

ALL THE KING'S HORSES AND ALL THE KING'S MEN: PUTTING NEW ZEALAND'S PUBLIC SECTOR BACK TOGETHER AGAIN

Robert Gregory

ABSTRACT

In January 2003 the New Zealand government announced that it intended to redress the fragmentation of the state sector that was brought about by the radical state sector reforms of the late 1980s and early 1990s. Eschewing any "big bang" restructuring, over the next five years it proposes to enhance "coordination" among government agencies -- by means that may include the establishment of "circuit-breaker teams" and up to ten "super networks" to manage the proliferation of central government organizations. It proposes to reverse in some instances the policy/operational split that was imposed by the reforms, and seeks to achieve better integration between operational "outputs" and policy "outcomes." This article discusses the suitability of these suggestions, in the light of a recent report by a government advisory group. This report examines what are, in fact, major flaws in the original reforms yet suggests remedies on the assumption that they are not. The case raises more general questions about the relationship between the theoretical bases of public sector reform, on the one hand, and practical experience on the other.

INTRODUCTION

Significant changes to the New Zealand state sector are advocated in a report by a governmental advisory group on "The Review of the Center" (Report, 2001). The group included the heads of the three central agencies – the Treasury, the Department of the Prime Minister and Cabinet, and the State Services Commission -- together with two independent consultants and the national secretary of the main state sector trade union, the Public Service Association. It deliberated during a period of four months in 2001. The Report recommended that the government should adopt a "whole of government" perspective in addressing problems of coordination and integration that have resulted from having about 170 central governmental agencies in a country with a population of four million people (that is, roughly the size of Sydney).

Before its election in 1999 the government, as opposition, had frequently expressed serious concerns over various aspects of Public Service management and culture, and its announced intentions address some of those concerns. However, this article seeks to argue that its decision to avoid any wholesale restructuring of the Public Service, on the grounds that there has been far too much restructuring, and that such moves offer no panacea, may reflect an underlying ambivalence about the nature of the problems and the best means of dealing with them.

All theories are flawed, all practical systems have their weaknesses and unintended consequences and reverse effects emerge out of all forms of social engineering. But governmental policy on public management suffers if, in invoking what appear to

cogent theoretical ideas, reformers are then unable or unwilling to test the validity of these theories against practical experience.

This would seem to be especially so when reform is based on a theoretical paradigm shift, in this case from traditional public administration to what became known as (and has been subsequently disavowed as) New Public Management (NPM). The former had evolved pragmatically in the light of practical experience, but with much less explicit theoretical coherence than that of NPM. Public choice theorists have been roundly critical of what they see as traditional public administration's inability to offer rigorous, parsimonious, theoretical explanations of bureaucratic and political behavior (Bendor, Moe and Shotts, 2001). So any unwillingness to critically examine the new paradigm in the light of practical experience is particularly ironic. Effective inter-disciplinary communication in policymaking for public management is undoubtedly needed, as Barzelay (2001) argues, but no less important is the need for critical reflection on theoretical designs, by those who are intellectually wedded to them.

WHAT THE REPORT ADVOCATES

The authors of the report list important strengths in the New Zealand public management system. These include: transparent financial management; better quality client service; a commitment to fundamental values like democracy, the rule of law, and accountability; freedom to manage on the basis of output accountability; and flexibility. However, it argues that "some significant shifts in emphasis are needed to better respond to the needs of the future"(Report: 4). Its tabular view of what it expects to be different in five years time, for ministers, citizens, and staff, is shown in the appendix to this article. This table is as much an implicit commentary on the failings of the current system as it is a vision of a future one.

The report focuses on what its authors see as a pressing need to put the Public Service back together again, to overcome "the loss of focus on the big picture that fragmentation can cause" (Report: 4). Such fragmentation is apparent in "a proliferation of agencies", and of ministerial portfolios with "an excessive number of votes", and in some areas "by an over-emphasis on vertical accountabilities at the expense of whole of government approaches" (Report: 4). According to the report:

Fragmentation makes coordinated service delivery more complicated, adds to the costs of doing business, and blurs accountability for some issues. Structural fragmentation means many small agencies, spreading leadership talent and other skills more thinly and increasing the risk of weak capability. Fragmentation means Ministers need to build relationships with multiple agencies, and at times reconcile conflicting agency positions at an excessively detailed level. Fragmentation can make alignment more difficult. (Report: 4)

It is not clear from the report what "alignment" actually means, though it can be inferred from the suggested remedies that it is a mechanistic metaphor that envisages more effective operational linkages among the multiple agencies that deliver services to the public, from the center to the regions. It is very much about the quest for "joined up" government, and (perhaps reflecting the views of the chief executives of the three central departments) the need to strengthen central control.

