

QUT Digital Repository:  
<http://eprints.qut.edu.au/>



Luke, Belinda G. and Kearins, Kate and Verreyne, Martie-Louise (2008) *'Pushing the boundaries': The limits and limitations of new public management*. In: Australian and New Zealand Academy of Management Conference, 2-5 December 2008, Auckland, New Zealand.

© Copyright 2008 (please consult author)

# **‘Pushing the boundaries’: The limits and limitations of new public management**

## **Abstract**

*This paper considers the limitations and boundaries of new public management (NPM) through a case study on activity within Transpower, a New Zealand state-owned enterprise (SOE). The case highlights complexities of NPM in practice, and reveals inconsistencies between structured theoretical principles and less structured reality on the fringes of NPM. An assessment of NPM reveals blurred lines and boundaries within NPM frameworks, with implications for public sector organisations such as SOEs, government, and other external stakeholders. Despite regulations and guidelines, the reality of NPM is such that SOE managers may push the boundaries beyond the point where the shareholders and public are comfortable. Thus, a key challenge of NPM involves finding a balance between commercial freedom and external stakeholder acceptability.*

**Keywords:** State-owned enterprises, new public management, boundaries

## **INTRODUCTION**

The concept of New Public Management (NPM) - adopting a commercial and innovative approach to business within government organisations - has been both criticised (Terry 1993) and supported (Borins 2000). While those such as Moe (1994) and Moore (1992) suggest that commercial activity is outside the scope of government, others have supported a more business-like, and proactive approach within a public sector context. The various rationales for increased commercialism in the public sector include increased efficiency with minimal bureaucracy (Moon 1999); a deliberate search for innovative change (Linden 1990); cost minimisation (Ramamurti, 1986); generation of new revenue sources (Bellone & Goerl 1992); on-going innovation to achieve increased efficiency and effectiveness (Osborne & Gaebler 1992); operating with a strong customer focus under competitive market forces (Cullen & Cushman 2000); and adopting creative and risk-taking activity (Lewis 1980). However, while the potential of NPM has been well promoted, noticeably less attention has focused on how far public sector organisations can or should go in pursuing a more commercial approach; the boundaries within NPM frameworks.

There is continued disagreement about various aspects of a commercial approach to NPM. Some researchers (Morris & Kuratko 2002; Terry 1993) contend that the concepts of innovation, risk-taking, and proactivity seem inconsistent with public sector organisations which are traditionally viewed as

bureaucratic, risk-averse and conservative. Others (Osborne & Gaebler 1992; Ramamurti 1986; Weinstock 2002) note the increasing acceptance and growing expectation of efficient, proactive, and even innovative activity within the public sector. Thus, NPM has been upheld as an effective pathway to address the increasing expectations placed upon government, as well as to promote economic development and growth on a national scale (Osborne & Gaebler 1992). However, somewhat less attention has been given to identifying and understanding where the outer limits (or boundaries) lie with respect to roles, responsibilities, and acceptable commercial behaviour in a NPM context. This lack of attention is perhaps because we often learn from experience and the explicitly commercial arena for NPM is a relatively new one. Thus, common understandings and practices are still being developed and shaped (DiMaggio & Powell, 1983).

This paper explores the complexities of NPM in practice, through a case study on activity within Transpower New Zealand Limited, one of 16 state-owned enterprises (SOEs) operating in New Zealand. New Zealand's reforms with respect to SOEs are recognised as comprehensive in nature, successful in increasing service efficiency, and a prime example of NPM (Easton 1999; Eggers 1997; Schick 1998). Polidano (1999) notes New Zealand's reforms are a clear example of NPM, involving a systematic approach. Khaleghian and Das Gupta (2005: 1084) refer to New Zealand as a 'poster country' for NPM with sweeping reforms being adopted in the mid 1980s involving corporatisation and market deregulation. With the reforms now well-embedded and commercial activity being both encouraged and implemented, New Zealand's SOE sector provides a valuable context in which to explore some of the boundaries within NPM, the focus of this paper.

In recent times, the New Zealand Government has encouraged SOEs to broaden the scope of their operations (Mallard 2006); an invitation for expanding SOEs' business operations, with an expectation of increased profits. Such freedoms, however, raise the question of: *Where do the boundaries of commercial activity lie with respect to NPM in practice?* Transpower, a SOE operating within the framework of New Zealand's SOE reforms, provides an interesting case study for a number of reasons. First, the organisation operates in a deregulated market, yet effectively functions as a monopoly. It is monitored by various government organisations, and subject to similar expectations as those placed on other SOEs, yet also faces a number of unique regulatory challenges and restrictions.

