The Impact of New Public Management on Organizational Justice Perception

Dr. Habib Roodsaz
Assistant Professor, Management Department of Allameh Tabatabaei University, Iran, Tehran.

Dr. Davood Hosseinpour
Assistant Professor, Management Department of Allameh Tabatabaei University, Iran, Tehran.

Ali Mahjoub*
M.A. Graduated in public Administration, Allameh Tabatabaei University, Iran, Tehran.
* Corresponding author: Ali.Mahjoub@gmail.com

Abstract

The purpose of this study is to evaluate the impact of New Public Management (NPM) on Organizational Justice Perception. In this research, NPM is the independent variable which consists of five components as: Downsizing, Managerialism, Decentralization, Debureaucratization and Privatization. The dependent variable is Organizational Justice Perception which components are: Distributive Justice, Procedural Justice and Interactional Justice.

The research sample consists of 165 Municipality of Rasht staffs which has determined by using Cochran’s formula and the staffs were chosen by Simple Random Sampling method. Reliability and validity were confirmed by Cronbach’s alpha and Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlet’s test of sphericity. For data analyzing and test the hypothesis, we used Kolmogorov–Smirnov test, Pearson product-moment correlation coefficient and Structural Equation Modeling (SEM).

The results show that implementing the New Public Management principals in public sector, has a negative effect on staffs’ organizational justice perception. It is also concluded that downsizing, managerialism and privatization have a negative effect on organizational perception but decentralization and debureaucratization have a positive effect on that.

Keywords: New Public Management, Organizational Justice, Distributive Justice, Procedural Justice, Interactional Justice, Structural Equation Modeling (SEM).

1. Introduction

In many western countries, profound changes have taken place in the organization of the public science systems (e.g. de Boer et al., 2007; Meyer, 2007; Frolich, 2005; Smith, 2004). Although the countries started from very different positions, the governance schemes converge towards a pattern that is often described as New Public Management (NPM) (Leisyte and Kizniene, 2006).

The public administration reforms from the late 1970s have led to a revolutionary change not only in the manner of delivery of social services and accounting for government expenditures, but also in the structures of governance. These reforms towards marketization, or the application of business management theories and practices in public service administration, came to be called, in professional parlance, the New Public Management (NPM)(Tolofari, 2005).


Over the past decade(s) the NPM-style reform strategies have been implemented widely (Schwartz, 2008) and it has many potential impacts on organizational concepts like justice perception, trust, job satisfaction, efficiency, productivity and so on. By considering the role of justice perception in organizational success and understanding organizational behavior, this article aims to examine the impact of NPM on organizational justice perception.

2. Literature Review
2.1. New Public Management

While the development of the theoretical framework of NPM can be said to be still ongoing, it has been posited that NPM is a revival of the old managerialist ethos, reminiscent of Taylor’s scientific management, which has been greatly influenced by such doctrines as homo economicus and new institutional economics (Boston et al, 1996; Ferlie et al, 1996; Cohen & Eimicke, 1998; Larbi, 1999; Yamamoto, 2003). The New Public Management ‘model’ is often presented as a more market-oriented and output-based approach alternative to the traditional ‘bureaucratic model’ of public administration (Barzelay, 2002; Kettl, 2000; Peters, 2001).

New Public Management (NPM) is the most dominant paradigm in the discipline of public administration (Arora, 2003). NPM has been characterized in various ways each illustrating a related yet distinct aspect of the phenomenon. Features include an “emphasis on products rather than processes, quantifiable measures and ‘hard’ technologies,” (Pallot, 1999, p. 419) as well as “compulsory competition,” (Seal, 1999, p. 310) and “a commitment to customer-contractor and other quasi-commercial policy-making and management principles,” (Boden et al., 1998, p. 267).

The key characteristics of NPM include the following:

Hays and Kearney found that most of the studies on NPM had mentioned five core principles of NPM and thus concluded that they represent the most important philosophy of the discipline:

1. downsizing - reducing the size and scope of government;
2. managerialism - using business protocols in government;
3. decentralization - moving decision making closer to the service recipients;
4. debureaucratization - restructuring government to emphasize results rather than processes;
5. privatization - directing the allocation of governmental goods and services to outside firms (Hughes, 2003). Although there continues to be debate over the precise nature of NPM, the classic formulation in C. Hood (1991) lists seven doctrines which have been summarized by Stephen P. Osborne and Kate McLaughlin (McLaughlin et al., 2002, p. 9): hands-on and entrepreneurial management; standards and measures of performance; output controls; disaggregation and decentralization of public services; competition in provision; private sector styles of management; discipline and parsimony in resource allocation.

2.2. Organizational justice

Justice is a key issue for understanding organizational behavior (Cropanzano & Folger, 1989, 1991; Cropanzano & Greenberg, 1997; Folger & Cropanzano, 1998). The first focus on organizational justice was based upon the equity theory (Adams, 1963, 1965), which holds that workers bring inputs to an organization, such as education, effort, experience, willingness, etc., and for these inputs, employees expect fair outcomes, such as pay, treatment, promotions, special awards, organizational recognition, honest feedback, and fair and accurate performance evaluations (DeConinck, Stilwell,& Brock, 1996; Greenberg, 1982, 1990a, 1990b).

