

New Zealand public management – tensions of a model from the 1980s.

By Richard Norman, Victoria Management School, Victoria University of Wellington.

Presented on Tuesday, September 29, as part of the lecture series ‘Building the public sector for the 21st century’, organised by the Institute of Policy Studies and Institute of Public Administration of New Zealand.

‘Policies that are 20 years old... can always be assumed to have become obsolete.’ Peter Drucker, often referred to as the father of management studies, made this comment in a foreword to a 1983 reprint of *Concept of the Corporation*, a book based on research at General Motors (GM), which established his reputation in the 1940s. His daughter Cecily Drucker reminded readers of *Business Week* of this comment in June this year in a letter which noted that GM managers had treated policies as ‘principles’ that were valid forever. Now that GM was effectively Government Motors, and dependent for its survival on the United States Government, the question for the company was as the article’s heading put it, ‘Will GM ever take Drucker’s advice?’¹

This year, the systems established in the late 1980s to reform the New Zealand public sector turn 21, and, as in the 1980s, economic pressures and the election of political leaders of a different generation from those they defeated are prompting a rethink about how best to organise and deliver public services. This paper explores the extent to which policies from the 1980s might affect the development of a 21st century public sector. It also considers implications for the sector of principles for public management espoused in the first lecture of this series, the speech on Wednesday, September 23, by the Minister of Finance and Deputy Prime Minister, Bill English.

Mr English issued a challenge that one would expect from a Finance Minister whose forecasters are predicting budget deficits for the foreseeable future, a sharp turnaround from the previous fifteen years. The message can be summarised in the words of Ernest Rutherford to his research team in the 1930s – ‘we’ve got no money so we have to think’.

Mr English proposed a series of principles for public management which I suspect will have been greeted with a mix of ‘Yes! Right!’ enthusiasm accompanied by some thoughts of the ‘Yeah Right’ variety popularised by billboards for Tui beer. In public management, the most difficult questions

¹ Business Week June 22, 2009.

http://www.businessweek.com/magazine/content/09_25/c4136feedback234388.htm?chan=magazine+channel_business+views Accessed September 29, 2009.

tend to start with the word 'how'. Principles proposed by the Minister pose a series of major 'how' challenges for New Zealand's 21 year old model of public management. These principles are:

- Continuity of service, which will make it possible to rely more on judgement and reduce dependence on process.
- Creation of a stronger line between politics and the professional independence of the public service, with ministers, not public servants, taking responsibility for policy and not trying to blame officials if policies prove ineffective.
- Demonstration by public servants of a professionalism which involves telling the Government what it doesn't want to hear.
- A readiness to innovate, even where this carries the risk of failure, with encouragement for those who take risks.

The public management model adopted by New Zealand in the 1980s attracted international attention for its bold departure from the unified and life-time career systems which previously dominated the delivery of public services. New Zealand was then and remains one of the most comprehensively reformed of public sectors, a result of the rapid adoption of textbook-like prescriptions subsequently labelled as 'New Public Management' (Hood, 1991). While many countries have since adopted reform techniques such as accrual accounting, strategic planning, performance measurement and contract-based appointments for chief executives, New Zealand retains a special record as an 'an outlier, [that] has generated more fascination than emulation' (Schick, 2001).

Technology changes which have occurred since this model was adopted 21 years ago provide a benchmark for reflecting on how today's public sector challenges differ. The late 1980s was the era of the rise of the micro-computer, now an obsolete term. In the late 1980s, the upstart software developer Microsoft was challenging the dominance of IBM. I have a personal reminder of this period of break-through technologies in the form of my first portable computer, then a marvel of miniaturisation from Hewlett Packard which had the ability to store the then astonishing capacity of one megabyte of data. The micro-computer fostered the growth of a new 'concept of the corporation' as a series of decentralised business units, each able to take charge of its technology, instead of relying on remote and expensive guardians of the mainframe computer, who spoke another language.

The model of the future in the 1980s, one that can be seen embedded in the structures and systems of New Zealand's public management model, was that of the diversified conglomerate, a collection

of largely autonomous business units, each expected to contribute to the corporate bottom line. Their performance could be monitored by numbers analysed by specialist staff in a small corporate centre using another breakthrough technology of the era – the spreadsheet.

I was reminded of a personal experience of this corporate form recently at a twentieth anniversary party for alumni of an organisation which in retrospect provided too much autonomy and too little control for its business units. One Wellington landmark, the Majestic Centre, is a lasting reminder of this era of organisation, a building made possible through a loan to an Auckland property developer. The Centre was built for \$100 million, but sold several years later, in the mid 1990s for just \$50 million. The decentralised, business unit-driven organisation I once worked for was the Development Finance Corporation, DFC, a government owned development bank which went into receivership in October 1989. No doubt survivors of other diversified conglomerates of the era, such as Fletcher Challenge and Brierley Investments Ltd will be holding similar reunions in coming years.

