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**How to cite this publication**

Please cite the final published version:

Pedersen, KH and Johannsen, L (2018). New Public Governance in the Baltic States: Flexible Administration and Rule Bending. *Public Performance & Management Review* XX(X), 1-20.  
<https://www.tandfonline.com/doi/full/10.1080/15309576.2018.1465828>

## Publication metadata

<b>Title:</b>	New Public Governance in the Baltic States: Flexible Administration and Rule Bending
<b>Author(s):</b>	Karin Hilmer Pedersen and Lars Johannsen
<b>Journal:</b>	Public Performance & Management Review
<b>DOI/Link:</b>	10.1080/15309576.2018.1465828
<b>Document version:</b>	Accepted manuscript (post-print)

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## **New Public Governance in the Baltic States: Flexible administration and Rule Bending**

**Karin Hilmer Pedersen and Lars Johannsen**

### **Abstract**

The New Public Governance approach advocates a more flexible and participatory public administration as means to higher efficiency and increase legitimacy. Increasing flexibility and thereby public employees' discretion may, however, pose a risk to equality and impartiality, core values in democratic and rule of law societies. Using a survey among Baltic public employees, this article explores this risk. We ask if public employees' preferences for flexible rule application go hand in hand with accept of bending rules, even if it means a breach of impartiality. We find that this is the case. We also find that in contrary to what the New Public Governance approach expects, neither citizen participation nor generalized trust works as a control on rule bending. On a positive note, however, we find that control mechanisms associated with Weberian Public Administration e.g. meritocratic procedures and coordination lessens the acceptance to bend the rules.

**Keywords:** New Public Governance, flexibility, impartiality, trust, participation, meritocracy, post-communist, Baltic States

### **Introduction**

Transforming public administrations after the breakdown of Soviet Union, reformers looked to Western ideas and experiences as models for inspiration. Ideas coming from Western experience were manifold including Weberian public administration ideas, New Public Management, and New Public Governance (Randma-Liiv & Drechsler, 2017). Based on organizational sociology and network theory, New Public Governance (NPG) emphasizes that more efficient service and better outcomes may be reached through flexible administrative processes in which trust, inclusion of citizens and enhanced public-private relational contacts work as the core governance mechanism (Osborne 2006; 2010). In this way, NPG aims at increasing the problem-solving capacity of public administrations' in complex societies (Koppenjan & Koliba, 2013). Furthermore, flexibility implies increased discretion that according to Robert Klitgaard, a leading scholar in corruption research, is key to corruption and particularism (1988, p. 78). The case in point is whether flexibility and discretion can be controlled through trust and inclusion of citizens as thought by NPG or if

additional control mechanisms are needed if the call for flexible administrative processes shall be met without risking impartial and equal governance.

This article looks at the potential risks of increasing flexibility and discretion in public administration related to New Public Governance in the context of systemic transition and relatively high levels of corruption. Posing the question of whether the NPG plea for more flexible public administration comes with an associated risk of unequal treatment of citizens and corruption, we look into the perceptions and values of public employees. We tackle the question in two ways. First, we look into preferences of more flexibility in rule appliance and acceptance of rule bending. We argue that although flexibility in itself may pose a risk as argued above, rule bending breaks with the virtues of representation and thus the essence of democratic administration. Second, we ask if control through administrative processes such as merit-based recruitment and coordination that is organizational characteristics related to Traditional Weberian Public Administration and New Public Management approaches lessens the acceptance of rule bending.

Empirically, we analyze the question using a survey conducted among public employees from Estonia, Latvia and Lithuania.<sup>1</sup> The choice of three small, post-communist countries emphasizes a context where public employers have been exposed to extensive administrative reform for more than 20 years and in which corruption – according to the international corruption rating – is high (TI various years). This context is important because it raises the question of whether and at what point implementing NPG ideas in public management would in fact be a good idea. We use OLS-regression in our analyses controlling for variables related to administrative processes.

The article firstly discusses how different public administration approaches address the issues of flexibility, discretion, accountability, and control. Specifically, we contrast New Public Governance ideas with Weberian public administration and New Public Management. Noting, that although

each approach has developed as a reaction to shortcomings experienced in the others, they often coexist (Koppenjan & Koliba, 2013; Osborne, 2006, p. 378). Secondly, the methodology is developed, the choice of countries is discussed and the survey is described, setting the scene for the third section in which OLS regression analysis is applied. The analysis shows that public employees favor more flexibility in their daily work. The risk of particularism exists, however, because some of those preferring more flexibility also accept bending the rules at the expense of equal treatment. Finally, the conclusion reflects on the possible conditions necessary in order to avoid NPG ideas resulting in particularism. If more flexibility and thereby discretion is indeed a determinant of corruption as argued by Klitgaard, the risk of corruption is greater if desire for more flexibility goes hand in hand with an acceptance of bending the rules. Thus, our findings substantiate the warning suggested by Robert Klitgaard, that discretion must go hand in hand with control. Although the findings are limited to cases of transition countries, they nonetheless contribute to the general concern of whether the control mechanism advocated within the approach of NPG is sufficient.

