Obstacles to the Administrative Modernization Process in Germany

ABSTRACT: According to two surveys of the German Association of Cities among its members in 1994/95 and 1996, the number of medium-sized and big cities pursuing administrative modernization is impressive and still rising. Yet, the data also point out implementation problems of the new steering model, which is the German variation of new public management. First, financial crisis is the most common reform motive. This implies that most reformers rather focus on ‘hard’ management areas like financial management and neglect human resource management. Secondly, the data give evidence that the new steering model still has a critical mass of scepticism in local government councils. As a consequence, the re-engineering of the relationship between the administrative staff and local council members is very much deficitary. Also decentralized resource management usually boils down to the reduction of household titles and lump-sum budget cuts. This raises many questions on the democratic accountability of local government reforms in Germany.

After long years of NPM abstinence from the German public sector, NPM finally entered on the level of local governments in the form of the “new steering model” in 1991, and has reached a tremendous diffusion since then. This German ‘agency’ model recommends organizational decentralization even for the core administra-
tion of German municipalities with the aim to increase managerial responsibility and political accountability. According to a survey of the German Association of Cities (Deutscher Städtetag) in 1994 and 1996, the overwhelming majority of its member cities have engaged in NPM-related activities. Does this imply that NPM is a success story in Germany?

From an international comparative perspective, the process of administrative modernization in Germany is still characterized by a ‘bottom-up’-bias—the modernization activities unfold on the local level are not matched by administrative modernization on the state and federal level. Up to the present, only little dynamics can be observed on these higher levels, so that it might be a euphemism when we spoke about a ‘bottom-up’ revolution in Germany some time ago (Klages and Löffler, 1995: 375). There are not enough indications yet whether the modernization process in Germany will eventually move upwards. At present, the modernization gap between the local level and the state administration seems to broaden.

This modernization gap running through the German administrative system leads right into issues of implementation: Administrative modernization in Germany has been nourished by a ‘competition of different new steering models’ which, however, are enrooted in the new steering model of the Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung (Local Management Co-op, KSGt.). Other management systems such as quality management and re-engineering are rarely found in the German public sector.

It is still to early to answer the question whether, ‘... people misunderstand the model or whether the model misunderstands people’ (Caiden, 1991: 16). The process of implementing the new steering model is still on the way and needs some more years to realize tangible outcomes and impacts. Nevertheless, the implementation process of the new steering model has reached a stage where critical points of the reference model become visible.

The aim of this article is to analyze these critical points of the new steering model and to consider which strategies are available to overcome these implementation difficulties. The article starts by describing the new steering model which gives the theoretical and practical reference model for administrative modernization in Germany. It then details perceptions of various stakeholders by presenting the results of two empirical surveys of the German Association of Cities (Deutscher Städtetag). Two critical points of the new steering model, which have the potential to become serious implementation barriers and to impede structural reforms within public organizations are discussed: (1) the tension between financial and modernization goals of the new steering model and (2) the relationship between politics and administrative management. The article concludes by showing strategies to give a new momentum to the process of administrative modernization in Germany which is currently jeopardized as a whole by implementation problems of the new steering model.
THE NEW STEERING MODEL AS THE GERMAN VARIATION OF NPM

The Logic of the New Steering Model

Compared to the strong emphasis on the ‘marketization’ of the public sector in Great Britain and New Zealand, NPM in Germany is basically managerial-driven. In spite of some large privatizations like German telecommunication and railways, public sector policy and management have chosen the principle “free to manage” (Hood, 1990: 213) rather than the principle “free to choose” (p. 213). This is also the political course of the German civil service union (ÖTV), which, facing the danger of potential privatizations, is in favor of internal administrative modernization. The only driving force for cut-back policies aimed at reducing the net total indebtedness of the public sector of Germany are the establishment of the European monetary union scheduled for 1 January 1999 and the ensuing need to fulfill the Maastricht convergence criteria.

The Modernization-Gap in Germany can be Explained Along Two Major Lines: Germany is a federal state with a specific division of powers and functions between the Federation and the Länder (Schröter and Wollmann, 1995: 2f.). According to Art. 30 in connection with Art. 83 of the German constitution, administrative functions fall in principle to the Länder. Hence, the federal government has no hand in the execution of federal legislation and programmes which is the sole responsibility of the Länder. This means that the British agency model is already realized in the German state administration as the federal bureaucracy has always been concentrating on policy-formation and advice whereas the implementation of federal laws is the task of the Länder bureaucracy. The federal structure of the German political system has second important implication: Policy-making is characterized by a hybrid and rather unwieldy network configuration (Lehmbruch, 1991: 146), which makes radical top-down reforms impossible. Summing up, due to the institutional features of the German political system there is less “motive” and “opportunity” (Hood, 1995: 106) for NPM reforms in the state administration.