A feature of organisational models in government is that they tend to be much more long lasting than those in the private sector. The 1980s reforms sought to break up structures which had evolved from what was seen as best practice in 1912, when the foundations of New Zealand's centralised and merit-based public service were laid. New Zealand's central government model remains distinctive internationally for the extent to which it delegates authority to the leaders of its business units, in other words, its departments, ministries and agencies, and for having a small and relatively weak centre. Is such a configuration appropriate for an era in which the internet provides a means for both centralised efficiency and local autonomy?

Three concepts for the 21st century public service, floated by the Minister last week, are possible only because of this enormous change in technology and raise questions about the appropriate public management model for this era. One concept is the creation of a single window into government by rationalising more than 600 government websites. A second is that of an inside-out government which openly shares information to encourage external researchers. The third is what the Minister called a 'we know their names' strategy, where this small country targets government resources to those individuals and families most in need, rather than dealing with issues as sociological generalisations.

As a result of the internet, such strategies are now technically feasible. However system-wide initiatives of the past ten years, such as GoProcure, a failed effort to coordinate government purchasing, and the limited take-up of the public service shared workspace suggest that organisation

rather than technology is the core issue. System-wide initiatives that rely largely on voluntary involvement and funding are difficult to implement while the driving focus for chief executives of departments and agencies is the delivery of more narrowly defined accountabilities.

Turf protection is an inevitable feature of organisations, an extension of the human need to live in tribes which are small enough to foster identity and relationships. For organisations as large as governments, the ever-present challenge is to find the appropriate balance between centralised coordination and consistency, and decentralised initiative and difference. That dilemma currently dominates the reshaping of local government in Auckland. The cross-sector ambitions for the public service outlined by the Minister of Finance raise questions for a decentralised system which was radical organisational technology in the 1980s, but might now be as outdated as those early micro-computers.

Thinking about management is strongly influenced by the ‘images of organisation’ we each develop (Morgan, 2006). The model I will use to analyse options for a 21st century public service helps shift attention from one over-used image. ‘If the only tool you have is a hammer, you treat everything like a nail’, observed Abraham Maslow, one of the founders of study of human motivation.² That hammer in New Zealand has surely been restructuring, a seeming rite of passage for every new chief executive or divisional manager, and surely the single major contributor to two weaknesses of the system, as identified by Mr English – a reluctance to give free and frank advice, and a lack of continuity among public service advisers.

The ‘Competing Values Framework’ (CVF) provides a well-researched diagnostic which provides a reminder that organisations are as much social entities and relationships as they are structures. The CVF was first developed in the early 1980s, and has been expanded considerably in recent years by its founders, a team largely from the Management School at the University of Michigan.³ It links well to the concept of ‘public value’ (Moore, 1995), which has become increasingly influential as a way of defining the distinctive strategic context of public organisations. Public value is a public sector counterpart to the expectation that privately owned organisations will return a bottom line profit to their investors and owners. The ‘bottom line’ for public organisations is to provide the best possible public return for both the investment of public money and the authorising of strategies which frequently involve the power of the state to regulate and control. What constitutes public value is an often strongly contested debate involving political and social values. Those highlighted by the CVF prompt a small number of fundamental choices about values, ‘none of which can be

² Maslow, 1908-1970, was an American psychologist, most noted for his theory about a hierarchy of motivational needs.

³ E.g. Quinn (1988), Cameron et al 2006, Quinn et al, 2007.

ignored and all of which have to be satisfied to some extent to achieve excellence in public service’ (Talbot, 2007).

Figure 1. The Competing Values Framework

Long-term change	<i>Individually flexibility</i>	New Change	
<i>Internal Maintenance</i>	<p>Culture type: CLAN Orientation: COLLABORATE Leader type: Facilitator Mentor Teambuilder Value drivers: Commitment Communication Development Theory of Orientation: Human development and high commitment Produce effectiveness</p>	<p>Culture type: ADHOCRACY / NETWORK Orientation: CREATE Leader type: Innovator Entrepreneur Visionary Value drivers: Innovative outputs Transformation Agility Theory of effectiveness: Innovativeness, vision and constant change produce effectiveness</p>	<i>External positioning</i>
	<p>Culture type: HIERARCHY Orientation: CONTROL Leader type: Coordinator Monitor Organiser Value drivers: Efficiency Timeliness Consistency and uniformity Theory of effectiveness: Control and efficiency with capable processes produce effectiveness</p>	<p>Culture type: MARKET Orientation: COMPETE Leader type: Hard-driver Competitor Producer Value drivers: Market share Goal achievement Profitability Theory of effectiveness: Aggressively competing and customer focus produce effectiveness</p>	
Incremental change	<i>Stability Control</i>	Fast change	

All organisations contain a mix of competing values, usually represented by members of a senior management team. A human resources role focuses on the clan issues of commitment and the development of people. The accounting and legal specialists advise on hierarchy-based control and efficiency. Marketing and research and development specialists work externally to create new products and services. Production-focused managers deliver current products and services.

The proposition of the CVF is that effective organisations are those that manage to reconcile and harness the tensions of the competing values, rather than opt for one best way of working. Use of just one pattern of performance is a characteristic of a managerial ‘novice’. Mastery is the ability to combine flexibility and control and to focus both internally and externally.

