

1 NPM around the World

This Element is about the challenges of working collaboratively in and with governments in countries with a strong New Public Management (NPM) influence. The NPM is a set of ideas about government reform centered on running government more like a business that peaked in the 1980s and 1990s but is still strong today, albeit in different forms and concentrations, across many countries and jurisdictions. As the evidence from New Zealand used in this Element demonstrates, collaboration – working across organization boundaries and with the public – was not inherently a part of the NPM and was often discouraged or ignored. When the need for collaborative public management approaches became obvious, efforts centered around “retrofitting” collaboration into the NPM, with mixed results. This Element analyzes the varied challenges, successes, and failures that arise when collaborative ideas, approaches, and processes are interjected into New Public Management regimes.

Margaret Thatcher in the UK and Ronald Reagan in the USA are credited with first introducing NPM into their countries, followed by Australia and New Zealand, which developed their own robust variants (Christensen and Lægheid, 2001; Pollitt and Bourckaert, 2017). From the sometimes vague notion of government importing efficient business values and processes (Andrews, 2010) have come several specific cross-cultural themes, including the following (Pollitt and Bouckaert, citing Hood, 1991, 1996; Lane, 2000; Osborne and Gaebler, 1992; and Pollitt, 1990, 2016):

- The prominence of performance and the measure of outputs;
- The creation of lean, flat, small, and specialized or disaggregated organizational forms, and the breakup of larger bureaucracies;
- The extensive use of contracts, not only for procuring government services, but with the heads of public organizations to incentivize and reward performance;
- The use of market-type mechanisms, including competition and pay-for-performance; and
- Referring to and treating the public as customers.

When the NPM was first implemented, many exaggerated its universal acceptance, saying that there was one clear unified direction (Hood 1991, 1995). At its peak, for example, David Osborne and Ted Gaebler, a reporter and a city manager from the USA, published *Reinventing Government* (1992) maintaining that “a similar process is underway throughout the developed world” (1992: 325). Following suit, a junior minister of the UK Treasury said:

All around the world governments are recognizing the opportunity to improve the quality and effectiveness of the public sector. Privatization, market testing and private finance are being used in almost every developing country. It is not difficult to see why. (Dorrell, 1993)

This exaggeration is attributed to “quick and cheap” rhetoric, as well as data obtained on the Internet “without leaving one’s desk” as opposed to sophisticated field research examining the impact of various management practices on government outcomes (Pollitt and Bouckaert, 2017: 13).

In fact, NPM did propagate around the world, but in different forms and strengths. There was a “multiplier effect” where those trained in NPM paradigms trained others, including NPM consultants spreading their gospel when hired by public sector organizations (Pollitt and Bouckaert, 2017: 14). The common themes often were “to restrain public spending, lighten bureaucratic burden, and reshape social policies that can no longer be afforded” (Pollitt and Bouckaert, 2017: 36).

While some scholars summarized NPM as “disaggregation + competition + incentivization” (Dunleavy et al., 2006), others have pointed out that the many streams of NPM make such a standardized view difficult. For example, there are NPM proponents with roots in economics and principle-agent theory (with an emphasis on low trust of public employees [e.g., New Zealand; see Aucoin, 2010]), who wanted to “make the managers manage,” and others with roots in leadership and innovation wanting to “let the managers manage” by allowing them leeway to develop creative ways of serving the public. “The hard version emphasize[d] control through measurement, rewards, and punishment, while the soft prioritize[d] customer-orientation and quality, although nevertheless incorporating a shift of control away from service professionals and towards managers” (Pollitt and Bouckaert, 2017: 10).

Today there exists a “shopping basket” of NPM options for reformers (Pollitt, 1995). “[NPM] . . . comprises neither a unified theory of, nor a random collection of ideas about, public management. . . . [I]t has been applied in different ways with variable effects across a range of jurisdictions, and is thus associated with a varied assortment of policy interventions and reform agendas” (Boston, 2010: 17). Seemingly, a thousand NPM flowers have bloomed across a multitude of jurisdictions – both national and subnational. There are countries – like New Zealand – that ate heartily from the NPM smorgasbord, while there are other countries – like Finland, France, and Japan – that have selectively chosen only a few items to consume from the NPM menu. It should not be surprising, therefore, that NPM results around the world are quite different (Boston et al., 1996; Cheung, 2010; Christensen and Lægheid, 2001; Hansen,

Retrofitting Collaboration into the New Public Management 3

2010; Hood, 1996; Kettl, 2000; Kickert, 2010; Lane, 2000; Pollitt, 1995, 2003, 2016).