On the local level, however, political and administrative actors have more degrees of freedom in Germany relative to other countries. Because of the constitutionally guaranteed principle of ‘local self-administration,’ municipalities have the autonomy to decide on all matters relevant for their local community (von Saldern, 1994). Nevertheless, this local self-administration has been eroded: the development of the welfare state and the economic crisis has augmented social transfer payments of municipalities and diminished their tax base at the same time (for a detailed survey on the financial situation of German municipalities, see Karrenberg and Münstermann, 1994). These financial constraints have also changed the rules of the game for local politicians: the issue is rather to do crisis management than developing ambitious policies.

Taking into account these constraints, it is not surprising that the new steering model of the Local Management Co-op, KGSt.), which is a voluntary association
of more than 1400 municipalities, has received a lot of interest on the local level. This model is derived from the organizational model of the Dutch city of Tilburg (Blume, 1993), which again has its roots in private sector corporate models.

It is important to note that the new steering model does not so much focus on the improvement of micro-economic efficiency but on problems of political accountability and legitimacy (Jann, 1995: 8f.) The traditional bureaucratic way of steering was perceived as a system of ‘unorganized responsibility’ (Banner, 1991), resulting in inefficient service delivery. Thus, the logic of the model is that clear cut responsibility will improve the democratic quality of local government and indirectly result in efficiency gains. The idea is that the new steering model enables the customer as part of the citizen to control the efficient provision of local services by opening up new exit and voice options. Also the citizen as voter is enabled to better control local politicians because of increased transparency of political goals, outputs and costs. This again provides that politicians formulate and stick clear political goals and refuse from hidden interventions.

Figure 1 shows that the involvement of citizens and politicians are vital for the functioning of the new steering model. With regard to implementation this implies that it is insufficient to focus on administrative personnel solely. Also, politicians and even citizens need information if not even training to be able to adopt new roles. For example, customer surveys only provide valid and useful feedback information for municipal administration if citizens learn to distinguish between the political accountability for the municipal service and product program and the administrative accountability for service and product delivery. This gives the framework for the building blocks of the new steering model, with the following components:

1. Personnel Management: The new division of roles and increased managerial autonomy demand highly motivated and qualified employees. Thus, in the logic of the model, training becomes the basic requirement to put the new steering model into practice.

2. Decentralized Structures: Individual responsibility presupposes decentralized structures giving employees managerial freedom to run their business.

3. New Steering System and Instruments: Formerly bureaucratic control by norms has to be replaced by performance agreements ensuring the internal accountability of (semi)autonomous employees and administrative units.

\[\text{citizen} \quad \text{political control} \quad \text{city council} \quad \text{administration} \quad \text{economic control} \quad \text{customer}\]

\text{transparency}

\text{Figure 1. } The Basic Logic of the New Steering Model
4. **Output- and Customer-Orientation**: Transparency on outputs, their costs and impact on customers is an important element to insure internal and external accountability of public service provision.

5. **Strategic Management**: Managerial autonomy of employees supposes that the political and administrative top management stop managing details and learn steering at arm’s length.

A comparison of these basic elements of the new steering model with Hood’s list of typical NPM doctrines (Hood, 1991: 4f.) shows that shift to greater competition in the public sector and stress on greater discipline and parsimony in resource use do not figure as central elements of the new steering model. This is not surprising since micro-economic efficiency is sought to be realized through the back-door of well-defined political and managerial responsibility and accountability. This conception has important consequences for the implementation of the new steering model.

**THE ROLE OF THE NEW STEERING MODEL AT THE LOCAL GOVERNMENT LEVEL**

The new steering model was marketed extensively by the Local Management Co-op, KGSt.) among its local government members. Meanwhile the new steering model has advanced to the almost exclusive model of internal modernization of German local governments. In 1996, every second municipality with more than 5000 inhabitants tries to put the one or the other element of the new steering model into practice.

What were the reasons and the goals of the numerous modernization activities on the level of German local government?