This paradoxical ability to combine opposing values is what Collins and Porras (1994) identified as ‘both-and’ leadership. This conclusion was based on one of the most thorough studies of long-term

organisational success, in which the records of similar companies in different sectors were studied to identify why one had succeeded as a 'gold medal' performer, while the second had fallen behind.

Using the lens of this framework, the policies adopted for public management in New Zealand twenty years ago can be interpreted as 'novice' like steps, using the values of the market quadrant to bring about a radical shift from a system previously based on clan and hierarchy values.

The 1980s public management model was strongly influenced by the application of 'new institutional economics' to the 'black box' of organisations through analytical tools such as agency theory, public choice theory and transaction cost analysis. These theories were popularised by advocates for 'reinventing government' (Osborne and Gaebler, 1991, Osborne and Plastrik, 1997) with their claims that the root cause of under-performance in government was the lack of a market system, with its rewards and punishments. Their solution was to separate steering and delivery roles and create market-like pressures to perform.

The fervor for market-based solutions in the 1980s and 1990s was perhaps an inevitable pendulum swing against the 'government knows best' model in practice between 1945 and 1980, when governments everywhere sought to own and closely control the 'commanding heights' of the economy (Yergin and Stanislaw, 2002). Pre 1980, governments were the power which had provided stability to counter the 1930s depression and win the Second World War. But from the late 1970s, and particularly after the dismantling of the Berlin Wall in 1989 and the collapse of the Soviet Empire, market methods seemed to have conclusively captured the 'commanding heights' of economies driven by globalised markets. The financial crisis which emerged in late 2008 as a result of inadequate controls on the financial sector has been a sharp reminder of the importance of the hierarchical powers of governments to protect their 'clans' of citizens from a repeat of the finance driven crisis of the 1930s.

At its most extreme, 1980s theorising portrayed a future for government as 'a transparent universe of subcontractors, organised around statements of goals and strategic plans, concerned not with some nebulous public good but with meeting performance indicators set out in an agency agreement' Davis (1997: 226). The Public Finance Act (1989) for instance turned 56 separate annual appropriations into 64 Votes and 774 separate appropriations (Logan report 1992). This was an exercise which sought to make every output of Government potentially comparable with services from other providers, by through the use of the same accrual accounting techniques as the private sector.

The 1980s reforms can be seen as a reaction to negative features of clan and hierarchy values, the dominant organising mode of the merit-based, career-apart public service which had developed in New Zealand since 1912. In the pre-1988 system, employment appeal rights effectively barred outsiders from senior roles, and salary-linked superannuation locked staff into service until retirement. The clan had its 'College of Cardinals' - a non-transparent process through which existing departmental heads gathered to 'anoint' candidates to vacant roles. The hierarchy was evident to all its members through a 'stud' book, containing the salaries and career backgrounds for all public servants. An ethos of service to the public through the government of the day was the cultural 'glue' for the public service clan.

Taken to an extreme, clan cultures can become 'irresponsible country clubs' (Quinn, 1988) which focus inwardly and justify their actions in terms of benefits for the in-group. The play and television series named 'Glide Time'⁴, by Roger Hall, satirised the ability of a group of Stores Board employees to focus on anything other than the output they were employed to deliver. For change-oriented politicians of the late 1980s, the reform task was to break up the 'country club' and reshape a 'frozen bureaucracy' into results-oriented smaller units, each with specified goals to achieve.

Achievements of the New Zealand public management model

The use of market values as a means for fostering fast change, driven by focused business units pressured to perform more efficiently, has brought significant dividends for New Zealand, including fifteen years of budget surpluses which has positioned New Zealand much better for the current financial crisis than many countries.

Strategies which have emphasised competition, goal achievement, hard driving managerialism and the delivery of improved value for customers have delivered significant results, and it is notable that those public sector tasks which are most market-like in function, now generally attract little public attention.

Twenty years ago, services such as the issuing and renewal of passports, customs processing, registration of companies and patents, births, deaths and marriages, tax returns, postal services and the administration of social welfare benefits were frequently the focus of controversy as paper based systems failed to cope. Market-like strategies which delegated authority and accountability for improving results saw radical changes in processes previously dominated by clan and hierarchy. Such 'production' services (Wilson, 1989, Gregory, 1995), where both the output and outcome can

⁴ Glide Time was a scheme designed to smooth the flow of commuters into Wellington, the capital city, by allowing public servants to vary the times at which they started or finished.

be readily specified and measured, have been relatively straightforward to automate, using the rapidly developing capabilities of information technology.

Publicly-owned services which could be managed through the business-like structures of state owned enterprises have also mostly surpassed expectations for their ability to generate revenue while also delivering reliable services. Indeed, the major controversy has been whether electricity companies have been able to be too effective in extracting revenues (and profits) from consumers.

Operational efficiency delivered by hard driving, results focused change has earned New Zealand a top place in the World Bank's 'Doing Business' survey, which rates New Zealand as second behind Singapore for the ease of working with regulated functions such as starting and closing a business, dealing with licences, registering property and enforcing contracts. New Zealand is noted for taking accountability seriously, with its systems for assessing the performance of public sector chief executives (Lodge and Kalitowski, 2007).