One of the strongest themes of NPM concerns performance. The foci here are “performance, results, and efficiency” with an emphasis on “active monitoring” (Pollitt and Bouckaert, 2017: 82–83), and the literature on the topic is vast (Bouckaert and Halligan, 2008; Mayne and Zapico-Goi, 2017; Mizrahi, 2017; Moynihan, 2008; Talbot, 2010; van Dooren and van de Walle, 2008). The negative spin on performance management is that it created its own bureaucracy to measure, monitor, and judge the performance of NPM organizations and managers. The positive spin on performance is that it has “produced opportunities for citizens to understand better what their governments are producing and this in turn can serve as an impetus to greater public involvement on the output side of government” (Peters, 2010).

After many decades of implementation experiments and “increasing intellectual self-awareness” (Hood and Peters, 2004: 268), the NPM tsunami began to slow around the year 2000 in most countries (Christensen and Lægreid, 2010b; Pollitt and Bouckaert, 2017). Today the strengths, weaknesses, and challenges of NPM have become clearer (see, e.g., Diefenbach, 2009 and Lorenz, 2012), and NPM solutions are no longer necessarily seen as the default setting to address a multitude of public sector challenges. However, NPM is not dead as some have proclaimed (see Dunleavy et al., 2006). “NPM continues to exercise an influence” (Halligan, 2010: 83) and particularly has retained a dominating influence in New Zealand public administration.

Some of the disillusionment concerning NPM comes from the realization that, paradoxically, many anti-hierarchical measures were implemented by ratcheting up hierarchy, calling into question NPM mantras advocating for a break with bureaucracy. Tied in with this was the realization that many anti-bureaucratic NPM reforms have been fostered through the creation of laws that, in fact, created more bureaucracy. Moreover, “making managers manage” may have had the effect of undermining political control (Christensen and Lægreid, 2001:309), with managers subject to public scrutiny and media attention, caught in the middle of the NPM sandwich with politicians on one side and customers on the other. In addition, increased contracting out – a pivot point of NPM (see Pallesen, 2010) – has exacerbated coordination problems in bureaucracies (Kettl, 2016).

Complicating NPM challenges is the fact that objective evaluation of NPM efforts has been patchy at best, with some maintaining that the best governments can do may be to strive for changed organizational culture “talk” and to strive for openness to new ways of managing public programs (Pollitt, 2002). This seemingly simple way forward is, in fact, quite complex, as country and

organizational cultures are the water in which NPM swims, often changing the nature of reforms (Byrkjeflot, 2010; Verhoest, 2010). “The NPM . . . use[d] an overly rational and rather unrealistic set of assumptions. . . . It also tend[ed] to focus on the inner workings of individual organizations (see, e.g., Brunsson, 2010) and pay less attention to the ‘big picture’” (Pollitt and Bouckaert, 2017: 214).

In addition, many jurisdictions today have an increased realization of the importance of collaboration, also called joined-up governance, and whole-of-government approaches (Christensen and Lægreid, 2010a; O’Leary, Gerard, and Bingham, 2006; Osborne, Radnor, and Nasi, 2013). Included in this is the idea that the purpose of the public sector is service delivery, which includes the need for customer-centric and codesign approaches (Bingham, Nabatchi, and O’Leary, 2005; Osborne 2010; Osborne, Radnor, and Nasi, 2013). To some, “the horizontal challenge [is now seen] . . . as even more important than the vertical, because [of] the large number of sectoral pillars or ‘silos’ created [through NPM]” (Christensen and Lægreid, 2010a). Still, NPM persisted despite the realization that it often failed to address complexity (Diefenbach, 2009), with most efforts to address NPM silo effects added onto NPM programs rather than replacing them (Christensen and Lægreid, 2011; Christensen and Lægreid, 2012, 2015; Lodge and Gill, 2011; Xialong and Christensen, 2019).

