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Effective use of resources in the public management sector in Norway

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Abstract

Background: The public sector in Norway has undergone a number of renewals and restructuring processes during the last few years. This development is referred to as New Public Management, and has resulted in more competition, the need for adaptations to the market, and several new organizational forms. Purpose of Study: To discuss effective use of resources in the public management sector in Norway. Sources of Evidence: One key aspect in the public sector is that in addition to emphasizing good service, the public sector also has an additional responsibility to provide an additional service or an extended product to its customers. A problem in this context may be to measure the effectiveness of this due to vague and unclear goals. Another important aspect when it comes to efficient use of resources in the public sector is that it may be difficult to observe or verify what the quality of a product or service really is. It could therefore be problematic to draw conclusions about what effective use of resources really is. Main Argument: Regardless of how one chooses to define efficient use of resources in the public sector, it will be up to the politicians to decide whether the services provided by the public sector have a high enough value in relation to the actual use of resources. Conclusions: We conclude that there exist several major challenges regarding how to measure the creation of value in the public sector within the domain of New Public Management.

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1. Introduction

In recent times, the Norwegian public sector has undergone a number of changes and renewals. This has resulted in more competition, the need for adaptations to the market, and new organizational forms (Hillestad, 2003). The

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development that the Norwegian public sector has undergone has been designated "New Public Management" or NPM (Christiansen & Læg Reid, 1999). The basic idea within NPM is that the public sector can be made more efficient through adopting organizational structures from the public business sector and the private business sector (Busch, Johnson, & Vanebo, 2002). The Norwegian public sector has steadily grown during the postwar period, and this has led to an increasing demand that resources must be utilized better (Forsvarsdepartementet/Forsvarets Overkommando, 1992). In other words, the overall objectives of the ongoing restructuring process in the public organization are to modernize, to streamline and to simplify (Norman, 2002), and thus to control resource usage in such a way that added value becomes optimal. This added value is the result of a value creation process where one has added "value" in the form of special characteristics (Forsvarsdepartementet/Forsvarets Overkommando, 1992). The goal then becomes a better and more efficient utilization of the public sector's total resources (Hillestad, 2003). Factors such as economy regulations, organizational and decision-making structures, responsibilities and follow-ups will affect to which extent government entities will manage to achieve a better utilization of the allocated resources. The purpose of this study is to discuss effective use of resources within the public management sector in Norway. To answer this question we will first make delimit our field of study. Then we will define the key terms that will be used throughout the paper. Furthermore we will explain what is meant by effective use of resources in the Norwegian public sector. Finally, we will end with a conclusion in this paper.

1.1. Delimitation

This paper will look into the public management sector in Norway. We will further use the public sector as an umbrella term, and therefore will not account for any specific businesses. As we are focused on the effective use of resources within the public sector, we will not in this paper explain efficient use of resources within the private business sphere. A further delimitation appraisal in this paper will be to account for effective use of resources in relation to what is referred to as external efficiency, i.e. so-called benefit cost. The reason for this limitation is that it is relatively easy to measure the internal effect, i.e. productivity, but it is harder and much more important from a societal perspective to define the user and societal benefits that are the desired outcome of an efficient use of resources in public business. Through the so-called result chain it emerges clearly that social effects are a consequence of pursued productivity or performance of services (SSØ, 2006). It thus appears to us as logical to restrict the paper to explain how social effects such as welfare or the creation of value can be achieved through effective use of resources within the public sector.

1.2. Definitions

The term "effective" can be defined in many different ways. A basic definition is the following by Busch, Johnson, and Vanebo (2002): Effectivity equals the creation of value divided upon resource usage. A further operationalization of the concept of effectivity is the following: "Effectivity is the overriding criterion for good governance, and is about the extent to which the achievement of business objectives is relative to the resources used" (our translation) (SSØ, 2006, p. 22). External effectivity can be defined as cost/benefit effectivity (SSØ, 2006). Cost/benefit effectivity means that the benefits of raising the stakes with one sum of money within an area shall not be greater than the benefits of raising the stakes with another sum of money within another area. Cost/benefit effectivity is thus a criterion for optimal sizing of the public efforts (NOU 2003: 6). Resource utilization can also be defined in several ways. Resource use can be specified in quantity or in money and are factors that are consumed in the process of creating value (Busch, Johnson, & Vanebo, 2002). Public enterprises are defined as consisting of several parts. These parts are respectively the municipal sector, the government sector and public corporations (Busch, Johnson, & Vanebo, 2002).

2. The superordinate goals and strategy for an efficient use of resources in the public sector

The overall goals and strategies to achieve efficient use of resources in the public sector are determined through the state budget and through parliamentary resolutions. The Norwegian Ministry of Finance will establish the superordinate goals to be reached in the budget period. Furthermore, the same proposition also determines which

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