The figures show that the financial crisis of local governments has been the most important reason for initiating modernization projects. Dysfunctional administrative structures and lacking transparency of administrative acts have gained in importance as modernization motives. One could be tempted to assume that these motives also define the goals of modernization activities. However, as the tables show, the challenges to public administration do not necessarily determine the goal of modernization activities.

The main goal pursued with modernization projects is to transform local bureaucracies into efficient and effective service provider enterprises. Nevertheless, the consolidation of local government households has gained in importance and has become the second-important goal of modernization activities.

The fact that unpopular savings are not the primary goal of modernization activities of most German municipalities does not mean that the new steering model is accepted among various actors on the local level. As two empirical surveys of the
Table 1. Reasons for Modernization Activities of German Cities in 1994/95 and 1996 (in percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Crisis</th>
<th>Organizational Structures Dysfunctional</th>
<th>Lacking Citizen Responsiveness</th>
<th>Lacking Transparency of Administrative Acts</th>
<th>Lacking Motivation of Employees</th>
<th>Lacking Attractiveness for Economic Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994/95</td>
<td>82.6</td>
<td>47.7</td>
<td>39.5</td>
<td>32.3</td>
<td>14.9</td>
<td>6.7</td>
</tr>
<tr>
<td>1996</td>
<td>89.4</td>
<td>67.0</td>
<td>38.3</td>
<td>53.3</td>
<td>23.3</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Source: Survey of the German Association of Cities, unpublished manuscript.

Table 2. Goals of Modernization Activities of German Cities in 1994/95 and 1996 (in percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher Efficiency/Effectiveness</th>
<th>Customer Orientation</th>
<th>To Cope with Financial Crisis</th>
<th>To Increase Motivation of Employees</th>
<th>Improve Attractiveness for Economic Investors</th>
<th>Increase Transparency of Administrative Acts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994/95</td>
<td>92.6</td>
<td>58.9</td>
<td>49.1</td>
<td>18.3</td>
<td>—</td>
<td>28.6</td>
</tr>
<tr>
<td>1996</td>
<td>97.1</td>
<td>68.6</td>
<td>77.6</td>
<td>34.8</td>
<td>4.3</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Survey of the German Association of Cities, unpublished manuscript.

The German Association of Cities (Deutscher Städtetag) shows there is still a lot of scepticism among local governments employees and politicians.

The figures clearly show that the new steering model met a considerable ‘human barrier’ in the administrative units of local governments but also a critical mass of scepticism in the political arena in 1994/95. However, both barriers seem to become weaker over time.

Which are the modernization fields that are most important to German cities? Table 4 shows that cities concentrate their ongoing and future activities on cost accounting, organizational development and personnel development whereas controlling and the relationship between politics and administration are considered to be more difficult issues and are still in a planning stage.

How can these empirical results be interpreted? The survey suggests that especially highly indebted cities are prone to launch modernization activities. This hypothesis is confirmed by the applications to the 1st and 2nd Speyer Quality Award, where financial pressures and the intensity of modernization activities correlate positively. However, these municipalities mainly pursue modernization projects in order to improve the image of the local government by striving towards a new administrative paradigm. Economic savings are only secondary—the City of Saarbrücken even admits openly that quality is more important than costs (Hirschfelder, 1995: 210). These empirical results are very much consistent with the intention of the new steering model to improve the political and administrative legitimacy of local governments.
Table 3. Acceptance of Modernization Activities of German Cities in 1994/95 and 1996

<table>
<thead>
<tr>
<th>Year</th>
<th>Skepticism among Public Employees</th>
<th>Skepticism of Local Politicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994/95</td>
<td>51.8%</td>
<td>34.4%</td>
</tr>
<tr>
<td>1996</td>
<td>37.0%</td>
<td>29.1%</td>
</tr>
</tbody>
</table>

Source: Survey of the German Association of Cities, unpublished manuscript

Table 4. Focus of Modernization Activities of German Cities in 1996 (in percent)

<table>
<thead>
<tr>
<th>Modernization Field</th>
<th>Modernization is Realized</th>
<th>Modernization is Pursued</th>
<th>Modernization is Planned (High Priority)</th>
<th>Modernization is Planned (Low Priority)</th>
<th>No Modernization Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Accounting</td>
<td>2.4</td>
<td>47.1</td>
<td>37.1</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Personnel Development</td>
<td>6.7</td>
<td>37.8</td>
<td>37.1</td>
<td>6.2</td>
<td>12.4</td>
</tr>
<tr>
<td>Organizational Development</td>
<td>6.7</td>
<td>46.2</td>
<td>28.6</td>
<td>6.7</td>
<td>11.9</td>
</tr>
<tr>
<td>Controlling</td>
<td>7.1</td>
<td>17.1</td>
<td>23.3</td>
<td>19.0</td>
<td>33.3</td>
</tr>
<tr>
<td>Relationship between Politics and Administration</td>
<td>5.2</td>
<td>21.0</td>
<td>36.2</td>
<td>11.9</td>
<td>25.7</td>
</tr>
</tbody>
</table>

Source: Survey of the German Association of Cities, unpublished manuscript.

