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# The new public management and its application into the Chilean maritime administration, within the Chile Navy

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**WORLD MARITIME UNIVERSITY**

Malmö Sweden

**THE NEW PUBLIC MANAGEMENT AND ITS  
APPLICATION INTO THE CHILEAN MARITIME  
ADMINISTRATION, WITHIN THE CHILE NAVY**

By

**DINSON BAACK VASQUEZ**

**Chile**

A dissertation submitted to the World Maritime University in partial fulfillment of  
the requirements for the award of the degree of

**MASTER OF SCIENCE  
IN  
MARITIME AFFAIRS**

**(MARITIME SAFETY AND ENVIRONMENTAL ADMINISTRATION)**

2012

## DECLARATION

I certify that all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has been previously been conferred on me.

The contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the University.

(Signature).....

October 22, 2012

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## **ABSTRACT**

Title of Dissertation: **The New Public Management and its application into the Chilean Maritime Administration, within the Chile Navy**

Degree: MSc

The importance of Maritime Administrations in the context of a globalized world has been increasing, as the international maritime community gets more involved in the shipping industry and in those issues concerning regulatory framework. In this scenario, it is necessary to analyze a tool able to provide an efficient and proactive system to meet the requirements of the private sector and also, to generate the conditions for an enhancement of the global economy. Thus, the New Public Management became the main model during the last 30 years, where governments made the necessary changes in order to achieve the purpose of the new managerial system. However, some public services are delegated into military organizations such as the case of the Chilean Maritime Administration, a government agency within the Chile Navy.

The analysis of the Traditional Public Administration and the New Public Management lead to identify the managerial model, whereby DIRECTEMAR has been organized, and; jointly with a case study about the outsourcing process in UK Search and Rescue Service, the considerations on the possibilities of reforms in the Chilean Maritime Administration. The conclusion and recommendations are given according to the benefits and opportunities that Chile has to considerer for further changes, taking as a foundation the current condition of a military agency.

**Key Words:** **New Public Management; Traditional Public Administration; Outsourcing; Maritime Administration, Public Sector, Private Sector; DIRECTEMAR.**

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## **List of Abbreviations**

ARCC	UK Aeronautical Rescue Coordination Centre
CHC	Canadian Helicopter Corporation
CSAV	Compañía Sudamericana de Vapores
DfT	Department for Transportation
DICAPI	Peruvian Coastguard and Captain of the Ports Directorate
DIRECTEMAR	General Directorate of the Maritime Territory and Merchant Marine
DIRINMAR	Chilean Maritime Interests and Marine Environmental Protection
DIRSOMAR	Chilean Maritime Safety and Operations Directorate
D.W.T	Dead Weight Tonnage
EEZ	Exclusive Economic Zone
GBP	Great Britain Pounds
HM Coastguard	Her Majesty Coastguard
HMS	Her Majesty Ship
IMO	International Maritime Organization
ITPD	Invitation to Participate in Dialogue
Joint SAR-H Project	Joint Search and Rescue Helicopters Project
IT	Information Technology
MCA	Maritime Coastguard Agency
MINSEGPRES	Ministry of General Presidential Secretariat
MOD	Ministry of Defense
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
OSR	Suggestions and Complaints Office
RAF	Royal Air Force
RN	Royal Navy
RNAS	Royal Navy Air Squadron



SAR	Search and Rescue
SRR	Search and Rescue Responsibility
STCW	Standards of Training, Certification and Watchkeeping
SWOT	Strengths, Weakness, Opportunities and Threats analysis
USCG	United States Coastguard

## **Chapter I**

### **Outlining the Issue**

#### **1.1 Introduction**

As the world started experiencing changes due to globalization and industrialization, the role of governments has been considered as vital and fundamental in the development of the internal industries and also in the contribution to the global economy. The shipping industry, which nowadays carries more than 90% of the cargo in terms of volume, is the focus of attention in the maritime field, since it involves several actors beyond the boundaries of a country, such as ship-owners, cargo-owners, seafarers and agencies. On the other hand, due to the need of enhancing the safety measures on board the vessels and the urgent necessity of protecting the marine environment, the world requires a coordinated and efficient regulatory framework for the implementation of common and useful measures in order to achieve those goals. Moreover, the development of new technologies in the international maritime industry has pushed government to rapidly react within the national industry.

Developed countries have been leading several processes of reform and modernization through the years. Although, communities have traditionally been organized and structured according to their geographical, cultural and religious conditions, the first administrative and organizational influence was the Traditional Public Administration, which mostly came up after the industrialization process in developed countries. This model, which successfully performed in countries, such as Germany, France, United Kingdom and United States, was characterized by a hierarchical and bureaucratic system, strongly regulated by the executive powers, and became the main tool whereby governments achieved their political programs. Nevertheless, the development of managerial systems within the market started to

find conflicts between public and private sector, where governments were not able to meet the requirements of an advanced system of management. Thus, a new paradigm in the public administrations grew during the late 70's, which was taken from the experiences of private companies, where the main goals were the achievement of efficiency and focusing on the customers instead of the internal organization. This model called the New Public Management (NPM), was mostly implemented by developed countries in those public services where the main customer was the society.

Maritime administrations, most of them civilian organizations, are considered as public services whereby the government delegates their responsibilities on maritime issues. Being government agencies, they were also influenced by the NPM system, forced to be organized and efficiently structured in order to comply with the features of the new managerial model. The reduction of organizational structures, proactive attitude instead of reactive employees, change of recruitment processes, minimization of levels of controls and reduction of policy impacts are some of the main characteristics introduced by governments into those administrations. However, there are some other governments that delegated the maritime administration under control of military institutions, such as the US Coastguard, DICAPI in Peru or DIRECTEMAR in Chile, where other considerations must be taken into account, as special conditions are involved within the Armed Forces.

The Chilean government performs its maritime duties through the General Directorate of the Maritime Territory and Merchant Marine, one of the three main branches of the Chilean Navy. Hence, it has been historically structured and organized as a military agency, providing a public service as the National Maritime Authority. Under a managerial point of view, civil organizations are suitable to be reformed and modernized through the NPM system, considering the flexibility to changes in terms of policies, organizational structures and so on. Nevertheless, as the nature of a military organization is hierarchical, vertical in terms of organization and

strongly regulated, it is necessary to determine whether the NPM model is able to be totally or partially implemented in such kinds of organizations.

This dissertation will provide a description and analysis of the Traditional Public Administration and the New Public Management in chapters II and III, respectively. This process will be carried out by the provision of backgrounds, features and characteristics, shortcomings and critiques, in order to identify the model whereby the Chilean Maritime Administration has been structured.

An analysis of how the Chilean Government has reformed and modernized the public sector and a detailed explanation in details of the measures taken by the Maritime Administration for the improvement of the quality of service are considered in Chapter IV of this dissertation, which will also provide a historical analysis of the administrative and managerial influences through the years. In this chapter, it will also be possible to identify the managerial model whereby the DIRECTEMAR has been organized and structured.

Chapter V provides an analysis of the benefits and shortcomings of outsourcing in the public sector, as one of the main features of the NPM model and; a Case – Study about the process of Search and Rescue Service privatization taken by the UK, which is currently provided by the RAF, RN and HM Coastguard, from the Ministry of Defense and the Department for Transportation, respectively. Although, this important step toward the implementation of the new managerial system has not concluded yet, it is possible to identify the processes, inconveniences and critiques during the first approach to outsourcing, which was considered as a partial outsourcing, as it only considered the harmonization of the helicopters operated by the SAR organization and; the improvements made for the second process, including the privatization of the whole SAR service. Finally, a Strength, Weakness, Opportunities and Threats (SWOT) analysis of the case study is conducted, in order to identify the convenience of outsourcing in the public sector and further

considerations for the implementation of the NPM in DIRECTEMAR. This Case study is also discussed in Chapter VI of this thesis, where the consideration about how the UK experience, in terms of the outsourcing, can be applicable to Chile.

Lastly, Chapter VII provides the conclusion of this dissertation and the validation of the this project, summarizing the main issues presented during the dissertation and, the author's point of view about a possible NPM implementation in the Chilean Maritime Administration. This chapter considers some recommendations based on the managerial features of DIRECTMAR and the experience taken from the UK Search and Rescue service privatization, through its SWOT analysis.

## **1.2 Purpose of this Dissertation**

DIRECTEMAR has set its long-term vision as “To become a Maritime Public Service of Excellence”, which has been the goal of this organization for several years. The introduction of this vision has led DIRECTEMAR to define those areas within the organization where shortcomings are present and also to take actions in order to improve and overcome them, focusing on the satisfaction of the service provided under the point of view of the customers or society. However, the experience taken from developed countries, which have totally or partially implemented the NPM in their public services, has motivated the author of this dissertation to analyze its application in a military agency, such as the DIRECTEMAR.

It is necessary to establish that this dissertation will not provide an assessment on how the current managerial system in DIRECTEMAR is performed. Furthermore, it is not the intention of this research to evaluate or propose changes to its military condition, but rather, the investigation process has been performed taking this consideration as the foundation to any possible changes, depending on the final result of this dissertation.

It is also important to mention that the UK SAR case study has been selected only as an academic exercise, as the resulting analysis will support the final conclusion and recommendations. Thus, it is not the author's recommendation to outsource the Chilean Search and Rescue Service or any other units within the organization, since it requires longer and specific studies, which are not included in this research.

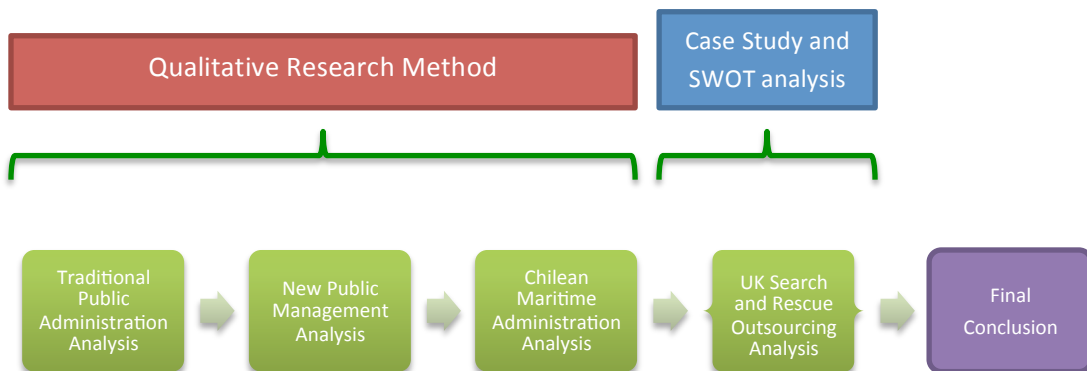
### **1.3 Research Methodology**

As the purpose of this dissertation is to provide the considerations and recommendations for the implementation of the New Public Management model in the Chilean Maritime Administration, it has been necessary to analyze the two most important system of administration that have been used in most of developed countries. Hence, a Qualitative Research is carried out, in order to identify how they are able to impact public organizations and society, consequently. Taking the definition of Quality Research (Creswel, 1998) as an “inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem”, this analysis also leads to identify the managerial model that DIRECTEMAR has been performing throughout the years and its impact in the quality service, provided by the Chilean Maritime Administration, and directly related to the national and international maritime community. It is also necessary to analyze the different point of views that are stated by different scholars, the context of the issue in terms of the benefits and shortcomings of each managerial model, and how those models were performed throughout the history, mainly those that concern to the NPM model, which are necessary to identify the convenience of the implementation of this system into a military organization.

On the other hand, a case study is presented, which analyzes the experience of the United Kingdom Search and Rescue Service, which is currently in a process of privatization. As outsourcing is one of the features that most represents the NPM

system, it is appropriate to indicate how a different country is performing a process of change, toward the new managerial system. Due to the similarities of both organizations in terms of the service provided, organizational structure and considering the tradition of being a service delivered by governments, this process has been assessed through a “Strength, Weakness, Opportunities and Threats” (SWOT) analysis, with the purpose of identifying the convenience of implementing one of the features, such as outsourcing, in a service provided by military organizations, only as an academic exercise, in order to expand the final result to the Chilean Maritime Administration, if it is appropriated. This SWOT analysis is carried out taking the data gathered from the case study and particularly, from the analysis done to Outsourcing itself.

The Qualitative Research Method, the Case Study and the SWOT analysis performed in this dissertation, is summarized in the following scheme:



#### 1.4 Difficulties Encountered During the Research

The main difficulties found during the process of research were basically those related to classified information within the Armed Forces. This issue impeded taking more examples on how other maritime administrations have dealt with their own

managerial systems. It was the intention of the author to present similar cases, such as the USCG, Naval Prefecture in Argentina, DICAPI in Peru, and so on. However, the lack of information in libraries and web sites forced the author to discard this option. On the other hand, the same situation was found in DIRECTEMAR, as open sources were not enough to go into detail in some areas that could have helped even more to support certain ideas. Finally, the selection of the case study about the privatization of the Search and Rescue Service in the UK, analyzed in Chapter V, has been considered as the most suitable for the dissertation, as outsourcing is considered as one of the important features of the NPM. Nevertheless, the contracting out process has not concluded yet; hence, the final result will not be commented on this dissertation, although, the purpose of the case study is to analyze the process itself and its benefits and shortcomings, instead of how the private company is performing the Search and Rescue service, as the new provider.



## **Chapter II**

### **Traditional Public administration**

#### **2.1 Background**

It is impossible to establish that only one single model of administration is the perfect system for the public sector, as realities are different among countries and also there are different services that are provided by Governments. For instance, while in Egypt the administration model was closely related to the Nile River performance, in Europe most of the countries implemented Administrative Empires or monarchies, with a strict control, strong regulations and clear procedures to follow. Taking the examples above, cultures, geographic locations, religions and customs play an important role on how governments and administrations are structured. However, most of the models before the 19 century fell into several bad practices that did not help to improve the citizens' lifestyle, economic growth or development. In addition to this, they became a perfect employment office for friends, relatives or for those who belonged to the same party or coalition.

