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# Toward a New Era of Administrative Reform? The Myth of Post-NPM in New Zealand

MARTIN LODGE\* and DEREK GILL\*\*

*This article explores the supposed shift from New Public Management (NPM) to a new era of “post-NPM” by looking at one critical case, New Zealand. It finds limited evidence of such a shift, suggesting that the wider literature needs to move to a more careful methodological treatment of empirical patterns. To contribute to such a move, this article applies a three-pronged approach to the study of changing doctrines in executive government. After setting out the broad contours of what NPM and post-NPM supposedly constitute, the article proceeds to a documentary analysis of State Services Commission doctrines; this is followed by an analysis of “Public Service Bargains” based on elite interviews and finally a case-study approach of the Crown Entities Act 2004. Far from a new era of administrative reform, the “messy” patterns that emerge suggest a continuation of traditional understandings and ad hoc and politically driven adjustments, leading to diversification.*

After more than three decades of widespread currency, the term “New Public Management” (NPM) does not seem to want to go away. For every declaration that “NPM is dead,” another academic conference, edited volume, or special issue is organized to reconsider administrative reform trajectories, to “transcend” NPM, or to declare a move toward “post-NPM” (Christensen and Laegreid 2008, Laegreid and Christensen 2001, 2007a, 2007b). What unites accounts of post-NPM (and related ideas) is a diagnosis of the failures and shortcomings of earlier administrative reform attempts (NPM) and the availability of new technological and participatory tools to advance public management. But is NPM really dead? What is the actual content of its supposed successor, post-NPM? And to what extent is there any systematic evidence that would support the argument of a shift from NPM to post-NPM?

This article explores the evidence for a shift from an age of “NPM” to an age of “post-NPM” in the case of New Zealand. Looking at New Zealand

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should offer us maximum insights. New Zealand is regarded as *the* primary example of an extensive and intellectually coherent attempt at public sector reform that followed the key characteristics associated with NPM (Boston et al. 1996; Hood 1990). Furthermore, a number of studies on New Zealand have suggested a move away from NPM (Boston and Eichbaum 2007; Norman 2003). Developments since the turn of the century prompted Chapman and Duncan (2007) to pose the question: "Is there a new New Zealand model?"

In contrast to these country-specific studies and those that argue more broadly in favor of a shift toward post-NPM-type administrative reforms, this article points to rather more diverse empirical and messy patterns. These patterns suggest that NPM was never as purely implemented as the literature has led us to believe, and post-NPM's day is yet (if ever) to come. Indeed, the New Zealand case suggests considerable continuity mixed with ad hoc and politically motivated changes that have generated diversification rather than a new era or paradigm.

More generally, this article warns against the adoption of ambiguous terms without proper empirical foundations. It contributes to the wider literature by utilizing three methodological devices to explore what, if anything, has changed in thinking about core aspects of executive government in New Zealand over the last decade. First, we utilize the "administrative argument" device (Hood and Jackson 1991) to investigate the extent of change in "machinery of government" (MoG) debates. Second, we consider, through the concept of "Public Service Bargains" (PSBs), how chief executives in ministerial departments perceive PSBs to have changed over time. Third, we consider one critical case, namely, the Crown Entities Act 2004. The election of November 2008, which returned the National Party to office, provides the cutoff point for this analysis.

### **NPM, Post-NPM, and New Zealand**

As with most divinities, defining NPM has been a problematic task (Hood 2005). At its most general, it is an eclectic set of doctrines that draw on, not necessarily consistent, ideas from new institutional economics and managerialism. NPM was supposed to represent a move both "down grid" in the sense of relaxing procedural rules as well as "down group" in the sense of reducing the professional boundaries between public and private sectors. This contrasts with the earlier age of "Progressive Public Administration" (PPA) with an emphasis on procedural controls and rules and on public sector distinctiveness (Hood 1994). More concretely, NPM-related reforms were identified by "hands-on professional management," explicit performance standards, output controls, organizational disaggregation, competition and contractualization, private sector-style management practices, and an emphasis on parsimony in financial resource use (Hood 1991, 4–5). Dunleavy et al. (2005, 471) suggest that NPM was characterized by disaggregation, competition, and incentivization. Empirically, NPM has been

associated with a wide variety of interventions, trajectories, and reform intensities (Hood and Lodge 2006; Pollitt and Bouckaert 2004, ch. 8).

If it is already difficult to define what NPM is, then the case of post-NPM is even more problematic. As Christensen and Laegreid state: "... post-NPM reforms—which partly revived some neo-Weberian features—have been blended with some NPM features" (Christensen and Laegreid 2008, 8; see also Dunleavy et al. 2005, 468). They diagnose a reassertion of "old public administration" in the light of failures, absent efficiency gains, and increased "insecurity" (Christensen and Laegreid 2008, 9) in a post-9/11 world. Similarly, Johan P. Olsen (2008) has pointed to the inherent advantages of bureaucratic organization that have been rediscovered after a period of marketization. Post-NPM is therefore largely about overcoming the perceived NPM-generated weaknesses produced by specialization, fragmentation, and marketization. In response, post-NPM is associated with a strengthening of coordination through more centralized or collaborative capacity, whether it is called "whole of government" or "joined-up government." This emphasis on cooperation and collaboration is achieved, for example, through centralization at the center (Christensen and Laegreid (2008), through coordination within networks of diverse actors (Stoker 2006), or through reintegration and coordination using digital technology (Dunleavy et al. 2005).

In sum, post-NPM is said to signify a greater emphasis on "high grid" (rules) and "high group" (collective public sector distinctiveness). Similar suggestions are made by those authors who highlight that "public value" offers a paradigmatic change from NPM: Observers stress the distinctiveness of the public sector and its multiple, often contradictory objectives (O'Flynn 2007, 361; Stoker 2006, 416), the importance of network-based collaborative public value generation, and the significance of outcome- rather than output-based assessments (Alford and Hughes 2008; Alford and O'Flynn 2009). In a similar vein, albeit mainly concerned with the potential of transformative change through technology, Dunleavy et al. (2005) argue that NPM "has essentially died in the water" (468) and suggest that the emerging period of "Digital Era Governance" (DEG) is characterized by three related features: "reintegration," "needs-based holistic structures," and "digitalization" of administrative processes. The latter is said to provide a transformation toward a new era of interaction between government and its subjects.<sup>1</sup>

While representatives of the literatures on post-NPM, public value, and DEG may disagree about some aspects, the basic tendencies of the type of change away from NPM are similar (Wegrich 2010). The following utilizes the "post-NPM" label to bring together the key themes that emerge from the above literatures. Differences are largely one of emphasis. We choose MoG questions, whereas public value is largely focused on the "delivery" side of policymaking. DEG is about the potential effects of enthusiastic uptakes of e-government solutions (which, in the case of New Zealand, have been rather disappointing).