To this end the report suggests several “new ways of working”. These include inter-agency “ ‘circuit-breaker’ teams to solve previously intractable problems in service delivery by drawing on front-line knowledge and creativity with central technical support” (Report: 7); replacing purchase agreements (between ministers and chief executives) with “output plans”; enhanced monitoring of organizational performance; the establishment of 7-10 “super networks” to better integrate policy, delivery and capacity-building in the state sector; a “careful process of structural consolidation” addressing the numbers of crown entities and small agencies, the effectiveness of policy/operations splits, and ministerial concerns about performance or alignment (Report: 7).

The report also advocates a shift back towards the concept of an integrated state sector career service. With the aim of “enhancing the people and culture” of the state services, initiatives would include the development of an “overarching human resource framework, including clarity of what parts...to apply to which Crown entities”; “Promotion of more widespread use by State sector organizations of generic public sector standards and qualifications”; the development of “detailed proposals for a more collective, centralized and consistent approach to the development of senior managers across the Public Service...”; and “modelling and leading the development of a modern, professional, Public Service culture...” (Report: 8).

To these ends the report advocates that the three central agencies “collectively and individually, exert more effective leadership across the wider State sector by formally adopting as part of their core business a responsibility to lead the State sector on whole-of-government initiatives” (Report: 8).

Where’s the theory?

As Hood (1995: 180) observes, “Most ideas in public administration have an earlier life and times, and return and recurrence is a notable feature of its intellectual dynamic.” However, historical pendulums never swing back to an original position. Imminent change in the New Zealand state sector will constitute a new reality different from that imposed by the earlier reforms, which placed New Zealand (for better or for worse) in the vanguard of public administration reform in the western democracies, and different again from the reality of the “old” state sector. But while the reformist pendulum of the 1980s and 90s swung sharply away from “rule-driven administration” to “results-oriented management” the latest moves are more pragmatic and cautious. They are also much less driven by appeal to any particular body of theoretical knowledge in the way that the earlier changes were strongly influenced by institutional economics.

Public choice theory underpinned New Zealand’s attempts to institutionalize a clear distinction between “outputs” and “outcomes”, with departmental chief executives being responsible for the production of the former, and ministers being responsible for the achievement of the latter. And it impelled the institutional separation of policy agencies from operational ones as a means of overcoming the specter (sometimes real, often imagined) of “provider capture” and of reaping the benefits of “contestability” in policy markets which were usually imagined rather than real. The commitment by institutional economics to positivist, mechanistic and liner-rational assumptions of bureaucratic behavior strongly influenced the fragmentation of the formerly unified Public Service into a collection of separate entities, each largely blinded to the wider

political and administrative landscape by its own narrow concerns, not the least being the increasingly specific accountability demands placed on them. Agency theory drove the abolition of the unified state services career system, and with it the permanent tenure of top public servants, and hugely reduced the role and functions of the central personnel agency - the State Services Commission (SSC). Transactions costs analysis informed the shift away, in rhetoric if by no means entirely in practice, from production generated through quasi-markets rather than bureaucratic hierarchies.

In short, institutional economics places much more emphasis on risk management than relational trust, on competition than cooperation, on markets than hierarchies, on consumership than citizenship, on corporate management than democratic governance, on accountability and efficiency than on responsibility and equity, on mechanistic disaggregation (fragmentation) than organic holism. How else could institutional economics “rediscover” the policy/administration dichotomy discarded by the older paradigm about 50 years earlier?

The Review of the Center report appeals not at all to formal theoretical knowledge, at least overtly, not even in respect of the role of “super networks” in overcoming problems that are seen to result from excessive fragmentation. This omission implies that the theoretical underpinnings of New Zealand’s state sector reforms are not to be revisited in the light of subsequent experience, at least not by those who are now advocating the above changes. Presumably this task, if considered worth doing at all, may be left to academics. Some steps to this end are taken below. The report is effectively an exercise in policy analysis, but as such it lacks the incisiveness found several years earlier in the report provided by Schick (1996). The latter has been described as “an exemplar of policy-oriented, academically rigorous analysis within the New Public Management” (Barzelay, 2001: 162). The irony of this is that Schick’s report has had relatively little practical impact, despite its apparent exemplary critical rigour, whereas the current report might turn out to have substantial practical impact (though what this will actually be remains to be seen).

The reasons for this, of course, are to be found in the political games of speaking truth to power. Schick’s report can be read both as a glowing endorsement of the New Zealand reforms, and as a rather veiled but in places pointed criticism of them. At the time it was presented there was no serious political support for any major change to “the New Zealand model”. But since then there have been any number of serious issues, political shenanigans, and public controversies surrounding the state sector as a whole, including the Public Service.¹

It should also be remembered that the reforms of the 1980s and 90s were designed in the main by practitioners, but practitioners (located in institutions like the Treasury and the Reserve Bank) who were well schooled in and largely committed to institutional economic interpretations of bureaucratic behavior (Goldfinch, 2000; Gregory, 1999; Kelsey, 1995). While the current report was also authored largely by practitioners, at least two of those – the heads of the Treasury and of the DPMC – are persons with strong academic orientations, with doctorates in economics and public policy, respectively. The State Services Commissioner (who has a graduate degree in political science) has, since taking on the job in 1997, made it clear that he is more than comfortable with the general shape of the Public Service as reconstituted by the reforms.