### **Theory: Accountability and control in public administration approaches**

Public administrations are caught in the dilemma of simultaneously having to be responsive, accountable and impartial, as well as efficient and effective (for example Behn, 1998; Bryer, 2007). Increasing societal complexity and diversified task portfolios only add to the conflict. Public administration management aims to effectively solve societal problems and flexibility is often thought to be a mean to achieve this aim (Pollitt & Bouckaert, 2011, p. 132). As contended by Robert Klitgaard (1988, p. 78) however, the risk of corruption increases as actors are granted a greater degree of discretion. Klitgaard's equation – that corruption is equal to high discretion minus control and accountability – probably grasps the very essence of the conflict between flexible administration and the risk of breaking norms of impartiality. This debate on how public

administration is controlled and made accountable is not trivial. In the following section, we will highlight the main differences between three approaches: the largely Western approach based on Max Weber's work (2013 [1968]), the New Public Management approach developed in the 1990s and New Public Governance as the more recent approach put forward by Stephen P. Osborn (2006; 2010).

Max Weber's thoughts on bureaucratic organization have dominated the early development of Western public administration. Following Weber, when Woodrow Wilson advocated changes in US public administrations in the late 19<sup>th</sup> century, reforms were aimed at 'purifying' civil service and preventing the politics of personal favoritism (Behn, 1989, p. 132). Weberian bureaucracy embraced the idea of a representative state, assuming the governmental process to be linear from the legislation and executive to the administration, and the administration itself as a hierarchy dutifully following rules (Behn, 1998; Peters, 2001; Torfing & Triantafyllou, 2013). Thus, the virtue of public administration based on accountability and impartiality was to be achieved by separating politics from administration and by staffing the administration with non-political civil servants appointed on merit (Dahlström, Lapuente & Teorell, 2012; Rothstein, 2014, p. 746). Compared with previous western administrations, the emphasis on merit as a source of expertise increased effectiveness but also merit also functioned as a control eliminating wasteful corruption.

Since the 1970s, Weberian public administration was criticized as being inefficient at solving social problems, leading to over-bureaucratized, big government, and for making decisions stuck in rigid hierarchies with excessive internal control. Moreover, hierarchy has in itself been criticized.

Information asymmetry between the superior (the principal) and the subordinated employee (the agent) empowers the latter vis-à-vis the former, creating loopholes for unsupervised acts (Klitgaard, 1988; pp. 69-74). The New Public Management (NPM) approach emerged as a solution driven by the vision "to run government like a business" and "to make government work better and cost less"

(Denhardt & Denhardt, 2000, p. 550). NPM seeks to empower departmental managers by freeing them from centralized control over the management of resources while at the same time asserting political control through explicit policy and program direction leaving concrete decisions to professional experts. In contrast to the Weberian public administration approach, NPM rejects the notion that politics can be separated from administration and questions the ideal of policy implementation based on impersonal rules (Behn, 1998, p. 133). Striving for higher efficiency, NPM emphasizes market-like solutions. Competition – and thereby increased efficiency – is expected to arise when citizens act as consumers and customers who choose between public and private providers (Bach & Bordogna, 2011, p. 2282).

The critique of the NPM approach has been plentiful. Firstly, it has been argued that NPM tends to overlook or even disregard citizens' preferences in its hunt for efficient technical solutions (Teicher, Alam & van Gramberg, 2006). Secondly, it is argued that NPM has politicized public administration such that it explicitly runs counter to the public service tradition of impartiality (Aucion, 2012, p. 178). Although a study on the impact of NPM across Europe concludes, that knowledge is fragmentary and fragile (Pollitt & Dan, 2013), the NPM's focus on efficiency and effectiveness raises a concern that values of equality and accountability may be neglected (Behn, 1998; Maravic & Reichard, 2003).

At the turn of the century, the critique of both Weberian public administration and NPM led to the development of the concept of network governance and the New Public Governance (NPG) approach (Osborne, 2006). NPG reflects an increasing societal complexity in which competing norms, values and preferences cannot be left to elected political leaders, appointed public administrators or market mechanisms but instead require deliberation and public dialogue (Denhardt & Denhardt, 2000). NPG opens up the state in its plurality emphasizing public-private interaction, in which citizens, firms and organizations are included as co-producers and consumers

in interdependent policy networks (Osborne, 2006, p. 382; Pollitt & Boukaert, 2011, p. 11; Torfing & Triantafillou, 2013, p. 12). Thus placing citizens at the center of public administration, accountability and control is achieved through participation and trust (Teicher, Alam & van Gramberg, 2006). In addition to being a mechanism for control, trust as an informal institution, is also expected to increase efficiency because it reduces the transaction costs of formal control mechanisms (Svendsen & Svendsen, 2003; 2009). Using trust in this way, NPG addresses both the issue of accountability and efficiency in public administration.

