher Education (Scotland) Act 1992 changed the legislative provisions governing further education. Funding moved from being a local authority responsibility to direct funding initially from the Scottish Office and, since 1999, from the Scottish Further Education Funding Council. Organisation structures also changed from further education being a sub-division of the education service to

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that of incorporated colleges as independent providers of further education services and organisations in their own right.

This research considers the relationship between the key elements of the New Public Management and the management of Scottish further education. The conclusions are based on a survey and interviews of Further Education Senior Managers and other Stakeholders in the further education system.

RESEARCH METHODS

The first source of data was a survey of strategic managers in Scottish further education. The second source was interviews; this was a follow-up to the strategic management survey. The question asked were intended to provide supplementary information from which conclusions could be drawn on the attitudes of college senior managers to performance indicators and management changes in further education. The third element was the reflective attitude matrix, which was used as part of the interviews to assess attitudes over time and was analysed by considering the trend over the period of time in question. This immediate analysis informed further probing question as to the reasons for changes in attitude over the time period being researched. The senior management survey focused on senior managers with responsibility for college performance indicators in every FE college, 43 in all. The response rate was 40 out of 43 or 93%. Interviews in 1999 and 2005 followed up the strategic management survey, and were conducted with 25 Senior Managers and 2 members of Boards of Management. Colleges from each of the former mainland education authorities were represented among the interviews, and 50% of all Scottish FE colleges participated.

During the planning of the research the researchers wanted to make use of a method which gauged attitudes over a period of time in order to allow comment on trends and changes in attitudes over the period of the study. There was no existing method which addresses this longitudinal reflection, and therefore the researchers decided to develop a research method to suit this longitudinal reflection. Further sources of the data were managers within the Scottish Executive and within the Scottish Further Education Funding Council. Data was also derived from college operational managers. This group represents college managers who translate policy into action and are therefore central to this investigation of the policy-action continuum. The survey covered all 43 colleges with 5 copies of the questionnaire per college. 45 responses were received from 30 colleges of further education. The survey was divided

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into two parts: a questionnaire, which used ranking and focused questions; and graphical Reflective Attitude Matrices supplemented by six open qualitative questions.

Data were also obtained from further education stakeholder groups including: Scottish Qualifications Agency, Scottish Further Education Unit, Association of Scottish Colleges, Scottish Enterprise Network, Committee of Higher Education Principals, FE Students, Scottish School of Further Education, Learn Direct, and the Educational Institute of Scotland. FE students were asked their views on performance indicators and the management of further education using focus groups. Three focus groups were also used for gathering evidence from employees of three city centre colleges of further education. The focus groups were selected by senior managers in each college and were representative of different classifications of college employee. The focus groups were facilitated by the researcher and used the same structure as the survey of operational managers.

THE NEW PUBLIC MANAGEMENT AND THE NEW MANAGERIALISM

New Public Management, according to Hood (1995, p.48), is a term used to describe the changes in public management that have taken place since the election of the Thatcher Conservative Government in 1979. The essence of New Public Management is a movement on the part of the public sector to become more like private business, coupled with greater accountability to funders, stakeholders and clients for results achieved. There are several explanations of why New Public Management emerged in the 1980s in many developed countries (see Taylor and Williams 1991, p.172) and Osborne and Gaebler (1992, pp.322-330). Hood (1995) concludes that the internationalisation of New Public Management contains important variations but there are also common themes. He argues that, in spite of allegations of internationalisation and the adoption of a new paradigm in public management, there was considerable variation in the extent to which different OECD countries adopted New Public Management over the 1980s. Firstly, the pace of change has differed between countries. Secondly, there are clear variations between countries in the form that New Public Management has taken. Thirdly, there is no simple relationship between macro-economic performance levels and the degree of emphasis laid on New Public Management. Fourthly, there seems to be no simple relationship between the dominant political party in

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government and the degree of emphasis placed on New Public Management. Dunsire (1990) identifies that much of New Public Management is built on the concept of homeostatic control and this necessitates the clarification of mission and goals in advance, and then developing accountability systems in relation to those preset goals. Fairley and Paterson (1995, pp.15-17) identify eleven perspectives which contributed to the growth of the 'New Managerialism' in the public sector and cite (pp.18-19) several examples of the ways in which New Public Management has impacted on local government in Scotland.