Research in the last decade concludes that it is possible to have a strong emphasis on performance while grappling with intraorganizational challenges. In other words, performance and collaboration need not be mutually exclusive. Some researchers, for example, found that collaborative processes, in fact, have been related to better performance (Thomson, Perry, and Miller, 2008). Others have concluded that a balance of intraorganizational foci and interorganizational foci is needed for effective performance governance systems (Halligan, Sarrico, and Rhodes, 2012). An analysis of 1,875 senior leaders in the public and nonprofit sectors found a perceived positive link between collaboration and performance as the main catalyst for engaging in collaboration as a management strategy (Mitchell, O’Leary, and Gerard, 2015). Researchers who examined the interaction of performance and collaboration, both within agencies and across agencies, concluded that extensive investment in individual agency performance systems weakens interagency collaborative performance efforts. “As managers feel as if they will be held accountable to [individual] agency priority goals, they do not become any more likely to collaborate to improve cross-agency priority goals” (Choi and Moynihan, 2019: 1551). In fact, interagency performance goals may undermine interagency collaboration.

1.1 The New Zealand Context

New Zealand’s wholesale, root and branch, public management reforms enacted through the Public Finance Act of 1987, the State Sector Act of 1988, and the State-Owned Enterprises Act of 1988 have been well documented internationally and have persisted (with minor tinkering) for thirty years (Aucoin, 1990; Boston, 1991; Boston and Eichbaum, 2007; Pollitt and Bouckaert, 2017; Scott, 2001; Treasury, 1984; Treasury, 1987). The reforms also removed many of the previous centralized public administration directives allowing managers to manage in the most efficient way to deliver their outputs. In essence, the reforms created new, more narrowly focused, public sector organizations in lieu of multifunction departments reporting to a minister through a permanent head. The legislation and accompanying administrative instruments put in place a system of governance and financial management controls seen as typical of NPM (Peters and Savoie, 1998). As Osborne and Gaebler put it, New Zealand went “the farthest along the entrepreneurial path . . . [i]n one fell swoop” (1998: 330). See Box 1.

BOX 1 A CLOSE-UP LOOK AT NEW PUBLIC MANAGEMENT CHANGES IN NEW ZEALAND

Examples of NPM changes made in New Zealand may easily be found in the social sector, specifically the Department of Social Welfare, the Department of Education, and the Department of Health. Under NPM, these mega-departments ceased being responsible for the direct delivery of public services such as pensions, unemployment and housing support, education, and health services. The departments instead were separated into policy and service delivery branches, and their services were broken up into measurable units to be contracted out. This had a dramatic effect on the connectedness and coherence of government-funded social services (Boston et al., 1991).

In the education sector, the Ministry of Education was limited to policy development, while operational agencies were formed to provide support to schools and early childhood services, including an agency to provide special education services to children with special needs. Schools and tertiary education institutions acquired their own elected boards and a certain amount of autonomy about their delivery within nationally specified guidelines. There was little or no attention to how issues that cut across these “silos” would be addressed.

Outside of central government, a plethora of statutory authorities such as boards responsible for services like pest control or water quality in a district were swept away and replaced by a single layer of local government bodies responsible for a narrower range of functions in their local area. District councils, elected by people living in their area, are now responsible for local services such as drainage, roads, and garbage. Many of these also provide additional public services such as parks and libraries. Regional councils are responsible for public transportation and environmental management plans as well as environmental monitoring. In some cases, these two types of local government bodies have been merged into large unitary councils performing all these functions, as is the case with the Auckland City Council.

Notwithstanding the local level of government, New Zealand’s governance of many social and economic policy areas also is highly centralized. At the national level, departments or ministries are responsible for providing one or more portfolio ministers with policy advice and other specified services. Control tools established under NPM included public service organizations headed by chief executives on fixed-term contracts, as well as annual purchase agreements between the minister and a department that specified the requirements for delivery in terms of outputs. Outputs were constructed from the unbundling of services into discrete specific and measurable deliverables.

The arrangements put in place for accountability and financial management resulted in complex government services being broken down into discrete parts that often became the responsibility of more than one delivery agent. For example, interventions to help at-risk youth find employment might consist of a series of discrete tasks (e.g., delivery of policy advice, interviewing and screening at-risk youth, providing employment readiness training, matching youth and employers) spread across separate agencies. What each agency was responsible for was reduced to a list of tasks or items that could be measured, while the outcome of improving the situation for at-risk youth went unmeasured and unmonitored.

This managerialist frame (as it was named by Pollitt, 1993) became the cornerstone of NPM in New Zealand: Ministers were responsible for policy, and their departments were responsible for implementation and operational matters. Departments were given more freedom to manage through the elimination of many managerial guidelines and restrictions. Many discrete services that could be sufficiently specified were outsourced to third parties – some governmental, some nongovernmental (NGO), some not-for-profit, and some private organizations.