TABLE 1  
**Contrasting Key Themes across Three Administrative Reform Ages**

	Reform "Ages"		
	PPA	NPM	Post-NPM
Public sector distinctiveness (group dimension)	Uniform/inclusive public service	Unbundling	"Whole of government"
	Loosely defined provision	Contractualization/marketization	Return to mixed pattern of in-house and marketized services; delivery networks
Rules versus discretion (grid dimension)	Public sector ethos/career	Private sector style	Client based/holism
	Policy skills	Hands-on management skills	Boundary-spanning skills
	Implicit/qualitative performance standards	Explicit performance standards	Joined-up targets
	Procedural controls	Output/outcome controls	Procedural/centralized controls; impartiality/ethics rules

*Note:* Based on Hood (1994), Dunleavy et al. (2005), and Christensen and Laegreid (2008). NPM, New Public Management; PPA, Progressive Public Administration.

These literatures also broadly agree on the causes of this supposedly paradigmatic shift by pointing to a set of mechanisms that can be labeled "disappointment," "surprise," and "technology." "Disappointment" leads to political pressure to "do something." "Surprise" is linked to the idea that particular sets of instruments have their own "black spots" and are therefore unable to diagnose when things go wrong until it is too late (Hood and Peters 2004). "Technology" is said to trigger a "neo-Weberian" administration (Hood 1994) in that feasibility boundaries change and organizational processes become redundant (such as typing pools) or can be reviewed (e.g., online tax forms), thereby reducing the need for traditional "paper factories" in public administration (Dunleavy et al. 2006).

Table 1 brings together the ideas that have been associated with various ages in public administration discussed above and notes the basic characteristics of post-NPM (in particular the emphasis on the move back to "high group/high grid") in contrast to the previous ages of NPM and PPA.

In what follows, we explore the proclaimed shift from NPM to post-NPM in one critical case, New Zealand. As noted, New Zealand's public sector reforms have been widely seen as cutting edge in terms of their

content and their extent (Aberbach and Christensen 2001; Boston 1987, 1992; Boston et al. 1996; Goldfinch 1998; Pollitt and Bouckaert 2004). Prominent examples include the contractual arrangements between departmental chief executives and the State Services Commission (SSC; thereby ending the idea of permanence), the adoption of an output/outcome split in performance management, as well as the extensive disaggregation of activities (including a split between “policy” and “delivery”) in order to allow for “focus” and “specialization.”

New Zealand’s reform experience has been widely reviewed. The Schick Report (Schick 1996) noted the extensive and coherent nature of the public sector reforms. It also raised some of the concerns that were later picked up in the post-NPM literatures, namely, the need for more central direction and maintaining collaborative capacity in the light of government unbundling. In response to these concerns and criticisms regarding standards of behavior in the public sector, the “Review of the Centre” was commissioned by the Labour government in 2001. This review advocated better integrated service delivery, a rethinking of organizational fragmentation, and a strong emphasis on people and organizational culture.<sup>2</sup> As a result, New Zealand is also said to be displaying “leading-edge” characteristics in terms of post-NPM (Boston and Eichbaum 2007; Gregory 2003a; Norman and Gregory 2003; Whitcombe 2008). Dunleavy et al. (2005, 471) suggest that New Zealand’s initial reforms directly contributed to its poor relative economic performance (until the election of the Labour government in 1999). They hail a working paper by the SSC, the central government department tasked with civil service and MoG questions, that advocated “whole of government” doctrines to combat “fragmentation” as highlighting a move away from “NPM” (Bhatta 2003).<sup>3</sup> Norman (2003, 19) describes the incoming Labour government (of 1999) as “consisting of skeptics and . . . opponents of NPM techniques.” Boston and Eichbaum (2007) suggest that the 1999 Labour manifesto marked a distinct shift from “Phase 1” to “Phase 2” public management reform, underpinned by a “social democratic” rather than a “neoliberal” philosophy.

Supporters of the reforms of the late 1980s and 1990s also note a change away from the supposedly coherent and consistent basis in which MoG questions were discussed and toward a far more politically “pragmatic” line of justification (Scott 2001, 2008). Furthermore, the prior dominance of the Treasury is said to have been challenged by politicians and by other central agencies, in particular the SSC (Chapman and Duncan 2007). In the wider context, the change in the electoral rules of the game from plurality to mixed-member proportional representation (MMP; 1996 was the first election under MMP) is said to have triggered a move from “decisive” single-party government to the “muddling through” of multi-party governments.

The case of New Zealand should therefore offer maximum insight into the supposed shift from NPM to post-NPM and should facilitate a better understanding of what the world of post-NPM might look like. In addi-

tion, for those who regard New Zealand as a small, unimportant, and overanalyzed case, this article contributes to wider debates regarding the analysis of MoG reform through the application of three methodological devices. We look at administrative arguments, followed by PSBs, before moving to a case study of the Crown Entities Act of 2004. This focus is wider than that usually provided in accounts pointing to “paradigmatic change” in any single jurisdiction, but at the same time, we are conscious that our focus is necessarily selective.

### Changing Administrative Doctrines?

Nearly two decades ago, Christopher Hood and Michael Jackson (1991) provided a first step toward an encyclopedia of administrative doctrines (containing 99 doctrines covering key aspects of institutional design). Building on our discussion in the previous section, Table 2 summarizes key differences between NPM and post-NPM utilizing Hood and Jackson’s (1991, 34) list.