And last, Transpower took a rather controversial approach to financing part of its operations, entering into two transactions in particular which resulted in significant controversy and public scrutiny. Transpower's activities were referred to as 'pushing the boundaries' by Transpower (Roberts personal communication, July 6 2006), approved as 'legal and tax positive' by the New Zealand Government (CCMAU 2005), and largely viewed as irresponsible and unacceptable by the general public (Alexander 2005). The following sections of this paper present a review of selected literature on NPM, followed by an overview of New Zealand's public sector reforms. Details of the research method and case study findings are then presented, followed by a brief discussion of three key issues, and a conclusion.

### **A REVIEW OF NPM**

The emergence of NPM in the late 1970s has been a key issue on the reform agenda of various OECD countries (Hood 1991; Parker & Gould 1999). The theoretical foundations of NPM have been traced to new institutional economics and managerialism, promoting professional management and freedom to manage as central to improved organisational performance (Martin 2003). While Hood (1991) notes NPM as a concept may not be an all-encompassing solution, with inevitable sources of conflict (e.g. government intervention resulting in imperfect market competition), he also acknowledges its potential, subject to the inclusion of a number of important features (e.g. separation of management and state). Schick (1998) highlights the importance of established political and economic governance frameworks as essential foundations for NPM in practice. Sinclair (1995) and Day and Klein (1987) consider various accountability dimensions relevant to the public sector, but note formal lines of accountability are often blurred by public views and expectations on what constitutes good conduct and acceptable performance. However, few commentators have specifically addressed the outer limits of what is acceptable within the scope of NPM in practice.

Given the relative newness of NPM and the ongoing development of such reforms in various countries – something O'Flynn (2007: 358) refers to as 'two decades of experimentation' – perhaps the success and specifics of NPM remain a question for the future (Mulgan 1997). Arguably, however, an examination of issues arising from SOE reforms such as those in New Zealand which have been implemented and refined over the past two decades, can provide valuable insight into

understanding the complexities and challenges of NPM in practice. Specifically, this paper provides the opportunity to consider not only the liberties of NPM, but also the limitations (or shortcomings) and boundaries.

Notwithstanding NPM's relatively recent implementation, researchers such as Stoker (2006) and O'Flynn (2007: 353) have started to look beyond NPM's framework and limitations, towards new and alternative paradigms such as public value – 'a way of thinking which is both post-bureaucratic and post-competitive'. Essentially, however, it is the principles of NPM which remain at the fore of various countries' political agendas (O'Flynn 2007; Shirley 1999). While various approaches to NPM have been taken, a policy initiative which gained significant attention in the 1980s was the corporatisation of SOEs. In particular, New Zealand's SOE reforms have attracted significant attention from foreign governments (Cullen 2003) due to their perceived success. The following section presents a brief overview of New Zealand's SOE reforms.

### **NEW ZEALAND'S PUBLIC SECTOR REFORMS**

New Zealand underwent major public sector reform beginning in the 1980s, with the intention of increasing efficiency and effectiveness within the public sector (Mulgan 1997). The new approach focused on emphasising results and outcomes, together with effective use of public sector resources. As part of these reforms, government departments with a strong trading function were corporatised and/or privatised. The underlying concept was that such services could be more efficiently provided by commercially-orientated organisations, rather than remaining subject to ministerial control and government interference. Specifically, New Zealand's SOE reforms involved market deregulation, with express profit-making requirements imposed on SOEs, resulting in accountability for both competitive services and commercial results. Other features of the reforms included self-funding obligations, separation of SOE management and the state, the role of Government redefined as purchaser of outputs rather than provider of inputs, together with performance-based contracts and rewards for managers (Brash 1996). Thus, corporatisation provided the opportunity and the incentive for these former government departments to become both efficient and profitable, enabling freedom of commercial choice and responsibility for generating commercial returns.

Given the nature and role of certain SOEs, however, monopolistic positions were sometimes

difficult to avoid. Essentially they arose from default rather than design, due to the practicality of one organisation fulfilling the required role within their respective industries in a nation the size of New Zealand. Consistent with market deregulation and competition, SOEs were subject to industry regulations, and tendered for contracts under commercial terms. In 2004, for example, Transpower, as owner-operator of New Zealand's national electricity grid, was contracted for a five year period to be the systems operator for the New Zealand wholesale electricity market. After that period, the contract would be once again available for tender.