A model developed with market values has either enhanced or not affected other international comparisons. Transparency International has during the past three years ranked New Zealand as first equal with Denmark and Sweden for its lack of corruption⁵ and in 2009 World Bank Governance indicators⁶ rated New Zealand and Sweden as the only two countries to be among the top ten in each of the following indicators of governance:

- Voice and Accountability
- Political Stability
- Government effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

These are significant achievements, and in developing a public service relevant for the 21st century, New Zealand has a strong base to work with. Indeed complacency based on such achievements is perhaps the major barrier to radical rethinking of options for a period of financial constraint.

⁵ Scoop, Wednesday, 24 September 2008, Press Release: New Zealand Government

⁶ <http://info.worldbank.org/governance/wgi/index.asp>

A 21st century public service

Those areas of government which now regularly attract controversy tend to be in-person services delivered by professionals – services which are not easily automated, and where public demand is invariably greater than available budgets. Such services include health, welfare, education, justice, science, and regulation in areas such as building construction, safety of light aircraft and adventure tourism. In a previous era, the public image of the typical public servant was undoubtedly that of a clerical worker. Now, the typical public sector employee is a doctor, nurse, teacher, university academic, librarian, judge, courts manager, corrections officer, military officer, scientist, regulator or policy adviser. The 21st century public service consists largely of professionals, encouraged in their educational preparation to be independent thinkers and to collaborate as well as compete with fellow members of their profession. For the ‘caring’ professions, the cultural type of ‘clan’ with a strong focus on relationships and human development is the closest fit. Professions involved in research, policy advice and education are more likely to fit with the adhocracy or network quadrant, where the focus is on change and innovation.

The challenges issued by Mr English call for skills associated with the clan and adhocracy quadrants. These challenges anticipate that front-line professionals will have sufficient clan-like commitment and stability in their work to provide free and frank advice to Ministers and to collaborate across sectors to target named individuals and families. They will demonstrate skills as innovators and entrepreneurs in coordinating government websites, provide analysis for external scrutiny and demonstrate that the public sector can innovate at least as strongly as the private sector.

Independent-minded professionals would no doubt applaud a comment by Peter Drucker that ‘so much of what we call management consists in making it difficult for people to work.’ As periodic clashes between health managers and doctors, research managers and scientists, and education managers and teachers demonstrate, professionals who seek individuality and flexibility to carry out what they regard as their work are likely to be in constant tension with other professionals whose functions and training encourage them to focus on control and stability. While market principles might have been used to establish the 1980s public management model, I will argue that the system has retreated into hierarchy-based routines that are likely to frustrate the current agenda for change.

A model in control mode

The New Zealand public management model has followed a trajectory that can be explained with the help of three ‘big questions’ of public management suggested by Robert Behn (1995).

The first question is: ‘how to break a micromanagement cycle in which excessive rules prevent agencies from producing results, which then leads to more rules?’ This question relates strongly to the call by Mr English for continuity and judgment as a substitute for process controls.

The reforms of the late 1980s involved the ceremonial dumping of large Treasury and State Services Commission rulebooks. The period since has seen an accretion of ‘case law’ about risks to avoid. The risks of under-investing in project management systems were tragically emphasised by the loss of 14 lives in 1995 when the Department of Conservation platform at Cave Creek collapsed as a result of amateurish construction. That tragedy, coupled with the election of the first Parliament based on proportional representation in 1996, marks in retrospect the beginning of a shift towards a culture of ‘blame the officials’, captured by the then State Services Commissioner Don Hunn in a comment that ‘what accountability means to the public is someone is going to swing from the gibbet’.⁷ The nearest to such a spectacle was the almost Shakespearian tragedy of the rise and fall of a high energy and non-traditional public servant, Christine Rankin, chief executive between 1998 and 2001 of the Department of Work and Income.

Given accelerated promotion as a result of business focused restructuring which used private sector methods in the early 1990s, Rankin found herself exposed and vulnerable as a symbol of market excesses when the opposition Labour Party found that her department had chartered a plane at the cost of \$140,000 to take managers to a planning retreat at the Wairakei tourist resort. The non-renewal of her employment contract, as a result of political pressure in 2001, and the subsequent loss of an Employment Court appeal provided a strong warning about the risks of visibility in a public role.