Given the diagnosed changes in New Zealand, we should expect significant differences in the observed argumentation patterns between NPM

TABLE 2  
Comparing Administrative Reform Doctrines

NPM	Post-NPM
A2—use independent public bureaucracy	A1—use classic public bureaucracy
A3—use private/independent organization	A2—use independent public bureaucracy
H2.1—differentiated ranks with one boss	H2.2—prefer differentiated ranks with collegial directorate
J1.2—separate policy and administration	J2—consolidate work
K2—managerial discretion	K2—managerial discretion—but within greater constraints
L1—give leaders best conditions	L2—give leaders normal conditions
M2—multisource supply	M2—multisource supply
N2—managerial/executive skills	N1&2—technical skills to be able to “span boundaries” and “managerial skills”
O1—contracting out	O1 & O2: in-house and contracted-out provision
P2.2B—promotion on subjective merit	P2.2A promotion on objective/procedural judgment
R2.2.C—performance related pay	R2.1 fixed pay
T2.1—fixed-term tenure	T2 limit tenure
X2.3—control by business methods	X2—control by process
X3.1—results orientation	X3.2—outcome measures

Source: Hood and Jackson (1991, 34). We utilize their codes. NPM, New Public Management.

and post-NPM. We are interested in changing doctrines in MoG documents as put forward by the SSC before and after 1999. We concentrate on the SSC as it is more flexible in its programmatic foundations than the other key public reform actor, the New Zealand Treasury. We seek to maximize the observed change in argumentation by focusing on the SSC.

Our analysis proceeds in three steps. First, we look at the overall principles that the SSC proposed to apply to MoG reviews across all sectors. Second, we analyze a range of policy recommendations that applied MoG principles to particular domains. Third, we consider the administrative doctrines as put forward in SSC briefing documents to incoming ministers.

We used the SSC's Web site for recent (post-2002) documents on MoG questions. We relied on the SSC to provide documents for the period before 2002 that relate to advice regarding MoG questions (i.e., those not available on the Web site). These documents provide a valid indicator of overall MoG-related discussions during the period of interest. We independently analyzed the documents and recorded separately what we regarded as the key claims in these documents and then moderated and coded them according to the frame provided by Hood and Jackson (1991, 35).

Turning to the overall MoG principles first, Table 3 provides for an overview of the SSC's underlying MoG principles and their associated administrative doctrines (using the codes provided by Hood and Jackson 1991). The SSC has undertaken a review of general MoG principles at least once a decade. In 1987 and 1998, such reviews involved the commissioning of papers from inside and outside the SSC as well as active engagement with the Treasury.

Table 3 suggests that the principles are oriented at different MoG dimensions, but they point to similarities across time, although mixed with a degree of reduced specificity in overall message. The 1987 principles start with the fundamental question as to where a function should be undertaken (the "scope of government" principle: inside or outside government). They then deal with questions as to what kind of (government) organization should manage particular functions ("decision-making principles") and finally move to organizational design questions (which functions should be separated and which should be colocated). The 1998 principles are solely interested at the decision-making level. The 2007 material starts with the scope of government question but thereafter closely follows the 1998 principles. To some extent, these changes appear consistent with an NPM/post-NPM story. The 1987 principles placed greater emphasis on focus and specialization with a preference for separation of policy and service delivery. In 1998, reflecting experience of over a decade of reform, these themes continued to persist but were presented in a more nuanced tone: "[C]ontestability is better, sometimes; functional separation: sometimes yes, sometimes maybe."

Table 2 noted that one key distinction between NPM and post-NPM concerns the use of "independent bureaucracy." The New Zealand case



TABLE 3  
**Overview of MoG Principles over Time**

1987 Cabinet MoG Principles	1998 MoG Principles	2007 MoG Questions
Ensuring the state does not do what others can do better (A3)	Effectiveness and efficiency principle	What role for central government? (A1&3)
Clarifying departmental policy objectives and functions (X3)	Contestable is better, sometimes (O1/O2)	What functions to carry out that role? (J1/V2)
Placing commercial function in commercial structures (A3.1)	Function separation—“sometimes yes, sometime maybe” (J1)	What powers to carry out functions?
Separation of conflicting objectives (V1)	Multiple functions means department (V2)	What funding? (M1/M2)
Separation where practical of policy advice and service delivery (J1.2)	Match commercial to commercial (A3.1)	What risk from functions and powers—strategic, political, fiscal, contractual?
Selection of appropriate structures and management frameworks	Managing risk—departmental form is preferred (A1) when strategic risk is high	What governance—what kind of ministerial involvement (A1) (SSC 2007b, 6)
Placement of function that need to be performed close to ministers (e.g., policy advice) in departments rather than Crown Entities or SOEs (J1)		
( <i>Minister of State Services</i> 1998, para. 7)	Contractibility is low Flexibility (where the choice is not clear cut) Constitutional conventions Close ministerial oversight favors departments (A1) Need for independence favors nondepartmental forms (A2/A3) (SSC 2007b, 6)	

MoG, machinery of government.

distinguishes between noncommercial functions and commercial trading activities. There has been no change in SSC thinking regarding commercial activities since 1987: Commercial activities are to be provided within commercial structures.<sup>4</sup> For example, among the decisions included in the Crown Entities Act 2004 was the reorganization of three “crown entity

companies" into "companies under the State-Owned Enterprises Act" because they undertook commercial functions. In contrast, for noncommercial functions, the overall MoG principles display a degree of softening, namely, a move away from a presumption of separation in 1987 to a "sometimes yes, sometimes maybe" principle in 1998 and 2007.<sup>5</sup>

Turning to advice in particular domains, Table 4 suggests that the pre-1999 period was characterized by considerable consistency, whereas the post-1999 period was distinguished by greater diversity. Table 4 provides for important insights. One is that in the decade to 2008 there are no consistent shifts in doctrines. Even those documents that point to the limits of the reforms of the 1980s do not make claims that could be interpreted either to be of the "one more heave" kind that demands "purer" NPM-type reforms or rejections of earlier doctrinal ideas in the direction of post-NPM. The available documents suggest neither a "pure world" of NPM pre-1999 nor a straightforward shift toward a post-NPM (post-1999). Individual documents provide evidence of the SSC's position morphing, but overall there is no clear-cut pattern. Similarly, in terms of justification, despite more use of the concept of "capability" (a "resilience"-type justification), an emphasis on "value for money" (i.e., "efficiency") was dominant throughout.