The expected virtues of NPG aside, the concepts of inclusion and participation are not without their problems. First, representative democracy is challenged when public administration is opened up to inclusion and participation because the link between representatives' decisions and their implementation in the public administration is broken. Second, inclusion can open a 'Pandora's box' of particularism when powerful actors get direct access to policy implementation (Kathi & Cooper, 2005, p. 560; Peters & Pierre, 2000). This highlights that 'trust' also has a dark side because trust and reciprocity may turn into subgroup collusion which, in the case of public administration, may lead to particularism in conflict with the public interest. Torfing and Triantafillou (2013, p. 15) recognize this risk when, parenthetically, they argue that NPG *ideally* should go beyond narrow interests. The dilemma is highlighted by Bryer (2007) who poses the question of to whom public administration should be accountable. According to Bryer, public employee responsiveness is directed towards elected representatives, public management defined goals, or to an undefined group of stakeholders. The latter group is the essential problem related to NPG in that the aim at building consensus between multiple and often conflicting demands may overlook real-life power relations.

Such conflicts between responsiveness, impartiality and effectiveness are inherent in all three approaches to public administration. If a public official seeks flexibility and discretion, it may

advance responsiveness and effectiveness, but it also invites the risk of impartiality. Controlling public administration thoroughly by applying rules may secure equality but may also sometimes result in everyone being treated equally badly – resulting in ineffective administration. Breaking the rules may even be effective for completing a task, but it will be at the cost of accountability and impartiality and will definitively be in conflict with the virtues of representative democracy.

This is the core of the debate. Will increased flexibility lead to rule breaking in favor of the strong and wealthy, or may particularism be avoided through (the right) controls? Koppejan and Koliba (2013, p. 5) argue that none of the public administration approaches discussed above exists in its pure form but rather as “complex, hybrid practices”. This implies that controls thought central to each of the three approaches – meritocracy, ‘market-like’ coordination, participation and trust – can be expected to co-exist in the real world. We therefore examine public employees’ preferences for flexibility and acceptance of rule bending in the context of institutional controls. Moreover, we examine the question in a context where substantial changes in public administration have been inspired by different public administration ideas. The next section will look into the methodology used.

## **Method**

To recap, the focus of this paper is to assess whether there is a risk that increasing discretion with the aim of making public employees more flexible, results in rule breaking favoring particularistic interests. We discuss the question in a context where the political system in general and public administration in particular have been changing over the last twenty years and in which corruption levels are relatively high. The country selection constitutes a Most-Similar-Systems-Design (MSSD) which rules out a number of shared variables that could be important with respect to different values. We approach the question using a survey of public employees conducted in former



Soviet republics, namely Estonia, Latvia and Lithuania. First, we discuss the logic of the case selection. Next, we describe the survey procedures and make a descriptive account of the survey. Finally, we discuss some limitations of our study.

*Case selection: transition countries as context and a most similar systems design*

This study uses a comparative design of Estonia, Latvia and Lithuania. From the outset, these three countries constitute an almost perfect MSSD. A MSSD identifies a series of homogenous independent variables which cannot explain difference in the dependent variable (Landman, 2000; Mahoney, 2004). This design, although widely used in political science, is not perfect. A primary concern is the identification of the relevant explanatory independent variable that should be eliminated through their similarity with the other countries. In order to avoid random and uninformed choices, theoretical reasoning must guide the selection. A second concern is that background variables may be similar but not identical. This concern is not trivial because seemingly similar variables may not be identical even when comparing countries at the same point in time (Gerring, 2001, pp. 223–224). The solution to this problem is to make carefully informed and theoretically sound choices when treating background variables as similar. Moreover, although the Baltic countries are similar on many relevant variables they are not identical. We therefore control for country variation in the regression analysis.

The New Public Governance approach to public administration emerged in the context of developed democracies in which public administrations were built on Weberian inspired public administration supplemented by NPM ideas (Osborne, 2006). The context in which we analyze perceptions on flexibility and acceptance of rule bending is quite different from this. Four variables are excluded as explanations as a consequence of the case selection. First, the Baltic States share late statehood and before the Soviet Union broke down they only experienced a short period of independence during

the inter-war period (Auers, 2015). A history of public administration tradition can accordingly be eliminated.

Second, the legacy of being occupied by the Soviet Union and the experience of having to adapt to Soviet public administration practice is also shared by the three countries. The legacy of the Soviet period is, however, ambiguous with respect to what it may mean for present day public employees' values. The Soviet administration was hierarchically organized with a personnel system in which 'merit' was directly related to party membership and in which legal norms were subordinated to political will (Goetz, 2001, p. 1033). This meant that essentially the administration was alien to equality and impartiality, reflecting first and foremost the will of the Communist Party (Pakulski, 1986, pp. 5–6). It also meant that "bending rules" in order to give private favors in exchange for personal goods was common and accepted as well as being expected in a society of material scarcity (Cepl, 1997; Ledeneva, 1998; Jordan, 2002).