## **METHOD**

This case study is based on triangulated data (Yin 2003) including publicly available texts (from within and outside Transpower) and in-depth personal interviews, providing the foundations for examination from the outside and inquiry from the inside (Evered & Louis 1981). Examination from the outside involved review of documentation relating to the conduct of New Zealand's SOE sector and Transpower in particular, including legislation, ministerial announcements, press releases, and media reports, as well as Transpower's annual reports from 2002 to 2006. These documents provided background detail on the operating environment of Transpower and SOEs in general, together with financial outcomes and implications of SOE activity. Inquiry from the inside involved two interviews with Chris Roberts, (then) Communications Manager of Transpower<sup>1</sup>. The interviews were conducted in person at Transpower's offices in Wellington, New Zealand, over a two year period (July 2006 and July 2007). Interviews were semi-structured, ranging from 1-1.5 hours, with discussion shaped by a comprehensive schedule of questions relating to Transpower's past and current activities. Specifically, questions focused on the operating context and regulatory environment of SOEs in general, and Transpower in particular, as well as commercial, strategic, and entrepreneurial activity undertaken recently or currently by the SOE.

Conducting interviews in two phases over a two year period provided a valuable longitudinal perspective (Villalonga 2000), allowing insight into the development of events and changing perceptions over time, particularly as New Zealand approached an election year (2008). Interviews

---

<sup>1</sup> Interviews were also conducted with senior executives from 11 other SOEs, as part of a broader study, to compare activity across the SOE sector.

were recorded, transcribed, and returned to the interviewee for confirmation and approval, prior to analysis. Coding of more than 40 pages of transcripts was then undertaken in two phases: manually, and later with the use of NVivo. Data categorisation and thematic analysis was an iterative process which resulted in a number of themes emerging, as detailed in Table 1. Analysis of transcripts, and comparison with publicly available secondary data revealed a number of interesting findings relevant to NPM in practice, and Transpower in particular. A case study on the activities within Transpower was then constructed, drawing upon the challenges and anomalies of NPM with respect to Transpower, to explore differences between structured theoretical principles and a more complex, rich and vivid (Miller & Friesen 1978), yet unstructured reality (Eisenhardt 1989; Eisenhardt & Graebner 2007). The case study is presented next.

[Insert Table 1 about here]

## **TRANSPOWER**

Transpower was established as a SOE in 1994, and assumed the role of owner and operator of New Zealand's national electricity transmission grid. 'The national grid' comprised over 12,000 kilometres of high voltage transmission lines connecting power stations owned by generating companies to more than 170 electricity substations feeding local networks that distributed electricity to commercial and residential consumers. The electricity grid served three core functions: transportation of energy throughout New Zealand, facilitation of competition between energy generation providers, and the provision of a secure, safe, and reliable energy supply (Transpower 2006). Specifically, Transpower's main operating objective was to 'keep New Zealand's electricity flowing and support a sustainable energy future' (Transpower 2007: 1). However, the company faced a number of challenges in meeting this objective. Old and failing equipment requiring ongoing maintenance and significant upgrade, presented operational and financial challenges for Transpower. Unreliable power supply and repeated threats of power cuts caused considerable frustration for the business community and general public (see Figure 1 below). Strained relations between Transpower and various stakeholders (including farmers, landowners, the general public, Government and opposition parties, environmentalist lobby groups), arose due to Transpower's proposed upgrade of the national transmission grid, and the company's perceived attitude of arrogance (New Zealand Herald 2006a).

And the regulatory environment in which Transpower operated was referred to as ‘dysfunctional’, due to numerous regulatory authorities, some with overlapping roles. This latter issue is explored further in the following section.

[Insert Figure 1 about here]

### **Operating in the shadow of regulatory authorities**

As a SOE, Transpower operated within a framework designed to be free from government intervention and political influence in its day-to-day operations. As owner-operator of New Zealand’s national electricity grid, however, Transpower was regulated by a number of government authorities including the New Zealand Electricity Commission (established to approve transmission investments and the allocation of transmission service costs between users of the national grid), and the Commerce Commission (established to ensure compliance with the New Zealand Commerce and Fair Trading Acts, overseeing a wide range of industries). With respect to the electricity industry, the Commerce Commission regulated the quantum of Transpower’s revenues to ensure excessive monopoly-like profits were avoided (Transpower 2005). In 2004, the Commerce Commission imposed regulations to restrict Transpower’s revenue generation. Specifically, a revenue threshold based on the Consumer Price Index less one per cent was applied to Transpower’s services (Transpower 2005). Transpower viewed the threshold as inappropriate, given the level of activity and investment required in the national grid, and was subsequently subject to a formal inquiry under the Commerce Act for breaching the threshold in 2004 and 2005. Transpower, however, expected these breaches would continue (Transpower 2005; Roberts personal communication, July 6 2006).