Finally, we extended the documentary analysis to SSC briefing papers to incoming ministers. The 2002 Briefing to the Minister of State Services arguably reflects the high point of post-NPM-related thinking with its emphasis on "integrated delivery" and the need to "address fragmentation" and to encourage a "more long-term focus" as well as outcome specification (SSC 2002). Subsequent briefing documents repeat some of these themes. For example, the October 2005 postelection briefing emphasizes the importance of "learning cultures," "good conduct," "networked services," and "managing for outcomes" (SSC 2005a). However, in the 2007 briefing for the new minister, one of the key objectives (that of "excellent state servants") had been replaced by "value for money state services" (SSC 2007a). In other words, the broad intention and objectives that supposedly guided the SSC were hardly of a nature that would justify sweeping statements regarding the sustained rise of post-NPM. Documents did reflect a growing emphasis on reduced fragmentation and closer "control" as well as procedural correctness. Nevertheless, the continued emphasis on efficiency points to a similar phenomenon that is evident in Table 4: We did not find a single set of doctrines and justifications that were being applied to the state sector in New Zealand, nor were we able to identify a significant shift in doctrines and justifications over time.

In sum, a discussion that concentrates solely on identifying what is NPM and what is post-NPM cannot account for the variability of advice put forward by the SSC. While there are shifts in focus, it is difficult to discover any form of major shift in SSC argumentation. Instead, the patterns point to differentiated and diversified applications of administrative arguments.



### Changing PSBs?

PSBs are defined as the explicit and implicit rules and understandings regarding duties and expectations between public servants and the wider political system (Hood and Lodge 2006, 6). In this section, the focus is on the PSB as applied to top bureaucrats, the chief executives, in ministerial departments. We explore PSB-related questions in terms of rewards (who gets what, when, and how), competency (what skills and competencies are expected), and loyalty (to whom or what are public servants loyal).

Looking at these key dimensions of any PSB for top bureaucrats, some key features in terms of the age of NPM and the age of post-NPM stand out. The key differences lie in the competency dimension: Whereas an NPM-type PSB emphasizes the importance of “delivery” within any one organization (justified by the idea of “focus” and “specialization”), the underlying competency ideas represented in the post-NPM literatures stress the importance of boundary spanning and collaboration. Public services are said to require complex solutions to complex problems by drawing on the offerings of highly complex and quickly developing technologies. Therefore, competency becomes the knowledge to access and bring together expertise. Similarly, in terms of loyalty, the argument of a “re-Weberianization” of public administration has been advanced. A growing emphasis on “ethics” and “rules” is said to have replaced an NPM emphasis on “setting managers free to manage.” Finally, in terms of reward, post-NPM is expected to lead to a reduction in the extent to which performance pay is provided overall and in the way it is being distributed, in particular moving away from individualized to more team-based incentive systems. The key PSB aspects are summarized in Table 5.

The empirical evidence for this section builds primarily on a series of interviews ( $n = 22$ ) with present and former public servants and other key

TABLE 5  
Changing Emphases in Public Service Bargains

	NPM-Age PSB	Post-NPM-Age PSB
Reward	Emphasis on rivalry, individualized performance pay	Pullback of “hard edges” of performance pay, emphasis on collaboration/team-based incentives
Competency	Emphasis on delivery and getting things done	Emphasis on boundary spanning as part of “whole of government” activities, ability to understand and procure intelligent technical systems for “joined-up” solutions
Loyalty	Executing set targets/agreements within discretionary space	Codification of rules/ethics, strengthening emphasis on “judge-type” character of public service

NPM, New Public Management; PSB, Public Service Bargains.

political participants and observers of the PSB that one of the authors conducted in Wellington between November and December 2008.<sup>6</sup> These interviews were conducted under “Chatham House” rules (i.e., nonattributability). Interviewees were selected on the basis of their representativeness for particular aspects of the PSB, allowing for insights from policy and operational administrative units, as well as from different “generations” of chief executives and others.

A seminal characterization of the PSB that traditionally applied to senior public servants in New Zealand (under the 1912 Public Service Act) states:

With the political parties the modern [New Zealand] civil service has struck a mutually beneficial bargain. By guaranteeing to public servants a life's career and a pension, parties have foresworn the use of patronage and have guaranteed to the state's employees their tenure of their jobs. In return the parties expect, and the public servants owe, equal loyalty to any government which the people have placed in office. (Lipson 1948, 479)

The 1988 State Sector Act (especially in combination with the 1989 Public Finance Act) introduced core changes to the traditional PSB (as noted above) for public servants in ministerial departments generally and chief executives in particular.<sup>7</sup> One departure was the end of the career model and the introduction of higher and more flexible pay for specific positions in exchange for “performance” as evaluated by the State Services Commissioner. Related, more explicit competency demands were added to emphasize bureaucratic responsiveness: Chief executives were responsible for delivering on explicit performance expectations (and in doing so were freed from the Public Service Manual and other input controls). The separation between primarily policy departments and operational agencies was to facilitate a “specialization” effect between those chief executives (and their departments) concentrating on “policy advice” and those focusing on “service delivery and regulation.”

Loyalty, in contrast, remained “serial”: Chief executives were to serve loyally the government of the day. Chief executive appointment and performance review processes were conducted by the State Services Commissioner on behalf of ministers. Thus, far from being a “managerial” relationship in which ministers set performance targets and managers were directed to achieve them, the relationship in New Zealand involved a *ménage-à-trois* in which one party had a statutory trustee position in safeguarding PSBs. There has been no demand for the “politicization” of appointments. Indeed, the State Services Commissioner has been appointed to conduct the selection of chief executives of departments outside the public service including the NZ Defence Forces and other security agencies. The removal in 2000 of the so-called “face does not fit” clause in chief executive performance agreements, which previously had allowed ministers to ask for a removal of a chief executive, required the State Service Commissioner to perform some fancy footwork between the different parties in case of irreconcilable differences.

In other words, in the late 1980s New Zealand moved to something resembling the ideal-type NPM-type PSB as outlined above. Performance was supposedly incentivized through a significant performance element as part of total remuneration and the end of tenure, and through an increased focus on organizational performance rather than policy advice. However, the continued strong emphasis on protecting serial loyalty provided an important counterbalance to the idea of a “pure” NPM-type PSB. But how did this PSB perform over the following two decades?