Looking at Soviet practices in this way, the Soviet legacy would predict a preference for flexibility and an acceptance of rule bending. This may not be the case, however, for two reasons. First, when the Baltic States liberated themselves from the Soviet regime, many reformers came from the administrative elites and held Soviet practices in low regard. Second, since 1990, there have been many changes in public administration personnel either due to natural retirement or because former administrators switched to private enterprises (Jansone & Reinholde, 2001, p. 211; Lazareviciute, Tirviene, & Poniskaitis, 2001, p. 239; Randma-Liiv, 2005, p. 471; Sootla, 2001, pp. 128–129).

Accordingly, only relatively few employees among our respondents can be expected to have personal experience with Soviet practice and the corresponding socialization into Soviet administrative practice, and even those that have such experience would be likely to regard Soviet practice as the antithesis of present behavior and values. In sum, the context of our study is one in which public administration practice is in the making and to the extent that attitudes with historical

roots in Soviet times exist, it is most likely that such attitudes are characterized by a low regard for Soviet practices.

Third, after 1990, the tasks following the regime change were enormous. The task of reforming the public administrations came on top of establishing democratic institutions and market economies. This context created uncertainty about both formal and informal rules, and at the same time, public employees faced an urgent need to generate results. This situation could shape incentives not only towards flexibility but also towards bending formal rules if and when appropriate in the situation. The fact that corruption has been and still is a problem in all three countries adds to the problem (Johannsen & Pedersen, 2012; Pedersen & Johannsen, 2007; TI various years).

Fourth, the process of administrative reform was inspired by Western public administration models. Although EU member states do not agree on a uniform set of administrative practices, in the process leading to EU membership, reforms were dominated by “Weberian” criteria, stressing reliability, predictability, transparency, accountability and efficiency (Olsen, 2008; Sigma, 1999, p.8). However, national reformers were also open to New Public Management ideas put forward by, New Zealand and Australia in particular (Nunberg, 2000, pp. 3–4). The output of administrative reforms was a shared legal framework built on similar EU baselines. However national interests were important aspects contributing to how practices were formed (Nakrošis & Budraitis, 2012, p. 827; Sarapuu, 2012, p. 818). Thus, following insights from studies of administrative reform in changing societies, the output can be expected to differ in substance both *between* and *within* countries, resulting in mixed hybrid models of public administrations (Olsen, 2008, p. 27; Demmke & Moilanen, 2010, p. 9; Painter & Peters, 2010).

So far, we have stressed the similarities between the countries under study. Panagiotou (2001, p. 275) contends that Estonia was able to capitalize on specific conditions prior to independence in the

transition process. In addition, Estonia took a different lead with a strong change team that abolished trade barriers, cut taxes, and promoted foreign investment (Nørgaard & Johannsen, 1999). Thus, early on, Estonia outperformed Latvia and Lithuania with respect to economic reform and growth and lower levels of perceived corruption (Johannsen & Pedersen, 2012). We follow up on a possible impact on Estonian uniqueness in the OLS-regression analysis.

### *The survey*

The questionnaire used was developed by the authors and conducted in April 2011. The questionnaire captures items of public administration characteristics and issues related to corruption. Questions were developed on the basis of public administration literature and discussions with public administration specialists. Acknowledging that the items included are not exhaustive of all administrative processes, we believe that they capture core elements of Weberian bureaucracy, New Public Management as well as New Public Governance. To check the reliability of the questions, 100 interviews served as a pilot. We found that the questions seemed to work and made no changes at that stage.

Respondents were randomly selected among public employees who, according to national codes, possess decision-making authority, typically carrying the title “Head of Section” or higher, to distinguish them from street level bureaucrats such as librarians, nurses or teachers. To ensure that the sample was representative of Baltic public employees, a minimum of 500 respondents (completed or almost completed interviews) were stipulated and, in addition, it was required that three quarters of the respondents be employed at the sub-national level in order to reflect the fact that an increasing number of public employees are employed at this level.

Table 1: Distribution of respondents: country, level of administration, gender and age brackets.

TABLE 1 ABOUT HERE

Sampling strategies reflected differences in national views on how best to approach public employees. The response rates were 37, 76 and 25 percent for Estonia, Latvia and Lithuania, respectively. Telephone interviews were used in Latvia and Lithuania, whereas a web survey was used in Estonia. Moreover, the Latvian bureau used a more elaborate introduction to the project which may explain the relatively high response rate. The use of a web survey in Estonia may also matter for the results because a web survey is less intrusive and less prone to result in a social desirability effect. This could be the case especially when asking public employees about their acceptance of breaking the rules in order to achieve policy objectives in the sense that some may recognize the inherent conflict with rule of law principles and thus, underreport their true beliefs. If so, the survey method would predict that Latvians and Lithuanians are less willing to break the rules than their Estonian colleagues; that is, Estonians having been approached via an anonymous web survey may have responded in a more honest but less politically correct manner. The respondents' answers do indeed turn out as predicted, but the mean differences are not significant, causing us to conclude that the different sampling strategies have not caused a problem. Language is a second concern. The survey questions were originally in English, translated to the respective Baltic languages and translated back into English to ensure consistency. The high number of respondents and the overall representativeness should compensate on these accounts.