The concepts of justice and fairness are also found in organizational settings among employees (Cropanzano, 1993; Sheppard, Lewicki, & Minton, 1992), and they are generally referred to as organizational justice. Without a perception of justice and fairness, organizations will have great difficulty in motivating and guiding employees. Greenberg (1990b:399), writes that perceptions of organizational justice are “a basic requirement for the effective functioning of organizations and the personal satisfaction of the individuals they employ.” Like other aspects of life, perceptions of justice and fairness are important in shaping employee attitudes and behaviors.

Organizational justice, which is comprised of distributive justice, interactional justice, and procedural justice, has been the focus of research for more than 40 years (DeConinck, 2010).

2.3. Distributive Justice

While most distributive literature focuses upon organizational rewards, distributive justice also includes punishments. Organizational punishments must also be fair outcomes in comparison to the negative behavior of the employee. Therefore, distributive justice is the degree of perceived fairness in distribution and allocation of...
outcomes within an organization based upon inputs (Cohen, 1987; Deutsch, 1985; Mueller, Boyer, Price, & Iverson, 1994; Price & Mueller, 1986; Williams, 1999).

2.4. Procedural justice

Procedural justice refers to perceived fairness in the process of determining distributive outcomes, such as how pay or promotions are decided within an organization (Davis & Ward, 1995; Martin & Bennett, 1996; Thibaut & Walker, 1975; Tyler, Rasinski, & McGraw, 1985; Williams, 1999).

3. Interactional Justice

Interactional justice refers to the interpersonal treatment or the level of perceived fairness in how employees are treated in the organization (Bies and Moag, 1986). In contrast to procedural justice, interactional justice involves less formalized aspects of interaction. It involves management's behavior toward subordinates such as the degree of honesty, sensitivity and respect shown during the interaction (Bies and Moag, 1986). The major difference between procedural justice and interactional justice is the focus of the perceived justice or injustice. With regard to procedural justice, perceptions of injustice are directed toward the organization. However, perceptions of interactional injustice are directed toward the supervisor (Masterson et al., 2000).

4. Conceptual Model

Figure 1. shows the conceptual framework of the study.

In this research, NPM is the independent variable which consists of five components as: Downsizing, Managerialism, Decentralization, Debureaucratization and Privatization. The dependent variable is Organizational Justice Perception which components are: Distributive Justice, Procedural Justice and Interactional Justice.

5. Methodology

5.1. Statistical Population, Sample, and Sampling Method
The research sample consists of 165 Municipality of Rasht staffs which has determined by using Cochran’s formula and the staffs were chosen by Simple Random Sampling method. In this type of sampling, each of the members of society have equal and independent chance of being included in the final sample.

5.2. Measurements

Distributive, procedural and interactional justice was measured by using the scales developed by Niehoff and Moorman (1993). The items of this questionnaire were translated into Persian language and were distributed among some participants for adapting and fitting into the Iranian research context. The questionnaire was comprised 18 items using a five-point Likert-type scale ranging from 1= strongly disagree to 5= strongly agree. The NPM questionnaire was made by author which consisted of 18 items and its validity was confirmed by management masters. The questionnaire included a total of 36 items written in Persian language.

6. Validity and Reliability

Reliability and structural validity were confirmed by Cronbach’s alpha and Kaiser-Meyer- Olkin measure of sampling adequacy and Bartlet test of sphericity. To assess the reliability of the research instrument, all questionnaires were distributed among 30 members of statistical sample, and, Cronbach’s alpha was calculated by SPSS software as below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Justice</td>
<td>0/933</td>
</tr>
<tr>
<td>New Public management</td>
<td>0/812</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributive Justice</td>
<td>0/876</td>
</tr>
<tr>
<td>Procedural Justice</td>
<td>0/863</td>
</tr>
<tr>
<td>Interactional Justice</td>
<td>0/911</td>
</tr>
<tr>
<td>Downsizing</td>
<td>0/774</td>
</tr>
<tr>
<td>Managerialism</td>
<td>0/756</td>
</tr>
<tr>
<td>Decentralization</td>
<td>0/795</td>
</tr>
<tr>
<td>Debureaucratization</td>
<td>0/719</td>
</tr>
<tr>
<td>Privatization</td>
<td>0/780</td>
</tr>
</tbody>
</table>

The above table confirms the reliability of the questionnaires, since all amounts of Cronbach’s alpha are above 0/7.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>KMO</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributive Justice</td>
<td>0/838</td>
<td>0/000</td>
</tr>
<tr>
<td>Procedural Justice</td>
<td>0/831</td>
<td>0/000</td>
</tr>
<tr>
<td>Interactional Justice</td>
<td>0/849</td>
<td>0/000</td>
</tr>
<tr>
<td>Downsizing</td>
<td>0/681</td>
<td>0/000</td>
</tr>
<tr>
<td>Managerialism</td>
<td>0/717</td>
<td>0/000</td>
</tr>
<tr>
<td>Decentralization</td>
<td>0/754</td>
<td>0/000</td>
</tr>
<tr>
<td>Debureaucratization</td>
<td>0/644</td>
<td>0/000</td>
</tr>
<tr>
<td>Privatization</td>
<td>0/677</td>
<td>0/000</td>
</tr>
</tbody>
</table>

As all amounts of KMO are above 0/6, the validity confirms that the samples are enough for factor analysis.