On the reward dimension, the key aspect of the post-1988 PSB, namely, that security had been exchanged for private sector-type salaries, was never fulfilled. Although salary levels remained “comfortable,” the link between private sector chief executive pay and chief executive pay was never achieved. This led, in 1997, to a change in official policy, namely, that salaries were to follow that of chief executives in the wider public sector (SSC 1997a). Subsequently, salaries climbed steadily, in particular for the “bigger” departments, leaving behind “smaller” departments with less than 50 staff such as Women’s Affairs and Pacific & Island Affairs. This marked to some extent a departure from earlier conventions of chief executive pay being relatively tightly clustered (see Gregory 2003b). Some interviewees even suggested pay levels (and performance payments) were not significant motivators: “I can remember one chief executive saying that he did not want more money” (I14/11).

The performance management aspect of the reward side of the PSB remained difficult to operate (see Lonti and Gregory 2007). One change that broadly followed the expectations of a move to a post-NPM age was increased talk about the importance of incentivizing outcomes and not merely outputs (that were accused of generating a silo mentality). These demands were reflected in the dropping of formal “performance agreements” between ministers and chief executives, the move from hard-edged contractualism of purchase agreements to softer-edged relationships involved in output plans, as well as the introduction of “Statements of Intent.” This represented a change in the PSB for chief executives (see Baehler 2003) but maintained the NPM-related emphasis on outputs/outcomes established by the Public Finance Act 1989.<sup>8</sup>

Observers noted that attempts at measuring outcomes failed to get traction (Gill 2008), and some interviewees bemoaned the continued reliance on output measures. The SSC performance evaluations downplayed ex post performance reporting and increased the emphasis on feedback from 10 to 20 internal and external “stakeholders” to complement the minister’s views. Nevertheless, the relationship with the minister remained central: “[T]hey get 10–20 references, what matters is the view of the minister” (I14/11); “you either have the confidence of the minister or not” (I12/12a). One chief executive suggested that “if you make one big mistake, but [otherwise] performed beautifully and did something really innovative, you’d still end up without your bonus” (I14/11), while a further chief executive noted: “[I]f you perform, you get a certain amount.

If you perform exceptionally, you get a little bit more. If you perform badly, you get a little bit less. But it really doesn't make a difference" (I12/12b). Another chief executive argued that the output specifications were meaningless because of an inability to control any of the inputs that affected the organization (I16/12). In addition to the widely held view that the effects of performance pay and the end to tenure had hardly impacted on behavior, one interviewee pointed to the administrative difficulty of devising outcome-oriented performance indicators. The continued reliance on an output-oriented system "means if you don't do what it is I want you to do, I can do something about you" but also provided for a "kind of straight-line accountability stuff that doesn't work" and prevented "whole of government" outcomes (I12/12a).

In short, salaries had increased to reflect greater output-related risks, but the system had neither moved toward a fully blown NPM-type reward understanding of substantial variable pay at a significant level nor moved toward the post-NPM themes of incentivizing outcomes and collaboration despite some official announcements.

On the competency side, the demand, since the early 2000s, for increased attention toward "whole of government" collaborative work could be interpreted as a shift toward post-NPM. Demands for boundary-spanning capacity were not only reflected in the typical justification that "increased policy complexity" but also required a move beyond a "silo mentality." More widely, it could be seen as a result of the demands of coalition government (namely, understanding and supporting the negotiated solutions among politicians). Furthermore, the incoming Labour government of 1999 suspected an incapability, especially among Treasury staff, to adjust advice to the preferences of a center-left party. It also accused public servants of showing too little creativity in illustrating how options could be made to work rather than in developing "all reasons you shouldn't do it" (I2/12a). At the same time, public servants bemoaned a lack of willingness among politicians to rely on their expert and sage advice. In contrast, others accused top bureaucrats for having too keenly accommodated their political "masters" in terms of delivering too politically attuned advice, thereby compromising on their capacity to act as "free and frank" policy advisors and reality checkers (I2/12c; I24/11; I2/12b).

The "sage" competency to advise on policy strategies remained at the heart of competency understandings, and it was the problem of how to "measure" policy advice that was also at the heart of a series of working groups (Gregory and Lonti 2008). One former chief executive suggested a key competency was to brief the minister during the (three-floor) lift journey from the ministerial to the prime ministerial office (I17/11) in Parliament (the "Beehive"). Equally, others saw their primary role as being a "sage," namely, to be aware of political context and to be able to engage ministers with their department's advice (I14/11). Such abilities were also emphasized by those working within "operational departments." Here,

one of the key problems diagnosed was that certain chief executives had either lacked or misunderstood the implicit but required “sage” competencies, focusing more on their official competency requirements as “deliverers,” for example, of child protection. As one chief executive noted, “you take a lot of risk, and it’s not the risk on your performance, it’s the rest of the stuff [the managing of the political context], which is where ending up stressed comes from” (I12/12a).

And even those who suggested that collaboration had become more important pointed to these ideas’ modest success: “[T]he focus of the last decade has been co-ordination, co-operation and collaboration . . . I liken that to learning to play nicely in the sandpit together . . . not kick sand in each other’s eyes . . . [now we need to] not play nicely but [learn to] play together” (I2/12). In other words, as in the case of the reward dimension, the competency dimension of the PSB was sharpened at the edges, first of all with a growing emphasis on “delivering outputs” (thereby following an NPM-type PSB), but what remained at the heart of competency requirements was the traditional top bureaucratic competency of being a sage, even with the increase in political advisor numbers (Eichbaum and Shaw 2007a, 2007b). Thus, the shift from the widely hailed “output production” to a collaborative “outcome management” was only limited.

Finally, in terms of loyalty, developments from an NPM to a post-NPM bargain would be indicated by a move from an “executive” understanding in which public servants were given a zone of discretion to perform to an increasingly codified relationship between politics and administration. Again, the developments over the past decade and a half were somewhat more complex. For one, policy-oriented departments in particular continued to rely on a considerable “partner” component in the PSB (an exchange relationship between the civil servant’s right to be heard and trusted for the politician’s right to expect not to be politically embarrassed or surprised). It was this partner role that was said to have become increasingly under challenge. One former chief executive put it like this: “[I]f they think you are going to say something they don’t want, they make sure that you’re not in the room” (I4/12).