Most writers agree on the key elements of New Public Management and its managerial implications and each of these is worthy of more detailed consideration:

Disaggregation of public organisations

There has been a movement to break down large scale public organisations into smaller units each having a high degree of autonomy and commonly providing a single service or servicing a single client group. Careers Scotland provides free careers information, advice and guidance to the people of Scotland – whatever their age, background or circumstances (youth careers advice was formerly a local authority service), the Scottish Prison Service (formerly part of the Scottish Office) provides custodial services and Highlands and Islands Enterprise provides business development support to the North of Scotland and to the Islands with Scottish Enterprise providing these services to the rest of Scotland. This disaggregation implies each smaller-scale organisation having its own corporate identity, greater autonomy in resource management, devolved strategic planning and operational management while retaining accountability and funding links to government and funding bodies.

Competition

New Public Management implies the creation of competitive and quasi-competitive markets to replace monopolistic public service provision. The trend towards greater competition began in the UK with the introduction in the early 1980s of Compulsory Competitive Tendering (CCT). CCT required certain public sector organisation to award contracts for specified services such as cleaning, roads maintenance and catering (the direct services) following a tendering process which was open to private sector organisations. CCT has been replaced by Best Value principles and practices but its legacy remains in the 'business-like' management of public sector direct services.

Private sector styles of management

There is much greater use of private sector management tools and techniques in the public sector than there was 25 years ago. Even the language of public management has changed to incorporate terms such as ‘performance management’, ‘strategic management’ and ‘total quality management’. An illustration of this trend is the changing titles of programmes of formal qualifications for public sector employees. Gone are the days of the HNC in Public Administration and the Diploma in Public Administration, as these have been replaced by named awards in ‘Public Management’ and by public management options within business studies and management programmes such as the Master of Business Administration degree.

Resource management

There is a much greater emphasis in public management organisations on value for money and the growing trend to account for the ways in which resources are used through external audit and the publication of performance data in the form of performance indicators. Within organisations there is extensive devolved budgeting where managers at different levels in the organisation control their own budgets. Audit Scotland works closely with the Scottish Executive to monitor the ways in which Scottish public sector organisations manage their resources.

‘Hands-on management’

Managers, particularly at executive levels, in public sector organisations are much more directly involved in both the strategic management of the organisation and the operationalisation of strategy. A common approach in the public sector is for the Government or funders to set out what they would like the public sector organisation to achieve but thereafter the organisation formulates its own strategic plan, submits it for approval and, following approval by the Scottish Executive or an agency acting on behalf of the Scottish Executive, implements the plan. A good example of this is the Development Planning process followed by the Scottish colleges of further education. Colleges submit plans to the Funding Council and, when approved, the Development Plan becomes the responsibility of the college executive and its management team who implement the plan to the best of their ability.

Performance expectations

Government, under New Public Management, is much more 'hands-off' but nevertheless has to retain control of public spending and, at a more micro-level, has to ensure that its public policy objectives are met. Government and funders tend to set out explicit standards of expected performance which must be built into the strategic plans of the public sector organisations. The public sector organisations are assessed on the extent to which they have achieved the desired performance levels.

Performance results

This is linked to the previous element and relates to the ongoing monitoring of performance by government and funders. This emphasis on output controls requires much more comprehensive systems of performance indicators, inspection and audit. Future levels of funding are, in part, determined by levels of performance achieved.

Collectively, these elements create radically different public management organisations with radically different operating systems and accountability processes from those of the 1970s. For the purpose of comprehensive analysis, the New Public Management changes can be considered at three distinct levels. The first is at the level of 'performance governance': this focuses on the changing nature of the relationships between public sector organisations and government and between public sector organisations and funders acting on behalf of government. The emphasis in performance governance is on effective public policy implementation, accountability and value for money. The second level is 'performance management': this concerns the strategic and operational management of the organisation by its executive and its managers at all levels. The emphasis here is on the effective operationalisation of strategy through managerial decision-making which recognises the significance of economy, efficiency, effectiveness, quality and equality in public service provision. The third level of analysis is 'consumerism': that is the extent to which public sector organisations develop and build relationships with their stakeholders and their clients and customers.