While connecting the cause and effect of NPM reform mantras with actual change can be difficult (Pollitt and Bouckaert, 2017), a prominent New Zealand

Retrofitting Collaboration into the New Public Management 7

scholar, Jonathan Boston, summarized the specific goals of reforms in New Zealand as follows, helping us to understand what was intended when major NPM changes swept that country in the 1980s and 1990s. Boston notes that not all the goals received equal weight:

- Improving allocative and productive efficiency, and enhancing the effectiveness of government services;
- Improving both managerial and political accountability;
- Reducing the level of government expenditure and the size of the core public sector;
- Reducing the range of state functions under direct ministerial control, and minimizing opportunities for the non-transparent use of public power;
- Minimizing the risk of bureaucratic, provider or regulatory capture;
- Improving the quality of the goods and services produced by public agencies; and
- Making public services more accessible and responsive to consumers, as well as more culturally sensitive (Boston, 2012: 7).

By most accounts, New Zealand was successful in increasing efficiency and effectiveness in large part through the never-ending efforts of the Ministry of Finance and the State Services Commission (Boston et al., 1996), creating the vertically streamlined government it wanted. These agencies were zealous in their oversight of the administrative side of the reforms in individual departments and agencies to ensure that there was no slipping back into what was seen as the pre-reform culture in which costs tended to escalate and accountabilities tended to blur because the policy and delivery arms of government were interlinked, and service providers were “captured” by the sectors they administered. Chief executives were held accountable for the delivery of their department’s programs, on time and within budget.

Tenure of employees was dramatically lessened, with all members of the New Zealand Senior Executive Service mandated to reapply for their jobs after five years. Chief executives, whose tenure was governed by contract, could serve for a maximum of eight years (five years plus three after favorable review of performance). Promotion was tied to the accomplishment of specific goals rather than conferred by seniority. Annual pay increases of civil servants and the centralized negotiation of non-pay conditions of public employees were abolished. The civil service was brought under the Labor Relations Act that previously applied only to the private sector. In short, the civil service deliberately became “deprivileged” (Pollitt and Bouckaert, 2017: 94).

At the same time, several of the NPM goals received little or no attention (Boston, 2012; Schick, 1996; Scott, 2001), including the following:

- Developing new forms of governance for the handling of complex and controversial policy issues, such as joined-up governance, collaborative governance and co-management;
- Enhancing horizontal coordination across governmental organizations and more joined-up service delivery; and
- Increasing the role of citizens, as opposed to consumers, customers and clients, in the design, delivery, oversight and control of public services (Boston, 2012: 8).

Hence, although NPM was often presented as focused on outcomes, the reality of the reform fell far short of its intentions. In fact, its implementation reinforced organizational and service silos (sometimes called stovepipes) that impeded outcomes. As a result, any initiative requiring collaboration, joined-up approaches, or citizen participation became more difficult to achieve.

One of the biggest problems turned out to be the design principle behind some of the reforms that “all state organizations should, at least ideally, have only one main function” (Boston, 2012: 8). This led to the decoupling of programs and institutional fragmentation that hinders outcome achievement today. Tied in with this, there have been unanticipated consequences of the NPM reforms that serve as impediments to, and inhibitors of, collaboration, which we explore in this Element.

New Zealand may have focused too heavily on accountability at the expense of personal responsibility – a phenomenon that inhibits collaboration, concluded a public finance expert:

[T]he words [responsibility and accountability] lead down very different managerial paths. Responsibility is a personal quality that comes from one’s professional ethic, a commitment to do one’s best, a sense of public service. Accountability is an impersonal quality, dependent more on contractual duties and information flows. Ideally, a manager should act responsibly, even when accountability does not come into play. As much as one might wish for an amalgam of the two worlds, the relentless pursuit of accountability can exact a price in the shrinkage of a sense of responsibility. Responsibility itself is not sufficient assurance of effective performance; if it were, there might have been no need to overhaul public management. Yet something may be lost when responsibility is reduced to a set of contract-like documents and auditable statements. (Schick, 1996: 84–85)

New Zealand fell for NPM and fell hard. It is considered one of the strongest creators, proponents, developers, and implementers of NPM in the world, striving to be what Pollitt and Bouckaert (2017: 158) call a “high-change country.” As NPM reforms receded in other countries that often developed a growing appreciation for, and an interest in, collaboration, joined-up

Retrofitting Collaboration into the New Public Management 9

governance, and whole-of-government approaches (Christensen and Lægreid, 2010b; Osborne, Radnor, and Nasi, 2013), the ghost of NPM past has remained in New Zealand, making collaborative public management and working across boundaries difficult, as this Element demonstrates.