It is much more difficult to interpret the increasing acceptance of the new steering model among administrative employees and and local politicians over time. At a first glance, one might come to the conclusion that the insecurities any organizational change brings about have lessened and that employees as well as politicians see more and more personal gains from emerging new rules of the game. As Table 4 shows, this hypothesis is tenable for employees since personnel management has gained in importance over time. Apparently, the administrative top management has realized that the modernization process requires highly motivated employees and that they need to invest in personnel development to remedy the 'motivational gap.' However, Table 4 relating to fields of modernization activities suggests a different interpretation concerning the perception of the new steering model among local politicians. Politicians have become less cautious about the new steering model because the new labour division between politics and administration does not take place and is only secondary in the modernization activities of administrative top management. In other words, politicians continue to make politics in the traditional way while using administrative modernization to make large budget cuts.

All in all, one can state that the implementation of the new steering model has resulted in an introverted administrative modernization. It is striking that the main purpose of the new steering model to bring about a better labour division between
politics and administration has not been achieved, which implies that also secondary micro-economic efficiency goals could not be achieved.

Thus, the question arises if the German way of putting NPM into practice was a wrong one? Or to formulate this question differently: Is the British way superior, which centers on efficiency gains in the first place (FMI) and ensures political accountability in the second place (Next Steps, Citizen’s Charter)? In this article it will be argued that given the institutional and cultural background variables of the German administrative system (Loughlin and Peters, 1997), the British way of implementing NPM is a non-solution for Germany. There is still some potential for the German way of implementing NPM if both administrative scientists and change agents work on the critical points of the new steering model. These critical points are seen in the plurality of partially conflicting goals inherent in the new steering models, in particular between economic and social goals as well as in the one-dimensional rationality of the new steering model.

CRITICAL POINTS OF THE NEW STEERING MODEL

Perversion of Goals

It was mentionned above that the new steering model has failed to bring about the secondary efficiency gains because crucial elements have not been put into practice. Most local politicians perceive this failure not as an implementation problem but as a deficit of the new steering model itself. On the one hand, local politicians still want to ‘market’ the transformation of unpopular bureaucracies into modern public service providers; on the other hand, they face increasing fiscal pressures and the need to make massive savings. Thus, at present administrative modernization serves two conflicting two purposes: while the administrative management hopes to bring about medium-term efficiency gains, local politicians (mis-)use administrative modernization primarily for cut-back strategies to reduce deficits.

This dual strategy has repercussions on the process of administrative modernization itself: managerial instruments like the introduction of platform budgets are more promising to realize short-term financial goals than costly modernization fields such as human resource management. In contrast to the traditional input-oriented budgets, platform budgets no longer specify for what kind of activities the appropriated budget shall be used. At the same time, however, platform budget do not contain product definitions either, i.e. they do not define a priori the nature, quantity and quality of the performance to be achieved with the given budget. Not surprisingly, politicians find this kind of NPM very suitable for their cut-back strategies: platform budgets can be cut effectively from the top and relieve politicians to negotiate on hundreds of inputs with bureaucracy. Besides this, given decentralized responsibility for outputs, politicians can easily declare administrative managers to be the scape-goat for reduced levels of outputs (the German language does not distinguish between accountability and responsibility).
This present perversion of NPM is the consequence of leaving local politicians out of the game. They have not yet been given the opportunity to understand the new rules of the game. Empirical evidence of two international surveys on the implementation of NPM (Löffler, 1997) reveals that in all OECD countries, elected political bodies have not adjusted to the new realities in the public administration. Parliamentary structures, budgetary and legislative steering as well as parliamentary control have remained largely unchanged even though they are increasingly recognised by MPs as being inappropriate. At present, two major adjustments of elected political bodies may be observed.