### *Descriptive statistics*

This part first describes the two dependent variables (the last two rows in table 2) and the second part the variables related to public administration practices (the first five rows in table 2). The dependent variables, being individual preferences for flexibility and acceptance of breaking rules, are captured independently of each other. One question asks if flexibility and an increase in discretion will improve public administration,<sup>2</sup> and a second question asks directly whether breaking rules is acceptable in order to achieve policy objectives.<sup>3</sup> Table 2 shows that more

flexibility is in general preferred (mean 4.44 on a 7-point scale), while bending the rules is in general less acceptable (mean 2.18). This finding is in line with earlier analysis based on the survey, that Baltic public employees hold values of impartiality (Pedersen & Johannsen, 2015). Thus, the general preference for more flexibility as a means of improving public administration may reflect a rigidity in the existing system in contrast to changing demands and increasing complexity. Moreover, the desire for more flexibility does not necessarily mean that bending the rules is acceptable, however noteworthy at this stage of the analysis is that rule bending is not an area of zero tolerance. Note, that in the analysis the two dependent variables also serve as independent variables in the models.

#### TABLE 2 ABOUT HERE

The independent variables related to public administration approaches are depicted via five questions. Following Koppenjan and Koliba (2013) and Osborne (2006), we expect that the three public administration approaches coexist. Moreover, as noted earlier, as administrative reform reflects national choices, the characteristics of public administration processes may be present or absent to varying degrees. For the majority of variables, we therefore use a Likert scale from 1, meaning “totally disagree” (absence of a characteristic or preference), to 7, meaning “totally agree” (presence of a characteristic or preference). Table 2 reports the mean values for the variables.

The first two rows reflect aspects of traditional Weberian public administration. One question relates to the extent to which tasks are coordinated with other actors<sup>4</sup> and one asks directly whether recruitment is based on skills and merit.<sup>5</sup> As evident from Table 2, with means above five (coordination) and close to six (merit), since independence, public administration reforms have indeed emphasized meritocratic recruitment but also coordination.

The third row captures New Public Management ideas through a question concerning experience of involvement of private actors in the implementation of policy objectives.<sup>6</sup> Public employees in all three states have experience in including private parties. However, whether this is a consequence of New Public Management thinking, a matter of necessity or due to some other reasons are not the issue. Rather the point is that including private parties may on the one hand work as a control on public employees practice, but it may also be a challenge to impartiality.

New Public Governance ideas are captured in the next two items. Respondents were asked how much they trusted other persons (in this case we used the standard formulation of generalized trust),<sup>7</sup> and whether they thought that citizen participation<sup>8</sup> is a positive change for the organization. Slightly less than half of the respondents believed citizen participation to be positive (see also Pedersen & Johannsen, 2016), but are skeptical when it comes to trusting others. Although the sample mean (4.26) is slightly above the mathematical mean of the 7-point Likert scale, 30.9 percent chose to answer 1 to 3 – a low degree of trust – with fewer (26.2 percent) revealing a high degree of trust (5 to 7 on the scale).

Acknowledging that the three countries are similar but not identical, we employ OLS regression analysis with country controls (Estonia as reference). The regression controls for level of administration to capture within country difference and for individual characteristics such as age and gender.

### *Study limitations*

Before turning to the analyses, some limitations need to be addressed. The study relies on individual public employees' self-experiences and perceptions. This means that the study bears with it the problem of perception studies; that perceptions about something do not necessarily reflect social reality. In contrast to this view, the literature recognizes perceptions as valid indicators for

organizational properties (for a discussion, see Yang and Callahan, 2007, p. 259). Moreover, we contend that in the case of countries and/or organizations in transition such as the Baltic States, formal, legal indicators of public administrative processes are less reliable, and as a result, using public employees' perceptions become a better choice. A second concern is that perceptions of both the organizational structure (the independent variables) and the dependent variables – preference for flexibility and acceptance of rule bending – are drawn from the same study. There may accordingly be an endogeneity problem as both the preference for flexibility and acceptance of rule bending may depend on the organizational structure and vice-versa. Moreover, choosing organizational structure may also reflect a conscious choice to facilitate flexibility. However, as we are interrogating the relationship between flexibility and acceptance of rule bending as a risk factor related to the individual's organizational working conditions, the endogeneity problem should be minimal. A third limitation concerns time. The survey was conducted in 2011, and the Baltic administrations may well have changed since. Finally, the variables are measured as single items. The estimation would certainly improve if a battery of questions had been designed for each and established as dimensions. This is indeed a limitation but this is what the survey offers and given that better data is not available, we find that the study contributes to a debate which is relevant for public administration reform in general and with respect to transition countries in particular. We now turn to the analysis.