The report's atheoretical tone might simply be an essentially parochial phenomenon, peculiar to the New Zealand circumstances of the time. However, it might also exemplify a more general transformational relationship between theoretical criticism and practical experience in the field of public sector change (Christensen and Laegreid, 2001). So why does the lack of theoretical reflection in the current report matter? It matters because the report manifests a strong propensity to talk out both sides of its metaphorical mouth.

Two, mutually contradictory, views are apparent in prominent analyses of state sector reform in New Zealand, both of which reflect the unwillingness to reconsider the appropriateness of the original theoretical underpinnings against evolving experience. On the one hand, there has been a willingness, such as that displayed in the current report, to critically assess various practical dimensions of the reforms. This has also been apparent, for example, in other critical contributions, notably by Graham Scott (2001), who as then head of the Treasury was probably the main architect of the changes; in a review by the SSC (1999) of means of improving accountability; and in a commentary provided in his 2001 annual report by the State Services Commissioner (SSC, 2001).

On the other hand, however, there has been a reluctance to admit the possibility (if not the reality) that some of the original theoretical foundations, at least as applied in New Zealand, might be seen to be basically unsound. The original reforms were based on a body of theoretical analysis presented mainly by the Treasury (1987), and this analysis in turn provided a conceptual blueprint for the radical transformation of the state sector. Current critical appreciation has been largely disconnected from the original theoretical framework. This might have been expected in the day-to-day pressures of "getting on with the job", but it also probably reflects the enduring ideological force of that framework.

Opinions by well informed commentators and practitioners that the New Zealand model is fundamentally sound are perfectly legitimate. But one person's "fundamental soundness" can be another's "basic weakness", a difference in perception that will often be adequately explained by Miles' Law: where you stand depends on where you sit. Putting it more directly, while there is a willingness to identify fundamental flaws there is an unwillingness to acknowledge that these are indeed fundamental flaws. Instead, they tend to be spoken of as if they are shortcomings which can be adequately addressed by marginal adjustments to the overarching New Zealand model, which has attracted so much international attention (and praise) during the past decade, but which the current report's authors describe rather cautiously as "a *reasonable* platform from which to work" (p. 4, emphasis added).

The SSC's (1999) article on accountability, for example, addresses one important reformist paradox, that which is commonly expressed in the cliché, "letting managers manage and making them manage". It discusses "the utility and proliferation of accountability documents and the ex-ante and ex-post processes surrounding them", but it is at pains to state that, "These are not necessarily fundamental design flaws in the New Zealand public management model itself, but are related to the way it has been implemented and evolved over time" (Report: 3). The remainder of the article goes on to provide an analysis, which suggests that the problems are in fact, more fundamental than superficial. Similarly, the State Services Commissioner has commented that, "As

our experience with the public management system increases, we see new strengths and weaknesses and reassess those previously identified. He is, however, “firmly in the camp of those who conclude from this process that the public management system, especially that part designed to preserve the political neutrality of the Public Service, is fundamentally sound” (SSC, 2001: 1).

Elsewhere he has observed that, “The transfer of service delivery functions out of departments into separate legal entities that have adopted, consciously or unconsciously, different corporate cultures probably has contributed to the change in long-established Public Service values in these organizations.

I cannot accept that this is right and proper, particularly when, as far as the public is concerned, all state sector organizations, regardless of their legal form, are part and parcel of the same business” (SSC, 2001: 9). Also, the Commissioner “has come to the view that [when operating as a dichotomy] the distinction between outcomes and outputs can be unhelpful to, or even destructive of, the creative and supportive relationship that should exist between Ministers and the organizations through which they work” (SSC, 2001: 10). He was convinced that departments and other state sector organizations needed to be “much more connected with what the government of the day is trying to achieve than is possible to achieve with a contract for outputs” (SSC, 2001: 11). The Commissioner’s view was that a different approach to contracting was needed. This would require contracts to focus not on the specific detail of outputs but on “broadly-framed responsibilities including the responsibility to manage events as well as possible” by stating “intermediate outcomes” (SSC, 2001: 11). These “would have to link compellingly to the Government’s goals, allow progress towards those goals to be measured, and allow the effectiveness of outputs to be assessed” (SSC, 2001: 11). These concerns are reflected in the current report, which stresses the need for a stronger emphasis on outcomes.