According to Aucoin (1990), New Public Management has a hybrid theoretical background that combines economic organisation theory, emphasising centralisation and contractualism, with management theory emphasising devolution and managerialism. New Public Management thus includes management methods, devolution, deregulation, market reforms and

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customer/client service. Ferlie et al (1996) distinguish between four different New Public Management models: the efficiency drive; downsizing and decentralisation; in search of excellence; and the public service orientation. New Public Management focuses on a number of issues but particularly on the role of government in society. Pollitt (1986, p.45) identifies several strands to the critique of this role. There was an assumption of public sector inefficiency, the recourse to private sector expertise, the value of performance related pay, and the emphasis on new accounting procedures. There were also attempts to distinguish the policy role from the activity of management and to upgrade the importance of management.

The term the 'New Right' was used to describe the mixture of liberalism and conservatism that influenced the ideology of the Thatcher Governments. This resulted in a belief in the merits of the private sector. Public sector bureaucracies had become overstaffed and inefficient. The private sector knew how to engage in 'turnaround management' the objectives of which are to cut costs, eliminate waste and return to competitiveness (Peters and Savoie 1994). Politicians came to accept that management was superior in the private sector and that, whenever possible, the public sector should emulate the private sector or simply privatise the function (Peters 1989, p.9). New Public Management involves a different conception of public accountability that requires the lessening or removing of differences between the public and private sector, and shifting the emphasis from process accounting towards a greater element of accountability in terms of results. This approach reflected high trust in the market and private business methods and low trust in public servants. The ideas of New Public Management, according to Hood (1995), were couched in the language of economic rationalism.

Pollitt (2000) comments on the limited evaluations using a framework based on the potential gains from New Public Management reforms: these are savings, improved processes, improved efficiency, greater effectiveness, and an increase in overall capacity. One conclusion of the evaluations in relation to savings is that the hypothesis that bureaucratic regimes would perform less well in macro-economic terms than regimes which had modernised themselves according to the New Public Management prescription cannot be proven or disproven. Movement in macro-economic aggregates simply will not provide sufficient evidence on the effects of management reform. In relation to specific savings attributable to local management-reform initiatives, it is clear that many reforms have resulted in savings. Pollitt (*ibid.*), comments that savings on one dimension may have been offset by increases in expenditure elsewhere, or

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by quality reductions, or by the scope of service reductions, or by shifting costs elsewhere in the public sector. Some governments have clearly reduced the number of public employees.

In relation to improved processes, there is no doubt that enhanced management competence has resulted in clear and lasting improvement in the way some public sector organisations operate. However, in some cases, improvement in one area has been at the expense of reductions in service effectiveness in other areas. High profile successful changes often disguise a shift in resource allocation that adversely affects the client's experience of a public service. As far as efficiency is concerned, this has been the key objective of many UK New Public Management reforms in the Civil Service, the NHS and local government. Yet 'evaluation' studies have often been flawed, presenting very subjective findings of efficiency gains. Talbot's (1996, 1997) research into the performance indicator systems used by UK 'Next Steps' executive agencies showed that measurements of their efficiency were not robust. Reliability and validity in measures of performance efficiency were not widespread in UK public management.

Assessing public sector effectiveness is a difficult task. Management reforms do not in themselves address the multiple problems of public policy implementation and indeed are subject to implementation difficulties. The UK Labour government declared that there was a need to focus on outcomes rather than just on inputs, functions or value for money (Prime Minister and Minister for the Cabinet Office 1999, pp.15-18). Pollitt (1990) concludes that there is some evidence of improvements as a consequence of New Public Management but the evidence is limited and there are often alternative perspectives on the value of the New Public Management reforms. UK public sector organisations appear to be overwhelmed by forms of performance monitoring including scrutinies, audits, performance review systems, peer assessments, appraisals, statistical returns etc (Hoggett 1996).