In 2005, Transpower expressed ‘serious concerns on the direction being taken’ (Transpower 2005: 4) within the industry. Of particular concern was the overlap in the scope of the two regulatory authorities’ roles with respect to Transpower’s revenue, pricing, and services. This overlap was publicly acknowledged by various stakeholders as ineffective and problematic. John Sexton of the Federated Farmers Association, referred to the industry as ‘dysfunctional’ (Rural News 2006). National Party Energy spokesman Nick Smith noted ‘the reality for Transpower in the past two years is that both the Commerce Commission and the Electricity Commission have been blocking its attempts to invest and upgrade the grid’ (Scoop 2006: 5). Transpower also publicly aired its



frustration. ‘Effective regulation is needed to ensure that necessary new investment can be undertaken in a timely manner. Unfortunately that is not what appears to be developing in New Zealand. The Electricity Commission’s approach to regulating transmission investment risks undermining Transpower’s accountability for the performance of the national grid’ (Transpower 2005: 6).

The consultation process was described as ‘often confrontational and always challenging, working to find a balance between infrastructure requirements and the private property rights and interests of communities’ (Transpower 2005: 4). However, while Transpower was forced to operate under the shadow of regulatory authorities, several stakeholders suggested Transpower’s attitude of ‘no alternative to stringing 430 huge power pylons across the Waikato and South Auckland landscape’ (New Zealand Herald 2006a: 2) may have contributed to its problems.

### **Transpower’s strategy, operations, and financing activities**

Transpower’s strategy was one of growth, as it prepared to invest in upgrading the existing infrastructure and securing electricity supply to meet growing demands for power in New Zealand; developing a national grid plan for the next 40 years. The initial investment was expected to take more than 10 years and involved expenditure of more than \$1.5 billion (Gorman 2004). Subsequent projects were expected to cost in the range of \$100 million per annum, over a 10 year period. The full scope of Transpower’s plans extended to 2040. The 400kV line was referred to as ‘a major infrastructure project in every sense of the word’ (Transpower 2005). Approvals were required from industry regulators, local councils, and individual landowners affected by the proposed project. ‘There are real risks for New Zealand in the long-term if we fail to promote a regulatory regime which is recognisable and acceptable to international capital markets’ (Transpower 2005: 6).

The Crown Company Monitoring Advisory Unit (CCMAU), set up to monitor the performance of Government organisations, referred to Transpower’s performance as ‘steady’ in recent years (2005: 79). Table 2 presents a summary of Transpower’s performance over the five year period from 2002 to 2006 detailing profits in the range of \$23.2 million to \$144.5 million, and dividends in the range of \$16.5 million to \$82.9 million. Forecast dividend payments for 2007 to 2008 were negotiated down to \$10 million per annum, to allow for large-scale investment in the grid (Transpower 2005).

[Insert Table 2 about here]

While Transpower had established profitable operations, strong financial results in 2005 proved costly in terms of the company's reputation. The significant increase in profits during 2005 was attributable to an increase in the demand for electricity, as well as one-off gains from two rather controversial transactions. In 2003 Transpower entered into two separate arrangements referred to as 'cross-border lease and structured finance transactions' (CCMAU 2005: 79). While CCMAU (2005: 80) seemed satisfied the transactions were 'legal in the relevant jurisdictions and tax positive for New Zealand', the New Zealand public was less accepting.

In 2003, Transpower essentially entered into a 'lease-in lease-out' arrangement involving overseas banks and a syndicate of United States investors with entities in the Cayman Islands. The circular lease transactions, involving Transpower's \$700 million high-voltage transmission grid located in New Zealand's South Island, gave rise to tax benefits for the US investors. As consideration for those benefits, Transpower received a one-off payment of \$34.6 million (Roberts personal communication, July 6 2006). The second arrangement involved a loan of \$700 million taken out by Transpower, \$500 million of which was on-lent to other companies. The arrangement effectively provided Transpower with a lower interest rate on the \$200 million funding it required. The arrangements were subject to significant criticism within New Zealand, regarding the legitimacy and ethics of the first transaction, and the unnecessary assumption of risk with respect to the latter transaction (Alexander 2005; Gorman 2005). Transpower's view was that it managed the associated risk, and resourcefully accessed cost-effective finance. 'What the taxpayers fail to see is that (receipt from the first arrangement) was \$34.6 million (the public) didn't have to pay for electricity' (Roberts personal communication, July 6 2006). However, speaking in what they saw as the public interest, others took a different view.

*It's about whether Transpower was behaving appropriately with crucial assets. Should overseas companies 'own' such assets? Transpower seems to have ignored its social responsibility. The other issue is transparency. We should know what is happening with our assets. What did the Government know about this? Has the South Island electricity grid been sold or leased? Transpower will not confirm details, but this kind of lease is usually up to 99 years. The assets are considered 'sold' under United States tax law, because the deal runs for longer than the useful life of the assets. Transpower's position was that at no time had it lost legal ownership of the assets. It also said commercial confidentiality had limited its ability to answer questions (Gorman in Alexander 2005, ¶8).*

While the legality of the transaction was confirmed at the time, such deals were subsequently

made illegal in the United States (Alexander 2005). Questions were raised in the New Zealand media. ‘Strictly legal or not, is it ethical? Why would you put major assets at risk for \$34 million?’ (Newberry in Gorman 2005: 28).