TRITE ANSWERS TO TOUGH PROBLEMS?

A closer inspection of some of the main systemic weaknesses discussed in the current report indicates that the propensity to hedge reforming bets neither enhances critical evaluation of the theoretical bases of the New Zealand model, nor augurs well for the practical steps that might be taken to try to improve the system.

“Alignment”

In New Zealand, principal-agent theory was invoked in the 1980s to pursue stronger alignment (although it was not then called this) between the policy intentions of the government of the day and the administrative preoccupations of departmental heads. Fixed-term contractual appointments replaced the tenure enjoyed by the former permanent heads.

The current report, however, speaks pointedly of the need to enhance alignment, which has been weakened by the effects of a bifurcated relationship between ministers responsible for “outcomes” and chief executives responsible for the production of “outputs”. It seeks to overcome this bifurcation by means such as (Report: 7), “providing Ministers with a stronger mechanism for shaping departmental priorities

through better engagement with departments around a statement of intent”; replacing purchase agreements with “output plans”; “enhanced monitoring of organizational performance”; “an accountability and reporting system that puts more emphasis on outcomes and high level priorities, as well as output specification” (Report: 5); “developing more effective, higher trust means of working together..” (Report: 6). Better alignment will also be fostered, it is hoped, by other means, discussed below, including the creation of “cross-agency circuit breaker” teams, and the establishment of “super networks of related agencies “to integrate policy, delivery and capacity-building in the state sector” (Report: 7).

Apparently, however, this bifurcation, together with the excessive fragmentation that has resulted from the reformist preoccupation with mechanistic rather than organic assumptions of public bureaucracy (Gregory 2001), are not to be interpreted as serious weaknesses in the theoretical arguments which, in the tradition of unintended consequences and reverse effects, have given rise to them, in New Zealand’s own version of “Trobriand Cricket” (Hood, 2001).

There is nothing in the report about the possibility that these shortcomings have their origins in one of the statutory pillars of the reforms, the Public Finance Act 1989, which entrenched the output/outcome dichotomy. There is also nothing in the report to say that if the serious problem of (mis) alignment is to be overcome then perhaps major changes will be needed in this crucial piece of legislation.

Nor is there anything to suggest that the authors of the current report are prepared to confront the obvious: that the increasingly problematic nature of the evolving contractual relationship between ministers (responsible for outcomes and for purchasing outputs) and chief executives (responsible for producing outputs) has had an adverse effect on the relationship of trust that has always been and will continue to be central to an effective partnership between both parties.²

For example, it was the contractual relationship between the chief executive of New Zealand’s biggest department and the State Services Commissioner that enabled the former to sue the latter in a high profile case brought before the Employment Court last year (see Wallis, 2001). The claimant’s case failed, but not before the disclosure of various hitherto private official conversations had been aired in public, leading to suggestions that the case would have an adverse effect on relations between chief executives, ministers, and the State Services Commissioner.

The Commissioner, however, does not agree. In his view the case was “an aberration”, and he saw no evidence that the combination of circumstances, events and personalities that led to this outcome are likely to recur. “Furthermore, I do not think our system of public management could stand more than one such case without seriously undermining the ability of the Government and Public Service to operate effectively. This, in itself, provides a discipline on, and an incentive for, all parties to make our public management arrangements work...[the ideal relationship between a Minister and chief executive] ‘is one of trust between two people linked inextricably, at least for a time’. This is the quality of the relationship needed for good government. It was the situation that applied before the case. It applies still” (SSC, 2001: 4).

He may be right in his expectation. But what if he is not? What does this case say, even as a sort of counterfactual, about the impact of contractualism on the ministerial-chief executive relationship that is so vital for the enhanced “alignment” that the current report says is necessary for a better “whole of government” approach?

Moreover, the report might be in danger of encouraging another reverse effect. How well does the call for enhanced monitoring of organizational performance sit with the simultaneously espoused need to replace purchase agreements with output plans? Isn’t this analogous to the paradox built into the earlier reforms, and now apparent in its effects, when managers were to be both freed to manage and made to manage?

Fragmentation

Public choice theory’s ideas of “provider capture”, information asymmetries, and the skewing of resource allocation by rent-seeking bureaucratic behavior underpinned what has now come to be seen as excessive fragmentation in the form of policy ministries separated from delivery organizations, and the large numbers of votes, and single-mission agencies across the state sector.

Agency theory gave birth to contractualism, purchase agreements, target-setting, performance measurement, and what is now seen as an excessive concern for vertical accountability rather than horizontal integration.