A key influence on the relevance of management in the public sector was the work of the Plowden Committee (1961-63) on the Control of Public Expenditure. The recommendations of this committee heralded a series of reforms in public expenditure, planning and control and general economic management. Keeling (1973) argues that these post-Plowden changes were a necessary, if not sufficient, condition of any significant improvement in management in the public service. In 1968 the Fulton Report (1968) gave a further description of 'management' which was wider than any given previously and that was much more consistent with the use of the word in

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business. Thus Fulton states that there are four aspects that make up the total management task of the Civil Service: formulation of policy under political direction; creating the machinery for implementation of policy; operation of the administrative machine; and accountability to Parliament and the public. Policy in this context means a series of patterns of related decisions to which many circumstances; as well as personal, group and organisational influences, have contributed. For a policy to be regarded as a 'public policy' it must to some degree have been generated or at least processed within the framework of governmental procedures, influences and organisations (Hogwood and Gunn 1984, p.24).

THE CONTEXT OF SCOTTISH FURTHER EDUCATION

By the time local government reorganisation took place in Scotland in May 1975, the emphasis of policy on Scottish further education had shifted from creating new facilities to sustaining the growth in support for courses and modifying them to meet changing needs.

From 16 May 1975 the education authorities were the regional (9) and island (3) councils. The managers of the colleges were appointed by the education authorities. Although there were statutory provisions establishing college councils, these tended to meet infrequently. The membership would typically have been representatives of the education authority, college strategic management, staff, trade unions, universities and local employers. The powers of the college council were limited and it tended to interfere very little in the management relationship between the education authority and college-appointed strategic management. Colleges were largely financed through local authority funding with about 80% of a typical college's income coming from that source. The remaining 20% of a typical college's income came from fees and charges for meals and other college services.

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The Education (Scotland) Act 1980 reiterated the duty of education authorities to secure adequate provision of further education for their area. A common approach was to have a senior member of the education department of the regional or islands authority responsible for the further education service and to have a team supporting the links between individual colleges and the education directorate. The most powerful stakeholder was clearly the education

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authority and both elected members and senior officers of the education department exercised this power. College Principals implemented education authority policy and had little influence in policy formulation or strategic college management.

The Secretary of State appointed the Council for Tertiary Education in Scotland in May 1979 (Council for Tertiary Education in Scotland 1981, p.2). The Council identified desirable capabilities for the tertiary education sector including:

- maximum effectiveness for any given level of resourcing;
- quality;
- the equitable deployment of resources.

Consideration was given by the Council to the mechanisms for accountability by the institutions for the way they use resources and provide services. The Council recommended the strengthening of college councils. In particular they should have financial responsibilities and responsibility for the appointment of staff below principal level. The main thrust of the Council's recommendations was to establish a national authority to oversee the Scottish tertiary education system (excluding universities).

The Report was not well received by the Government as it recommended the creation of a national authority, thus adding to the complexity of agencies involved in the management of Scottish further education. Other recommendations on the movement of certain local authority colleges to the centrally funded colleges group were accepted. Nevertheless there was a clear message from the Government in the terms of reference that there was concern with both effectiveness and economy.

In the mid-1980s the Audit Commission, in **Obtaining Better Value from Further Education** (HMSO 1985), evaluated the performance of further education generally against very little more than efficiency (FEU 1990, p.1). Additional work on evaluating further education was carried out by the Unit for the Development of Adult Continuing Education (UDACE 1989) and their conclusions were that there was in the 1980s a concentration on economy and efficiency.

Proposals to change the way in which further education in Scotland was managed were contained in a series of Government consultative papers published by the then Scottish Education Department. In May 1986,

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Commercial Activities in Local Authority Further Education Colleges (SED 1986a) identified the potential of colleges to generate income from their commercial activities. In August 1986, **Proposals for Improving the Management of Further Education Colleges** (SED 1986b) recognised the scope for delegating certain responsibilities from the education authorities to colleges.

The White Paper **College Control Principle** (SED 1989) adopted three general principles: firstly, as far as possible decisions should be taken at college level and college councils should control college resources so that colleges have power and freedom to innovate in response to local labour market needs; secondly, colleges should have financial incentives to respond to these needs; and thirdly, legislation should set out only a broad framework within which education authorities and college councils can make arrangements suited to local circumstances.

Under the 1989 legislative provisions, education authorities were to extend powers to conduct commercial activities through further education colleges. Authorities could also set up companies under the Companies Act 1985 to undertake commercial activities. Both the powers to undertake commercial activities and to form companies were delegated to college councils. Education authorities were required to prepare further education strategies and to provide guidelines for college development plans. The college plans would in turn be submitted to the local authorities for approval.