### **Analysis: Favoring flexibility but also rule bending?**

The aim of this article is to analyze public employees' preferences for flexibility and acceptance of rule bending. Table 3 reports four models. The choice is to develop the model as block regressions. In models 1 and 3, the public administration processes related to Weberian and New Public Management have been left out to be introduced in models 2 and 4. Models 1 and 2 have preferred



flexibility as the dependent variable and acceptance of rule bending is used as an independent variable. In models 3 and 4, acceptance of rule bending is the dependent variable and preference for more flexibility is turned into an independent variable. All models use standard control variables such as country, with Estonia as a reference, age and gender of the respondents and administrative level, distinguishing between national and subnational administrations.

### TABLE 3 ABOUT HERE

Table 3 provides five lessons. First, the regressions on flexibility (models 1 and 2) show that those who are willing to bend the rules in order to achieve policy objectives also seek more flexibility in the form of fewer rules and increased discretion. This is hardly surprising. It may actually be their preferred solution as increased discretion will lessen the moral strains of twisting the rules or, as discussed previously, reflect that they find the current rules inefficient. However, when we look at the regressions on rule bending (models 3 and 4), preference for increased flexibility and discretion is positively related to a greater acceptance of rule bending. Recall that rule bending is positively skewed with a mean of 2.18 on the 7-point Likert scale. The full effect of moving from disagreeing with the statement that increased flexibility can improve public administration (1) to totally agreeing with the statement increases the acceptance of rule bending with no less than 1.115 (model 3) and 1.190 (model 4). This is a substantial effect when compared to the mean and indicates a risk that preferences for flexibility overlap with an acceptance of particularism.

Second, the controls put forward by NPG – citizens participation and generalized trust as a steering mechanism – have little bearing. Citizen participation is not significant in any model, so it appears to neither foster opinions on flexibility, nor function as a control on the risk of bending rules. Trust is only significant in model 1 and positively related to increased flexibility. This supports the theoretical expectation from NPG that if you trust other people in general, you are less worried that

flexible rule application would be used wrongly; that is, for particularistic aims. However, once meritocracy and coordination are introduced in model 2, themselves insignificant, trust loses significance.

Third, whereas meritocracy and coordination have no bearing on flexibility, they appear on acceptance of bending rules (model 4). Strong meritocratic systems and a high degree of coordination reduce acceptance towards bending the rules. This is in line with Pollitt and Bouckaert (2011), who argue that as meritocracy increases professionalism, this process creates virtues such as clear accountability and adherence to law. It also supports findings that meritocracy is a cornerstone on which impartial quality administration is built (Dahlström, Lapuente & Teorell, 2012; Drechsler, 2004; pp. 392–393; Rauch & Evans, 2000, p. 53; Rothstein & Teorell, 2008). The importance of meritocracy also tallies with Aucoin's (2012) argument that independent management and appointments are necessary to protect against politicization and misuse of the administration, and finally that meritocracy and professionalism may also be what controls public administrators in a setting where New Public Governance adheres to stakeholder responsiveness.

Fourth, in all cases, the involvement of private actors – whether individuals, firms or NGOs – in implementing the organization's policy objectives increases the demand for flexibility both in the form of increased discretion (models 1 and 2) but also acceptance of rule bending (models 3 and 4). This strikes at the general problem that the inclusion of the private sector can come at the cost of transparency: Private companies often claim the need for secrecy or “commercial confidence” when collaborating with public entities (Pollitt & Bouckaert, 2011, p. 111). It is not only transparency and accountability that are at stake. As claimed by Klitgaard (1988), the risk of impartiality and corruption increases with uncontrolled discretion. This caution not only applies to the public-private cooperation associated with NPM but also to the interdependent network and plural solutions within NPG.

Fifth, practically all models show that Estonia (the reference category) is significantly different from Latvia and Lithuania in that they appear more accepting towards breaking rules than Latvians and Lithuanians. This difference appears to run counter to the expectation based on Transparency International's perception data, that Estonians are less corruptible (Transparency, various years). Part of the explanation could be the different sampling strategy applied in Estonia, producing more honest rather than politically correct answers. Another part of the explanation could be that although perception data places Estonia in the category of relatively corruption free countries, corruption is not unknown and even the Estonian elite judge corruption as a substantial problem (Pedersen & Johannsen, 2007, p. 124).