The fact that these sorts of outcomes were not readily foreseen by reformers who were committed to (blinkered by?) their rather narrow theoretical and conceptual perspectives is not surprising. So perhaps it is not surprising either that even in hindsight there is an unwillingness to link back to their theoretical foundations such unintended consequences as excessive fragmentation and the lack of a whole of government approach. Instead, the State Services Commissioner observes that, “Public service delivery of Government programmes will be enhanced when policy development and implementation are more integrated” (SSC, 2001: 24). But this statement not only refutes what its author continues to uphold as valid (the original separation³) but also belies the fact that, while the two may be distinguished conceptually, in practice they are mutually constitutive (as Carl Friedrich once famously declared in so many words, during his exchange with Herman Finer⁴). One is reminded of the perhaps apocryphal story of Frederick Winslow Taylor: when he discovered that the behavior of some individuals did not fit his theory of economically-induced production he determined not that the theory was flawed but that the individuals were. In this form of “policy analysis” theory rapidly becomes transmuted into dogma.

Thus, the current report is at pains to eschew any major structural reorganization as the principal means of overcoming the problem of fragmentation and all that flows from it. According to both the Minister of State Services and the Commissioner, there has been too much of this and no “big bang” reorganization will be implemented to put together what the original reforms tore asunder.⁵ Instead, change will be incremental, to the point that in five years time the state sector will be “significantly different”, with fewer departments and crown entities, and “some of the policy-operation splits could well be reversed”.⁶ Humpty Dumpty will become a good egg again, piece by piece.

The preferred means of reintegration are cross-agency “circuit-breaker teams” and “super networks”. The former, which would not be “simply more committees”, are intended “to solve previously intractable problems in service delivery by drawing on front-line knowledge and creativity together with central technical support”, and would “show that the center is serious about tapping the ideas of the frontline” (Report: 7, 21). (By April 2003 three had been set up – on reducing school truancy, settling skilled migrants, and preventing domestic violence.) The “more widespread and proactive use of networks”, grouping and managing agencies in 7-10 “super networks” would “represent a move towards substantial structural change” (Report: 5).

Again, does this response match the problem, either in theory or in practice? At the theoretical level, there is little if any consideration of network theory (discussed below). And the current report, having identified a major practical consequence of the original theoretical design speaks as if the consequence were largely unrelated to that design. This tendency to elide contrasts, for example, with another analysis of similar issues, published only two or three years after the reforms. Galvin (1991) argued that the changes in the decision-making process that occurred at the political level under the Lange Government (responsible for the state sector reforms) had a strongly deleterious effect on interdepartmental coordination and consultation.⁷ This was the source of the growing emphasis on vertical, at the expense of, horizontal accountability (see Considine, 2002). Moreover, since the 1980s there has been no return to the departmental infrastructure of consultation, incorporating organizational “client” groups, most of which was cut away on the basis of public choice interpretations of rent-seeking official and interest group behavior.

The current government is undoubtedly correct in its view that another major restructuring of the Public Service would be politically difficult to justify.

This is to suggest that the original radical reforms, coming after a period of many decades of relative stability in state sector structures and processes, have exhausted the political capacity for the sort of major reorganization that is needed to address the problems identified in the current report. Radical restructuring seems no longer to be a fashionable alternative, even though it may be the one that is actually required.

Instead, the creation of “circuit-breaker” teams, and “super networks” appears to be an imaginatively innovative response. Perhaps it is a shrewd move towards more comprehensive structural changes in the future, just as the corporatization of government trading functions was in a number of cases a half-way step towards privatization. However, maybe these proposals are a bit glib?

For example, if problems are indeed “intractable”, as described in the report, why should “circuit-breaker teams”, operated with technical support from the center, be expected to “solve” them? Intractability would seem to be a function of poor inter-agency cooperation, which in turn is likely to flow from differing, perhaps conflicting, organizational purposes, mind-sets, and interests. It’s promised that these teams will “not be simply more committees” (p. 21), but *why* won’t they be?

In this connection, too, the center is said to be “serious about tapping into the ideas of the front-line” (Report: 21). Perhaps, but there are also good reasons why the center is not always interested in the experiences of “street-level” officials, even when policy

advice and service delivery proceeds under structural unity rather than division. And the report does not promise any major change from unity to division, despite its own diagnosis of the pathologies deriving from that same division.

Instead, these teams are to undergo “an initial course in problem analysis, creativity and change management” (Report: 21). If this terminology is not intended to be a euphemistic patina for a course in bureaucratic politics then it is unlikely to have any real impact on these “intractable” problems of service delivery.

“Super networks” - panacea or palliative?

The report advocates the establishment of “super networks” as a major response to problems of fragmentation. But it is not clear why these innovations should be expected to operate effectively, any more than the more localized “circuit-breaker” teams.