*Regarding the [loan arrangement], why is Transpower acting like a bank? That’s not its job at all. There is a \$100 million default payment if the loan conditions aren’t met – where would Transpower get \$100 million if [other parties to the loan] default? (Gorman in Alexander 2005: 9)*

*There is also the question of who should front up on such crucial issues when the going gets tough. Transpower has failed in this regard. The grid company says its chairman, David Gascoigne, never talks to the media; its chief executive, Dr Ralph Craven, leaves it to his public relations staff to weather the storm. As happened when Transpower admitted last winter that there could be power cuts in [the South Island] because its lines did not have enough capacity, Craven has again proved to be more elusive in a crisis than a torch in a blackout (The Press 2005: 4).*

## **DISCUSSION AND IMPLICATIONS**

While the above case study provides a brief overview of Transpower’s operations<sup>2</sup>, and in particular its financing activities, a number of more fundamental and complex issues emerge with respect to NPM in practice. Although the case broaches issues such as the various roles of government in the context of NPM, and the difficulty in isolating government’s responsibilities in terms of SOEs’ political and managerial accountability, three central issues emerge. The first issue concerns the liberties and limits of NPM in practice, such that commercial freedom is balanced with the interests and expectations of shareholders and the general public. The second involves the variation, and at times tension, between legal requirements and ethical expectations placed upon SOEs, particularly when operating with the freedom afforded under commercial principles of NPM. And the third issue relates to the onus on government to establish a regulatory framework which allows SOEs to operate effectively (i.e. with the freedom of commercial choice intended). Each issue is discussed below.

Given the nature of SOEs, it is not surprising that Transpower operates in a critical sector where there is strong government, commercial, and political interest. Meeting the expectations of these stakeholders, however, and balancing the interests of each becomes increasingly complex. This is particularly so where Transpower faces added restrictions which (to some extent) diminish the SOE’s accountability. Thus, within a framework intended to promote freedom of commercial choice, what

---

<sup>2</sup> For a more comprehensive overview of Transpower’s operations, see Luke, Kearins, & Verreyne (2008).

boundaries, if any, should apply to the choices made? While Transpower did not violate laws and entered into transactions which were clearly commercial in nature, such activity raises the question as to what liberties should be afforded to SOEs under NPM frameworks. The SOE Act 1986, for example, identifies SOEs' objectives as being profitable and efficient, good employers, and organisations which exhibit a sense of social responsibility. However the lack of detail, varying interpretations, and at times conflicting interests, ultimately lead to variations of NPM in practice. These issues, which are perhaps part of what Hood (1991) refers to as inevitable sources of conflict. Nevertheless, the lack of defined boundaries reflects an important limitation within NPM frameworks. Accordingly, the limits – or boundary conditions (Dubin, 1978) of the theoretical framework of NPM require attention.

Regarding the legal requirements versus ethical expectations, findings from the case raise the issue as to who should be ultimately accountable for ensuring the choices are appropriate, given the interests of various stakeholders? Interestingly, both Transpower and the Government viewed the SOE's financing transactions as acceptable, and it was only as New Zealand approached an election year that the Government advised similar transactions should not be entered into (Roberts personal communication, July 10 2007). Further, while the legality of the transactions was confirmed, there seemed to be no such concern (other than perhaps public) that the SOE was assisting in an arrangement which ultimately resulted in a loss of tax revenue for the United States Government. Thus, the issue arises as to whether an agreed ethical code (an issue relevant to both the public and private sector) should be part of NPM frameworks, particularly given SOEs' social function. The blurred lines of accountability referred to by Sinclair (1995), and emphasis on accountability for financial performance and results (with respect to both SOEs and government) indicates another limitation of NPM. Arguably, this emphasis requires further consideration, such that a balance between commercial performance and social and ethical leadership is achieved. Given NPM represents an emerging field with a wide range of stakeholders, potentially its success hinges on reaching shared agreement on what is (and isn't) acceptable practice, such that NPM evolves to reflect the expectations of a wider audience (Maguire, Hardy, & Lawrence, 2004).