Behn’s second question is ‘how to motivate employees and citizens to work energetically and intelligently towards achieving public purposes?’ This question is highly relevant to Mr English’s expectations of professionalism and the willingness to provide advice which Ministers may not like. Despite its bias towards delivery of services through publicly-owned organisations, and a willingness to fund them more strongly, the Labour-led governments between 1999 and 2008 retained as a legacy from the 1980s, a deep suspicion of advice from officials. This was demonstrated early by the refusal of the Minister of Finance to have a Treasury official based in his office, and the exclusion of officials from Cabinet committee meetings. Labour Cabinet ministers, with a leader trained in political science and many politicians with backgrounds similar to those of public servants, tended to take charge as chief policy advisers, and expect more limited implementation skills from public servants. The determination of Helen Clark as Prime Minister to

⁷ State Services Commissioner 1987-97, *The Dominion* 24 Feb 1997

tightly manage the policy agenda created the hierarchy known to Wellington insiders as H1 and H2⁸. With the market systems modified in health, housing, social welfare and education towards more hierarchy-based models, and a ‘no surprises’ expectation from the Prime Minister, the public sector has operated modified market systems in hierarchy mode during the past ten years. The skills emphasised within Government between 2001 and 2008 were rational analysis, reliability (no surprises), strong processes, measurement, and leading for results.

The third ‘big’ question is ‘how to measure in ways that increase (rather than distort) achievements? New Zealand was an early and comprehensive adopter of planning and performance routines. Whether this has resulted in accountability or countability (Lonti and Gregory), more measurement than meaning (Norman, 2002) and more focus on conformance rather than performance, is one of the major international debates about such systems.

Towards 21st century flexibility?

‘Incentives matter’, the founding ‘textbook’ of the New Zealand public management model, the Treasury report, ‘Government Management’ declared (Treasury, 1987). As a means for breaking up a model derived from bureaucratic concepts in fashion in 1912, market values have generally served New Zealand well. But too much use of the market quadrant as the tool-kit for solving any public management challenge constrains public management in New Zealand to the mode of a novice. The Competing Values Framework provides a visual challenge to incorporate people, innovation and hierarchy alongside values of focus, competition and goal setting. As Herbert Simon (1976: xvi), one of the founding theorists of public administration, observed: a person ‘does not live for months or years in a particular position in an organisation, exposed to some streams of communication, shielded from others, without the most profound effects upon what he knows, believes, attends to, hopes, wishes, emphasises, fears, and proposes.’

Those streams of communication have in recent years been dominantly in control mode. The agenda for change contained last week in Mr English’s speech, and expressed also in a media interview, (Appendix Two) is a challenge for public organisations to foster a different style, within existing budgets, with minimum restructuring, continuity of staff, and careful management of people so they grow in their readiness and ability to provide free and frank advice. The agenda the Minister calls for is an ability to handle paradoxes, and to reconcile potentially opposing values. A useful definition of this skill is ‘the ability to hold two opposed ideas in the mind at the same time,

⁸ Helen Clark as H1 and Heather Simpson, her chief of staff, as H2.

and still be able to function.’⁹ The new agenda cannot be delivered by business-as-usual controls or a redoubling of efforts in the control quadrants. The change skills required for the 21st century public service lie dominantly in the upper quadrants of the Competing Values framework, those associated with clan and adhocracy or network, where the focus is on flexibility and individuality - both internal and external. These management skills are more person dependent than routines based on formal information and facts. They involve emotions such as commitment, engagement, loyalty and openness. They involve what Peters and Waterman (1982) categorised as the ‘soft’ skills of staff, shared values, skills and style, compared with the ‘hard’ elements of a culture of systems, structures and strategy. As Waterman notes, soft is hard or difficult to do, whereas redrawing organisation structures and changing IT systems, the so called ‘hard’ disciplines are ‘soft’ or easy to do.

Skills of clan building

The building of a clan, or family-like organisation requires leadership which values shared commitment and community. Skills include compassion and caring, collaboration and community building, developing human capital, inter personal relationships and teamwork. To someone with values based in the market quadrant, as is likely to be the case for an economics trained policy analyst, or an accountant who values control and hierarchy, these skills can seem soft, fuzzy and unquantifiable. Insights from sociology, psychology and anthropology, are more useful for this dimension for understanding the human ‘asset’.

There is a significant imbalance in the type of data gathered about the state of the public service. A virtual industry is dedicated to the production of accounting and performance data, focused on the delivery of goals. Very little comparative data is gathered about the state of the intellectual and human capital of the public sector, information which might help identify priorities for developing skills of collaboration and innovation. State Services Commission use of questions from a Gallup survey suggests that most public sector organisations have relatively low levels of engagement compared with international benchmarks. Public organisations have been notably absent from the most prominent New Zealand survey of people issues in workplaces, the ‘Best Places to Work’,¹⁰ perhaps as part of keeping heads below the parapet in a control-focused system.

Investment in work which assists in building the relationships and trust necessary for collaboration across organisational boundaries has been boosted during the past ten years, notably with the

⁹ F. Scott Fitzgerald, From 'The Crack-Up', an article first published by Esquire, February 1936.

¹⁰ <http://www.jra.co.nz/bestplacestowork/>

Leadership Development Centre and Public Sector Training Organisation (now branded as Learning State), and support for the Australia and New Zealand School of Government. But compared with resources used to monitor performance and control finances, this is a very under-developed lever for change.