7. Results
Table 3. Fitting indexes of research conceptual model

<table>
<thead>
<tr>
<th>Fitting Indexes</th>
<th>RMR</th>
<th>RMSEA</th>
<th>AGFI</th>
<th>GFI</th>
<th>CFI</th>
<th>NFI</th>
<th>IFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>0/011</td>
<td>0/055</td>
<td>0/91</td>
<td>0/95</td>
<td>0/96</td>
<td>0/94</td>
<td>0/96</td>
</tr>
</tbody>
</table>

Table 4. Path coefficient, t and $\beta$ (dependent variable: organizational justice perception)

<table>
<thead>
<tr>
<th>Predictor Variable</th>
<th>$\beta$</th>
<th>t</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPM</td>
<td>-0/88</td>
<td>-9/07**</td>
<td>0/77</td>
</tr>
</tbody>
</table>

Based on the obtained results of the above table ($\beta$=-0/88 and t=-9/07, P<0.01), we can judge that implementing the NPM principals has a negative impact on organizational justice perception.

---

1 We have used the abbreviation of the dimensions in figures as below:
Table 5. Path coefficient, t and β (dependent variable: organizational justice perception)

<table>
<thead>
<tr>
<th>Predictor Variable</th>
<th>β</th>
<th>t</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downsizing</td>
<td>-0.24</td>
<td>-2.11</td>
<td>0.44</td>
</tr>
<tr>
<td>Managerialism</td>
<td>-0.47</td>
<td>-4.78</td>
<td></td>
</tr>
<tr>
<td>Decentralization</td>
<td>0.64</td>
<td>9.49</td>
<td></td>
</tr>
<tr>
<td>Debureaucratization</td>
<td>0.41</td>
<td>4.97</td>
<td></td>
</tr>
<tr>
<td>Privatization</td>
<td>-0.33</td>
<td>-3.08</td>
<td></td>
</tr>
</tbody>
</table>

**p < 0.01  * p < 0.05

Based on the obtained results of Table 5, (β=-0.24 and t=-2.11, P<0.05), we can judge that Downsizing has a negative impact on organizational justice perception.
According to the obtained results of Table 5, (β=-0.47 and t=-4.78, P<0.01), we can judge that Managerialism has a negative impact on organizational justice perception.
According to the obtained results of Table 5, (β=0.64 and t=9.49, P<0.01), we can judge that Decentralization has a positive impact on organizational justice perception.
According to the obtained results of Table 5, (β=0.41 and t=4.97, P<0.01), we can judge that Debureaucratization has a positive impact on organizational justice perception.
According to the obtained results of Table 5, (β=-0.33 and t=-3.08, P<0.01), we can judge that Privatization has a negative impact on organizational justice perception.

8. Discussion and Conclusion

From the end of the 1970s to the 1990s governments around the world were engaged in widespread and sustained reforms of their public administration. These reforms started in the USA and the United Kingdom, where the Republican and Conservative governments that came to power championed the New Right campaigns for reforms. The reforms immediately aroused academic interest and research was carried out and theories developed. Perhaps to facilitate academic discourse, the reforms collectively came to be called the new public management (NPM). New Public Management (NPM) is a new paradigm of public management that puts forward a different relationship between governments, the public service and the public. There have been
changes in the public sector and reforms of an unprecedented kind. For a variety of reasons, the traditional model of public administration has been replaced by a new model of public management. The change to new public management involves much more than mere public service reform. It means changes to the ways that public services operate, changes to the scope of governmental activity, changes to time-honored processes of accountability and changes to the academic study of the public sector. The obtained results of this research indicate the important role that NPM plays in employees' organizational justice perception and show that implementing the New Public Management principals in public sector, has a negative effect on staffs’ organizational justice perception. It is also concluded that downsizing, managerialism and privatization have a negative effect on organizational perception but decentralization and debureaucratization have a positive effect on that. Consequently to the obtained result of this research, some suggestion are brought in order to increase the destructive impact of NPM on organizational justice perception:  
* Both researchers and agents should conduct critical research and studies over implementing the concepts, structures, values and technics of private sector in public sector.  
* Public administration should not obey the principals of marketing management, but should follow democratic principals and focus on values like: Citizenship Participation, ethics, social justice, Human Dignity.  
* In debureaucratization governments should not focus on destroying and omitting the Inefficient bureaucracy, but should focus on its modification in which the hierarchy would be modify and the participation of staffs and citizens would be simplify.  
* According to the positive effect of decentralization on justice perception, it’s better that managers pay more attention to authority delegation and applying employees’ participation.  
* According to the negative effect of downsizing on organizational justice perception, in staff reduction it’s better to use human dignity preserver technics like natural or early retirement instead of forced expulsion.

References