Another issue which emerges from the case is the responsibility of Government to establish a

workable regulatory framework in which SOEs must operate. While Transpower's financing activities were clearly unwelcome in the public domain, restrictions placed on Transpower's revenue streams raise the issue of Government's accountability to ensure an effective regulatory environment, which in turn ensures Transpower can be held fully accountable for its own actions. While the boundaries of NPM are not clear from the literature, activities such as those arising in practice (e.g. Transpower's approach to financing) are perhaps a timely reminder for the scope of NPM to be expressly considered or reviewed. The lack of detail surrounding this issue within NPM in practice reflects both a limitation of current theory and practice, and is perhaps an extension of the issues raised by Schick (1998). While Schick highlights the importance of stable and developed political and economic governance frameworks from a national perspective, the operating environment of Transpower highlights the importance of a proactive and responsible government overseeing and contributing to effective regulatory frameworks from an industry perspective.

### **CONCLUSION**

This case shows some of the fundamental problems within the domain of a SOE have not been overcome by structural and managerial reform. Further, the case highlights the complexities of NPM, contrasting structured theoretical principles with less structured (and sometimes irregular) practice. Issues which emerge from the case may be viewed as a call for a re-think of NPM, borrowing perhaps from principles central to ethics, accountability, and institutional theory, such that the implied is made more express, and the expectations of all stakeholders more explicit, as the relatively new domain of NPM evolves. In particular, findings from this case (and future research focusing on the anomalies of NPM in practice) may be used as a foundation for addressing some of the limitations of NPM and a more deliberate consideration of where the boundaries for NPM might lie. Specifically, defining clear boundaries, establishing limits on what is acceptable practice, and reviewing the emphasis on accountability for financial performance are areas (and limitations) to be addressed within NPM frameworks. The tendency for SOE managers to push the boundaries with perhaps unfortunate results (from a financial or social perspective) could result in NPM's demise if due attention is not given to the limits and limitations of NPM in practice.

## REFERENCES

- Alexander M (2005 19 June) Who has the power? *Sunday Star Times*, accessed at <http://io.knowledge-basket.co.nz/poly/cma/cma.pl?id=21418> on 12 July 2006.
- Balls A (2003 June) Energy crisis...what energy crisis? *NZ Business*, pp. 46-47, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18391> on 14 July 2006.
- Bellone C & Goerl G (1992) Reconciling public entrepreneurship and democracy, *Public Administration Review*, 52(2): 130-134
- Borins S (2000) Loose canons and rule breakers, or enterprising leaders? Some evidence about innovative public managers, *Public Administration Review*, 60(6): 498-507.
- Brash D (1996 4 June) New Zealand's remarkable reforms, accessed at <http://www.rbnz.govt.nz/speeches/0031201.html> on 18 January 2006.
- Cosgriff D (1998 16 November) Power cuts disrupt city retailers, *The Southland Times*, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18589> on 14 July 2006.
- Crown Company Monitoring Advisory Unit (2005) *Briefing to Incoming Ministers: September 2005*.
- Cullen M (2003 11 December) Cullen at induction seminar for SOE directors, accessed at <http://www.beehive.govt.nz/speech/cullen+induction+seminar+soe+directors> on 17 January 2008.
- Cullen R & Cushman D (2000) *Transitions to competitive government: Speed, consensus, and performance*, State University of New York, Albany.
- Day P & Klein R (1987) *Accountabilities: Five public services*, Tavistock, London.
- DiMaggio PJ & Powell WW (1983) The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields *American Sociology Review*, 48(2): 147-160.
- Dubin R (1978) *Theory building*, Free Press, New York.
- Easton B (1999 30 January) Tales of SOEs, accessed at <http://www.eastonbh.ac.nz/article613.html> on 8 February 2005
- Eggers W (1997 1 March) The wonder down under, accessed at [http://www.govexec.com/story\\_page.cfm?articledid=15462](http://www.govexec.com/story_page.cfm?articledid=15462) on 18 January 2006.
- Eisenhardt KM (1989) Building theories from case study research. *Academy of Management Review*, 14(4): 532-550.
- Eisenhardt KM & Graebner ME (2007) Theory building from cases: Opportunities and challenges *Academy of Management Journal*, 50(1): 25-32.
- Evered R & Louis M (1981) Alternative perspectives in the organisational sciences: "Inquiry from the inside" and "inquiry from the outside", *Academy of Management Review*, 6: 385-395.
- Gerlich, C (1998 9 June) City plunged into darkness *The Evening Standard*, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18589> on 12 July 2007.
- Gorman P (2004 10 April) Making way for grid revamp, *The Press*, accessed at <http://io.knowledge-basket.co.nz/poly/cma/cma.pl?id=21418> on 14 July 2006.
- Gorman P (2005 15 April) Transpower deal puts SI power grid at risk, *The Press*, accessed at <http://io.knowledge-basket.co.nz/poly/cma/cma.pl?id=21418> on 12 July 2006.
- Hood C (1991) A public management for all seasons? *Public Administration*, 69(1): 3-19.
- Khaleghian P & Das Gupta M (2005) Public Management and essential public health functions, *World Development*, 33(7): 1083-1099.
- Lewis E (1980) *Public entrepreneurship: Toward a theory of bureaucratic power*, Indiana University, Bloomington.
- Linden R (1990) *From vision to reality: Strategies of successful innovators in government*, LEL Enterprises, Charlottesville.
- Luke B, Kearins K & Verreyne M (2008 29 June - 2 July), *Who's afraid of the dark? (Case study and teaching note on Transpower New Zealand Limited)*, Paper presented at the World Association of Case Method Research and Application, Edinburgh, Scotland.
- Maguire S, Hardy C & Lawrence TB (2004) Institutional entrepreneurship in emerging fields: HIV/AIDS treatment advocacy in Canada. *Academy of Management Journal*, 47(5): 657-379.