Following more than a decade of Treasury dominance, the incoming Labour government of 1999 sought to make an explicit break with the past decade. Politicians dismissed the quality of advice they had received from the civil service and enhanced policy and political advice functions were situated in ministerial offices. One key example of a powerful political advisor was the former Labour prime minister’s chief of staff, Heather Simpson. Others saw political advisors as potentially helpful; they were seen as a result of a functional differentiation that required “political servants” to undertake the explicitly political coalition negotiations that an “apolitical” public service could not pursue (I25/11; see also Eichbaum and Shaw 2007a, 2007b, who point to largely positive appreciation of the role of political advisors). In addition, the potential consequences of freedom of information under the 1982 Official Information Act meant that



politicians were widely accused of refusing “free and frank” advice that could embarrass them in the media headlights at a later time: “[T]hey did not want to see a Cabinet paper with which they did not agree” (I4/12). While therefore some chief executives saw their main role as providing their minister with strategic “free and frank” advice and being in a “partner” role, others saw a change in their role toward an executive-type “do as you are told” understanding: “[T]hey expect obedience” (I25/11).

It was, however, not just the presumed partner role that was under strain but also the (NPM-related) “executive” understanding that politicians would grant their chief executives discretion to deliver outputs. Concepts drawn from agency theory of contractualized relations proved overcomplex, insufficiently adaptable, and unenforceable: “[I]f I had gone, told my Minister that I was about to sue the head of one of our agencies for non-performance of their contract, I would have rapidly found that I was on my own and I’d be renegotiating my own [contract]” (I4/12). Furthermore, the other prerequisite of an executive-type understanding of loyalty—being provided with the sufficient resources to deliver the requested outputs—was also said to have come under strain with politicians being accused of rejecting advice on the potential implications of resource constraints. Subsequent publicized failures and further inquiries into departmental “misconduct” led to chief executives falling on their sword as no “smoking gun” evidence was produced. Finally, delivering well on agreed outputs was hardly a guarantee for continued employment, especially if “the face didn’t fit.”<sup>9</sup>

The *menage-à-trois* arrangement also witnessed considerable strain. In particular, it was argued that the SSC had not upheld its trustee role. Instead, the SSC was accused of too quickly following ministerial calls for an “inquiry” and thereby showing insufficient backbone to stand up to ministerial demands for sackings. This led some to suggest that chief executives were being cheated: “because a number of CEs were held up and publicly given a telling off and then resigned for things that weren’t 100 per cent clear from outside that it had been their fault” (I12/12). Others, however, pointed to the inherent problems in operating such an arrangement per se, thereby questioning whether the SSC could positively contribute to solving issues in the relationship between ministers and chief executives: “having the SSC come in is like having a marriage counselor in the bedroom, it takes away the magic” (I17/11).

Therefore, the different loyalty understandings, namely, those of being a “partner” to the minister and that of being an “executive” to deliver on agreed outputs that became more prominent after 1988, were under considerable strain. However, they were not under the sort of strain or displayed the sort of dynamic that would be predicted by those diagnosing the rise of post-NPM. If these two trends are solely about the thickening of ethics and procedural guidelines, then despite some attempts by the SSC (in 2004 its mandate was extended to include integrity and conduct beyond the public service department to include most of the wider state

sector), no “thickening” of the rules occurred regarding the minister–chief executive relationship.<sup>10</sup> Instead, developments displayed a highly vulnerable set of understandings with considerable scope for cheating.

In sum, it is difficult to diagnose a uniform trend in the PSBs that applied to chief executives. Some of the initial reforms under the 1988 Act followed the idea of an NPM-type PSB, in particular, in terms of competency and reward. However, the trustee role of the SSC and the strong emphasis placed on “serial loyalism” point to strong countervailing forces. In later stages, all three PSB dimensions—reward, competency, and loyalty—came under strain, none of which clearly following the trajectory diagnosed by advocates of post-NPM despite some rhetorical commitment to greater outcome reward orientation and boundary-spanning/collaborative competency. In the loyalty aspect in particular, there was little to suggest that earlier attempts at codification or commitment to “serial loyalism” had any impact. Indeed, developments occurred usually as the result of ad hoc responses to “political heat,” convenience, and blame avoidance (“[chief executives] are paid a shit load of money, so they can bloody start to earn the money,” 12/12) rather than the consistent application of a set of doctrines. The inherent tensions within the PSB were more likely to cause friction and developments than the force of post-NPM-related ideas.

### **Changing Doctrines? The Crown Entities Act 2004**

Finally, we turn to the Crown Entities Act 2004.<sup>11</sup> The Crown Entities Bill was introduced as part of an omnibus public management amendment bill that also included changes in the State Sector Act and the Public Finance Act.<sup>12</sup> For Boston and Eichbaum (2007, 162), the legislative package including this Act represented a key indicator of a wider shift in administrative reform doctrines, namely, toward a post-NPM Phase 2 of reform that had come about from the “rupture” of the election victory of the Labour government in 1999. Indeed, the introduction of a unified umbrella governance and accountability statute for arm’s-length public bodies, created by NPM “fragmentation,” would seem to fit the bill for a post-NPM development. This section probes deeper into the process of Crown Entities Reform; it asks whether the diagnosed problems were related to continued problems that previous (NPM) reforms were supposed to have solved or whether the problems were associated with previous reforms directly. In addition, this section asks whether the applied solutions were directly influenced by post-NPM doctrines.

Nonministerial or indirect administration had been a long-standing feature of New Zealand public administration, as it is in most OECD countries. Together with the various entities that had been created as part of the reforms of the late 1980s and early 1990s (40% of Crown Entities were established in the reforms after the 1984 election), this created the perception of a cumbersome and confusing plethora of organizations that had been established in an ad hoc fashion. Apart from statutory and legal

standing and listing under the Public Finance Act (the notion of Crown Entity was a creature of accrual accounting requirements), Crown Entities displayed considerable diversity in terms of functions, size, forms, and powers. In addition, incidents throughout the 1990s focused political attention on these Crown Entities.<sup>13</sup> These incidents offered convenient reference points for the incoming Labour-led government to state their intentions to provide for a different approach toward MoG questions.<sup>14</sup>

The incoming minority Labour/Alliance coalition government (of 1999) identified a reduction in fragmentation as one of a handful of strategic priorities for the first term. Following the 2001 Review of the Centre, which advocated, as noted, an overall review of governance arrangements, the government introduced an omnibus legislative package, which included the Crown Entities Act and amended the Public Finance Act and the State Sector Act. Indeed, the SSC's 2002 "Briefing to the Minister for State Services" included "Priority III: Resolve Crown Entity Governance" (22–23). The long title of the omnibus bill emphasized raising standards of ethics and integrity, increased coordination, and reduced fragmentation. All these themes are consistent with post-NPM.