For this reason, at the beginning of the last century, a new model started being implemented in Europe, mainly motivated by several economic problems among the developed countries that was the Traditional Public Administration. The main task of the Traditional Public Administration was to control public organizations through a strict legal and regulatory body, which basically tells what, when and how to do the job. It was a hierarchical and bureaucratic structure within organizations. It also came with changes to the way to appoint officers to certain positions, where governments were seeking the most qualified people available for the different levels within the organization. Taking these three features into account, it is possible to establish that this model minimized the possibilities of corruption, since normally the

process of selection of employees was formally clear and regulated, and controlled by the government of the day.

## **2.2 Traditional Public Administration Philosophy**

Taking the experiences of most industrialized countries, where the model was implemented, they all had in common several features that predominated when the system was in practice, which are the following (Hughes, 1998):

- a. The organizations administrated under this model were strongly controlled by political leaders. Governments accomplished their programs through the public administration; however, officers from the administrations did not have political positions.
- b. Strict hierarchical model of bureaucracy. The organizational structure was based on different levels of control and each of them was under the supervision of another office at a higher level within the structure.
- c. In order to get expertise at every level, the staff was appointed to the same position for several years, having the first chance to be promoted if it was necessary, due to experience and knowledge in a specific area.
- d. The organization is composed by neutral officials without any kind of influence in processes of decision and policy making.
- e. The tightness of the organizational structure makes officials dedicate their effort only to their specific task, with no contribution in other areas within the organization.

Although, these features were commonly used in most of the countries where Traditional Public Management was implemented, the model was influenced by several economists and scholars, such as Woodrow Wilson from the United States and Max Weber from Germany. Wilson proposed that the administration of the public sector should be completely separated from the politic activities. He supported

his idea explaining that the administration of the public sector itself was not a policy maker structure, while the political institutions were in charge of taking the different point of view coming from the public sector, but with enough power to take them into account or not. He believed in the politics-administration dichotomy, where they go in the same direction, however on different rails. On the other hand, Weber introduced the idea of full control from the top to the bottom of the organization structure, which is basically one of the main features of the Traditional Public Administration today (Pfiffner, 2004). However, he wanted to go further on this model establishing six principles, which are the following (Hughes, 1998):

- a. Official jurisdictional areas, which are established by laws or administrative regulations, are previously fixed.
- b. Super and sub-ordination system of organization with hierarchical and strong structure at different levels of control.
- c. “The File” principle is the first step for modern administrations, based on the fact that each document has to be stored and preserved. On the other hand, communication between different levels of control must be in written format, which makes the working relationship official.
- d. Specialized office management implies expert training. This process was carried out by selecting those positions where expert personnel were needed.
- e. Once offices are completely developed in terms of capacity to produce, it is required to dedicate the whole working capacity to the job.
- f. The way that each office is administrated must be under either general or detailed parameters and regulations where each of them guides the daily activity of the different organizations. These rules involve either administrative or business management.

Analyzing Weber’s principles, it is appropriate to conclude that the purpose of each of them is to standardize and build the hierarchical and bureaucratic model of the

Traditional Public Administration. Controlling the staff (officers), procedures, jurisdictions and training was the way to easily supervise the different levels within the administration, with enough discipline and supporting their respective goals.

For instance, considering Max Weber, who most influenced the traditional model of administration, and assuming his principles as the main characteristics of this system, it is possible to compare the Traditional Public Administration with a military organization structure, which basically has strict control from the top to the bottom; areas of performance are clear pre-established; it is based on a hierarchical structure, followed by several control measures; it requires that all technical capacities come from within the organization, without chances of outsourcing in terms of military issues, such as training, military equipment, and so on; and additional expert training is needed, which is normally carried out by the same institution. Because of the nature of military organizations, it cannot be arguable that the features found in the old model of administration generally meet the characteristics of the Armed Forces structures, since it has been recognized as a career that cannot be replaced by other occupations normally studied at any college or university.

### **2.3 Shortcoming of the old model of administration**

Max Weber emphasized that the traditional model would bring efficiency to develop and developing countries, mainly in terms of resources. His position was stated comparing the traditional model with the old systems mentioned before, such as monarchies mixed with religion or systems where lack of control and disorder were found. Nevertheless, according to the new challenges coming from the private sector, demanding fast and close relationships with the government, it was criticized by experts who thought that the Traditional Public Administration was antique, old-fashioned and not an efficient system for the citizens (Pffner, 2004). Taking this statement into account, the normal way to find similarities and differences is comparing them within the same period of time, and also, considering some of the

aspects mentioned before such as cultures, geographic locations, religions and customs. Thus, Weber was in the correct position promoting his model as a solution for the previous administration types; nevertheless, new challenges from the private sector made his conclusion obsolete, bringing the following shortcomings (Hughes, 1998):

a. Political Control:

Although, the public sector was politically controlled, the lack of commitment and loyalty to the government of the day, as public administrations were not involved in political issues, made processes of change and policy making longer and more complex.

b. Bureaucracy:

The complexity of the organizational structures, levels of control and lack of innovators, made bureaucracy an obstacle for politicians, who demanded active officers and new ideas to support the government program.

c. Bureaucracy v/s Democracy:

As the traditional model focuses its daily job on the organization, complying exactly with what the rules establish, governments were prevented from carrying out their political program, normally based on social agendas. Hence, the executive powers demanded changes to the model.

d. Technical superiority in the public sector:

It was thought that the technical conditions were superior to any other type of organization, including the market. Nevertheless, the improvements of the managerial processes and the increased qualification of workers in the private sector made governments believe that public administrations were not at a high standard and, required structural changes to overcome this issue.

Taking the maritime industry as an example, it is expected from Maritime Administrations to develop a convenient scenario for the shipping market, as a polic maker and supporting the internal industry. However, restrictions created a big wall between the government with investors, companies and normal citizens applying for a closer communication. In other words, it was necessary to open those closed public organizations, extending their responsibilities from government internal issues to real developers of measures on the global economy and resources, joining both the public and private sectors. Maritime Administrations, since they are mostly inserted in a globalized world, cannot represent themselves only to a specific side of the community, which in this case is the state. For this reason, each government requires enough flexibility to become pro-active in terms of changes demanded by the international maritime community.

How can the maritime industry be supported by Maritime Administrations? Since there are many actors involved in the maritime field, this industry becomes a complex system, where governments play an important role in a globalized world. Nowadays, this market is mostly regulated by itself, according to the demand and supply theory; however, there is a role that cannot be avoided by governments, which is the regulatory process, which provides boundaries and measures of control to protect the industry.

For this reason, during the 1970's a "new paradigm" came to improve the way the public administration was managed. Based on the experience of private companies, this model called New Public Management (NPM) brought new ideas for the improvement of efficiency and effectiveness, implementing the new concept of Management for the public sector.

## **2.4 Summary**

The Traditional Public Administration model became a real solution to many years of poor and weak administrative systems, which led to define and re-organize the public sector. Under the Executive Power's point of view, it became a solution on how to comply with their government program, since each of the public institutions was strictly under control of the political branch. On the other hand, many of the negative practices, such as corruption, nepotism, and so on, were minimized and in some cases disappeared. Nevertheless, the industrialized countries faced a new style of management coming from the private sector, where several inconveniences were found in the old model, mainly based on a hierarchical and bureaucratic organization structure. The Traditional Public Administration was not meeting those requirements or the evolution of companies where innovation and new technologies were introduced to improve efficiency, effectiveness and cost reduction. For this reason the NPM was introduced to the government establishment, in order to meet the process of transformation lived by citizens in terms of business and global economy.

## **Chapter III**

### **New Public Management**

#### **3.1 Background**

The discussion about the reasons why the traditional model did not prosper is mainly focused on the lack of efficiency and effectiveness of its hierarchical and bureaucratic structure. On the other hand, the way in which the old system was inspired and developed by several scholars could not meet the requirements coming from the respective industries. For these two reasons and taking the experience of the private sector, the concept of “Management” became the solution for this complex relationship between both sectors.

While administration can be defined as “the function of a political state in exercising its governmental duties”, which basically means the achievement or completion of a specific task, directly related to someone else’s tasks, management means the “the person or persons controlling and directing the affairs of a business or institution” (Dictionary.com). Comparing these two concepts, an administrator does exactly what he/she has been asked to do, so the capability of decision and policy making are restricted to the limit of power given by his or her superiors. Nevertheless, a manager, as the person in charge of “directing” and “controlling” a company or any other organization, has the possibility and the ability to make improvements through policies, innovation and so on.

Under these two definitions stated above, the Traditional Public Administration based their daily work on the accomplishment of government programs, with strict and rigid regulations, which prevents them from generating new and favorable conditions in the relation between the state and the new challenges from private



organizations. Also, in large organizations, the difficulties of those relationships are seen between different sections or department from the same institution.

Comparing both systems, the Traditional Model and the NPM might look completely different in all terms. However, they are not incompatible with each other at all (Pfiffner, 2004). The old model was created exclusively for developed countries after the industrialization process, with several years of complex administration systems. Nevertheless, beyond the shortcomings mentioned before, it also built the foundations for other models of administrations, such as the NPM. Definitely, the New Public Management cannot be successfully implemented without several conditions coming from the public sector. Thus, before the implementation of a model that has been design mainly for industrialized countries, those considered as developing countries must comply with some requirements, which will provide the basic conditions for further changes in their public sector. According to the World Bank, some of those prerequisites are the following: a) a valid legal framework, b) capability of enforcement, c) a financial system with financial accountability institutions, and finally d) a just social system. It is clear that even when this foundation is mostly related to the legal conditions of a developing country, in other words, more barriers coming from the public sector, the NPM can provide the tools to minimize them through several techniques and processes that are described in this chapter. For this reason, management, in general, focuses on overcoming all deficiencies found in the traditional system, improving government's performance, as a consequent. The functioning of the improvement of the public sector, which was brought by the NPM is clearly identified and synthesized by Allison (1982):

### Strategy

- a. *Establishing objectives and priorities*: the purpose of this function, normally executed at the higher levels within the organization, was to assess and forecast the different scenarios from either external (private

sector or other public administrations) or internal (mainly related to its own organization structure and capabilities).

- b. *Devising an operational plan*: A structured and written process for the achievement of the objectives stated above.

#### Managing internal components

- a. *Organizing and staffing*: In this stage of the NPM, managers organize the structure of the organization, setting different units, positions and the assignment of responsibilities and authority. On the other hand, it is necessary to appoint the correct people in specific positions.
- b. *Directing personnel and the personnel management system*: This is the process whereby the organizations seeks and recruits the capable workers to achieve the goals stated at the strategy level. This phase also includes the assessment of personnel identifying who most responds to the directions coming from higher levels of management.
- c. *Controlling performance*: Identification and implementation of systems for controlling personnel performances, the office operation and finances (including statistical systems, outcomes quality, and so on).

#### Managing external constituencies

- a. *Dealing with external units*: Relationships with other common public organizations, also including links between individual units or sections within the same office.
- b. *Dealing with independent organizations*: Government agencies, NGO's, enterprises or stakeholders from a specific industry related to the organization that eventually might affect the performance or the accomplishment of goals.

- c. *Dealing with the press and public:* Common criteria for relationships and acceptance between external and internal issues.

These three functions of NPM state the differences with the old model of administration. While in the Traditional Public Administration, the government agencies focus their daily job in doing exactly they were asked to do, the NPM model is not only able to plan strategies and goals, it also includes internal and external actors to its strategy, establishing bridges and links to create a better environment between society, media and other related organizations. The establishment of strategies makes the new model become a proactive rather than reactive agency. Thus, the achievement of those goals pre-established at the managerial levels, through the strategy, are the main route of work and the main source on how the organization must be structured. Even though, proactivity has been considered one of the best ways of management, since it permits the evaluation of how things might be in the future and how to react in case of unwanted changes in the present, a globalized world makes those changes come faster and more unexpectedly than before. Therefore, the strategy function and the organization structure must be in accordance with this scenario.

The new managerial model promotes the relationships between the public administrations and society, a privative condition only for politicians. Managing the internal and external components of the NPM strengthens the idea of open public agencies, giving the chance to all officers to interact with customers, media and public. This new concept can definitely improve the process of collecting information to have a clear picture of what the private sector wants from the government, and also creates a better environment to extend the role of the government to the private sector.

Although, this connection has been criticized by scholars, who believed that governments could not be managed as a private company, since the outputs of each

of them are different in terms of the service or good that each sector provides, the author of this dissertation supports the fact that the NPM not only focuses its effort on efficiency or effectiveness in the public sector, it is also an enormous transformation of the whole establishment of governments, instead of a simple reform of the model.

### **3.2 Transformation and Changes**

Some scholars have introduced different points of view on how this process of change, from the traditional model to the NPM system must be implemented or how it definitely has to perform. Thus, while the OECD focuses on how the new model can help developing countries to organize their public financial structures, others only emphasized how to implement those changes, without considering the fact that different realities are found between countries.

The OECD has encouraged two basic ways or “avenues”, to improve management production of good and services provided by the public sector in developing countries (Hughes, 1998). The first is increasing the level of efficiency in the public sector. This avenue is mainly focused on the improvement that needs to be made internally within the public organizations. It includes the process of managing all levels of the organization structure, the use of new technology, staffing, growth, qualified personnel enrollment, reducing methods of monitoring introducing personal performances, enhancing service quality and the new concept of “pay-for-performance”. The second is by motivating the market to participate in services, traditionally provided by the state, which includes a more efficient outsourcing process, eliminating monopoly and protectionist measures to providers.

Taking these two ways of helping developing countries to improve their public administrations, we can conclude that what are basically the second and third functions of general management mentioned in this chapter, where the main

purposes are to enhance and fix governments' internal and external issues. However, the OECD summarized these two avenues establishing the following starting point for changes: a) enhancing staffing, with better salary conditions, b) delegation of power to managers and officers, and c) reducing mechanism of control, but enforcing goals achievement, d) using information technology, e) service to clients, f) user charges, g) contracting out, and h) deregulation of monopolies (Hughes, 1998, pp. 60-61).