- Martin J (2003) The Public Service in Miller R (Ed) *New Zealand Government and Politics* (3rd edn) pp 132-144, Oxford University Press, Melbourne.
- Miller D & Friesen PH (1978) Archetypes of strategy formulation, *Management Science*, 24(9): 921-933.
- Moe R (1994) The 'reinventing government' exercise: Misinterpreting the problem, misjudging the consequences, *Public Administration Review*, 54(2): 111-123.
- Moon M (1999) The pursuit of managerial entrepreneurship: Does organisation matter? *Public Administration Review*, 59(1): 31-43.
- Moore J (1992) British privatisation - taking capitalism to the people, *Harvard Business Review*, 70(1): 115-124.
- Morris M & Kuratko D (2002) *Corporate Entrepreneurship*, Harcourt College Publishers, Fort Worth.
- Mulgan R (1997) *Politics in New Zealand* (2nd edn), Auckland University Press, Auckland.
- New Zealand Herald (2006b 11 July) Auckland's blackout could have been avoided, inquiry finds, *The New Zealand Herald*, accessed at [http://www.newzealandherald.co.nz/section/print.cfm?c\\_id=1&objectid=10390740](http://www.newzealandherald.co.nz/section/print.cfm?c_id=1&objectid=10390740) on 11 July 2006.
- New Zealand Herald (2006a 29 April) Well-merited jolt for Transpower, *The New Zealand Herald*, accessed at <http://io.knowledge-basket.co.nz/poly/cma/cma.pl?id=21418> on 12 July 2006.
- O'Flynn J (2007) From new public management to public value: Paradigmatic change and managerial implications, *Australian Journal of Public Administration*, 66(3): 353-366.
- Oliver P (2006, 28 June) Power-cut threat for two years, *The New Zealand Herald*, accessed at [http://www.newzealandherald.co.nz/section/print.cfm?c\\_id=1&objectid=10388720](http://www.newzealandherald.co.nz/section/print.cfm?c_id=1&objectid=10388720) on 28 June 2006.
- Osborne D & Gaebler T (1992) *Reinventing government: How the entrepreneurial spirit is transforming the public sector*, Addison-Wesley, Reading.
- Parker L & Gould G (1999) Changing public sector accountability: Critiquing new directions, *Accounting Forum*, 23(2): 109-135.
- Polidano C (1999) The new public management in developing countries. *Institute for Development Policy and Management Working Paper no. 13*. accessed at <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN014322.pdf> on 1 July 2007.
- Ramamurti R (1986). Public entrepreneurs: Who they are and how they operate, *California Management Review*, 28(3): 142-158.
- Rural News (2006, 4 July 2006) Revised power plan. *Rural News*, accessed at <http://io.knowledge-basket.co.nz/poly/cma/cma.pl?id=20655> on 12 July 2006.
- Schick A (1998) Why most developing countries should not try New Zealand's reforms, *The World Bank Research Observer*, 13(1): 123-131.
- Scoop (2003 14 July) Govt creams profit from energy crisis, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18391> on 14 July 2007.
- Scoop (2006 27 June) Blackout reports raise more questions than answers, accessed at <http://io.knowledge-basket.co.nz/poly/poly/cma/cma.pl?id=20655> on 12 July 2006.
- Shirley M (1999) Bureaucrats in business: The roles of privatisation versus corporatisation in state-owned enterprise reform, *World Development*, 27(1): 115-136.
- Sinclair A (1995) The chameleon of accountability: Forms and discourses, *Accounting, Organizations and Society*, 20(2/3): 219-237.
- Steeman M (2006 19 June) Lack of investment blamed for blackout, *The Press*, p. 6, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma> on 21 June 2006
- Terry L (1993) Why we should abandon the misconceived quest to reconcile public entrepreneurship with democracy: A response to Bellone and Goerl's 'Reconciling public entrepreneurship and democracy', *Public Administration Review*, 53(4): 393-395.
- The Press (1998 21 February) Auckland nears state of emergency on power, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18589-194> on 14 July 2006.
- The Press (2003 17 April) Power play as energy crisis looms, accessed at <http://io.knowledge-basket.co.nz.ezproxy.aut.ac.nz/magz/cma/cma.pl?id=18391> on 14 July 2006.