Skills for building networks

The skills associated with the flexibility and outward focus of adhocracy (or network) are learning, innovation and entrepreneurship, leading the future, leading improvement and change, leading creativity, flexibility and agility – skills strongly associated with the Minister’s interest in the inwards-outwards style of public service, one in which external parties contribute to understanding of the major issues. These outward-focused skills will be needed if a ‘we know their names’ strategy is to work

But the flexibility of outward-focused strategies will struggle against the natural tendency of a large organised system to default to the boundaries of business units. At a time of financial constraint, if reallocations of funds are restricted within existing boundaries, each unit will have strong incentives to protect turf and little incentive to invest in the white spaces between the structural boundaries. How well have past innovations fared? Faced with an onslaught of questions from a system in control mode, innovations are always vulnerable. What distinguished the lasting visionary companies in the study by Porras and Collins (1994) was the repeated willingness to risk and move outside the comfort zone of a well established product or service. The public sector record of recent years is probably closer to one I’ve heard described as the ‘airforce approach to policy making – have lots of pilot projects.’ These can generate almost as much publicity as a full rollout, and can be quietly dropped a few years later to enable a further round of pilots.

Conclusion

As the New Zealand public management model turns 21, and a new generation of politicians consider whether its policies are indeed obsolete, the following observation seems to me to provide a succinct summary of the organisational challenge. Can public services really be best delivered through the use of ideas from a private sector which ‘seems to thrive on decentralisation, fragmentation, and a high degree of incoherence?’ (Hart, 1998).

The model adopted in the 1980s, the era of the early micro-computer, emphasised separation of functions, decentralisation and individual bottom line accountability. It sought to separate government functions into either policy or operations, either funding or delivery, either purchase or

ownership dimensions. It sought to redefine public sector bureaucracy as a market of providers, each competing for public resources. The emerging twenty-first century public service has a primary challenge to be as interconnected and responsive to innovation as the internet. With most production-like public services already automated, and with New Zealand a world leader in such developments, the challenge is productivity among the professionals who deliver in-person public services.

How can a public service demonstrate both flexibility and responsiveness and good stewardship and control of public funds? How can it both deliver public value for external stakeholders and interesting and engaging work for its employees? The argument I offer through the use of the Competing Values Framework is that this system currently uses a limited range of values and associated skills. It has given particular weight to perspectives based on skills in the market and hierarchy quadrants and has under-invested in the systems and support needed to encourage collaboration and creative work.

Productivity gains in this sector will come with a creative reconciling of competing values rather than renewed effort to force conformance by professionals to routines and values based dominantly on the logic of stand-alone business units, rational planning and goal setting. Debate about organisational change during the past twenty years has used images such as those in Appendix Four, including a shift of metaphor from organisations as machines and clocks to organisations as organisms and ecologies.

I hope a metaphor based on software reinforces the importance of revisiting organisational routines established with theories developed in the 1980s. The breakthrough software of the 1980s was the spreadsheet, with its structured columns and rows, straight line logic and ability to track bottom line accountability. The software of this era is Google, with its use of fuzzy and almost intuitive logic that makes it possible to bypass traditional hierarchical structures in search of the most knowledgeable node in a network.

The priority for this era is to strengthen a set of seemingly soft and fuzzy values, ones that provide the basis for collaboration and creativity, after a period of dominance by hard organisational technology that is from the era of the founding of the spreadsheet.

Appendix One

Strengths and weaknesses of the culture types

(From Cameron and Quinn, 2006: 66 and Quinn, 1988: 70 for the weaknesses.)

	Clan	Hierarchy	Market	Network
Strengths	A very friendly place, an extended family. Held together by loyalty and tradition. Commitment is high. Emphasises long-term development of people, cohesion and morale. Success is defined in terms of sensitivity to customers. There is a premium on teamwork, participation and consensus.	Very formal and structured work governed by procedures. Leaders pride themselves on being efficient coordinators and organisers. Success is defined as dependable delivery, smooth scheduling and low cost. The management of employees is concerned with secure employment and predictability.	Results oriented. People are competitive and goal oriented. Leaders are tough and demanding producers and competitors. An emphasis on winning. The long term focus is on achievement of measurable goals. Success is defined in terms of market share. The organisational style is hard driving competitiveness.	Dynamic, entrepreneurial, and creative. People stick their necks out and take risks. Leaders are innovators and risk takers committed to experimenting and innovating. An emphasis on growth and acquiring new resources. The organisation encourages individual initiative and freedom.
Weaknesses	Human relations criteria are overemphasised to the point of laxity and negligence. There is too much discussion and participation, with concern for employees outweighing focus on the task. The organisation becomes an irresponsible country club.	Too much concern with internal processes, measurement and documentation results in a system of red tape. Everything is 'by the book.' The emphasis on stability, control, and continuity perpetuate procedures based on 'we've always done it this way.' The organisation becomes a frozen bureaucracy.	Effort, productivity and goal related effectiveness turn into perpetual exertion and human exhaustion. Concern to clarify goals, establish accountabilities and be seen to be decisive turn into an emphasis on strict regulation and blind dogma. The organisation becomes an oppressive sweat shop.	Insight, innovation, and change become undue change and disastrous experiments. Concern for external support, becomes political expediency and unprincipled opportunism. Too much focus is placed on competitive advantage and too little on control, resulting in a 'tumultuous anarchy'.