On the other hand, other researchers focus their studies exclusively on market, political or administrative changes. In this group, Massey argues that the process of transformation must start from political branch to public organizations. This position included several reforms about reducing the role and extension of the state, by promoting and improving the private sector development, and also by minimizing several legal barriers in order to bring closer privates citizens (Massey, 1993).

Hood introduces seven points to guide the process of transformation from the internal point of view of the public sector, which is basically giving the chance to managers to act the way they were trained to, within certain and explicit responsibilities, such as establishing principles and standards of performance; giving more importance in result measures (outputs); minimizing departments within the organization structure, reducing large and extended institutions, in order to improve management and goal achievement; adopting private sector behavior through processes of contracting out; implementing management strategies by moving out of traditional hierarchical structures; and finally, by reducing costs of operation and improving working discipline (doing more with less) (Hughes, 1998).

Even though, both positions focus on different directions, it is possible to find more things in common than differences. First of all, both cases highlight the importance of managers in decision making processes, since they encourage the delegation of responsibilities to lower levels, instead of making them comply with rules and orders

coming from higher levels within the organization. Secondly, there is a clear trend to reduce or to separate functions of certain types of administration in order to facilitate management and reduce costs as well. Thirdly, introducing outsourcing as part of the new model of management will motivate private citizens to be part of the state process of providing goods and services to society and, also minimizing the cost of production of those goods and services that are regulated by the market. Finally, by definitely moving away from the bureaucratic and hierarchical organization structure, in terms of reducing levels of control of legal and human barriers, delegation from the top to the bottom of the organizational structure and minimizing processes.

Even though there are several other scholars, who describe the process of transformation with different focus and point of views, they all agree that no matter what the position they might take to carry out this important stage of public administration, the main points of each of those changes are directly or in-directly related to the functions of management, such as strategy, managing internal components and managing external constituencies.

### **3.3 Quality Service in the Public Sector**

As the pressure started coming from society for better communication with the public sector, the concept of Quality strongly came up in organizations involved in the policy making process and service providers. While quality can be described as a perception from those who receive the service or good, it has not been easy to measure the level of value of each of the outputs coming from the state. For instance, taking as an example the process of competence certification for a seafarer, the office in charge of issuing the certificate follows each of the steps pre-established in the regulatory body concerning this matter. So the question that can be asked is: “How good was the service provided by the officer in charge of the certification process?”, or How long did it actually take until the certificate was in the possession of the

seafarer?” These questions and many others are normally asked among the different groups of clients that require a specific service from the state.

Improving the public sector performance is an issue that has been studied for many countries that have implemented the NPM. Even when there is a perception of inefficiency and poor service, the public sector has focused their job on identifying those problems that move them away from what customers want. For this reason, there are simple actions taken by governments to improve the output's quality and the relationship between society and the public sector. Opposite to what normally was seen in the Traditional Public Administration Model, those measures of quality improvements can be described as follows (Cohen, 1993):

1. The use of contractors (suppliers): this measure ensures that the goods or services needed have been specifically made within the standards required by the organization. Even when the public sector could produce its own inputs to elaborate the final outputs, through the market it is possible to find competition between companies, quality, availability and lower prices, through the demand and supply theory. Although, the outsourcing process is considered to benefit private industry, in some cases, suppliers can also be part of the same organization, but from different units.
2. Process and employee supervision: Due to the fast and dynamic changes in technology, market behavior and regulatory frameworks, it is highly necessary to analyze each of the processes considered in a whole system. It will contribute to re-organizing, modifying and improving the services that are provided by the unit, and also will help managers to avoid critical situations with customers.

3. Customer's feedback: Knowing the customer's perception on how well or poorly the job has been done, will lead the managers to have a picture of how quality is defined by customers and society.

The measures stated above cannot be considered as a measurement system, since they do not consider any pre-established values to exactly identify where other measures have to be taken. Nevertheless, they are a contribution to a complex process of improvement, where the main objective is service quality.

It cannot be argued that the markets, the organization and society are the three areas that managers should focus on, in order to collect the perception of customers. They are the source of information that makes any organization become pro-active in terms of the quality maximization of services and goods. Now, it is possible to identify the similarities with the features of the NPM model, concluding that under the traditional model of administration it was not possible to achieve a minimum quality level because of the closeness, reactivity and un-responsiveness of the administrators and officers, who were normally attending high level requirements or simply following pre-established procedures through a regulatory framework (Cohen, 1993). This can be explained considering that normally managers and officials felt that all solutions or measures for improvement should come from the top level of the organization, politicians or from other units; the pressure coming from higher levels of public institutions required them to perform just the way the regulations have been established or simply because of the permanent fear of doing things wrong and being punished.

### **3.4 Quality Measure Techniques**

When comparing a private company with a public service office in terms of output, the big dilemma found would be the way in which both of them are measured. While the private sector success can be assessed in terms of incomes, number of items sold,



leading the market with new devices, and so on, it has been complicated for public administrations to assess how well the job is done. Internally, the accomplishment of objectives of each unit within the organization, previously established and coming from the strategy plan, can be easily measured by several techniques, which for the purpose of the NPM are related to efficiency and effectiveness. In other words, if a manager is able to reduce costs as much as he or she can, without losing the objectives pre-established by the organization, he or she might be considered with a high qualification. Nevertheless, as the final outputs are the different type of services offered by public organizations, externally, the process of measuring the quality of the service given is different and complex. Complexity might come from the point of view that there are several expectations and requirements from customers that push governments to evaluate them as service providers (Ramseook, 2010). In this field, the perception of society, which is the main target of the NPM, plays an important role in terms of the level of quality of an intangible output. While the internal issue is eventually under control through the accomplishment of the objectives set for each managerial level, the external still requires a longer process of study to determine a proper method of quality assessment.

Even though of this dissertation has not considered a quality evaluation of the services provided by DIRECTEMAR, the author has included this sub-topic in order to contrast the way in which the Chilean Maritime Administration has developed its own techniques of quality assessment.

### **3.5 New Public Management Critics**

The NPM has not been away from critics, especially from scholars who realized that in some cases it did not perform the way it was announced. First of all, reducing costs at all levels and units within the public service led to a decrease in the long term policy performance. Some managers noticed that even when they got enough power to implement, modify or simply eliminate some of the regulations, all of those

actions could involve only short terms benefits or consequences. On the other hand, it has not been possible to consider medium and long term changes, since the budget did not actually permit it (Petrescu, 2010). Secondly, the possibilities for each manager to participate in the policy making process definitely improve the whole public sector in terms of relationship with society. However, a coordinator and control system for those policies has to be considered, since having those processes in different units within the same organization causes interference among jobs, especially when those offices are involved with clients. For instance, New Zealand, the pioneer country on developing the NPM as the base model of management for their public sector, has more than 3 hundred different agencies under the government, with 40 ministers in charge of them. This situation definitely proves that efficiency is rarely carried out especially in decision making control and monitoring processes. This problem has been seen in the shipping industry where different ports have implemented different regulations for the same activities, ships or people. Thirdly, the process of transformation from the traditional model to the new managerial system has not been considered a smooth process that can be carried out in a short period of time.

As it was mentioned before, there are several requirements that the state interested in these changes must take into account before starting to make modifications to the current system in their public sector. A regulatory framework, qualified personnel, infrastructure and some others, are the foundations to the process of change, which at least can ensure the success of the transformation itself. An example is the experience of Chile from 1994 to 2003, when it decided to implement the NPM model in most of the public services that interact with society. After nine years of changes, the Chilean government realized that this process was not able to achieve the goal without the strong legal framework implemented by the military government (from 1973 to 1989), which was basically a hierarchical and bureaucratic form of administration. On the other hand, during the 80's, the government of the day procured to train and qualify managers in different universities in Europe and the

United States, in order bring new knowledge and “know-how” on transformation to the new model of management.

This example explains some of the previous steps that should be analyzed before starting this process. However, the criticism found in different countries is the fact that the NPM itself cannot be considered as a logical process of transformation from one system to another system; thus those minimum standards must be considered before the changes take place (Petrescu, 2010). For this reason, even when OECD encourages developing countries to improve their public sectors, only few of them are able to start this era of reforms due to the compliance with those requirements. Finally, the introduction of new information technologies has made it necessary to proceed with a deep revision of the new model, specifically on its relationship between the governments and citizens (Dunleavy, 2005). The Digital Era of Governance, where the growing introduction of internet, email and on-line services has made governments analyze the compatibility of the changes already made due to the NPM model transformation. IT comes to facilitate processes and the interaction with society, nevertheless the fast changes in technology require a simple organization structure to walk parallel and be flexible with them. This topic, applied to the DIRECTEMAR, will be further analyzed in detail.

As it was mentioned before, there is no perfect or single model of management for the public sectors. Any criticism made of the NPM has to be taken comparing benefits with costs to any government. Even though, the introduction of new technologies has questioned the function of the new model, there are several other features that remain as important for developing countries, which are mainly related to the global development economy encouraged by NPM as the main purpose. For this reason, it has to be arguable that those criticisms represent the end of a successful era of management

### **3.6 Summary**

The concept of Management in the public sector was completely unknown before the introduction of the NPM during the 80's. Developed and industrialized countries implemented the new managerial model to improve the connection between private citizens and the government. Several reforms and changes were made from the old and traditional system of administration to the NPM model, involving human resources, organizational structures, economy, efficiency and effectiveness. Contrasting both models, it is possible to identify that while the old system is the main tool whereby the executive power complies with their government program, the NPM focuses in the market and citizens, having a closer and better relationship between them. On the other hand, the old model strictly follows clear and strong regulatory bodies, which are established by the political authority, covering all aspects of the public administration and controlling the officers and managers performance; whereas the managerial system states a decentralization of the organizational structures, providing more responsibilities and attributions to managers, having resources and independence to make changes and improvements, within their jurisdictions. The traditional model became the main service provider along the whole organization. The NPM promotes outsourcing, involving the market in the government's task. And finally, each position in the organization was covered by employees with long careers in terms of time and experience during the Traditional Public Administration era; however, since the implementation of the NPM, those positions are held by qualified and trained officers, who are normally appointed by politicians. This new practice makes the difference between these two models, which is basically the commitments with the government of the day of the new managers, compared with the long distance kept by former officers with no relationship with political agencies, other than those written in the law.

The NPM itself cannot be considered as the most important and unique system that solves all problems coming from the public sector. There are several shortcomings

and criticisms that make the model defective and imperfect. However, the purpose of the model has been accomplished by governments, which is to attend to the society's needs, by turning the attention from the executive power to the private sector.

## **Chapter IV**

### **Chile and its Maritime Administration**

#### **4.1 Background**

Chile, an independent country since September 18<sup>th</sup>, 1810, has experienced different processes of administration since it was conquered by Spain during the 16<sup>th</sup> century. Thus, since that time the society was strongly administrated by the Spanish monarchy through the Viceroyalty in Peru, which resulted in form citizens with a strong sense of loyalty to the King. Although, there were large groups of natives, who fought against the Spanish colony, most of them supported the monarchy with the fact that other countries were interested in the conquest of the emergent Spanish-American countries. While England, France and the Netherlands sent their ships to Chile through the southern passage Strait of Magellan, the Spanish colony politically organized natives according to the regions where they lived, in order to repel them and avoid the arrival of any European forces. In 1778, the first general census took place in Chile, which indicated that more than 70% of the population was comprised of European descendants (English, French, Portuguese, Dutch and Spanish), 7.9% was a mixed of Spanish and natives, 8.6% were Indians and around 10% blacks, who voluntarily moved to the northern countries of South America. Another factor that has to be considered is the influence of the Catholic Church, which led a process of evangelization in most of the Spanish-American countries, bringing its own organizational model to political decisions. This situation continued until the late 90's, when the church was still considered as a strong institution with a high level of attention within the countries.

After independence, three other situations influenced the country, especially the public sector. First, a large number of immigrants arrived in Chile during the late 19<sup>th</sup> century. Most of them came from England, and Germany and a few from the former

Yugoslavia. They brought fresh concepts of public administration just after the process of industrialization experienced by developed countries in Europe. This situation in particular was seen in the way they organized themselves in communities within the state, extending and improving their knowledge of administration to Chilean authorities. For instance, some of the British and German community joined the Armed Forces, especially the Navy and Army. Nowadays, it is still possible to identify those influences on its organization, formality and training. On the other hand, most of the Yugoslavians moved to the south of Chile, where new farming and animal husbandry techniques were introduced and improved the industry.

Secondly, since Chile established its independence, among the 35 Republican Presidents, seven of them were military; five from the Army and two from the Navy. This historical situation demonstrates the military influence that the public sector has faced through the years. All of them became President of Chile in different periods since 1810, so their legacy in administrative issues was spread not only in one specific period of time. It was actually until 1990 when the last military government was handed over to a civilian president.

Finally, during the 80's, Chile experienced a process of opening its internal market to the world, signing free trade agreements with Japan, South Korea, China and the United States, among others. Since natural resources were not sufficient to cover all the society's needs, the President of the day decided to introduce those goods, including raw materials, to compete with industrialized countries. However, Chile was a strong centralized country, where most of the decisions involving any city were made in the central government. This situation itself interrupted the process of opening to the world market, thus it made the government believe that without a transformation in the way the public sector was administrated, the chance of success for the development of the economy was not going to be achieved. For this reason, Chile started adopting several measures such as the decentralization of the state and provision of more power to local authorities over the thirteen Regions throughout the

country. On the other hand, public managers were trained in different universities from the United States and Europe, which brought a new concept of management to the public sector. Finally, a continuous privatization process was held, since the state controlled most of the internal market through its own companies.

To sum up, the influences coming from different actors within the Chilean history had made the state become more or less what the traditional model of administration was during the last century. Military governments and European immigrants were the two main factors that pushed the public sector to be organized with hierarchal and bureaucratic style. However, during the last 30 years, Chile experienced a process of transformation encouraged by the globalization process, which led to the implementation of several reforms in the public sector.