Fragmentation having resulted from flawed theory is not to be overcome by any serious appeal to theory. Pragmatism is fine, of course, providing it is based on commonsensical experience. The promise of super networks seems to be based on neither. Practical experience, or “institutional memory” would have generated knowledge of the real informal networks that characterized the Public Service before the original reforms. These changes, in fact, in sweeping away the institutional frameworks within which these networks operated also destroyed the networks. Others, of course, have grown in their place, one of which shows that the informal path to departmental chief executives’ positions tends to run via the Treasury (Boston, 2001).

Perhaps the current report puts the super network cart before the restructuring horse. If better alignment is sought then maybe the government will need to bite the political bullet and engage in major structural change to that end. Effective networks might be not so much a substitute for restructuring as much as they are a consequence of it. They might be more likely to emerge out of sound rather than unsound structural foundations, where “sound” refers to hierarchies which have been constituted with an eye to the requirements of “co-production” (Alford, 1993), in pursuit of separable but overlapping purposes (for example, policing and social work).

Contemporary theory seems at best a little ambiguous on this point. For example, two leading theoretical exponents in this field argue that, “What we do know is that no system can be changed every few years and produce quality service. Continual change increases the rewards for non-cooperation in an existing system, creating the impetus for yet more change” (Milward and Provan (2000: 366). But the authors also argue that, “What holds for economic growth also holds for network performance – a relevant set of property rights and a credible commitment to them so that individuals will be able to reap some of the benefits of their cooperative efforts creating the climate where trust and a set of normative values emerge to support cooperation” (Milward and Provan, 200: 367).

In eschewing any major restructuring in the short term the current report acknowledges the importance of structural stability in sustaining the trust which it rightly seeks to engender. But the secure property rights which foster trust and engender cooperation have already been seriously damaged by the original reforms’ philosophical emphasis on the disciplines of quasi-markets, fragmentation, and competitive (rather than

cooperative) relations. Were that not the case then the argument not to now engage in major restructuring would be more compelling than it is. Nor does the New Zealand experience demonstrate what might reasonably be defined as “continual change”. Since the reforms both the State Sector Act and the Public Finance Act – the two statutory pillars of the Public Service – have remained intact. Certainly there has been some major restructuring among departments (notably in the fields of income support, social work, and employment), but the magnitude of the sorts of problems addressed by the current report requires important changes to both acts if those problems are to be seriously addressed. Changes to such statutory components as the outputs/outcomes dichotomy, the devolution of personnel policy to individual agencies, and the contractual regime of appointments at top departmental levels, would be major structural changes but changes whose magnitude is more commensurate with the size of the problems the report identifies. Perhaps Etzioni’s (1967) “mixed scanning” model offers an analogy: fundamental changes are needed from time to time, accompanied by longer periods of incremental adjustments. The current report appears to confuse the two, advocating inappropriate incremental means of responding to problems that call for fundamental change.

When all is said and done, excessive fragmentation and misalignment invite a commonsensical response – explicit structural reintegration. Why speak and act as if they do not? Nevertheless, mindful of Einstein’s reported observation that commonsense can be little more than the inability to learn from yesterday’s mistakes, a little theoretical speculation may not be entirely amiss.

Reinventing a unified career service?

Peters’ (1986) metaphorical village having been burned in New Zealand, it now appears that the current government would like it rebuilt. What goes around comes around. But again there seems to be considerable ambivalence about the re-establishment of a unified Public Service career service.

The current report is all about strengthening the center. It advocates those central agencies “need to take more leadership, particularly on ‘whole of government’ matters”, and leadership than is wider than just the Public Service (Report: 32-33). It calls for the extension of the State Services Commissioner’s mandate to crown entities, and more “leadership” by the SSC in “human resource matters, including the development of a State sector wide human resource framework and promoting State sector values” (Report: 33).

In other words, the center will be expected to play a much greater role in the longer-term building of “institutional capacity”, which has by common consensus been threatened by the fact that the original reforms unintentionally created strong incentives for both ministers and officials to focus their attention on short-term exigencies (resulting mainly from the output-purchasing nexus).

Again, the report identifies shortcomings which have resulted from the weakening of the center and the abolition of a unified career service, but it suggests a “half-way house” approach as a response. This could be seen as an interim, back-door, step towards full reunification later, but the rhetoric of the report suggests that explicit advocacy of reunification would run too obviously counter to the belief in managerial

autonomy so central to the prevailing ideology. Yet if this rhetoric has been found to be out of kilter with the reality of an inexorable accretion of “ankle-biting” accountability mechanisms then the paradox may have to be addressed by a much more aggressive structural reunification, but one which at the same time offers a more acceptable balance between central control on the one hand and managerial autonomy on the other. In other words, central agencies will need to be central in fact as well as in name.