Appendix Two

GOVERNMENT ENCOURAGES 'FREE THINKING' TO SAVE MONEY

Sunday Star Times, 28 June 2009, Edition F, Page 6.

By: Grahame Armstrong

PUBLIC SERVICE bosses are being encouraged to speak out and suggest new ideas - especially about saving taxpayers money.

Finance Minister Bill English says the National government wants to create a "free thinking" culture in the bureaucracy. He accused the former Labour government of bullying and punishing public servants who spoke out.

He said departmental chief executives would be given more autonomy. Rather than using outside review teams, for example, chief executives were responsible for identifying savings to meet the government's strict \$1.1 billion cap in spending growth over the next three years.

"The lessons of history are that if you don't give the department ownership, they won't do a good job," English said. "If you rip out short-term savings it bounces back. After 10 years of watching waste, they (chief executives) can do it better.

"A lot of them think money was being wasted, they were sick of being bullied, and they want the opportunity to demonstrate their sense of professionalism and control.

"The previous government ran a very strong, command-and-control, punitive management of the public service. If you stepped out of line, you got nailed, that was the end.

"We don't do that. It's not John's (Key) style, and he sets the tone. And it's not my style.

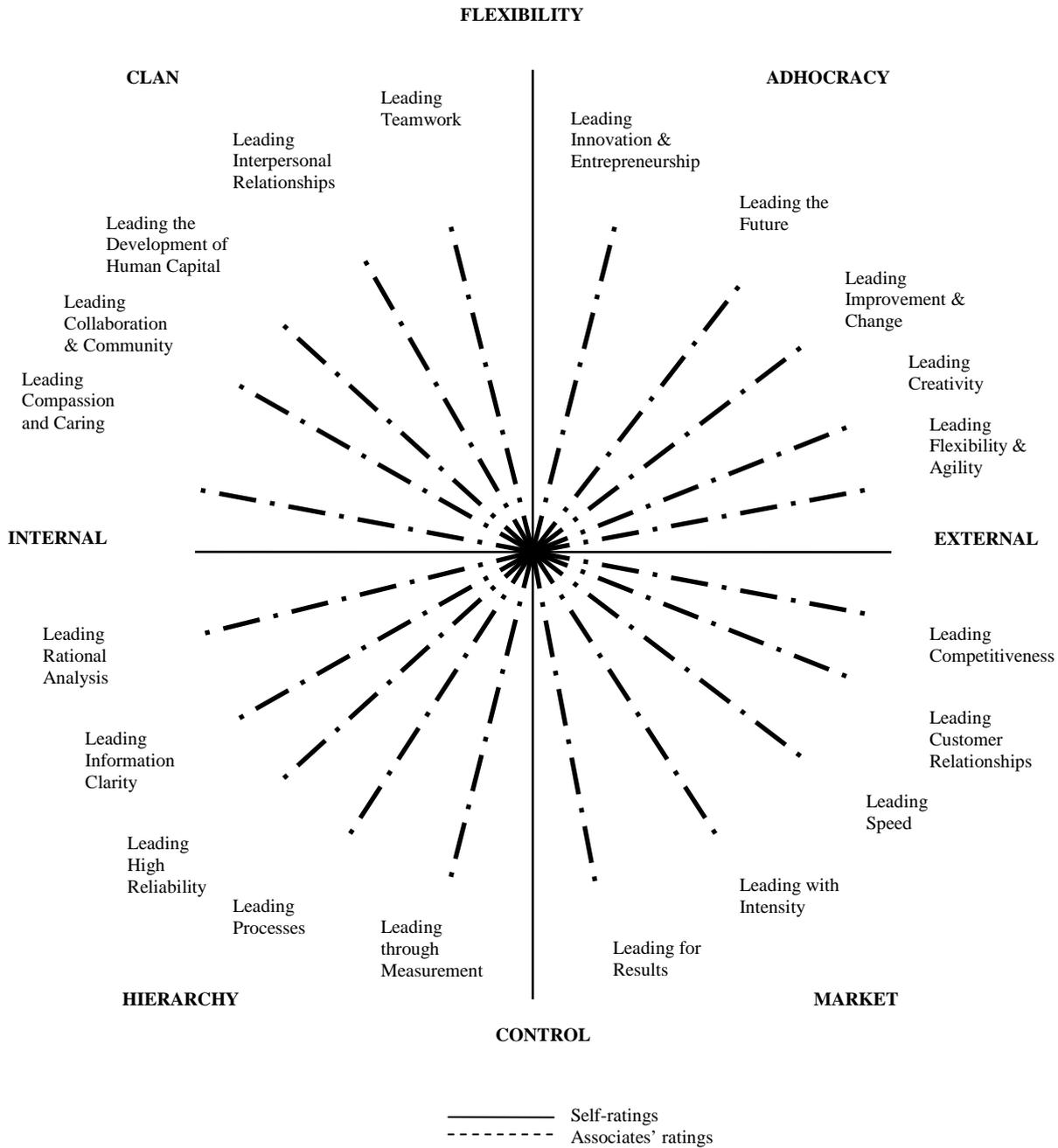
"We're much more about free- thinking, which is a pretty radical departure in Wellington.