#### **4.2 NPM, Reforms and Modernization Process in Chile**

The latest reforms undertaken by the military government during the first half of the period from 1973 to 1989 were mainly focused on administrative issues. These changes were a response to several economic depressions after an unsuccessful process of socialization. Thus, it was highly necessary to implement some of Max Weber's principles to rapidly improve the financial situation of the government (Marshall, 2008). This action can be explained as the country itself was not in a good position for opening the administration and starting to implement a new managerial system, where the situation could not be worse than during the 70's.

Although, most of the first actions to improve the economy followed the old system of administration, a few others met the NPM model, such as the decentralization of some public services. The decentralization led to better conditions for citizens in terms of availability of education, health and other services, as they were delegated to local authorities within the 13 political regions. Thus, while the government was



initially moving to the traditional model of administration in terms of economic issues, it was also implementing other measures close to what we know as NPM.

Nevertheless, the second half of the period came with a different posture, since the Chilean economy grew faster than it was thought and also because of the globalization of the world's largest economies. This situation influenced the government not only to open its market to North America, Europe and Asia, regions where the Chilean production was needed, but it also led to a process of internal changes in order to motivate foreign companies to invest in Chile. Thus, Chile became the first country in Latin America to implement the neoliberalism economic system, which in theory was definitely not compatible with the reforms made during the first half of the military government (Marshall, 2008). On the other hand, the internal situation in Chile was complicated in terms of social requirements. The state had a notorious improvement in its economy, and it was recognized by most of the developed countries. However, the social responsibility of the government was left behind, such as education, health care and justice.

These two reasons led the government during 1994 to lead a deep reform and process of modernization, covering several aspects of the public administration. They both focused their efforts on eliminating the traditional model implemented in the previous decade, through outsourcing, reengineering, benchmarking and mainly by the efficient allocation of resources (Molina, 2008). All these changes are intrinsically coming from the NPM model, which in a developing country's administration was completely unknown. According to the author's opinion and taking into account the experience of the Chilean government during the past century, this process of modernization became a revolutionary change in terms of how the public sector would respond to this challenge. The NPM itself cannot be implemented without several other considerations, such as human resources, training and infrastructure. Nevertheless, the previous military government made the

conditions to develop further changes in the public administration, such as the training of managers and employees.

This reform basically was made through the incorporation of new tools for quality standards and the improvement of services to users. The government was also forced to make cultural changes in managers and officers, thus new policies about human resources were developed following the strategies from the NPM. Thus, Chile based its reform in five components, which are the following: a) society, b) human resources, c) achievement of objectives, d) efficient use of resources, and e) strengthening the public ethic, (Molina, 2008). First, and considering that the modernization and reform was intrinsically for the public administration itself, the government realized that also the citizens also had to be aware of their rights and responsibilities. From this point of view, and closely related to how to measure the quality of the service provided by the government, the state implemented a systematic feedback from users. This was concentrated on what their demands were and also on how they expected to be satisfied (Flisflisch, 1995). This generated awareness about the citizens' rights and also helped the public organizations to conduct their services according to the expectations of the people and companies.

Secondly, the government stimulated several changes to public officials through the implementation of careers, within the public sector, which made officers improve themselves in their jobs. These measures included awards for best performances, professional development and self-capacitation in their areas of responsibilities. Thirdly, the achievement of objectives became one of the most important changes within this process. From complying exactly with what regulations, procedures and standards stated, officers and managers started to become more aware of the objectives coming from the planning process for each organization. Fourthly, the use resources became one of the most complex factors to be changed, since normally it implies several regulatory changes, which were not available during the process of reform and modernization in Chile. Finally, although corruption issues were not

considered as a major problem within the public administration, it was necessary to create legal and cultural modifications to officers and manager's performances, from the point of view of transparency and probity. These five principles were basically taken from the experience of the United Kingdom during the process of reforms done by the former Prime Minister Margaret Thatcher (1979-1990), who led the implementation of the NPM as a managerial system for public services.

This first step of modernization and reform that took place in Chile was finally finished during the year 2003. The tangible output found at the end of this important process was the managerial system implemented in the government agencies, the rising of the importance of society in terms of rights and, the satisfaction of public services and the strengthening of government institutions (Marshall, 2008). Although some scholars saw this reform as an opportunity to improve the relationship between government and society, some other did not agree with the fact that new information technology was not included as part of the modernization itself.

According to the Chilean Central Bank, which assessed some of the policies implemented related to government agencies that are behind and supporting this initiative, the most important issue found is related to the lack of new regulations on human factors, such as the strict method of promotion for officers, lack of mobility across the organization and perpetuity in certain positions (Marshall, 2008). These elements are exactly features of the traditional model of administration, which would lead to impede the normal performance of the NPM itself. The new managerial model requires qualified and trained officers and managers to carry out this paradigm. And also, the absence of professionals in the IT area will extend the full implementation of any new measure to enhance the public sector. According to the author's opinion, due to the nature of this process, where dramatic changes were necessary for the improvement of the public sector, the implementation of other systems or the mix of them would have disturbed the natural process of the main

objective of modernization and reform implementation. Thus, the government considered the IT measures for the second stage of the reform process.

Considering the issue stated above, during 2004 the government of the day created the “Modernization Committee”, which basically focuses on three main tasks: a) an open public sector, b) a closer public sector, and c) an efficient public sector (Varas, 2012). Even though, these elements were already analyzed during the previous process of modernization, now it is under the point of view of the information technology. The identification of these three elements has not been created by the Chilean government but, it is a combination of other systems taken from Singapore, Australia and Canada. The simplification of processes, the society’s participation in government decisions and transparency in terms of expenditure of resources are the principles whereby the government intends to reach the three main elements stated above (Varas, 2012).

According to the information provided by the Modernization Committee, it has not been the intention to improve the NPM as a model; however, the purpose of the introduction of new technologies within the New Public Management model will ensure and strengthen the society’s participation in a continuous routine of enhancement. Thus, the Chilean government developed a Strategic Plan considering several aspects of the use of technology as the foundation for the purpose of this plan, which shall be finished by 2014.

This project establishes the three main pillars, mentioned above, but now introduced in a formal document and having become the starting points of the Strategic Plan itself; these are the “Open Government”, “Closer Government”, and “Efficient Government” (See Figure 1). The Closer Government promotes the centralization and digitalization of all services provided by the government, minimizing time and users’ resources. The Open Government establishes the participation and transparency of processes, improving the collaboration and collective development

of solutions to problems of public interest. Finally, the Efficient Government goes beyond the use of resources within the public services. It also promotes, assesses and enhances the mechanisms of evaluation and standardization of processes involved with private citizens and users, providing a feedback system, which evaluates the inter-operability of technology system implemented (Piñera, 2011).

Thus, the Chilean government developed an online platform called “electronic government” or “e-government”, which is basically the concentration of all public services that are in permanent contact with society into a web site, through a multiservice network that is able to provide easier, faster and integrated digitalized information in one single web page.

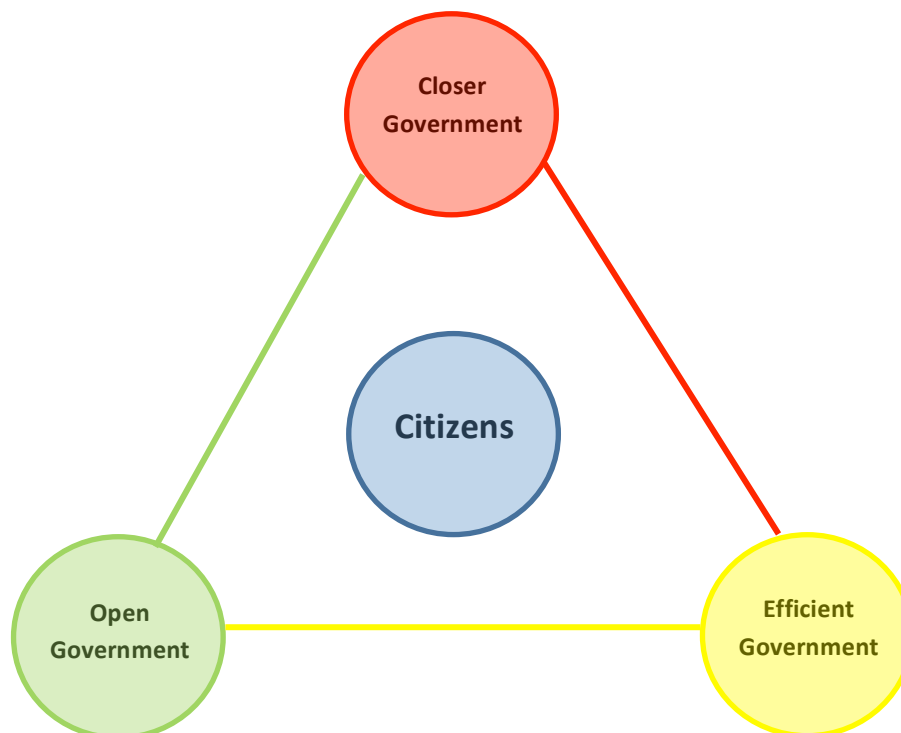


Figure 1: Three main pillars of Strategy Plan  
([www.chileatiende.gov.cl](http://www.chileatiende.gov.cl))

The Strategy Plan implementation, led by the Modernization Committee, covered several steps in order to identify the different actors and aspects that are involved in the project. Thus, it focused on institutions and public organizations, universities, industries and civil society, which are able to provide initiatives, ideas or any useful information that helps improve and correct the process of implementation. Seminars, workshops and using social networks, as an alternative method of communication, were the main sources used to congregate all these actors, where the final proposal from this group considered the following actions (Minsegres, 2011).:

- a. Increasing the level of transparency
- b. Improving the public service coming from the government
- c. Fully use the internet as the main source of inter-action with the public services; and
- d. Implementing a unique web site platform, call-center and mail service

The final output of this process is the web platform [www.chileatiende.cl](http://www.chileatiende.cl), which nowadays is able to provide almost two thousand services in its Beta version, the most important ones being: health care, legal assistance, employment, immigration, education and family issues, for individual citizens, and a wide range of services for companies and self-employed.

In this group, 38 of them belong to DIRECTEMAR, mainly related to private port security (companies and guards) accreditations; maritime education and training organizations accreditation; vessels certification, safety devices and firefighting devices approvals; safety communication systems; safety construction; STCW agencies registration and nautical sports information, among others.

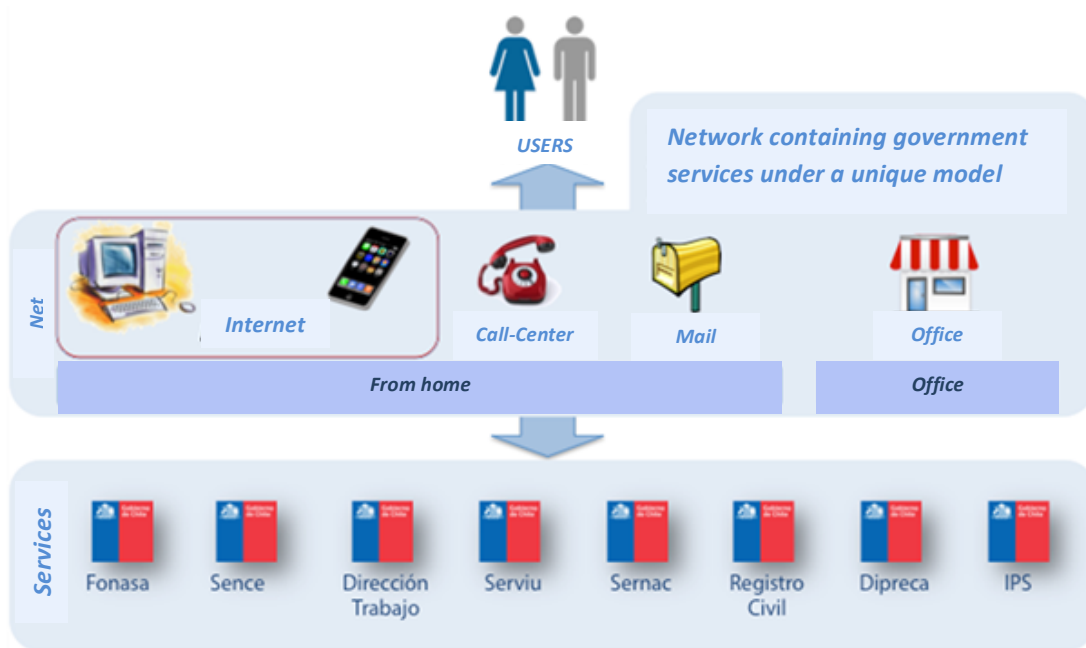


Figure 2: Chilean Public Service Network ([www.chileatiende.cl](http://www.chileatiende.cl))

Although, the Strategic Plan is still in a phase of implementation, it has to be considered a successful project in terms of how all public agencies were able to be combined into one system available for all privates and users. However, there is no information available on how efficient the platform is, since most of the criticism are related to its functionality and operability, which is how fast and useful the information and processes shown on the web site are, according to users' opinions.

To sum up, the Chilean government has more than 10 years of experience with the new model of management. The NPM has motivated other changes due to the challenges presented by new technologies available for the large majority of Chileans, who are able to access and use them without shortcomings. The Chilean Maritime Administration, as one of the General Directorate of the Chile Navy, was not included within the process of reform of the public sector. However, due to the importance and impact of the services provided by DIRECTEMAR in the maritime

industry, the new web site platform includes the thirty eight most important services delivered by DIRECTEMAR.

### **4.3 The Chilean Maritime Administration: DIRECTEMAR**

#### **4.3.1 Chile, an Oceanic State**

Chile is one of the largest maritime dependent states in the world, due to its geographical location in the south west coast of America, with more than 4.300 kilometers of coast line and 3.5 million square kilometers of exclusive economic zone (EEZ) and, considering the ratification of international conventions, this territory extends to 26 million square kilometers for search and rescue purposes. The influence of the sea on the citizens' lives is a relevant consideration for the government, since most of the resources are found on or near the coast. The narrow geography of the Chilean land territory and the archipelago conditions in the south become an obstacle for the normal development of terrestrial communication lanes (Codina, 2009).