- The Press (2005 29 April) Lines of responsibility, *The Press*, accessed at <http://www.knowledge-basket.co.nz/poly/cma/cma.pl?id=21418-192-106-P%3A&cma=d> on 12 July 2007.
- Transpower (2005) *Annual Report*.
- Transpower (2006) *Annual Report*.
- Transpower New Zealand Limited (2007) Our purpose and values, accessed at <http://www.transpower.co.nz/?id=6409> on 3 October 2007.
- Villalonga B (2000) Privatisation and efficiency: Differentiating ownership effects from political, organizational, and dynamic effects, *Journal of Economic Behaviour & Organization*, 42: 43-74.
- Weinstock M (2002) Building entrepreneurs *Government Executive*, 34(7): 55-60.
- Yin R (2003) *Case study research: Design and methods*, Sage, London.



**Table 1 Themes and related issues**

Themes	Sub-themes	Related issue
1. freedom of commercial choice	<ul style="list-style-type: none"> <li>restricted by industry regulators</li> <li>result in multiple lines of accountability (managerial, political, public)</li> <li>restrictions on decision-making give rise to accountability implications</li> <li>difficulty of balancing multiple interests of stakeholders</li> <li>ethical issues versus financial issues (implied versus express)</li> </ul>	<ul style="list-style-type: none"> <li>limitation</li> <li>conflict of interest</li> <li>accountability impaired</li> <li>boundaries and limits unclear, issue to be addressed</li> </ul>
2. SOE working well under the reforms	<ul style="list-style-type: none"> <li>SOE reforms generally working as intended</li> <li>difficulty in balancing multiple interests of stakeholders</li> <li>industry reforms restrictive</li> </ul>	<ul style="list-style-type: none"> <li>limitation</li> <li>limitation</li> </ul>
3. accountability and responsibility for commercial results	<ul style="list-style-type: none"> <li>accountability mechanisms clear</li> <li>multiple lines of accountability</li> <li>accountability both to and from government for an effective operating environment</li> </ul>	<ul style="list-style-type: none"> <li>limitation</li> <li>dual accountability</li> </ul>
4. freedom from political influence	<ul style="list-style-type: none"> <li>regulatory environment of industry</li> <li>regulatory environment a function of government</li> </ul>	<ul style="list-style-type: none"> <li>limitation</li> <li>dual accountability</li> </ul>
5. government support	<ul style="list-style-type: none"> <li>seasonality of politics, particularly during election years</li> </ul>	<ul style="list-style-type: none"> <li>limitation</li> </ul>

**Figure 1 Headlines on New Zealand's electricity woes**

1998	Auckland nears state of emergency on power City plunged into darkness Power cuts disrupt city retailers Energy crisis...what energy crisis? Power plays as energy crisis looms Government creams profits from energy crisis Making way for grid revamp Transpower deal puts (South Island) power grid at risk Well-merited jolt for Transpower Auckland's blackout could have been avoided, inquiry finds Lack of investment blamed for blackout Blackout reports raise more questions than answers	(The Press, 1998) (Gerlich, 1998) (Cosgriff, 1998) (Balls, 2003) (The Press, 2003) (Scoop, 2003) (Gorman, 2004) (Gorman, 2005) (New Zealand Herald, 2006a) (New Zealand Herald, 2006b) (Steeman, 2006) (Scoop, 2006)
2006	Power cut threat for two years	(Oliver, 2006)

**Table 2 Summary of Transpower's financial performance**

		\$m					
		2002	2003	2004	2005	2006	Average
1	Revenue	545.6	528.9	534.1	636.1	640.2	577.0
2	Net profit after tax	144.5	23.2	59.2	141.5	96.9	93.1
3	Total assets	2,281.3	2,242.8	1,745.8	2,743.5	2,888.3	2,380.4
4	Contributed capital	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
5	Equity	1,012.6	1,001.0	1,043.6	1,145.1	1,232.0	1,086.9
6	Dividends %	57%	150%	28%	28%	10%	55%
7	Dividends paid	82.9	34.9	16.5	40.0	10.0	36.9

**Key**

- Revenue - total revenue for the year
- Net profit after tax for the year
- Total assets - based on year end values
- Contributed capital - total contributed capital based on year end values (representing the amount of capital contributed by the New Zealand Government)
- Equity - total owners' equity based on year end values
- Dividends % - dividends paid compared to net profit after tax for the year
- Dividends paid for the year