Some (idle?) theoretical speculation

The problem of hierarchies versus markets can be restated as the difference between the control that binds and the anxiety that divides. In New Zealand mechanistic interpretations of a public service committed to serving the purposes of individual ministers were substituted for organic interpretations of a public service committed to the collective purposes and strategy of THE government. From this flowed fragmentation and problems of alignment. The social capital and trust embedded over time in an organic system of cooperative endeavor was quite quickly attenuated by the competitive, anxiety-driven, self-protective and legalistic logic of the mechanistic system built in its place. Putting it another way, economic incentives drove out solidary ones. The reforms confirmed that trust is lost far more quickly than it can be built.

What to do? The mechanistic/organic distinction can be applied to networks at the theoretical level. One possibility is stable and enduring organic networks in which participants gain more than they lose, in terms of the values they consider to be important to them, but which also serve a wider public interest.⁸ In this connection, Bardach (1998: 17) defines interagency collaboration as “activities by agencies intended to increase public value by having the agencies working together rather than separately.” These networks to this end are characterized by strong reciprocal norms. (Some might argue that they took the form of the proverbial “old boys networks”, which were reputedly a feature of the old New Zealand system.) Another possibility is stable and enduring mechanistic, that is formal, networks, which enable members to gain more than they lose, and which also serve a wider public interest. These might be formally constituted inter-agency committees, for example, which actually facilitate effective coordinated co-production. A third possibility is organic systems in which people actually lose more than they gain, but because of this these systems die on the vine quite quickly. Fourthly, we may envisage mechanistic systems in which members gain more than they lose, by way of turf protection and the like, but at the expense of the public interest. The work of inter-departmental committees has often been interpreted in this light. There are obviously other possible combinations.

Conceptually, organic and mechanistic systems are distinguishable, but in practice they are closely inter-related. Strong mechanistic systems which produce net positive benefits for members and the wider community, even though they may be (structurally) abolished are likely to leave a strong organic footprint, for some time afterwards. (This was probably evident in the persistence of strong cultural elements in the New Zealand Public Service after the radical reforms.) Conversely, however, organic networks are usually spontaneously created on the basis of trust and do not necessarily need to be formalized in mechanistic arrangements. In fact, to do so may be to threaten the cooperative trust that sustains them. The problem with trying to *formally* establish mechanistic “super networks” is that ex ante calculations of transactions costs and of gains and losses is too complex, information tends to be non-disclosable, and

prospective participants will be wary and not open. This is especially true when such deliberations have to take place in a culture of a priori distrust, when participants are more inclined to think in zero-sum terms.

Bardach's (1998: 16) observation needs to be acknowledged: "...if there is one proposition on which consensus among students of public administration is firm and widespread, it is that reorganization normally produces little of value at a very high cost in time, energy, and personal anxiety". But if a major reorganization is fundamentally flawed in its conception, and gives rise to unacceptable unintended consequences then further reorganization is essential to repair the damage. If the New Zealand government is indeed serious about putting the Public Service back together again – that is, enhancing mutually cooperative trust – then it needs to do so by way of a major structural (mechanistic) realignment out of which more spontaneously cooperative (organic) networks will develop.

CONCLUSION

The mechanistic zeitgeist of the original reforms undoubtedly generated some major improvements in the operations of the New Zealand state sector, but it also produced a number of unintended consequences (even reverse effects), which the present government now seeks to remedy. Theoretical explicitness and apparent coherence is no more immune to such effects as has been the case with the more pragmatic, theoretically informal approach traditionally adopted in New Zealand to state sector development.

The latest reform proposals are problematic on one count, and disappointing on another. They are problematic because they suggest superficial responses to more fundamental problems. And they are disappointing because, while they constitute an attempt to reconnect governmental agencies, they are disconnected from their original theoretical sources. If the latter is a more general tendency in continuing attempts, in New Zealand and elsewhere, to overcome emerging problems of state sector functionality, especially in those systems which have in recent years been strongly influenced by theoretical ideas closely associated with what became known as NPM, then this may represent a more widespread reluctance to engage in a sensible reconsideration of theory in the light of practice and experience.

In his comprehensive review of the New Zealand state sector reforms Scott (2001) has commented: "Institutional analysis has provided useful insights and practical tools to use in designing the institutions that are intended to give effect to government policies. If this is to continue in the future, politicians need to ask for thorough analysis of options and officials need to employ and improve their analytical techniques. In so doing, practice will inform theory and the analytical frameworks will develop to meet the increasingly more difficult challenges of tuning the public sector to perform better" (Report: 35-36). It is not clear that the report discussed in this article is likely to contribute to the further development of these analytical frameworks.

Its failure to revisit theoretical design in the light of about a dozen years of practical experience in New Zealand may simply reflect the fact that the theoretical coherence of the original reforms was something of an opportunistic aberration, since overtaken by the pragmatic contingencies involved in getting on with the job. But Scott's reference to the "tuning" that is needed to make the public sector perform better itself suggests a

general reluctance to reexamine critically the original theoretical underpinnings, the deleterious effects that have sprung from them, and the consequent need for remedial measures that are more drastic than those proposed in the current report.