The development planning proposals were largely based on a report published in June 1989 entitled **Scottish Further Education Development Plans** (Scottish Office 1989) and known as the Miller/Neil Report after its authors Edward Miller (formerly Director of Education, Strathclyde Regional Council) and James Neil (Principal, Dumfries and Galloway College of Technology). In addition a 'Toolkit' for planning commercial activities was developed by Peat, Marwick, McLintock, Management Consultants for the Scottish Office Education Department to meet the needs of Scottish further education colleges in connection with preparation of business plans for commercial activities.

The term 'corporate college' was used in the 1989 Act to describe a situation where a college become incorporated under the Companies Act 1985. The 'college control' legislative provision took Scottish FE colleges a further stage into New Public Management. As part of this package colleges had to be more 'business like' and more 'managerial'. The 'College Control Principle' represented a radical change in the management of further education in

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Scotland. New college councils were established in August 1990 but they were to be short-lived. In May 1991, the Scottish Office published a White Paper, **Access and Opportunity: A Strategy for Education and Training**, in which the delegation schemes introduced by the self-governing Schools etc. (Scotland) Act 1989 were criticised as being unable to provide the necessary powers to allow colleges freedom to innovate and respond quickly to the needs of their customers. The Government gave a commitment in the 1991 White Paper to 'legislate to establish all further education colleges offering full-time education as freestanding corporate bodies with powers to employ staff, and own land and buildings'. Colleges would be funded directly by the Government from 1 April 1993 through the Scottish Office Education Department. Thus the 'College Control Principle' was viewed, retrospectively, as an interim stage to college incorporation. The interim stage was not allowed to yield evidence of the extent to which delegation was working as the May 1991 White Paper was published one month after the beginning of the first full financial year of delegated powers.

The Further and Higher Education (Scotland) Act had two principal provisions affecting further education. First, the duty of providing adequate and efficient further education was transferred from local authorities to the Secretary of State for Scotland. Secondly, college management was reorganised. New Boards of Management were created to have the responsibility for the management of each college, including strategic decision-making and financial, human resources and property management.

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Government policy in the immediate post-incorporation period focused on the savings (economy) and growth in student enrolments, thus in combination achieving efficiency gains. According to Leach (1999, p.51), colleges were faced with the paradox of collaboration and competition. Accountability and governance were substantially exercised through colleges having to submit annually a three-year plan to the Scottish Office following consultation with the local enterprise company and the education authority. In addition, each college had to prepare an annual report which had to be made available to the public. The use of performance indicators grew exponentially (Mackie, 2001 p.237). Leach (op cit. p.52) identifies the market place ethos as a contributory factor in encouraging colleges to operate as though they were businesses and not public sector organisations operating in a business-like manner (see Kanter and

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Summers 1987, p.233). Most colleges made extensive use of sub-contracting non-core services such as cleaning, janitorial, catering and ground maintenance. Performance levels in the first five years of incorporation were encouraging, with targeted growth in enrolments and student achievements being attained, thus contributing to the perception of success in relation to the objectives of incorporation.

In 1998, according to Thomson (2003, p.48), the political context of further education changed following the 1997 General Election at which a Labour Government was elected with a commitment to devolution. In February 1998, the Government accepted the Garrick Committee's recommendation that there should be two separate funding councils in Scotland, one for further education and one for higher education but with a degree of common membership and supported by a single staffing structure. The Scottish Further Education Funding Council (SFEFC) was established on 1 January 1999 with the responsibility for fulfilling the statutory duty to secure adequate and efficient provision of further education in Scotland. SFEFC was given responsibility for the strategic development of the FE sector and in promoting high quality and cost effective further and higher education within the colleges, in accordance with Government policies.

In July 1998, as a result of the Government's Comprehensive Spending Review, Ministers announced additional funding for further education. The allocation of resources was targeted to support Government objectives, including widening access, social inclusion and stability in the financial health of colleges.