" If you've got an idea then put it up."

Appendix Three

Managerial skills and competing values (Quinn et al 2007).

Figure E.2 Form for Plotting the Management Skills Profile, cont'd.



Appendix Four

Mental models of organisation.

Central metaphors	Machines, clocks	<i>to</i>	Organisms, ecologies
Strategic objectives	Optimum design Predictability	<i>to</i>	Adaptation, continuous improvement
Leadership implications	Command and control	<i>to</i>	Articulation of vision, autonomy of employees
Sources of value	Land, materials, energy/fuel	<i>to</i>	Knowledge, information
Management objective	Economies of scale	<i>to</i>	Unity of purpose
Structure	Hierarchies	<i>to</i>	Self-organizing teams
Organizing principles	Division of labor	<i>to</i>	Synthesis of minds

From Petzinger, Thomas Jr. *The New Pioneers: The Men and Women Who Are Transforming the Workplace and Marketplace*. New York: Simon & Schuster, 1999.

Cited on page 213 of Quinn et al, 2007.

References

- Behn, R. D. (1995). "The Big Questions of Public Management." Public Administration Review 55(4 July / August): 313 - 324.
- Cameron, K. S., Quinn, R. E., Degraff, J., and Thakor, A. (2006). Competing Values Leadership. Creating Value in Organisations. Cheltenham, UK, Edward Elgar.
- Collins, J. C., and Porras, J.I. (1994). Built to Last - successful habits of visionary companies. London, Random House.
- Davis, G. (1997). Implications, Consequences and Futures. Chapter 16. The New Contractualism?'. G. Davis, Sullivan, B., and Yeatman, A (eds). Melbourne, Macmillan.
- Drucker, P. F. (1964). The concept of the corporation. [2nd ed.], New American Library.
- Gregory, R. (1995). "The Peculiar Tasks of Public Management: Toward Conceptual Discrimination." Australian Journal of Public Administration 54(2): 171 - 183.
- Hart, J. (1998). Central Agencies and Departments: Empowerment and Coordination. Taking Stock. Assessing Public Sector Reforms. B. G. Peters, and Savoie, D.J. Montreal, Canadian Centre for Management Development and McGill - Queen's University Press.
- Hood, C. (1991). "A Public Management for all Seasons?" Public Administration 69(Spring): 3-19.
- Logan, B. (1991). Logan Report. A Review of State Sector Reforms. Wellington, State Services Commission.
- Lodge, G., and Kalitowski, S. (2007). Innovations in Government. International Perspectives on Civil Service Reform. Institute for Public Policy Research (IPPR), London.
- Lonti, Z., and R. Gregory (2007). "Accountability or Countability? Performance Measurement in the New Zealand Public Service." Australian Journal of Public Administration 66(4).
- Moore, M. (1995). Creating Public Value: Strategic Management in Government. Boston, Harvard University Press.
- Morgan, G. (2006). Images of organization. Thousand Oaks, Calif., Sage.
- Norman, R. (2002). "Managing through measurement or meaning? Lessons from experience with New Zealand's public sector performance systems." International Review of Administrative Sciences 68: 619-628.
- Osborne, D., and Gaebler, T (1992). Re-inventing Government. How the entrepreneurial spirit is transforming the public sector. Reading, Mass., Addison-Wesley.
- Osborne, D., and Plastrik, P. (1997). Banishing Bureaucracy: The Five Strategies for Reinventing Government. Reading, Mass., Addison-Wesley.
- Peters, T. J., and Waterman, R.H. (1982). In search of excellence : lessons from America's best-run companies. New York, Harper & Row.

- Quinn, R. E. (1988). Beyond Rational Management. San Francisco, Jossey-Bass.
- Quinn, R., Faerman, S., Thompson, M., McGrath, M., St Clair, L. (2007). Becoming a Master Manager. A Competing Values Approach., Wiley, United States.
- Sapolsky, H. M. (1967). "Organizational Structure and Innovation." Journal of Business 40(4): 497 - 510.
- Schick, A. (2001). Reflections on the New Zealand model. Lecture at the New Zealand Treasury, August 28, 2001, Wellington.
- Simon, H. A. (1976). Administrative Behavior. New York, Free Press.
- Simons, R. (1995). Levers of Control. How Managers Use Innovative Control Systems to Drive Strategic Renewal. Boston, Harvard Business School Press.
- Talbot, Colin. (2008) Measuring Public Value. The Work Foundation, London.
- Treasury, (1987). Government Management. A report to the incoming government. Wellington, The Treasury.
- Waterman, Robert. (1994). Frontiers of Excellence. The journey toward success in the twenty-first century. Australia, Allen and Unwin.
- Wilson, J. Q. (1989). Bureaucracy: what government agencies do and why they do it. New York, Basic Books.
- Yergin, D., and Stanislaw, J. (2002). The Commanding Heights: The Battle for the World Economy New York, Simon & Schuster.