However, the emergence of the Crown Entities Act reflects more complex origins that do not fit easily into the post-NPM category. First of all, it is difficult to suggest that the diagnosed problems of a proliferation of "arm's-length" government bodies were a direct result of the reforms of the 1980s and 1990s. The New Zealand state sector had, since at least the Second World War, been largely characterized by arm's-length government. By 1984, only 24% of public employees operated within departments of the public service. In other words, far from being a theme of the NPM age, the steady move toward arm's-length government and away from a unified public service was long standing and well under way before the reforms of the late 1980s.

Furthermore, the decision to introduce the Crown Entity legislation to clarify the locus of control at the organizational level and the proposed classification of individual entities under that legislation was announced in November 1998 by the then National Party Minister of State Services. The proposed reforms were defined as "system incompleteness" and "unfinished business" at the time—in many ways they were a set of solutions waiting for the proverbial "window" to open. The core features of the legislation were all well developed prior to Labour taking office and were presented to Cabinet for approval within the first year in office. The subsequent Review of the Centre resulted in the addition of a "whole of government" power to "direct" groups of Crown Entities, but the overall changes reinforced the locus of control at the individual organizational level.

Moreover, the granting of ministerial power to direct Crown Entities reflected long-standing tensions between demands for ministerial oversight and demands for granting a degree of autonomy to arm's-length bodies. This tension was resolved by defining the minister's role in the

development of organizational “statements of intent” and constraining the power of ministers to direct individual entities. Following the “Review of the Centre,” the initial bill introduced a “whole of government” power to “direct” that applied to classes of crown entities but not to individual entities. On the surface, this could be seen as compatible with post-NPM-related ideas. However, the key motivation was not to compensate for the perception of an overfragmented state. Instead, this power was included to accommodate the political desire to be able to shape individual organizations.<sup>15</sup>

Finally, the ethics dimension of the legislation reveals a more complex set of motivations than post-NPM-type accounts would allow for. Post-NPM accounts stress the role of thickened procedural and ethical guidance in appointment matters in order to reduce the risk of patronage. On the one hand, the legislative package accompanying the Crown Entities Act did include an extension of the mandate of the State Services Commissioner to set standards for almost all employees in the wider state sector through a code of conduct. On the other, the concern with improving standards did not extend to board appointments. Appointment to government boards has long been the last bastion of patronage in New Zealand public administration, and this predates the reforms of the 1980 and 1990s. Despite receiving advice to introduce the “merit” requirement for board appointment, this criterion was watered down by the Cabinet to “appropriate knowledge, skills and experience.” This was interpreted as granting ministers wider discretion to allow for the appointment of “our” people with appropriate political connections and understandings.

In short, the Crown Entities Act was neither a response to problems generated by NPM nor a result of an application of solutions influenced by post-NPM-type ideas. Rather, it was the New Zealand response to the enduring problem of arm’s-length government that predates NPM-related public sector reform across OECD governments (Gill 2002). The Crown Entities Act can therefore best be seen as an attempt to deal with long-term issues and a case of “unfinished business.” It emerged as a response to long-standing concerns in New Zealand central government rather than as a response to side effects generated by NPM-type reforms. When looking at the key choices that characterized the Act, it is difficult to find any straightforward application of administrative doctrines that were guided by post-NPM-related ideas. More broadly, the argument that the age of post-NPM has witnessed reduced fragmentation needs to be qualified. Despite the rhetoric about reduced fragmentation, there has been no significant reduction in the number of state sector bodies in New Zealand (Gill 2006).

## Conclusion

This article has advanced three issues. First, it has contributed to the debate regarding the study of administrative reform themes by offering a

multimethodological perspective. Second, it has contributed to the literature on changing fashions in the practice and rhetoric of administrative reform. Third, it has contributed to the wider understanding of ongoing developments in New Zealand, a case that continues to attract considerable attention as a reform “outlier.” In this conclusion, we deal with each of these points in reverse order.

First, the New Zealand story suggests that the argument of a diagnosed mega-trend, from NPM to post-NPM, is difficult to sustain. Across all three sections, considerable evidence suggests an entrenchment of ideas that were initially formalized in the late 1980s. Indeed, the supposedly NPM-related reforms were far more diverse and varied than is often stereotyped—especially when looking at the way in which PSBs were “lived” in the perceptions of high bureaucrats and other actors. For example, the continued importance of serial loyalism for chief executives (despite the end of tenure) was something that is not widely associated with the NPM literature. The reforms that have been widely associated with post-NPM point to long-standing concerns in executive government rather than problems generated by NPM alone; in other words, rather than “pendulum swings,” we are observing a process of “layering” (as highlighted in the institutional literature) that is driven by more varied processes than solely that of disappointment generated by NPM.

As noted, the diverse arguments put forward by the SSC, the events that led to changed understandings across PSBs, as well as the ideas underpinning the Crown Entities Act 2004 did not constitute a reversal of earlier reforms; rather, they built on existing reforms and moderated and diversified particular aspects of these reforms, leading to a more complex and diversified MoG that hardly constituted a “paradigm.” In other words, the extent of change in New Zealand has been one of degree, not one of shifting paradigms. Despite the claims of a new post-NPM paradigm (and its “public value” and DEG relatives), no one set of coherent and consistent administrative doctrines reigns in New Zealand. Even the age of NPM appears more diverse than often allowed (especially when viewed through the lens of PSBs), and the trend in the 2000s has most certainly been one of diversification. The diagnosis of diversification is one that is shared by other comparative studies on developments in executive government: Hood and Lodge (2006, ch. 10) similarly diagnosed a trend toward diversification in the United Kingdom and Germany and suggested that such trends would continue.