Robert Gregory is Professor, School of Government, Victoria University of Wellington, New Zealand. This article is a revised version of a paper included in the Conference Proceedings of the IPSA Committee, Structure and Organisation of Government Research, "Knowledge, Networks and Joined-Up Government," University of Melbourne, 3-5 June 2002.

APPENDIX

- From the Report of the Advisory Group on the Review of the Center, November 2001: 35-36.

<i>What will be different in 5 years time for.....</i>		
<i>...Ministers</i>	<i>...Citizens</i>	<i>...Staff</i>
<i>Through better integrated service delivery (Circuit Breaker Teams, regional coordination and stronger policy/operations connections)...</i>		
Will see more innovative solutions dealing with longstanding problems.	Will find complex problems get sorted out better. Will feel well-served by public servants.	Will see their views being listened to and put into action. Will find work more satisfying.
Will hear fewer complaints about coordination and duplication.	Will notice that they are not having to handle so many government processes or organizations.	Will see senior Wellington people at the frontline, will have more contact with people in other sectors.
Will find that things happen more quickly and smoothly at the frontline.	Will feel that government in Wellington feels less distant.	Will notice that their views get reflected in policy, will feel connected to Wellington.
<i>Through less fragmentation (networks, structural change, accountability systems)</i>		
Will deal with fewer agencies and noticeably fewer barriers.	Will notice that duplication is less.	Will be working with other agencies more.
May find their previously separate organization is now part of a larger one.	Will find relating to the public service simpler and more straightforward.	May be working under different management or in a different organization.

Will see less clutter, less article, better information. Will have to resolve conflict amongst agencies less often.		Will understand the overall vision and purpose better.
<i>Through building People and culture (values and ethos, leadership, training, senior management development, human resources strategy)</i>		
Will hear public servants proud of their work and positive about their contribution.	Will gradually feel that the public service is in good heart and will have greater confidence in public servants.	Will receive more standardised training and education.
Will feel more confident that State sector staff working at the front-line understand and support Government's aspirations.		Will talk more proudly about their jobs, and the value of the State sector.

NOTES

¹ For example, the Rankin case (Wallis, 2002); the Cave Creek tragedy (Gregory, 1998); the changing nature of ministerial-chief executive relationships (James, 2002); accountability issues in regard to crown entities, including political scandals involving executive "golden handshakes".

² James' (2002) draft monograph, embodying the outcomes of a series of forums involving ministers, chief executives, senior public officials and academics, found *inter alia* that anonymity is no longer faceless in service of an all-powerful minister; neutrality is gone in the sense that many public servants are active members of political parties; loyalty has become problematic, and is now better understood as duty; and there is a need for vigilance to ensure the traditional conventions do not fall so far out of step with political and professional reality as to fall into disrepute and atrophy.

³ The Commissioner has noted that, "The net result is that separating policy advice and service delivery may well have an initial beneficial impact on both the policy function and on service delivery. But over time the separation may well create a situation where a reversal of the separation seems desirable. Permanence is, I fear, an unattainable holy grail" (SSC, 2001: 16).

⁴ "Public policy is being formed as it is being executed, and it is likewise being executed as it is being formed" (Friedrich, 1940: 6).

⁵ The Commissioner: "Two years ago I expressed my concern that in New Zealand we had tended too quickly and too readily to assume that changing structures in the State sector was the best way to address our problems...With the benefit of a further two

years reflection, I now think that the multiplicity of organizations in some parts of the State sector is inconsistent with the onerous stewardship responsibilities we place on Responsible Ministers” (SSC, 2001: 14).

⁶ *The Dominion*, 1 January 2002.

⁷ „Under previous administrations, of either political persuasion, ministers used discussions with officials at Cabinet Committee meetings to clarify the issues involved, and the policy options open to the government. This did not apply across all policy issues and each administration had its own preference and style as to how it worked. Under the last administration [the fourth Labor government], involvement of officials centred much more than in the past on discussions with departmental ministers rather than participation in discussions at Cabinet Committee level. As a result, an atmosphere was created which was antithetical to the tradition of consultation and co-ordination” (Galvin, 1991: 49).

⁸ NPM approaches, because they tend to draw heavily from institutional economic and accountancy theories, emphasize linear-rational, mechanistic or technological, interpretations of the governing process. Much more cognizance should be given to the sort of “norm-setting and norm-holding” (organic) systems depicted in the work of Sir Geoffrey Vickers. He refers to the discovery by Western societies, “when unduly influenced by technological models”, that “any group of people, even though gathered together for a purely technological purpose, could not be organized as if they were no more than constituents of a machine” (Vickers, 1983: 174).

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