One trend is to structure parliamentary committees mirror-like to executive departments. Apparently, this has been considered as a prerequisite to allow elected political bodies to supervise the (written or unwritten) performance contracts with executive departments. The elimination of cross-section committees, however, may result in a loss of political co-ordination and decrease the effectiveness of political programmes. The other trend is to soften the initiative monopoly of the executive in defining the budgetary framework, which means that the executive and legislative decide jointly how much money to spend in a fiscal year. In Germany, the City-State of Bremen (Der Senator für Finanzen der Freien Hansestadt Bremen, 1995) and the City of Detmold (1996) have become models for this new budgetary procedure. After this top-down initiative, administrative agencies 'fill up' the departmental budgets with products. This bottom-up initiative is again debated in elected political councils and respective committees until an agreement on the product-oriented household has been reached. Also in these cases, more managerial freedom of the administrative agencies is purchased for less money to spend.

Another question is whether politicians are willing to accept the new rules of the games. This leads to the issue of conflicting values and rationalities.

Conflicting Rationalities?

Most of the scientific discussion has focussed on the question whether the NPM paradigm can be reconciled with the Weberian bureaucratic model (Reinermann, 1993; Lane, 1994; Barzelay, 1992). The concern was that the management state does not meet non-pecuniary values such as legality and equity (Lane, 1994: 9). Surprisingly enough, the numerous lists of NPM features were never juxtaposed with policy models of the 1970s. In spite of the negative experience with PPBS in the 1970s, the political sphere has not considered as a structural problem in the NPM discussion (Klages, 1995). The assumption was that managerial rationality is only a matter of knowledge and qualification.

Meanwhile, there is a lot of empirical evidence that the separation of the 'what' from the 'how' is not as trivial as conceived in the new steering model. Analyses of the policy-making process (Knoepfel, 1995; Baier, March, and Sætren, 1994) show that any simple concept of implementation with its implicit assumption of clear and stable policy intent is misleading.
There are two strands of arguments that are offered for the failure to introduce the politics-administration dichotomy through an instrumental approach. On the one hand, it is hypothesized that politics and administration have different rationalities: whereas administrative management treats its operational situation as an externally given set of opportunities and constraints and decides on resource allocation within it, politics cannot make ceteris paribus assumptions. Thus, the politics-administration distinction is a distinction between “micro- and macro-management processes” (Metcalf and Richards, 1995: 117). Individual organizations are the unit of management at the micro-level while at the macro-level the unit of management is the network of organizations. On the other hand, it is hypothesized that politics and administration have the same rationality, which is, however, contrary to the managerial rationality of the new steering model: policy ambiguity is both functional for policy-makers and administrators (Baier et al., 1994: 167f.). At this stage, we are not able to verify any of these hypotheses due to a lack of systematic theorizing. Nevertheless, it is evident that these issues have important implications for the conception of public management models and have to be tackled by social scientists.

CONCLUSIONS: THE DANGER OF A TOP-DOWN COUNTER REVOLUTION

In spite of all the difficulties with the implementation of the new steering models in the German administrative practice the main danger for the modernization process of the German administrative system is to be seen in the scepticism towards NPM of the state administration. Even though the German local level is not the instrument of the state administration, Länder legislation may close down experimental fields opened for municipalities in the form of ‘experimental clauses.’ In contrast to Great Britain, NPM reforms in most cases require legal changes or even amendments of the Constitution in Germany. Last but not least, the debate on the pros and cons of NPM has finally become a ‘fight’ between the law and social science profession in the German scientific and administrative landscape. This critical climate and the severe implementation problems of the new steering model discussed above could result in a gradual top-down counter-revolution.

What are possible strategies for a sustaining development of New Public Management in Germany? On the implementation level, it is important that modernization projects are structured in short stages with concrete goals. By doing so, administrative change agents are able to show tangible results of modernization projects to political actors. On the political program level, administrative modernization has to reach beyond the bureaucratic community and become a political modernization as well. Politicians have to be informed about the political implications of NPM and have to become acquainted with the new steering instruments.
These are global implementation problems of NPM. However, their solution has to be country-specific. For example, the introduction of the politics-administration dichotomy poses different questions to parliamentary systems where the government is part of the parliament than in a presidential system with a clear separation of powers between executive and legislative. Also, the assessment and evaluation of NPM reforms has to consider the institutional context of reforms and the history of previous reforms. The need to adopt specific NPM elements may be different from country to country.

Implementation problems and their solution is contingent on the specific political and administrative environment. It seems that the time is ripe for administrative sciences to 'reinvent' the contingency approach and apply it to New Public Management.

REFERENCES