As it was mentioned in a previous chapter, Chile decided to base its economy on international markets, negotiating a vast number of trade agreements, most of them with developed countries in Europe, North America and Asia. The introduction of raw materials and other goods produced in Chile to foreign competitive markets has dramatically increased during the last 30 years. This situation has forced the fast and continuous development of the different actors involved in the maritime industry, such as government agencies, shipping companies, and stakeholders in general. The Chilean government takes good advantages of the conditions of the southeast pacific coast, which is considered a privileged place for fishing activities, including aquaculture. Finally, during the last decade, tourism has become an important source of incomes, mainly in the southern part of the country. The implementation of new policies and regulations on safety measures for pleasure boats and also for the



promotion of interesting places within the coast has raised the number of visitors coming by sea.

#### **4.3.1.1 Shipping Industry**

Currently, seaborne trade represents more than 90% of exports and imports in Chile, with 53 million and 46 million tons, respectively. Around 18 thousand vessels arrived from international ports in 2011, and the shipping industry has become the main means of transportation.

Considering that the largest shipping company in Chile and also one of the 20 largest in the world, Compañía Sudamericana de Vapores (CSAV) has shifted to open registry flag, the number of merchant vessels has still increased during the last 20 years, reaching 207 national vessels in 2011, representing 918.889 D.W.T. On the other hand, the total number of seafarers is almost 20 thousand officers and mariners, which has basically remained steady during the last 10 years.

#### **4.3.1.2 Fishing Industry**

While the shipping industry is considered a significant source of employment, fishing activities are the largest one, due to the dimensions of the fleet and number of seafarers involved. Although, fishing has fallen over the last five years due to several factors that will not be mentioned in this research, the Chilean Maritime Administration controls 247 large fishing vessels and 47.700 small fishing vessels. Finally, there are more than 2.800 officers and 29.297 mariners enrolled in DIRECTEMAR.

#### **4.3.1.3 Other activities**

Due to the extension of the coast and the diversity of climate and geographical conditions, there are several other activities in which the Maritime Administration has an active participation. Aquaculture, tourism and scientific exploration are some of the other industries with a high level of growth. On the other hand, as an exporter of raw materials, Chile has developed several private projects, for the construction of new ports as well as terminals, for the reception of hydrocarbons along the coast.

#### **4.3.2 Chilean Maritime Administration in the Context of a Public Service**

Since Independence Day, the Chilean Navy started performing several tasks related to the safety of life within the limits of the ports and also, controlling the transfer of goods in its jurisdiction. However, it was not until August 30<sup>th</sup>, 1848, when The Chilean Maritime Administration, which is the General Directorate of the Maritime Territory and Merchant Marine (DIRECTEMAR), was officially created, as one of the Department under the command of the Chilean Navy, initially named Directorate and Command of the Maritime Territory. But in 1953, following the Constitutional Act N°292, a new regulatory body came up to regulate the Maritime Administration, identifying this government agency as a “public service”, for the first time. In 1978, the most important document was created. The Navigation Law N°2.222 replaced the original one dated from the previous century. The main change coming from this regulatory body was the qualification of National Maritime Authority to the General Director, Maritime Governors and Captain of Ports. Thus, the status of this new position came with several other responsibilities, such as the representation of the government in international organizations related to maritime affairs, the law enforcement provisions for issues related to environmental protection and, it also changed the previous name to General Directorate of the Maritime Territory and Merchant Marine (DIRECTEMAR, 1978).

Currently, the Chilean Navy establishes its strategy in three vectors, which are the main pillars and foundations, whereby this government agency performs its daily work. These are Defense, International and Maritime Vectors. The Maritime Vector is represented by the Maritime Administration (DIRECTEMAR) and it is the only agency involved in the maritime field, concerning maritime safety and environmental protection. Thus, the Maritime Administration has set its mission as *“the organism of the Chilean Navy, whereby the Chilean government enforces the compliance of all national and international law, in order to protect the human life at sea, the marine environment and natural resources; and to regulate the activities carried out in the maritime field, in order to contribute with maritime development of the country”* (Directemar, 2012). Taking the mission into account, safety of life at sea, cleaner oceans and natural resources protection are the main three pillars whereby DIRECTEMAR bases its objectives.

#### **4.3.3 DIRECTEMAR Organizational Structures Analysis**

The Maritime Administration, as one of the main General Directorate in the Navy, basically follows the same structure as any other military organization. DIRECTEMAR is regulated, organizationally and functionally, by its own laws, the tradition and custom of being a Navy agency and also several other mutual tasks performed by them, makes it better to have common organization structure.

DIRECTEMAR is composed of two main Directorates, which are the Maritime Safety and Operations Directorate (DIRSOMAR) and the Maritime Interests and Marine Environmental Protection Directorate (DIRINMAR). While DIRSOMAR is a technical body concerning the safety and security of vessels, navigational routes, ports and safety of life at sea, DIRINMAR is concerned with all activities considered as a high interest, which is carried out in the maritime sector, such as fishing, ports, merchant marine (shipping), maritime personnel competency, nautical sports and

marine environment preservation. Thus, these two Directorates are the main technical agencies supporting the performance of DIRECTEMAR.

On the other hand, there are ten offices also called departments, within the General Directorate. They are basically in charge of human resources, planning, international affairs, legal affairs, finance and supply, information analysis and management control unit. These departments play an important role in the analysis and in the development of new policies within the management system. Finally, the operative units are the Maritime Governor’s Offices, Captain of the Port Offices and Cutters all of them performing as a Local Maritime Authority. In this case, each Maritime Governor’s Office is composed of one or more Captain of the Port Offices and cutters (see Table 1).

Offices	First Naval Zone	Second Naval Zone	Third Naval Zone	Fourth Naval Zone	Fifth Naval Zone	<b>Total</b>
Maritime Governors	5	2	3	3	3	<b>16</b>
Captain of the Port	15	13	10	7	19	<b>64</b>

**Table 1: Distribution of Maritime Authority Offices**

In order to comply with the Mission as a Maritime Administration, DIRECTEMAR is organized into two different considerations. One of them is the “Technical/Administrative” and the second is the “Operative” organization structure (Codina, 2009).

The Technical and Administrative organization structure has been design according to the requirement for a National Maritime Authority, mainly as a policy maker agency. Thus, DIRECTEMAR is on the top of the organization involving all actors mentioned before (see figure 3). This organizational structure allows the organization to facilitate the processes of revision, improvement and implementation of all new

policies and regulatory bodies that are related to the scope of action of the Maritime Authority.

All technical and administrative support to all local Maritime Authorities (Maritime Governor and Captain of the Port offices) is given through the technical Directions, DIRSOMAR and DIRINMAR. Thus, from the top to the bottom, the General Director is the highest authority, followed by the technical Directorates, Maritime Governor and Captain of the Port Offices, and finally the patrol boats.

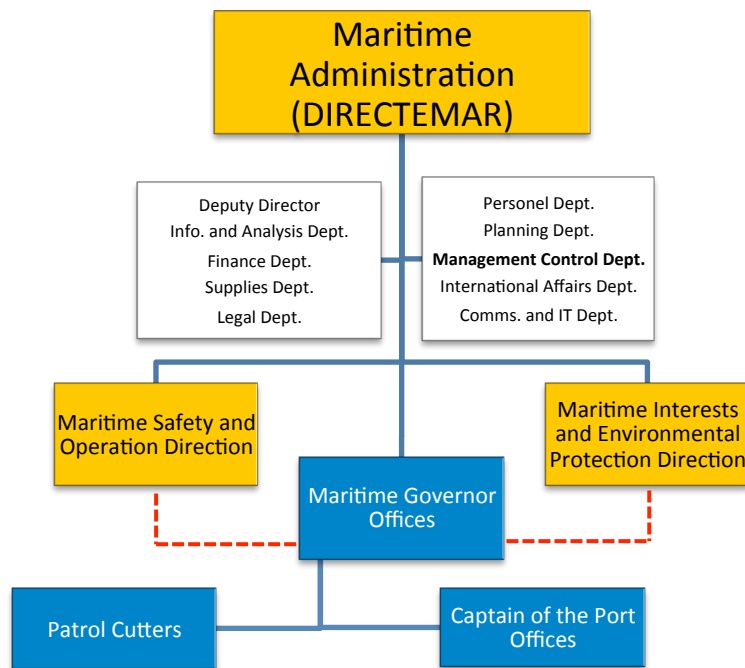


Figure 3: Technical/Administrative organizational structure ([www.directemar.cl](http://www.directemar.cl))

On the other hand, the Operative organization structure has been set according to all operational activities, where the Maritime Authority's jurisdiction is involved (see Figure 4), such as law enforcement, oil pollution response, search and rescue, maritime traffic control, pilotage, maritime aids to navigation, and so on. In this case,

the Chilean Navy has an active control of the activities mentioned above. The country is divided into 5 Naval Zones, each of which has one or more Maritime Governor Offices, with the Captain of the Port Offices and cutters, consequently, under its command. Even though, the Navy plays the most important role under this scenario, DIRECTEMAR provides a permanent and continuous support to all Naval Zones, in terms of the provision of technical and administrative information related to the operative tasks. This organizational structure permits Directemar to have better support in cases where all resources are not enough to assist in an emergency, for instance, a vessel in distress. The Navy and DIRECTEMAR are able to work jointly, in cases when it is necessary.

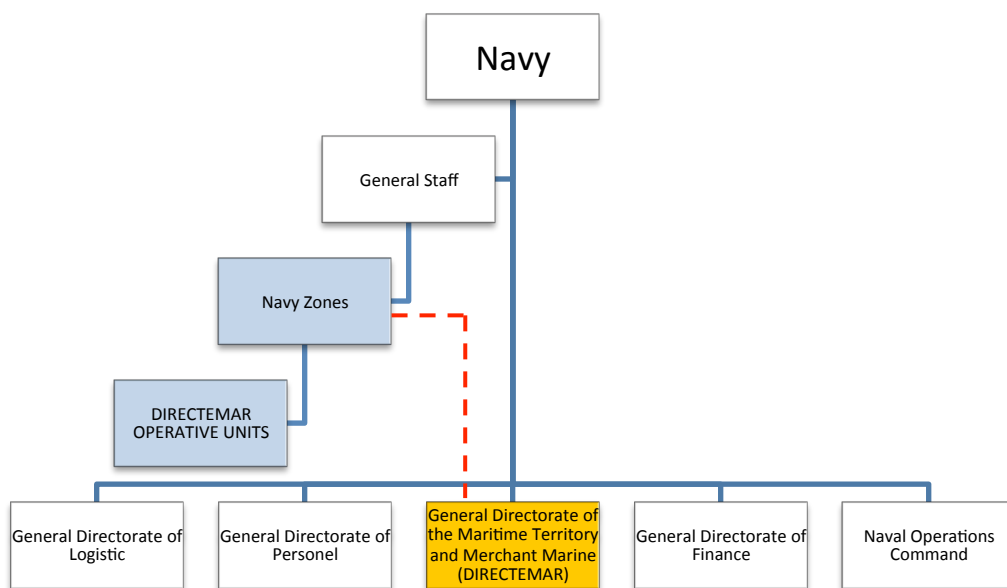


Figure 4: Operative Organizational Structure ([www.directemar.cl](http://www.directemar.cl))

Both models of organizational structures are a response to the need to accomplish national and international regulatory frameworks. While the first model mentioned above states how the Chilean government develops processes of implementation, revision and enhancement of laws and policies at a high level of the organization, the second system focuses on all operational activities. Although, it might look like two

separate organizational structure systems, in reality, they are both closely related and communication within the daily job can be considered as fluid and coordinated.

Under the point of view of the managerial model, however, it is the author's opinion that beyond the intention of making a distinction between operative and technical/administrative tasks for organizational purposes, both model mentioned above are closely related to what the Traditional Public Administration system supports, which is the vertical and hierarchical structure. The simple fact that the last units under the chain of command, which are the Captain of the Port Offices, are in the fourth position after the National Maritime Authority, having the Maritime Governors, both Technical Directorates and the Naval Zones in between, demonstrates conclude that those levels of control have a considerable impact on the decision making process of the Captain of the Port Offices. This cannot be taken as a disadvantage, since the purpose of this differentiation is the optimization of resources, mainly in the Operative organizational structure, where the support of the Navy in some cases can be coordinated and managed under one single command.

#### **4.3.4 Approaching Management Tools in the Maritime Administration**

##### **4.3.4.1 Chilean Navy Administration Improvements**

Beyond the information that society might have regarding the lack of a management system in organizations such as the Armed Forces, there are three factors that can change this point of view, and these are the implementation of external roles, such as a) peacekeeping forces, b) the main human resource in case of catastrophe and, c) the evolution of technology and procedures in the military field (Codina, 2009). Thus, if any management model is highly necessary for enterprises in general, it is necessary for the Chilean Navy in particular, since what are known as close agencies, such as the Army, Navy or the Air Force, are now dealing with civilians and societies in and out of their borders, where the relationship between them is necessary for the success

of the objectives and tasks given. On the other hand, the introduction of new technologies in weapon systems, warships and so on, requires a revision of all procedures which have to meet new requirements coming from new devices. Thus, since DIRECTEMAR has one of the most important roles in the Chilean Navy, it was also included in the implementation of these changes, which were mostly related to the establishment of a long term Strategy Plan, and its consequential Planning at all levels of the organization; the re-structuring of the use of human resources, according new challenges stated in the Strategic Plan; the standardization of processes and performance, the optimization of financial resources, and; the implementation of a management control measure, in order to verify the accomplishments of the planning.

Although, all these changes within the Chilean Navy brought a clear and systematic proactive way of anticipating complex scenarios, such as defense or natural catastrophes, they were all made within the context of a military structure, and it cannot be assumed that they correspond to a specific model of management. For this reason and due to the new challenges and changes coming from the maritime industries mentioned before, DIRECTEMAR developed its own process of changes as a complement to those already existing from the Navy.

