

**OBEDIENT SERVANTS?
MANAGEMENT FREEDOMS AND
ACCOUNTABILITIES IN THE NEW ZEALAND
PUBLIC SECTOR
by Richard Norman**

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Obedient Servants? Management Freedoms and Accountabilities in the New Zealand Public Sector. Richard Norman; Wellington, Victoria University Press, 2003, 256 pages, ISBN 0-86473-467-0

New Zealand is still held up as an example of New Public Management (NPM) and the most radical, comprehensive transformation of a state system. Over a period of twelve years from the mid 1980s to the late 1990s governments, led first by the Labour Party and then by the National Party, carried through a management revolution. Both were armed with a belief in the superiority of private management models for running public 'businesses' and proceeded to deregulate, privatize, and marketize the state sector and then transform the way the remaining public services were run. Great claims have been made for the results of these reforms and many other countries have followed New Zealand's example. As Norman states, during the early 1990s the New Zealand Treasury was receiving on average one delegate a week to study how their system worked. But as with most public management reforms, little systematic evaluation of their effects has been undertaken either by governments or academics. Pollitt and Bouckaert (2004), however, have exposed the many trade-offs, balances, limits, dilemmas, contradictions, and paradoxes that litter the recent history of NPM throughout the world. Their conclusion is that there is far more rhetoric than rigor.

Norman's book is about public-sector managers and how NPM has changed their working environment over the last fifteen years. It is also "a study of how rhetoric has translated into organisational routines" (18). The rhetoric he focuses on is "giving managers freedom to manage whilst at the same time increasing political control over strategic direction and the allocation of resources" (ibid.). Not only does this seem to be a potential contradiction but also a recipe for conflict between the two aims. This is the conclusion he finally comes to.

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Before entering academia in 1994, Norman had been both a journalist and a civil servant. His own experiences, working in the State Services Commission from 1988 to 1994, provided him with an insider's view of the early reforms and how public bureaucracies work. Anecdotal stories told to him by his public-sector students at Victoria University further fueled his interest in how the reformed system of public management was actually impacting on managers. He chose to investigate the new system of performance management for his doctoral thesis. The book draws not only on his extensive knowledge of the international literature on the subject and on primary sources of government publications, but also upon data from ninety-one interviews with MPs, chief executives, consultants, and senior officials. It offers, therefore, a bird's-eye view. Norman's aim in undertaking the research was always more than to obtain an academic qualification. In his own words: "A thorough examination of how control systems, in a practical way affect the delivery of these services will, I hope, make a practical contribution towards the maintenance of a noble calling and strong government" (10).

There are three parts to the book. Part 1, *Public Sector Performance: Challenging the Conventions*, outlines the reforms introduced in the late 1980s and 1990s and in particular the managing for performance revolution. He identifies the core dilemmas facing the government as getting the right balance between central control and local autonomy. He contrasts the classical model of bureaucracy, or managing for process model, with the NPM managing for results model. The first is based on rules and regulations and strict hierarchical accountability to maintain centralized authority. The second, which he calls the thermostat or input-output model, is based on clear objectives, freedom to manage, and accountability for results to an external monitor. Norman challenges anyone to argue against the logic of the prescriptions of clear objectives, well-focused managers, quality information, and a feedback loop of accountability, but he then asks: Does the rhetoric match the reality?

In Part 2, *Realities of Reform*, Norman describes the results of his research. First, the reforms did produce more managerial freedom at the outset when there were some heady days of empowerment. But, some high-profile disasters and embarrassments for the government played their part in a gradual reduction of freedom and increase in constraints. In fact, Norman suggests that freedom to manage has actually replaced the appearance of control with the substance of control. He highlights all the paradoxes implicit in the NPM prescriptions, which point to the inevitability of increasing constraints or to perverse effects. First, freedom for managers must necessarily be at the expense of control by politicians. If managers mess up, then politicians will want to increase their control. Also, if managers are given responsibility for results, opposition politicians in a parliamentary system will seek to investigate and expose their activities.

Management by objectives provides a basis for accountability, but because of the high personal risk to chief executives and senior managers of failure to deliver, a game of planning and reporting develops in which formulaic responses come to dominate. Managers will seek to ensure the objectives are low risk and achievable. Sophisticated information systems make public management more transparent but also create more bureaucracy. Paradoxically, the more information is available the more controls are introduced and the less freedom or decentralization there actually is. According to the interviewees, the experience of NPM's aspiration of arm's length, market-like accountability is more rhetoric than reality. The new system of governance by contracts and detailed specifications created a complex and

adversarial environment in which competition proved counterproductive, where coordination was difficult if not impossible, and a whole army of regulatory bodies have been created to control from the center.

In the final section of the book, Norman concludes that his interviewees had experienced the results-oriented approach to management as a series of paradoxes.

This had consequences in the actions that followed. Greater managerial freedom had led to a gradual increase in constraints on managers' autonomy. Management by objectives had often resulted in goal displacement. New information systems had led to excessive record keeping, but descriptive rather than analytical records that were of limited use. The new systems of accountability and regulation encouraged compliance rather than the innovation and risk taking that were expected of a highly decentralized, flexible, multidivisional structure.

Norman's critique of the NPM doctrines applied in reforming the New Zealand public sector is that they were one-dimensional and unbalanced. In fact, they dealt only with the tip of the organizational iceberg, ignoring four Ss of the McKinsey 7S model, namely staff, style, shared values, and skills. He questions whether the private-sector model is appropriate for the public sector, pointing out that markets have limited application in a system which is about making authoritative choices about collective purposes and where the criteria of reference are very different from the bottom line and consumer satisfaction. Markets also transform public servants from stewards of the national interest into contractors of specific services, which many do not want to be.

The problems resulting from the application of NPM doctrines are not unique to New Zealand, but have been experienced in other countries practicing NPM. They include the difficulties of coordinating the work of government resulting from fragmentation and agencification, the barriers that get in the way of effective interactive control because of the separation of policy departments and administrative agencies, and the negative effects of excessive controls and regulations on the morale and motivation of public servants. NPM paradoxically engenders a low trust culture when it was designed to let managers manage and politicians to steer the ship of state.

Norman points out that some lessons have been learned. In 2003, after the election of a new government, under a new system of proportional representation, a less dramatic process of change is underway in New Zealand. The pendulum has now swung towards concern about fragmentation, flexibility, and staff commitment, and there is an acceptance that results-oriented management is an unrealistic pursuit in the public sector.

This case study is a useful addition to a small but growing literature on the evaluation of NPM. While New Zealand still has the merit that it commissioned two broad-scope evaluations of the reforms (Schick 1996; Steering Group 1991), and that these have influenced the changes now taking place, there is still little knowledge as to which NPM elements have achieved what results. Even though Norman's research is limited in scope, it focuses on an NPM *Leitmotiv*, which is managerial autonomy. Similar to the evaluation by Pollitt, Birchall, and Putnam (1998) of the decentralization of the health, education, and housing sectors in the UK, Norman highlights that the relationship between managerial freedom and political control is far from being as straightforward as Osborne's and Gaebler's (1992) recipe to separate steering from rowing suggests. This is an important

message for many developing and transition countries where ill-informed Western consultants praise the New Zealand model of the 1990s as the way to go forward.

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