The Strategic Framework for Further Education (Scottish Executive 1999) establishes a vision for further education provision in the new millennium. The Strategic Framework identifies several key themes including: wider access to lifelong learning, accessible provision, vocational and personal development, the highest standards of governance and management, and effective collaboration among colleges and between colleges and other agencies. Under the heading of co-ordination and collaboration, Ministers wanted colleges to improve standards of management and governance and collaborate more, both with each other and with other sectors. A commitment to improving standards and quality was also be integral to the Strategic Framework.

In 1999-2000 a major review of the management of FE colleges was conducted by the SFEFC (SFEFC 2000), its remit was to:

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- Assess the effectiveness of current management of colleges;
- Identify what range and mix of management skills, structures, systems and processes would best serve colleges;
- Suggest how the management performance of colleges might be measured and monitored;
- Make recommendations as to how best management practice can become the norm and how shortcomings can be identified early and addressed.

Colleges were encouraged to provide a slimmer, strategic plan, covering the key elements: policy and the market context, performance review, strategic objectives for the planning period, and a statement on governance, management and quality assurance. The strategic plan should be supported by operational plans for internal use.

Individual colleges contract with the SFEFC on an annual basis for delivery of a fixed volume of learning activity and SFEFC grants represent the core funding of Scottish further education colleges. Many colleges also carry out higher education activity and most have developed additional income streams through international recruitment, local enterprise company funding and other knowledge transfer activity.

Audit Scotland (2001, p.5) highlighted the poor financial performance of the sector. Colleges operated in deficit from 1994-5 with the deficit peaking to £23 million in 1989-9. In 1999-2000 the deficit reduced to £16 million but 34 colleges retained an operating deficit. In December 2002 SFEFC intimated that there would be an allocation of £26 million to colleges to achieve lasting financial security. Colleges were expected to use their allocations to fund one-off investments that would improve their financial position. As a consequence, 38 of the remaining 42 incorporated colleges met SFEFC's definition of financial security by 31 July 2006.

The Scottish Parliament Audit Committee's consideration of the Audit Scotland Overview of Further education College Accounts for 1999/2000 resulted in a series of recommendations on accountability and financial control in the FE sector. The Scottish Executive responded by announcing a review of governance and accountability arrangements within the FE sector which led to a series of changes including restricting the maximum tenure of members of

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boards of management to eight years and creating the Ministerial power to remove board members.

In March 1999 Ministers asked SFEFC to undertake a major review of the management of Scotland's FE colleges. The report entitles **The Way Ahead** was published in September 2000 (SFEFC 2000). In the report (ibid., p.5) a series of challenge questions are directed at boards of management and college principals to allow them to assess their practices. The responses to the questions provided the basis for each college developing a Management Action Plan through which it can initiate managerial changes. These action plans are now incorporated into the Annual Strategic Plans which individual colleges submit to SFEFC for approval.

In 2000 SFEFC completed a review of the links between the supply and demand for further education in Scotland. The purpose of this was to inform the strategic planning process in order to enhance the adequacy and efficiency of the sector. Audit Scotland (2003, p.5) highlights initiatives in relation to mergers and the optimisation of resources including joint curriculum development in particular geographic locations. This is a radically different approach to FE from the mid-1990s where college operated as independent businesses in competition with other colleges and other education services. The funding of Scottish further education is now the responsibility of the Scottish Funding Council which brings together the activities of the Scottish Further Education Funding Council and the Scottish Higher Education Funding Council.

THE NEW PUBLIC MANAGEMENT OF SCOTTISH FURTHER EDUCATION, 1979-2004: CONCLUSIONS

The empirical evidence gained from this study leads the authors to conclude that managerialism is now widely accepted as a necessity for an effective further education system both within colleges and by stakeholders, particularly funders. The various respondents believe that the environment of public management now necessitates managerialism as decision-making is delegated and decentralised.

The evidence clearly indicates that Government, funders and government agencies have not always benefited from the new managerialism. But from the late 1990s college managers, at various levels, began to benefit from the internal use of performance indicators and improved management practices.