#### **4.3.3.2 Maritime Administration Management Approach**

Understanding the new scenarios which are described in Chapter 3, where the public sector felt the need for reforms and modernization from the Traditional Public Administration to the NPM, in some ways pushed by the private sector and also, the globalization in the maritime industry, DIRECTEMAR initiated an internal re-engineering process, affecting all aspects where the Maritime Administration meets the private sector's requirements and needs (Urrutia, 2002). The interaction between the Maritime Authority became the main focus of attention, followed by the implementation of IT for the assessment and control on the new changes.



Nevertheless, it was necessary to establish what the organization expected, from the implementation of these measures. Thus, the General Directorate modified DIRECTEMAR's vision to "*To be a Maritime Public Service of Excellence*", which became the main objective to achieve, through the process of enhancing interaction with society.

Before starting the description of the measures and policies that were implemented by the Maritime Administration, it is important to take into consideration the fact that the New Public Management involves not only the improvement of the interaction between the public and private sectors; it also encourages many other changes that, in the case of DIRECTEMAR, the implementation have not been analyzed as a public organization yet, such as minimizing control measures, deregulation of monopolies, reduction of the organization size, adopting private behavior, and maybe the most important one, changes to of hierarchical organizational structures, which is the main characteristic of military institutions. Thus, the assumption that this process would represent the implementation of the NPM as a model has not to be considered.

In order to comply with the goal, it was necessary to include within the strategic plan, new objectives related to this issue. For this reason, the following steps were carried out for the purpose mentioned before, a brainstorming on how the Maritime Administration was performing its tasks: a) the conformation of working groups, led by each Head of Departments within the DIRECTEMAR, DIRSOMAR and DIRINMAR organizations, b) the revision of all processes where the organization is in touch with society and, c) Strength and weakness analysis of the processes mentioned above. It also included, as the main source, the information collected from each of the local Maritime Authorities (Maritime Governors and Captain of the Port Offices), by each of the Head of Departments, considered as the primary data which could contribute to further policy development (Urrutia, 2002). The three actions mentioned above were necessary to identify the problems that the organization could

have, analyze them and finally, provide of improvements and changes to those processes or aspects identified as deficient. The four main aspects identified are the following:

- a. Lack of communication and coordination between departments and units within the same organization
- b. Lack of experience and knowledge about interaction between employees and private society
- c. Lack of management tools for the improvement of processes in low levels of the organization, and
- d. Lack of management control system, for the supervision and evaluation of processes related to public services and also, how the private sector evaluates DIRECTEMAR'S performance

Regarding a) and b), DIRECTEMAR developed a new policy called “Interaction strategy to provide a maritime service of excellence”. The purpose of this guideline is to standardize how the Maritime Administration has to face the private sector including both internal and external “clients”, which means how officers and enlisted interact with each other, covering coordination, communication and cooperation within the same office and, consequently, extending this interaction with society (Larrañaga, 2010). Through the development of seminars and workshops, specialized members of the organization carry out a complete program covering aspects such as sociability, proactivity, informed, simplification, and so on. Beyond the provisions coming from this policy, DIRECTEMAR realized the fact that members wearing uniforms was not appropriate, since the picture of a military officer providing a public service, was not helping the process of improvement. Hence, a recruitment program was developed, for retired officers and enlisted qualified in those areas where the public service is provided. Nowadays, around 70% of them are civilians, deploying officers and enlisted in active duty to operational activities.

Simultaneously, the Communication and IT Department developed a software called “Management Control System”, an information and management control platform using the intranet server from DIRECTEMAR, which is able to provide statistics and data about the use of human, finance and logistic resources; activities done by units, and; provisions about management control. However, the most important feature of this platform is the capability to measure the activities done at each level of the organization compared with the objective given by the organization (Arancibia, 2001). This tool is able to provide levels of accomplishment of the objectives coming from the strategic plan from offices of the Organization.

Finally, as it was mentioned in chapter III, the output quality cannot be measured by only evaluating the level of accomplishment of objectives, since the final perception comes from the private sector. For this reason, DIRECTEMAR implemented the Suggestions and Complaints Office (OSR in Spanish) that works through the Maritime Administration web page and it is open for users who wish to make comments (suggestions or complaints) about the performance of the different levels of the organization. This tool permits the collection of the perception of society on how DIRECTEMAR is doing its job. On the other hand, this information is processed through the management control system and is delivered to the respective units involved with the issue for revision and necessary improvements.

#### **4.4 Summary**

The Chilean Maritime Administration has been influenced by several factors that correspond mainly to the Traditional Public Administration instead of the NPM as a model. The Chilean political background throughout history and the conditions of a military organization are in conflict with any new managerial system that can make DIRECTEMAR improve its performance with the private sector. The introduction of some features of the new paradigm in management into the strategic plan, such as enhancing interaction with private citizens, the implementation of a management

control system, and the Suggestions and Complaints Office for the improvement of processes through the feedback collected, has to be considered only as an approach to what other Chilean public services have done, shifting completely from the old model of administration to the NPM. Hence, it cannot be assumed that those recent changes made by DIRECTEMAR correspond to the implementation of the NPM. As it was mentioned before, the new managerial model involves other characteristics as well, that the Maritime Administration has not yet implemented.

## **Chapter V**

### **Outsourcing and the UK Search and Rescue Service Contracting Out – A Case Study**

#### **5.1 Benefits and Shortcomings of Outsourcing in the Public Sector**

Analyzing the features of the New Public Management, it is possible to state that Outsourcing is able to bring several benefits to public administrations, such as reducing costs, decreasing the size of the organizational structure, and also making the market compete with tasks that are normally performed by the public sector. Each of them, individually part of the NPM model, motivates governments think about contracting out some of their services (Norton, 2011). For this reason, most developed countries, which have implemented the new model of management, are taking this consideration as priority to achieve the efficiency required within their organizations. For instance, public transportation, medical and social care are currently some of the leading services contracted out by governments, in a competitive market. Being part of an industry brings the necessary flexibility that is appreciated by customers; including innovation with the use of new technology and adaptation to the market changes, which was not accomplished by the public sector with the old model of administration (McCray, 2008). Outsourcing has also led to the necessary changes to support organizations that now have to control those services that technically are under their supervision but provided by private companies. This can be compared to competition of professionals, infrastructure and processes, already created in the private sector.

Taking as an example medical care systems, there are several countries that have opened the possibility of promoting private hospitals or clinics, since the expertise and the “know how” is dominated by the public sector. Hence, making the decision of contracting out the medical care system cannot represent an issue for the

government. First, as it was mentioned in a previous chapter, it is known that private companies are more suitable to implement new technologies and seek innovation as part of their long term strategies. Secondly, the cost for customers is regulated by the market, through the supply and demand theory. Finally, companies are normally prepared for structure changes coming from the inside of the organization or from the market, due to the flexibility of being out of internal regulatory frameworks and fewer levels of control.

Beyond the economic benefits that outsourcing brings to the public sector in terms of efficiency and quality service, there are several shortcomings that are taken into consideration by governments before contracting out, most of them coming from within the organization. However, for the purpose of this dissertation, only a few of them will be described, since the following are close related to the case study below:

- a. Outsourcing affected by downturn
- b. Lack of clarity after and during the contract implementation process
- c. Lack of specialized group in charge of post contract implementation
- d. Lack of necessary trained officers in charge of monitoring the outsourced service
- e. Specialized officers looking for better jobs in private companies

Taking these five issues into consideration and adding the fact that some services are traditionally provided by governments, the convenience of contracting out services, such as maritime search and rescue, which are normally performed by Coast Guards, Navies or Air Forces, might not be clear. A private company is subject to influence from different behaviors of the market, some of which can be considered as favorable for the enterprise, others, however, can lead to bankruptcy, for instance (Norton, 2011). On the other hand, there are several situations and controversies during the process of implementation, transfer and control of the service contracted out. First, there are some cases where either the government office or the company

are not fully prepared to jointly implement the terms of the contract, which basically means that some of those provisions are not carried out. For instance, the mutual knowledge on how the chain of command from both parts (government agency and company) is designed or the links at all levels of both organizations, for transferring information about the contract conditions. This situation might produce interference coming from both sides of the contract. Secondly, it has been detected that normally, after the contract has been agreed and signed by both parties, the group of officers in charge of the implementation is reduced or sometimes does not exist. This issue may cause unwanted situations, such as focusing only in what is written in the contract due to the lack of personnel, without taking into consideration other important steps during the implementation or the postponement of the decision making until the final output is assessed by the government agency. Thirdly, in some specific agencies such as those considered as Armed Forces, there are not enough specialized officers in the market in general or specifically in outsourcing (McCray, 2008). This situation can produce alteration to the normal process of privatization, implementation and transference of the service. Finally, expert officers in specific areas within the public organization are normally looking for better options in terms of employment. This is because the services that were provided by a specific government agency and afterward privatized and introduced to the market, opened new options and conditions for those servers, who were part of the public sector. Better salaries, challenges and working conditions, are some of the motivations that are found once the market explores new areas coming from the government.

Although, these shortcomings mentioned above represent some of the problems that any public organization might have during the process of outsourcing, it is not impossible to overcome them. In fact, for some organizations it can be easier to deal with most of them, since they are not only referring to human resources expertise or officers qualification but also to how the whole process is managed. Hence, reforming or upgrading management systems and having a closer approach to how

the market behaves in these issues would definitely help to improve the outsourcing process, the implementation and the transfer of the service.

Is it possible to outsource services that are traditionally provided by specialized agencies and there is no competition in the private sector? How complex would this operation be, since there is no feedback on how successfully the service is performed by those in the private sector? These are the questions that came up during the analysis made above, considering the number of services provided by the public sector, which are also competing in the market, such as the examples already indicated. However, there are some others that are not common in the private sector; hence, factors such as training, equipment and infrastructure are not easily available in the market.

The following case study is based on the process of outsourcing conducted by the United Kingdom Search and Rescue Organization. It covers a description of the UK's SAR structure and agencies involved, human resources, assets and, functioning; and the reasons why the UK shifted to outsourcing. Although, the progression of contracting out has not reached the final stage of the process itself, it will provide the considerations that are taken by the UK government in this transcendental step and the expectations for the future. Finally, it will analyze the strengths and weaknesses of contracting out services under the characteristics mentioned above.

## **5.2 United Kingdom Search and Rescue Service**

### **5.2.1 UK Search and Rescue Organization**

Since the Royal Air Force created the Directorate of Air Sea Rescue, in 1941, the Search and Rescue Service was officially implemented in the United Kingdom. Formerly under complete control of the RAF, nowadays the service is also provided



by the Royal Navy (RN) and the Maritime and Coastguard Agency (MCA). Although, in terms of maritime SAR operations only the Ministry of Defense (MOD) and the MCA are directly involved, there is a larger framework that includes a number of other emergency agencies, such as the Royal National Lifeboat Institution, the Mountain Rescue Council, and Police Department.

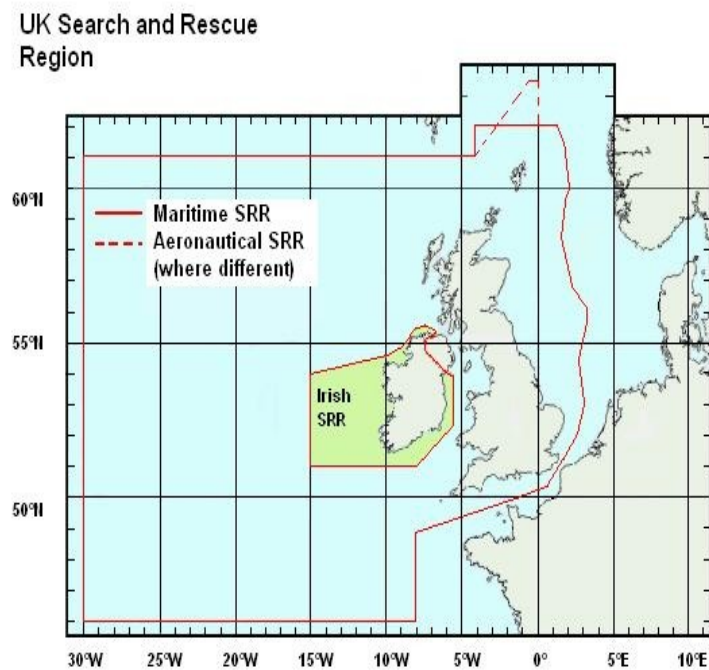


Figure 5: UK Search and Rescue Area of Responsibility ([www. Dft.gov.uk](http://www.Dft.gov.uk))

The main goal of the UK SAR organization is to provide 24 hours a day assistance in all sea areas, covering more than 1.2 million square meters of off-shore, on-shore and shoreline jurisdictions, extending its boundaries to Belgium, Norway, Denmark, The Netherlands and Germany in the North Sea; to France in the English Channel; Portugal Canada and the Irish Republic and Iceland, in the Atlantic ocean (See Figure5).

The coordination center for civil maritime SAR Operations is controlled by the HM Coastguard (MCA), which means that all accidents related to shipping and the

fishing industry, pleasure boats and off-shore platforms are undertaken by the MCA. On the other hand, all accidents where military assets are involved are commanded and controlled by the MOD. This organization type has been designed considering that no matter the type, class or nationality of the vessels in distress; all necessary assets are available, either from the RAF, RN or HM Coastguard to attend the emergency. On the other hand, there is an Aeronautical Rescue Coordination Centre (ARCC), located in the RAF base Kinloss, in charge of the coordination of all assets sent to the emergency. This Centre is operated by military personnel from both Navy and Air Force, and Coastguard members, which are all specialized in this kind of operations.



Figure 6: UK Search and Rescue Bases ([www.news.bbc.co.uk](http://www.news.bbc.co.uk))

Nowadays, the Search and Rescue framework operates twelve SAR bases in the UK. Six of them are from the RAF, two from RN and 4 from the MCA (See Figure 6). In 2010, around 2.000 callouts were registered within the UK SAR. According to the

estimation from the British House of Commons, 60% of the total SAR operations were carried out by RAF assets (Taylor, 2011). The RAF also has a Search and Rescue Training Center, which is located in RAF Valley base.