There have been efforts to plug these NPM holes in New Zealand with programs that have been added on to – and have not replaced – NPM. Most notably, an early attempt was the naming of Strategic Results Areas, as well as Key Results Areas, that strived for cross-organization collaboration (Boston et al., 1996: 282–283). The Better Public Services program pursued from 2011 to 2016 established a renewed focus on targets aimed at achieving results for New Zealanders as a whole.

The Performance Improvement Framework (PIF) was added to NPM performance efforts in 2009 to help top managers in New Zealand government lead performance improvement in their agencies and across the system over a four-year time horizon. Yet researchers who analyzed the PIF in 2019 found “problems emanating from the continuing influence of NPM” with NPM-style performance measurements “anchor[ing] the process in a backwards looking view of performance against static expectations. . . . demonstrating the issues associated with holding on tightly to NPM while significant change occurs” (Allen and Eppel, 2019: 2).

The enduring strong influence of NPM-created organizational silos and administrative machinery in limiting collaboration across boundaries to connect services to meet more complex and evolving needs is perhaps the best reason for the use of data from New Zealand for this Element, coupled with our strong familiarity with New Zealand public administration. One author is a seasoned New Zealand “insider” public servant and scholar who has experienced first-hand, and written about, collaboration challenges in New Zealand for over three decades. The other author is a seasoned U.S. academic who studied the challenges of retrofitting collaboration into NPM in New Zealand as an “outsider” working with the New Zealand government as an Ian Axford Public Policy scholar in 2014 and in subsequent work. By examining how the strong strains of NPM so clearly evident in New Zealand have affected two decades of collaborative efforts, our goal is to develop generalizable understandings and recommendations for other countries seeking to retrofit collaboration ideas, approaches, and processes into their NPM structures and processes.

Toward that goal, this Element is organized as follows:

Section 2 provides a brief overview of theories of collaboration. We examine why and under what circumstances collaboration is essential for the work of government through the theoretical lenses of resource dependency, common purpose, shared beliefs, political interests, and catalytic actors. We also

introduce the idea of collaborative leadership. One of the lessons of this section is that there are many diverse reasons why organizations may want or need to collaborate. Another lesson is that collaborative leadership requires both a different mindset and a different skill set than traditional leadership.

Section 3 introduces the culture of the NPM that remains in New Zealand today and has made collaboration difficult and at times impossible. Fear of, and punishment for, collaboration that does not comport with standard operating procedure is prevalent. At times, this fear and punishment have pushed collaboration initiated by New Zealand public servants looking for better ways to serve the public under the radar. The specter of NPM lives on in New Zealand and affects change efforts. At the same time, there is a need for bottom-up creativity, permission to try new collaborative approaches, and the empowerment of those who initiate collaborative approaches.

Section 4 presents three case studies in which collaboration has risen above the radar successfully by adapting the NPM governance system. But abrasion points remain. Two of the case studies – Whānau Ora, designed by Māori to serve Māori, and the Better Public Services (BPS) justice system result areas – are national initiatives. The Southern Initiative, which addresses challenges in a lower socioeconomic part of Auckland that has experienced significant social and economic challenges over many years, is the work of one large local unit, the Auckland City Council.

Section 5 dives into the work of the New Zealand Land and Water Forum and the Canterbury Water Management Strategy, two examples where collaboration was an explicit feature of the governance processes adopted. The Land and Water Forum, a nongovernmental entity, brings together a range of industry groups, environmental and recreational NGOs, iwi (Māori), scientists, and other organizations with a stake in freshwater and land management to discuss, innovate, and collaborate with the goal of developing a shared vision and a common way forward among all those with an interest in water. The analysis in this section highlights tensions with the Forum and the New Zealand government, as well as the roles of law, leadership, and culture in both promoting and slowing collaborative efforts to protect water. Juxtaposed to the Land and Water Forum is the Canterbury Water Management Strategy with local catchment zone committees and a forum of district mayors that has been successful in catalyzing collaboration at the local government level. The strengths and weaknesses of the Canterbury approach are analyzed.

In Section 6 we review the lessons learned from our research and the work of others concerning the uneasy coexistence of collaboration and NPM. Our findings and the work that supports them lead us to identify numerous suggestions for retrofitting collaboration into strong NPM governments. New Zealand,