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This research has demonstrated that the perceptions of managers and stakeholders is dynamic and has changed over the period from 1993 and further education college incorporation. The attitude changes are closely linked to the process of public policy implementation and to the personal experiences of the managers and stakeholders

The evidence of this case study of the further education system clearly indicates that there has been partial failure of policy implementation in that there has been passive resistance to change from managers and other stakeholders. In relation to public policy on Scottish further education, the policy has been effectively implemented as all colleges, the Funding Council and the Scottish Executive have radically changed their management practices. The extent to which the policy has been implemented as intended remains open to debate. The policy outcome is very different from the intentions of the early 1990s and this may support the 'bottom-up' view of policy as determined by the actors responsible for implementation. However, there remains a strong 'top-down' influence certainly on the initial policy formulation and on its early implementation. The public policy has evolved since the 1990s and will continue to do so. If the public policy objective was to establish New Public Management in further education without being too prescriptive then it has succeeded. Lessons can be learned from this study to inform changes in policy formulation and policy implementation. The delay and partial failure in part is attributable to poor policy design but is also attributable to the inadequate consideration of the policy-action continuum in the context of the changing nature of public management.

Using Hood's (1991) framework of the doctrinal components of New Public Management specific comments can be made on the extent to which Scottish further education was distinctive in its implementation of New Public Management.

The 'unbundling of the public sector into corporatised units organised by product' component is justified by the advocates of the New Public Management on the grounds that it allows public sector units to become more manageable and to focus blame. The operational significance of this includes the erosion of single service employment and devolved budgets. The implementation of the system of performance management in Scottish further education was a necessary part of this 'unbundling' process. Colleges moved from local authority control to individual college incorporation. To achieve this the Government had to have a means of monitoring the performance of each individual college and to allow cross college comparisons. Therefore there was

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a need for a standard suite of performance indicators. The New Public Management model necessitates the retention of control by government and funders. For college incorporation to work there had to be a system of performance measurement.

The 'more contract based competitive provision with internal markets and term contracts' component is central to 'public choice theory' as it is based on an assertion that rivalry is the key to lower costs and better standards with contracts as the key to explicating performance standards. There has to be more stress within the public service on identifying costs. The initial changes in Scottish FE in the mid-1980s focused on the costs associated with further education provision. In order to accommodate the component there has to be a means by which costs can be identified by providers and funders. This therefore requires performance management systems which incorporate unit costs data. The Scottish Office Education Department prescribed a suite of performance indicators did this.

The 'stress on private sector styles of management practice' component requires the application of proven management tools in the public sector. The implication here is on a range of management tools and techniques. Performance measurement is only one such tool but is nevertheless an important one.

The 'more stress on discipline and frugality in resource use' component is about cost-reduction and efficiency gains. This was clearly a concern of many academic commentators writing about the performance management systems of the 1980s. This focus on economy and efficiency is aided by performance measurement systems that have a capacity for focusing on inputs and outputs.

The 'more emphasis on visible hand's-on top management' component requires more active control of public organisations by top managers who are known to the organisation's members and who make use of discretionary power. In order to exercise control such managers require performance management systems that incorporate performance indicators.

The 'explicit formal measurable standards and measures of performance' component requires performance indicators, inspection and audit as the key tools by which this component is monitored.

The 'greater emphasis on output controls' component attempts to control public organisations in a more 'homeostatic' style according to pre-set output

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measures. These target output measure must be compared to measures of actual output achieved through the use of performance reporting.

The New Public Management model therefore tells us that in order to facilitate the key components of New Public Management a public sector organisations must have in place a system of performance management. In relation to Scottish further education, the various changes experienced by the system in the 1980s and 1990s were clearly part of the New Public Management being introduced throughout the UK public sector and therefore Scottish further education was not particularly distinctive in its adoption of the new managerialism. Effective implementation had to take place at an early point in the move to further education college incorporation. This was the plan of government implemented by the Scottish Office and the inspectors of education. The system of performance indicators could have been implemented earlier and more effectively but college managers resented the 'top-down' approach of the Scottish Office.

The implementation of the new managerialism in Scottish further education was achieved because, without it, the range of changes in Scottish FE provision desired by the government of the day could not have been fully realised.