### **5.2.2 UK SAR Air Capabilities**

Due to the nature of the organization and framework design, each of the agencies is in charge of and responsible for the operation, maintenance and development of their resources. Thus, the RAF has a total number of 16 Sea Kings Mk3/3A, which are assigned to N°22 and N°202 Squadrons. In the case of the N°22 Squadron, it operates in Chivenor, Wattisham and Valley; and the N°202 Squadron has distributed its assets in Boulmer, Lossiemouth and Leconfield, (see Figure 6); both Squadrons are supported by 272 personnel directly involved in search and rescue operations. The RN is currently operating nine Sea Kings Mk5 helicopters, six of which are stationed in the RNAS Culdrose, Cornwall and, three of them are assigned to HMS Gannet, in Prestwick, Scotland. Eighty-one specialized personnel are behind the internal organization in the RN, providing maintenance, ground support and training to RN and Royal Marine aircrews in tasks related to search and rescue operations. Finally, the MCA operates two Augusta Westland 139s, which are stationed in Solent and Portland and, two Sikorsky S-92As are posted in Stornoway and Shetland. The MCA provides 491 employees for search and rescue tasks, a large portion of whom are also appointed to search and rescue by sea (Taylor, 2011).

The UK Search and Rescue Framework has a total number of 29 rotatory wings aircraft, with 844 officers employed indirectly in roles of SAR. Although there are several other assets that play an important role in SAR operations, such as rescue boats, shore-based support systems and other military resources in case of larger accidents. For the purpose of this dissertation only helicopters and personnel are mentioned, since they are necessary for further analysis.

### **5.3 First approach to Outsourcing**

With more than 70 years of experience, providing a continuous, efficient and high standard SAR service, the MOD and the MCA faced the need for changes to the current helicopter arrangement. This situation was motivated by several factors that led to the question of whether to continue with the same organizational structure or to shift to a different model system. First, it was necessary to reduce the costs of the operation and maintenance of the helicopters of all agencies. Hence, the harmonization and the standardization of all rotary wings was going to bring the reduction needed (Taylor, 2011). Secondly, the HM Coastguard was required to reduce its budget in 22% by 2015, so dramatic changes were needed in the operation of resources, including SAR operations (Beale, 2011). Although this multi-agency organization had the same objectives and tasks, they were all conducting different types of logistics, acquisitions and maintenance processes, which was far from an efficient system, in terms of economy. This made the service unsustainable for the whole organization, considering other tasks performed by HM Coastguard. Thirdly, from the side of the MCA, the helicopters and aircrew are contracted out to a private company called Canadian Helicopter Corporation (CHC), which provides all search and rescue operation services under the same conditions of the RAF and RN. This contract expires at the end of 2012. Fourthly, with over 40 years in service, and after several upgrades done during their life time, it is expected that all Sikorsky Helicopters will progressively be withdrawn by 2015; hence there is an imminent replacement program that had to be established.

Taking these arguments into consideration, during 2005, the UK Government established the Joint SAR-H Project (Search and Rescue Harmonization), which basically considered the replacement of the Helicopters operated by the RN, RAF and MCA (HM Coastguard). This project considered a contract with a private company for the provision of helicopters and aircrew employees, jointly with around 60 experienced Navy or Air Force members. This model of outsourcing can be

defined as mixed outsourcing, since it includes the participation of private companies, under the control of the UK SAR Organization. As it was mentioned before, the purpose of this step was to bring into one contract the helicopter service, after the service life of RN and RAF rotary wings ends and after the expiration of the current contract between Canada Helicopter Corporation (CHC) and MCA. Although, the Joint SAR-H was meant to contract out the provision of helicopters to the UK SAR organization, bringing a solution to the problems already stated, it has to be considered only as a first approach of the government for a public - private outsourced service, since it did not prosper due to an anticipated cancelation coming from the government.

Analyzing how this process was carried out, there is no evidence that would have suggest that the UK government was going in the wrong direction. According to the information available, all technical specifications and considerations were included within the process of procurement (Taylor, 2011). The MOD/DfT contract with the consortium awarded was for at most 30 years; the private enterprise was to provide the helicopters and aircrew for 8 to 12 SAR bases and the SAR operations remained under control of the military agencies. Thus, four different companies offered up their services, which were the Soteria, a consortium of CHC, Silorsky, Tales UK and the Royal Bank of Scotland, offering the Sikorsky S-92; the Air Knight Consortium, involving Lockheed Martin UK, VT Aerospace and the British International Helicopters, proposing the Eurocopter EC225; the UK Air Rescue, a consortium of Bristow Helicopters, FB Heliservices and Serco and; finally, the Augusta Westland (Taylor, 2011). After a long period of analysis and discussions, the MOD/DfT finally awarded the Soteria consortium the contract for the provision of helicopters and aircrew.

The phase of implementation should have started during the year 2012, finalizing the transference process in 2016, when all current Air Force and Navy assets were completely withdrawn. Nevertheless, there were two factors that made the

government change its position in this matter. First, the House of Commons rejected the idea of spending GBP 6 billion on a service that was not going to fulfill its expectations, since the contract considered closing at least two bases and a reduction in the total number of helicopters. It also emphasized that the first priority for the UK was the renewal of all helicopters with troop transportation capability. In addition to this, the capacity of Sikorsky, currently in use for SAR operations were able to perform this task when they were not deployed in maritime activities. Finally, the Soteria Consortium voluntarily denounced an irregularity in Canada Helicopters Corporation, part of the group, which had access to sensitive information managed by the MOD/DfT and provided by an ex-member of the team in charge of the negotiation during the procurement phase. Although, this misconduct is still under investigation in the MOD, there is sufficient information to state that the military employee helped CHC for the bid preparation (Taylor, 2011).

The UK government cancelled the Joint SAR-H Project in June of 2010, arguing the impossibility of continuing with the process. This situation produced consequences for both sides. While, the Soteria Consortium felt disappointed about the decision, considering the fact that they denounced the misconduct found in their own group, politicians criticized that after the cancellation of the procurement, the MOD/MCA spent around GBP 10 million by February 2011.

Taking this first approach as an experience of outsourcing in the UK Armed Forces, it cannot be assumed that the causes of the failure are a common practice in this type of operations. Nevertheless, it is necessary to mention them, not only as an example of the problems within the outsourcing procedure, but also, on how the authorities should react when facing this problem. Even though, there is no relation between these issues and the final output of this case study, the author of this dissertation has through necessary its incorporation for the conclusion and recommendation purposes.

## **5.4 Contracting Out a Full Search and Rescue Private Service**

The experience on the first approach to outsourcing cannot be considered as optimum, since the emblematic Joint SAR-H project was canceled and because the impression left by the authorities to society and political establishment was not comfortable at all, considering the misconduct and money badly invested. Beyond the difficulties explained above, the government did not want to give up, convinced that this significant change was going to improve the current economic situation of the MCA. Thus, during November 2011 the government launched a new plan, which was considered more revolutionary than the Joint SAR-H Project. The new proposal was for the privatization of the whole SAR service to a private company and the cease of military participation in civil SAR operations (Taylor, 2011).

Even though the procurement steps are expected to finish by March 2013, there are two considerations taken by the UK government to avoid shortcomings and criticism by politicians. First, unlike the previous procurement, when the MOD and the DfT conducted the whole process, the government disposed the DfT as the only agency participating and leading the procurement, since one of the purposes is to end military participation in civil SAR operations.

According to the author's opinion, this situation in particular simplifies and facilitates the processes of negotiation, decision making and changes to the initial proposal, if they are necessary. Secondly, the DfT started the procurement following the "Competitive Dialogue Procedure", which basically means the act of contracting or getting a specific service, which the state itself is unable to provide. In other words, the UK government's intention is to follow this model of contracting out, taking into consideration the experience, expertise and capability collected from the private sector or providers, awarding the best technical choice among the bidders (OGC, 2008). This system was created by the European Union (EU) for the purpose of conducting all acquisition and procurement activities, in 2004. Although, it is

considered as a tool for contracting governments, the Competitive Dialogue Procedure becomes a complement to customary laws and it does not interfere with local regulations in this matter; it is, however, a guideline whereby governments can be supported by a logical process of contracting. Hence, it was necessary for the UK government to create the basis to start the procurement under the guidelines mentioned above.

For this reason, the DfT, through the MCA, developed an Invitation To Participate in Dialogue (ITPD) document, with all necessary requirements needed for the process of contracting out SAR operations. This initiative includes, due to the complexity of the SAR service, all technical requirements; infrastructure; conditions for implementation, transition and acceptance; an Aviation Safety Management Plan; Parent Company Guarantee; employment and pension conditions; commercially sensitive information; contract incentive scheme; Conflicts of Interest; insurances; company management plan requirements; instructions to bidders; evaluation strategy and process and; strategy and process evaluation (DfT, 2011).

Although, all these requirements and conditions are only indicated in this chapter, they are detailed and deeply explained in the ITPD; they have been included in this case study, however, in order to get a better picture of how detailed the process is, under the Competitive Dialogue Procedure system. In order to verify and assess the technical capabilities of the bidders, the DfT has met the companies participating in the procurement, collecting all necessary information on how the bidders are developing their offer and how reliable their technical resources are.

## **5.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis on UK Search and Rescue Privatization**

In order to identify those necessary considerations that would lead to decide whether outsourcing, as one of the features of the NPM model, is recommended or not to



maritime administrations such as DIRECTEMAR, it is important to assess all those issues that are involved in the process of privatization of the UK SAR service, considering that it has not concluded yet. Hence, a SWOT analysis will indicate those internal strengths and weaknesses of the DfT and, the external opportunities and threats of the helicopter providers market.

Since the purpose of this dissertation is the analysis of a potential application of the NPM model in the Chilean Maritime Administration, it is important to establish that this SWOT analysis will focus only on the process of privatization and it does not considered an evaluation of how the SAR service would be provided by private citizens. In addition to this, the issues that are presented below are strictly related to those organizational, human resources, market and economic issues that might affect positively and negatively the contracting out process. Finally, the issues mentioned below are taken from the experience of the DfT and the shortcomings described above, about outsourcing in the public sector.

SWOT ANALYSIS	
Department for Transportation (Internal Factors)	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>a. Strong knowledge of Search and Rescue requirements for outsourcing</li> <li>b. Trained human resources on SAR operation</li> <li>c. Trained human resources on SAR coordination</li> <li>d. Existence of Infrastructure along the coast.</li> <li>e. Fixed budget for long contractual period.</li> </ul>	<ul style="list-style-type: none"> <li>a. Lack of experience and training in market/outsourcing.</li> <li>b. Tendency to look for better job, when the market is open to public services.</li> <li>c. Technical employees motivated to support bidders during the process of outsourcing.</li> </ul>
Market (External Factors)	
Opportunities	Threats
<ul style="list-style-type: none"> <li>a. The aviation industry is globalized among the developed and some developing countries.</li> <li>b. Experience in SAR operations, due to the</li> </ul>	<ul style="list-style-type: none"> <li>a. Private companies affected by economic crises.</li> <li>b. Interruption of SAR service by Labor Unions</li> </ul>

<p>presence of former MCA, RAF or RN employees in private companies</p> <p>c. Companies are more flexible to changes, such as technological, legal or operational.</p> <p>d. Competition between companies within the market brings improvements in human and technical resources.</p>	<p>strikes.</p> <p>c. Higher opportunities for military pilots, after the service enters into the market.</p>
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**Table 2: SWOT Analysis**

According to the SWOT analysis, it is possible to identify that in terms of quantity, the trend shown in Table 2 is to have more benefits than shortcomings to outsourcing. Starting with the **Strengths** in the internal factors, the simple fact that the DfT has operated and coordinated the SAR operation in the UK, through the MCA and jointly with the RAF and RN, gives it a vast knowledge of the requirements needed for the long process of privatization. This can be seen in the Invitation to Participate in Dialogue document, with regard to all technical, economic and legal considerations that bidders have to follow. On the other hand, there is an advantage since the infrastructure already exists. According to the ITPD, it is not necessary for the company to invest money in this matter and it helps for the process of implementation and transference of the service to the private sector. Finally, the possession of the monetary resources needed for the privatization of the SAR service will help to reduce the 22% of the budget assigned to the HM Coastguard disposed by the UK government.

Regarding the **weaknesses** found within the organization, it would be normal to find in the public sector a lack of experience and training on how the market performs, specifically in outsourcing. This can be seen mostly within the Armed Forces or administrations with similar characteristics, since the nature of their job and the relationship between military agencies and the private sector is through the executive power. Hence, a traditional service with more than 70 years in the public sector requires certain expertise in these kinds of operations. The SAR service competing in

the market will open new alternatives of employment for those who have served in the public sector and specialized in piloting or rescuing. Thus, it is possible to find a significant number of desertions, after the privatization. Better salaries, professional motivation and better working conditions can lead to an attraction to the private sector. Finally, and taking the experience of the first process of outsourcing conducted by the MOD and the DfT for the Joint SAR-H Project, there is a risk of misconduct when personnel serving in those agencies are in charge of the negotiation before awarding a company or consortium. The gravity and consequences of this kind of act might cause the cancellation of the process, as the experience of the UK.

Under the point of view of external factors, there are some **Opportunities** that can be taken by the authorities in charge of the decision making process. Thus, a variety of companies able to provide this service and also having experience in the process of procurement have been identified. For instance, Sikorsky participated during the first approach of contracting out, being also the supplier of the RN and RAF, which operate the same helicopter. This example shows the possibilities of finding enterprises with the necessary experience in SAR technology. On the other hand, there are companies working with former military personnel in conditions to start performing SAR operations. One such example is found in Chile, where there are two known helicopter companies that were mostly operated by ex-Navy and Air Force officers, but now working for the private sector. As working and salary conditions are normally better in the public sector, other officers have decided to move from the military to private companies.

Taking into consideration the analysis done in Chapter 3, the private sector is more flexible for legal, technological and operational changes. In contrast with the public administration, it is normally more regulated and all steps toward improvements and changes require longer periods of time, through procedures already established. To finalize the opportunities coming from the market, the competition between companies definitely helps to improve systems, personnel training and contract

conditions, which can be taken as an advantage to make the best choice. Among government agencies, it is not possible to have this opportunity since normally the state is the only service provider, and those improvements habitually come in the long term.