Finally, two issues require additional comment. The first issue relates to the level of administration. In addition to national differences, there are significant differences between administrative levels when it comes to preferences for bending rules. As suggested in the methodology, this indicates that within-country variation is of similar importance as between-country variation. Employees at the subnational level are more willing to break the rules than employees at the national level. We suggest three possible explanations for this. First, local-level employees' leaning towards bending rules in favor of local citizens may be strategically determined in the sense that public employees collude with citizens as a way to increase support for reform and funding (Pedersen & Johannsen, 2016). Second, the more strict position on not bending rules at the national level may reflect that state bureaucracy, as feared by Weber, tends to create an iron cage of experts isolated from societies (for a suggestion based on US data, see Bryer, 2009). Finally, the difference may also reflect differences in job type where being employed at the national level tends to imply greater distance from ordinary citizens, while employment at the sub-national level tends to imply more direct contact with ordinary citizens. Such direct contact not only increases the opportunity to bend rules

but importantly, may also also increase personal understanding of the need to bend rules in order to meet local societal needs.

The second issue is gender. Whereas there are no differences between men and women with respect to their preference for flexibility, men are more willing to bend the rules in order to achieve the policy objectives. This coincides with an emerging debate on gender and corruption. In this debate, studies have found that even controlling for position and power structures, men seem to be engaged in corruption more often than women (Frank, Lambsdorff & Boehm, 2011, p. 68; Johannsen, Olafsson & Pedersen, 2016; Rivas, 2012). Thus, if true, one should be concerned about the gender difference found in this study.

In all, the analysis suggests that increasing (or excessive) flexibility in public administration poses a risk to impartiality and accountability. Furthermore, out of the possible controls, we only found meritocracy and coordination to curb the acceptance of rule breaking. Increasing flexibility should thus be cautioned unless these elements are in place.

### **Conclusion; New Public Governance – flexibility with caution**

Increasing societal complexity and a diversified task portfolio in public administration have added to the challenge of striking a balance between responsiveness, accountability and effectiveness. The perspectives and virtues in the New Public Governance approach are especially related to a flexible and responsive application of rules that allows public employees to listen and respond effectively to citizens' concerns and preferences when looking for solutions to societal problems. The NPG perspective stands on the edge between responsiveness and the risk that the pursuit of particularistic interests impedes accountability and impartiality. Despite the limitation discussed above, the survey at hand provides insights on the relationship between public employees' demand for flexible rule

application to solve societal problems and the risk that this flexibility turns into rule bending and particularism.

The regression shows that there is a relationship between preference for more flexibility and acceptance of rule bending. It also shows that while being insignificant in relation to preference for flexibility, meritocracy is an important variable when curbing acceptance of rule bending. This lesson accentuates the warning coming from scholars evaluating New Public Management reforms in Central and Eastern Europe (see De Vries & Nemeč, 2012, p. 10). Drechsler warned that New Public Management “is particularly bad if pushed upon transition and development countries, because if it can make any sense, then it is only in an environment of a well-functioning democratic administrative tradition” (Drechsler, 2005, p. 101). The very same could be argued concerning NPG. It requires respect for citizens and their preferences and a denouncement of the superiority of elite and technocratic government. In other words, a stable democratic regime is perhaps a necessary condition if we are to avoid the transformation of flexible rule application into the opposite of the democratic virtues of impartiality, equality and justice. This study shows that in transition countries with issues of particularism and corruption, new paradigms of public administration must stand on the virtues of meritocracy. One may ask if a New Public Governance approach is at all suitable for public administration management in the Baltic countries specifically, and Central and Eastern Europe more generally. However, when we look at public employees’ values in the three Baltic states, the picture does not seem that gloomy (Pedersen & Johannsen, 2016). Baltic public employees do hold democratic values and know how to deal with these values in practice. This implies that the caution to keep meritocracy in place when employing public employees is exactly that, and that even in transition countries, the virtues of the New Public Governance approach should not be dismissed.

## Notes

<sup>1</sup> The survey was carried out in April 2011 with assistance from TNC-Gallup International Denmark and national offices. The survey was funded by The Danish Research Council, grant no. 10-080446.

<sup>2</sup> The question was as follows: “Some people claim that more flexibility with fewer rules and more discretion for the individual civil servant will improve public administration. On a scale from 1 to 7, where 7 means that you ‘totally agree’ and 1 means that you ‘totally disagree’, to what extent do you agree with this statement?” Moreover, we used a split-framing experiment in which we gave half of the respondents the frame if they were in favor of more flexibility and discretion as an improvement of the public administration – given *the economic and social problems of their country*. The framing experiment did not produce any meaningful or significant differences on central parameters such as country, gender or age. We, therefore, disregarded the split framing and collapsed the responses into one variable.

<sup>3</sup> The variable is collapsed from a framing experiment. The question was as follows: “On a scale from 1 to 7, where 7 means ‘in all cases’ and 1 means ‘in no cases’, *given the risk of not treating all citizens equally*, are you in favor of bending the rules in order to achieve policy objectives?” However, the framing experiment did not produce any meaningful or significant differences on central parameters such as country, gender or age. We therefore chose to collapse the responses into one variable.