The implementation of New Public Management over the period of this study reveals changes in stakeholder perceptions. Initially the system was very much a matter of performance governance led with clear evidence of 'top-down' public policy and a focus on economy and efficiency. Gradually there emerged 'bottom-up' elements with the greater use of consultation and joint working parties. Further education management systems slowly changed to embrace effectiveness and quality performance indicators. This could be considered to be a reflection of a softening of the New Public Management. New Public Management is not a rigid, static paradigm; it developed in different ways in different countries. This study reveals that New Public Management developed in different ways within the UK. Some areas of the public sector were subject to much more contract-based competitive provision than Scottish further education and therefore Scottish further education was different in some respects from other areas of the public sector. However, the further education system, once detached from local government, experienced more fundamental and more rapid change than other areas of the public sector and certainly the changes were more radical than those experienced by other sectors of the Scottish education system (schools and universities). Scottish further education was little different from the changes to further education in England and Wales introduced by the Education Act 1988.

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The Scottish further education system is responsive to environmental influences. This study confirms that changes did take place in the performance management system that resulted in changes in stakeholder perceptions of the management of Scottish FE. The implementation of the system over a 25-year period reveals a link between performance monitoring and management and the nature of the New Public Management. The performance management system is itself a good reflection of dominant ideologies and government policy. The Blair Governments have moved back from the 'New Right' version of New Public Management and this is reflected, among other things, in the features of the performance management system and in its implementation. New Public Management in the UK today has changed in response to local, national and global influences. The implementation of New Public Management in Scottish FE reveals that the New Public Management has moved to incorporate stakeholder pressures. Scottish FE now clearly displays features of performance management and performance governance but there remains little evidence that consumerism, quality and responsiveness are real features of the system. It may be that there is a time lag between the performance management system, stakeholder perceptions and changes in the New Public Management. There is obviously a desire on the part on many governments to modify the New Public Management components to adjust to changing environmental circumstances. The implementation of Scottish Funding Council accountability requirements will be a good indicator of the extent to which New Public Management has changed. When the performance management system develops to further accommodate consumerism, quality, responsiveness, policy outcomes and stakeholder perceptions then Scottish further education can be considered to be embracing all three potential dimensions of performance management systems. At this point in time New Public Management in Scottish further education has changed from the early post-incorporation (1993) period. Hood's (1991) 'Doctrinal Components' have been modified in their operational implications by the changing context of public policy and public management in Scotland and the United Kingdom.

This research provided evidence that senior managers in further education believe that changes to the system of Scottish further education were initially introduced to support the political and economic objectives of the Conservative Governments 1979-97. This research also establishes that there is no doubt, in the minds of the respondents, that the driving forces behind the introduction of changes in Scottish further education were political and economic. Few of the respondents believe that quality and responsiveness were behind the changes despite the Conservative government's rhetoric. The Conservative government

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wanted to make further education less costly and more business-like and the Scottish Office was responsible for developing ways of implementing this policy in Scotland.

If the objective was to improve the quality of further education services then the policy has been a failure. Implementation failure is the result of a failure on the part of policy-makers to understand the actual conditions under which further education services are delivered. Few internal stakeholders in further education believe that at this point in time the further education service is providing an improved learner experience. Further education in Scotland is much more efficient than it was 25 years ago and this efficiency has allowed colleges to respond to Government employment and training initiatives. Capacity has increased but this increased volume of output may have had negative effects on output quality and on staff morale and motivation. The 'report card' on this policy would have to conclude that further education has achieved some success but there is scope for improvement in quality and performance.

In terms of adding to the body of knowledge on public policy, this study of Scottish further education shows that in the changing world of public management the tools of public policy implementation are slow to change. This research clearly demonstrates a 'top-down' approach to policy formulation and implementation over a 25-year period on the part of Government and funders. But the failure to achieve in certain policy objective areas must lead to the conclusion that there are lessons to be learned that could inform policy formulation and implementation. Public managers still find their relations with central government, government agencies and funders to be that of principal and agent. Public managers still have little discretion, as their activities are pre-determined by Government policy and limited by official guidelines. Further education managers remain accountable to the Scottish Funding Council for their actions. Public managers are 'mandated', managers are substantially empowered by specific legislative provisions and required to operate within the limits of their delegated authority. Further education managers should have been more involved in college incorporation, and had this been done then there would have been a greater sense of ownership of the FE system and consequently more commitment to the changes and much less resistance. This combination is more likely to achieve successful implementation by promoting a sense of policy ownership.

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