Finally, the important issues found that could represent **Threats** to the DfT are the possibilities of being affected by the local, regional or globalized economic crises. The stability or economic situation of an enterprise that is analyzed before the awarding, does not shield them from external situations that might cause bankruptcy, reduction of personnel or actives (helicopters). This situation can cause a decrease in frequency or suspension of the service, if it is not properly assessed by the team in charge of the procurement process. On the other hand, being a service that is provided by a private company, it is also exposed to the same consequences explained in the previous threat, as Labor Unions are permanently demanding better employment conditions. Although, not all enterprises are exposed to this situation, in the aviation industry there are several cases that can be analyzed, such as Air France and Iberia in Europe. Lastly, introducing the SAR service to the market would create a better employment alternative for employees who are already serving in the DfT/MOD and for potential applicants.

## **5.6 Summary**

Outsourcing, as one of the main features of the NPM model, is considered as a useful measure for the achievement of the efficiency required by public organizations. It is able to reduce operational and administrative costs. The organization size and also the market is benefited through the introduction of new service areas. The United Kingdom decided to use this tool within its SAR organization and began the process of privatization. Although it did not succeed during the first approach, where the service was going to be partially contracted out, the DfT announced the full privatization of the UK SAR service, which shall be conclude by March 2013.

As the outsourcing is a contract between two parties, this Case Study has been analyzed under the SWOT system, which provides all internal (the government side) and external factors (market) that might affect the process of procurement or the provision of the service itself. As important information for the final conclusion and recommendations of this dissertation, it is estimated that the negative issues found, including weaknesses and threats, are able all to be overcome if special measures are taken by the competent authorities.

## **Chapter VI**

### **Case Study Discussion**

From the Case Study analyzed in this research, it is possible to state that structural changes to public services that have been traditionally provided by military organizations are no longer considered off-limits. In this case, the UK government started the process of contracting out the Search and Rescue service, which is currently delivered by the Royal Navy, Royal Air Force and the HM Coastguard. Beyond the shortcomings experienced by the MOD and the DfT, agencies in charge of the first privatization actions, the UK was able to get over them by taking some administrative procedures that were not used during the first procurement. It is important to highlight the fact that the first attempt was a partial outsource process, since the intention was to contract out only helicopters through the Joint SAR-H Project, leaving the MOD and the DfT in charge of operations. This meant that even when they found those issues that led to the cancellation of the whole project, the UK government was able to develop a greater idea: privatizing the whole Search and Rescue service, ceasing the participation of militaries in this kind of operation.

The experience of the United Kingdom, where the process of implementation is driven by the New Public Management system, can also be expanded to DIRECTEMAR, as both services are provided by military agencies. While the Search and Rescue organization in the UK is conducted by two military agencies and HM Coastguard, in Chile, it is performed by the Chilean Navy through DIRECTEMAR, also a military agency. It also shows that the implementation of one single characteristic of the NPM in a military structure is able to produce several benefits for the organization, such as the reduction of the size of the organization, reduction of costs and the reallocation of resources, all of them considered as NPM features, which means that in this case, it was not necessary to carry out the implementation of the whole new managerial model.

Thus, it is possible to prove that if the UK was able to conduct this process of contracting out its SAR service, a hypothetical implementation of the NPM in DIRECTEMAR is not restricted at all, considering the similarities between the two organizations.

The importance of this result has to be analyzed under the point of view of the purposes of the NPM in the public sector, beyond the convenience of outsourcing a service such as the Search and Rescue. Hence, efficiency within Maritime Administration and a better quality service should be the focus of analysis in terms of how the measure that wants to be implemented will impact the organization itself and society. In this case, outsourcing is able to reduce costs, simplify the organizational structure and achieve efficiency. As was mentioned before, this example has been chosen purely as an academic exercise to demonstrate how developed countries are conducting processes of change, considering that both organizations (Chile and UK's SAR Services) have similar conditions in terms of being military agencies; nevertheless, the result of this case study can be properly transferred to DIRECTEMAR, taking into account several considerations that are stated in Chapter VII of this dissertation.

## **Chapter VII**

### **VALIDITY AND CONCLUSION**

#### **7.1 Validity of the Research**

The intention of this qualitative research is to analyze the application of the New Public Management to the Chilean Maritime Administration by: collecting all necessary information about the two most important models of management during the past years, examining how DIRECTEMAR's organization and analyzing a case study about one of the features of the NPM system. The analysis has been based on the experience and knowledge of different scholars who have provided different points of view, critiques and also improvements to a managerial system, which is currently in use in many developed countries. However, there are several factors that must be mentioned in order to validate the final result of this dissertation. First of all, restricted access to certain types of information involving security issues has placed limitations on the scope this analysis. For instance, from the side of DIRECTEMAR, as a military agency it was not possible to provide a deeper description and analysis on how some logistics, budgets and human resources are managed, as important information that the NPM improves through its measures and features. On the other hand, the analysis done in the case study was based on open-sources available to the public, such as papers written by congressmen, journalists and scholars. However, other considerations coming from the organizations involved in the process of procurement are not stated, since they are classified as restricted to public.

Secondly, since there is no other research available about the implementation of the NPM model in military organizations, this dissertation has been prepared according to the information applicable to other public services, not necessarily military agencies. Nevertheless, in terms of valuable information, the case study that has been analyzed provides useful information directly related to military agencies and the



outsourcing process. Finally, considering the two factors mentioned above, more detail research would have been done if the time available for the research were prolonged. Because the topic of this dissertation is not strictly a maritime issue, in terms of safety or environmental protection, but closely related to management and organizational matters, it was necessary to search for information beyond the resources available within a common maritime library. For instance, the information collected about the development of the NPM in Chile, DIRECTEMAR's historical influence in managerial systems, outsourcing in the public sector (military organizations), and so on, were all obtained through different sources out of World Maritime University.

Even though, the shortcomings presented above were present during the whole process of research, the author of this dissertation still believes that the work presented was done with great care and that the conclusion and recommendations below are a valid culmination of the research.

## **7.2 Summary**

The introduction of new managerial systems into the public sector has solved several inconveniences that obstructed the normal relationship between the state and the market. Although, the old model of administration was considered a hierarchical and bureaucratic method of administration, it was strongly necessary to organize and establish a common model able to provide governments a tool for the achievement of their political programs. However, large organizational structures, several levels of control and tough regulatory frameworks made the Traditional Public Administration an obstacle for individual citizens and companies looking for a better service provider. Thus, the New Public Management came in during the 80's as a model based on the experiences of industries, which were focusing their modernization process on the client, as the main external factor, and motivated by the need of

reducing administrative and operational costs and consequently, maximizing efficiency.

Accordingly, most of the developed countries took this opportunity to improve their own organizations, implementing the NPM in some of the services, motivated by the same reasons that led the market change. Nevertheless, some of those organizations are structured according to the traditional model, such as the Armed Forces. Hence, the possibilities of changes and reforms tend to be minimized since the nature of those agencies requires keeping those features that mostly resemble the Traditional Public Administration. In this category, some countries have delegated the Maritime Administrations to their Ministry of Defense, through the respective Navy, such as the case of Chile, where the General Directorate of the Maritime Territory and Merchant Marine (DIRECTEMAR) is one of the three main pillars, on which the Navy bases its operations. Therefore, influenced by historical and functioning factors, DIRECTEMAR has been identified in a previous chapter as an organization that mostly meets the features of the traditional system of administration.

While the Chilean government performed a long process of reforms and modernization, including the implementation of the NPM in most public service sectors, DIRECTEMAR developed measures in order to minimize the negative impact of the traditional model. Introducing IT applications, strengthening the web page platform for maritime users and implementing levels of management control were necessary to get closer to society and for self-improvement. Under this point of view, these changes would suggest that this organization is approaching what the NPM offers. However, it cannot be considered as an implementation process, since there are other factors that necessarily have to be analyzed, considered as deeper changes.

As the process of reform and modernization in Chile did not include DIRECTEMAR, due to being part of the Chilean Navy, it has a certain level of

freedom to take advantage of and develop its own actions toward the improvement of service quality. Therefore, the Maritime Administration is open to any implementation process that would achieve the aims of the NPM system. In other words, it is possible to take some of the features that can be introduced in DIRECTEMAR and do not necessarily affect its role as a military agency. For instance, the modification of the regulatory framework and policies; changes into the organizational structure, which mostly depends on changes to the DIRECTEMAR Organic Law, or; variations on how the personnel is hired, which is also strongly regulated by external policies coming from the government, are some of the complexities that cannot be easily modified, if the NPM is implemented. However, outsourcing as a tool for reduction of costs and improvement of efficiency; the introduction of new technologies within the operational and administrative processes or; simply reducing levels of control can be considered as more flexible factors to be enhanced by the Maritime Administration and do not require deeper changes for its implementation.

To sum up, the Chilean Maritime Administration plays an important social role within the national and international maritime community. Its role as a public service has motivated some changes toward the accomplishment of the Vision of DIRECTEMAR, which is to become a maritime public service of excellence. On the other hand, developed countries have taken the responsibilities for changes within their public organizations, where the New Public Management is in fact the most common model utilized in the public sector, as it is able to meet the requirements coming from the market and it also encourages the enhancement of efficiency providing several benefits to organizations.

Criticisms have been leveled about the decadence of NPM, mainly because of the implementation of new technologies and the lack of possibilities of planning in the long term due to the reduction of economic resources. However, the NPM model cannot be taken as one package of measures that mandatorily will improve public

administrations, but rather each of those characteristics have to be analyzed independently, in order to identify those that are suitable and convenient to one specific organization, such as the case of the UK, where only the outsourcing tool was carried out.

Finally, the importance of DIRECTEMAR, in the context of a developing country, has been increasing in its role as the National Maritime Authority. Its responsibilities as a policy maker, law enforcement agency and service provider motivate this administration to perform necessary changes in order to improve the relationship between customers and the government. Hence, the partial or total implementation of the NPM system, as a complement to all measures previously taken to improve the relationship between DIRECTEMAR and the private sector has to be seen as an opportunity to enhance its performance as a government agency.

### **7.3 Conclusion and Recommendations**

According to all the considerations mentioned during the process of research and analysis of the information provided, it is possible to conclude that military organizations are suitable for changes toward the NPM model. The new challenges that Armed Forces are facing require new strategies in order to achieve efficiency and a better quality of service, mainly in countries where resources are limited. Hence, the Chilean Maritime Authority has to look at this alternative as a possible way to enhance its managerial system and the public service provided, consequently. Beyond the conviction of the author regarding the result of this dissertation, there are several factors that DIRECTEMAR has to consider as guidelines for further changes, which are in the following recommendations:

- a) The condition of being a “Military Organization” cannot be taken as a disadvantage for possible managerial changes. As it was mentioned before, the Traditional Public Administration model, which most represents the

Chilean Navy, became the foundation for most of the processes of modernization leading to the NPM model in developed countries. Unlike those developing countries that were not able to implement strong procedures and policies within their government organizations, most of the industrialized countries prospered from modifying their managerial system due to the influence given by the hierarchical and bureaucratic model of administration. Thus, DIRECTEMAR should consider this to strengthen and build the necessary changes based on this current system.

- b) Civilian government agencies experienced the implementation of the New Public Management during the 90's. Considering that they had been influenced by the traditional model of administration, just as the Armed Forces are, the "Know-how" for the implementation of the NPM exists and is available for organizations, such as the Navy, thinking about conducting reforms or modernization. Although, the realities between the military and civil agencies might look different in terms of organization and management, these days it is possible to believe that Armed Forces are more open to society than they were before; hence, the chances for a successful implementation can be considered as higher than before. The Chilean Maritime Administration is able, consequently, to take advantage of the experienced of the Chilean government, taking into account that the best examples might come from the same government, which culturally, historically and geographically is identical.
- c) The improvement of the relationship between DIRECTEMAR and society, through the incorporation of new tools such as those described in Chapter 4, is a good approach for what the NPM model tries to achieve. Nevertheless, those measures can become useless if there are no deeper changes in its processes or in the organizational structure itself. The NPM model promotes the reduction of organizations and time processes. Thus, in order to achieve

the goals of those measures implemented, it is necessary to assess all procedures involved in public services, identifying those shortcomings within the organizational structure that might be affecting the quality of the service provided.

- d) It is a fact that the NPM model has been criticized mainly because of the implementation of new Information Technology; there is no evidence, however, that the new managerial model has been definitely displaced by IT systems or that it will be in the future. As the NPM promotes the development of new technologies and innovation, and provides manager independence to achieve those changes, it is recommended that DIRECTEMAR take those measures already implemented, such as strengthening the web platform and applications for maritime users, as a complement to other deeper changes that NPM supports.
- e) The continuous revision of the regulatory framework will help with the identification of those policies affecting and disturbing processes that deal directly with the private sector. As an agency identified with the traditional model of administration, DIRECTEMAR is able to deregulate and minimize levels of control, without making significant changes to the organizational structure, shortening time and increasing quality.
- f) Finally, the consideration for deeper reforms within the Chilean Maritime Administration, such as privatization, changes to the organizational structure or modifications to the recruitment system for civilian personnel cannot be discarded in the long term. The experience taken from the United Kingdom is an example on how two military and one civilian agency were able to conduct this process in a service traditionally provided by the government. Although, the reality of a developing country might differ from the UK, as the local market may not be able to provide a specific service, the motivation

and circumstances from developed and developing countries can actually be the same, such as efficiency and reduction of costs.

Throughout the years, the Chilean Maritime Administration's performance in the maritime field has been positively recognized by several national and international organizations, such as the IMO. DIRECTEMAR has developed its own process of self-improvement, which is currently seen in several actions toward the achievement of a better quality of service. Nevertheless, the changes of technology in the shipping industry, as well as changes in the regulatory framework related to safety, security and environmental protection, and the challenges imposed by the process of development carried out by the Chilean Government, are just a few example for challenges of the Chilean Maritime Administration. In order to face these challenges, NPM can be one of the many options, as it was highlighted in this thesis, when SAR service in the UK was discussed, as a possible application in the context of the New Public Management.

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