Second, in order to move the contribution of this article beyond the specifics of the New Zealand case, one further objective has been to encourage wider insights by utilizing various methodologies, ranging from “textual analysis” to interviews to the analysis of a critical case to suggest a comprehensive research approach toward administrative reform. We looked at different sites, ranging from overall MoG discussions to change in the PSBs at the top of ministerial departments, to change in the wider public sector, namely Crown Entities. All of these

methods have their own limitations; nevertheless, we regard this as a useful exercise that should encourage other scholars to complement and challenge our analysis on New Zealand, and, more importantly, cross-nationally.

Third, concepts such as NPM or post-NPM are academic inventions to summarize wider empirical developments. For concepts to make a useful contribution to the worlds of research and practice, the literatures need to do better in terms of clarifying arguments. This article has attempted to do so by going “back to basics,” by trying to identify some of the “essence” that drives sets of doctrines, and then by exploring, through different methodological lenses, the strength of claims made in the wider literature in the light of one critical case, New Zealand. We acknowledge that rival interpretations exist and invite challenge, but would emphasize that for this debate to advance, the debate has to take place on the paths explored here, namely, a clear definition of phenomena and the utilization of multiple methodologies. In short, if the literature wishes to continue to engage with ambiguous terms, then it needs to do so in a more careful way to allow for some degree of empirical relevance.

### Notes

1. Indeed, the authors suggest that DEG offers a “perhaps unique opportunity for self-sustaining change” (Dunleavy et al. 2005, 467).
2. <http://www.ssc.govt.nz/display/document.asp?DocID=2776> (accessed May 12, 2010).
3. Dunleavy et al. (2005) confuse the nature of a working paper that reflects the view of an individual author with a more formal organizational view by the SSC (with no named author). We solely focus on those documents that put forward “policy advice” or represent organizational positions.
4. The SSC unsuccessfully opposed the Treasury-led drive for the establishment of state-owned enterprises in 1984–1985.
5. The SSC issued a revised set of MoG principles after the 2008 election. It included an emphasis on reduced state sector fragmentation and reduced use of restructuring. However, the underlying administrative doctrines did not reflect any major change; for example, questions regarding the use of arm’s-length bodies were to be treated on a case-by-case basis: “[T]here should be no a priori preference for splitting or joining funding and services delivery roles so long as potential conflicts of interest can be managed appropriately” (SSC 2008).
6. The interview codes reflect the date on which the interview was being held. Bar one exception (a telephone interview), interviews were held in person in Wellington. To protect anonymity, no departmental designations are provided.
7. More broadly, the reforms amounted to a shift “down grid/down group” in the sense of a reduced public service distinctiveness with each public service department becoming the employer, the repeal of the public service manual in toto, and the abolition of the unified public service. In addition, appointments were opened up to the private sector and to nonnationals.
8. The Statement of Intent were, by the late 2000s, widely regarded as little else than “glossy and . . . public relations focused” exercises (Minister of Finance

quoted in Gill 2008, 36) and the associated Managing for Outcomes initiative is widely regarded by practitioners as “missing in action” (Gill 2008, 34).

9. Most prominently, the Christine Rankin case, where the chief executive, highly successful according to a range of her performance measures, was advised by the SSC that she would have to reapply for her position (in competition with others) rather than being appointed for a second term. She took the government to court, leading to embarrassing revelations regarding statements made concerning her dress sense. She lost the court case but is still regarded as a primary example for the importance of appointing chief executives who understand “the rules of the game.”
10. For example, a reciprocal “statement of expectations and commitment to the state sector” between chief executives and ministers that was signed by both parties in March 2001 was not actively re-endorsed by ministers following further elections.
11. Crown Entity is the New Zealand term for arm’s-length public bodies that are not ministerial departments, or state-owned enterprises, or offices of parliament. They are analogous to nondepartmental public bodies in the United Kingdom or to agencies in Sweden (Gill 2002).
12. There were technical amendments to the Public Finance Act (PFA) including incorporating the Fiscal Responsibility Act, new specific legislation relating to Crown entities, and provisions to increase flexibility through mechanisms such as multiclass output expense appropriations. There were also small modifications to the State Sector Act (SSA) on leadership development, extending the commissioner’s mandate in the wider state sector. Overall, the broad principles and main provisions (of the PFA and the SSA) have survived largely unaltered since 1989 (Gill 2010).
13. Most prominently, the Tourism Board, the Fire Service Commission, the Lottery Grants Commission, and the NZ Qualifications Authority. Incidents related to inappropriate payments, the political nature of appointments, as well as a “confused” relationship between ministers and crown entities.
14. More generally, organizational restructuring has been a continuous feature in New Zealand over the last two decades. For example, a survey by the Ethics Resources Centre (2007) (commissioned by the SSC) suggested that 48% of Crown Entity staff and 57% of departmental staff had experienced restructuring over the previous two years.
15. So far, politicians have used the “whole of government” direction only once—to require complementary e-government standards.

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## Appendix

This paper represents the collaboration between two researchers with different backgrounds (practitioner and academic). One (Gill) has considerable experience as a senior public servant in New Zealand with direct responsibility for leadership of public management issues and therefore policy developments under consideration in this paper. The other (Lodge) has a purely academic background in the subject. A number of key ethical and methodological issues arise from this collaboration. First, the analysis does not in any form reflect any official views represented by the New Zealand government. Second, the actual work on this paper required some

adjustments across all three sections: (1) In the section utilizing the “administrative argument,” the documents provided by the SSC were those identified as critical by Gill from his experience in the SSC. Lodge and Gill independently coded the documents and then moderated the results. (2) The section on “Public Service Bargains” utilizes interviews conducted by Lodge. As Gill was not part of the interviews, and interviewees were not aware that a former colleague would be involved in utilizing the interview material, the section was written by Lodge alone. (3) The Crown Entity Act work was led by Gill. He therefore has unique insight into this episode, although, of course, there are particular biases due to individual participation. We provide these comments not just to increase transparency regarding this particular paper; this collaboration raises wider research ethics issues for collaborative projects that involve researchers with practitioner and purely academic backgrounds that have rarely been discussed in the wider literature.