<sup>4</sup> The question was as follows: “On a scale from 1 to 7, where 7 means ‘always’ and 1 means ‘never’, when thinking about the relation between your organization and other actors, how often do you think that tasks relating to your organization and other actors are highly coordinated?”

<sup>5</sup> The question was as follows: “On a scale from 1 to 7, where 7 means ‘always’ and 1 means ‘never’, how often do you think that recruitment of employees is based on the skills and merits of the applicant?”

<sup>6</sup> The question was as follows: “On a scale from 1 to 7, where 7 means ‘always’ and 1 means ‘never’, when thinking about the relation between your organization and other actors, how often do you think that private parties (individuals, firms, NGOs) are involved in the implementation of the organization’s policy objectives?”

<sup>7</sup> The question was as follows: “On a scale from 1 to 7, where 7 means that ‘most people can be trusted’ and 1 means that ‘you can’t be too careful’, do you think that most people can be trusted, or can’t you be too careful?”

<sup>8</sup> The question was as follows: “According to you, how many of the following items would make a decisive and positive change for your organization? i: Increase in citizen participation”.

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Table 1: Descriptive: gender, level of administration and age by country (N, Pct.)

		Latvia		Estonia		Lithuania		Total	
		N	Pct.	N	Pct.	N	Pct.	N	Pct.
Gender	Male	217	43.4	190	26.9	206	41.2	613	35.9
	Female	283	56.6	516	73.1	294	58.2	1093	64.1
Total		500	100.0	706	100.0	500	100.0	1706	100.0
Level of administration	State	123	24.6	155	22.0	152	30.4	430	25.2
	Local	377	75.4	551	78.0	348	69.6	1276	74.8
Total		500	100.0	706	100.0	500	100.0	1706	100.0
Age	<40	115	23.1	171	24.6	106	21.2	392	23.2
	40-49	171	34.4	203	29.2	141	28.2	515	30.4
	50-59	171	34.4	230	33.1	200	40.0	601	35.5
	60-	40	8.0	91	13.1	53	10.6	184	10.9
Total		497*	99.9	695*	10.0	500	100.0	1692	100.0

Note: \* Difference in total numbers reveal that not all Latvians and Estonians answered the question of age.

Table 2: Descriptive statistics: independent and dependent variables (N, min-max, mean, Std.D., Skewness)

	N	Min.	Max.	Mean	Std. D.	Skewness
Recruitment based on merit*	1636	1	7	5.72	1.37	-1.18
Extent of coordination with other actors	1620	1	7	5.06	1.20	-0.55+
Extent of involvement with private parties in implementation	1651	1	7	3.91	1.87	-0.05
Trust	1704	1	7	4.26	1.79	-0.36
Participation of citizen positive	1706	0	1	0.48	0.50	0.09
Flexibility (preferred)	1652	1	7	4.44	1.79	-0.32
Bending rules (acceptance)*	1647	1	7	2.18	1.55	1.36

\*The variables are skewed to the right (Most respondents do not accept Bending rules) and left (Most organizations use Merit in personnel politics). When we divide the score by the standard error, the result is above the 1.96 level, which rules out a normal distribution. There is a long tail, but given the number of N, that skewedness is in itself lower than 3 and that information will be lost by dichotomizing the data, we have chosen to maintain the variable as it is.

Table 3: Explaining flexibility and bending rules. Block regression

	Flexibility (preferred) (1)		Flexibility (preferred) (2)		Bending rules (accepted) (3)		Bending rules (accepted) (4)	
	B	Sig.	B	Sig.	B	Sig.	B	Sig.
(Constant)	2.171	***	2.171	***	1.442	***	2.532	***
Estonia	REF		REF		REF		REF	
Latvia	1.044	***	1.088	***	-.400	***	-.307	**
Lithuania	.849	***	.882	***	-.309	***	-.181	
Age (21-80)	.015	***	.015	***	-.006		-.005	
Gender (male=1)	.143		.141		.302	***	.231	**
Level of administration (0= central, 1=local)	.084		.083		.496	***	.450	***
Participation of citizen positive (0=no, 1=yes)	.009		-.005		-.012		.009	
Trust (1-7 = high)	.054	*	.043		-.035		-.023	
Extent of involvement with private parties in implementation (1-7= high)	.056	*	.055	*	.044	*	.056	*
Extent of coordination with other actors (1-7 = high)			-.015				-.104	**
Recruitment based on merit (1-7 = high)			.012				-.122	***
Bending rules (acceptance) (1-7 = high)	.210	***	.216	***	...		...	



Flexibility (preferred) (1-7 = high)	...		...		.165	***	.170	***
ad.just. R <sup>2</sup> / (N)	0.101	1548	0.106	1446	0.69	1548	0.092	1456

Level of significance: \*\*\*=0,001; \*\*=0.01; \*=0.05; Altering between countries as reference do not substantially change the results.