Rediscovering Public Service in New Zealand after 30 Years of New Public Management?

Abstract
Legislation change is ‘easy’ compared with changing organisational cultures, which have the most powerful influence over whether rhetoric about a ‘spirit of service’ will translate into realities for citizens and political leaders. The competing values framework, developed in reaction to one-size-fits-all models of private sector management, helps show the scale of the change being sought with the proposed Public Service Act.

Keywords competing values, organisation culture change, navigation capabilities, market, clan, network, hierarchy

Changing workplace cultures will be the most challenging part of the review of the 1988 State Sector Act. For 30 years the New Zealand public service has been organised using managerial practices, which were once seen as best practice for multi-divisional corporations. Market-like techniques such as contestability, accountabilities, strategic plans and ‘SMART’1 goals were adopted in 1988 as alternatives to slow-moving, inwardly focused bureaucracy. Now the emphasis is on reducing the fragmentation which tends to be a by-product of those techniques by emphasising system-wide values such as ‘spirit of service’, stewardship and ‘free and frank advice’.

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The organisation model adopted in the 1988 legislation predates the internet and was enabled by then new spreadsheets which could be used to centralise and analyse increasingly large volumes of numbers. Now the internet provides infinite interconnections, and social media and search corporations have grown to a scale where they challenge the powers of governments. Legislation for public service change is part of a rethink about the purpose and form of organisations for an era of global connections.

The simplicity and certainty of the ‘Friedman doctrine’ of 1970 that a company’s only responsibility is to its shareholders is being rethought. One example of this change is the mission statement of the United States Business Roundtable, which represents chief executives from companies which have in total about 15 million employees. The Business Roundtable now states that the primary purpose of companies is to ‘benefit ... all stakeholders – customers, employees, suppliers, communities and shareholders’ (Business Roundtable, 2019). This replaces a statement adopted in 1997 which expounded the Friedman doctrine that shareholder interests are primary (Economist, 2019).

New Zealand’s Wellbeing Budget of 2019 involves broadening the purpose of governments beyond a dominant focus on economic results. Now, natural, human and social forms of ‘capital’ are given attention alongside financial and physical capital. Proposed changes to the State Sector Act can be seen as part of a rethinking of the market and business values that have dominated public sector discourse since the major reforms of the 1980s.

This article uses the ‘competing values’ diagnostic shown in Figure 1 to interpret the tensions and changes in values. (The competing values framework is described in detail in Cameron and Quinn, 2011 and Cameron et al., 2014.)

The reforms of 1988 broke up a unified, internally focused public service which had strongly embedded values of ‘collaborate’ and ‘control’ – cultures of clans and a unified hierarchy. The television series Yes Minister in Britain and the New Zealand play and television series Glide Time and Gliding On satirised this culture. Hierarchy was visible through a nationwide public service register, which contained the pay grades for a public service headed by ‘permanent secretaries’. Business values were adopted as the driving force for change, reflecting the triumph of Western markets over Soviet communism and advocacy for ‘reinventing government’ (Osborne and Gaebler, 1993) and ‘banishing bureaucracy’ (Osborne and Plastrik, 1997). Health, education, science, engineering, housing and other government functions were restructured to force public entities into competition with each other and with private sector and non-profit alternatives. Permanent secretaries were replaced by chief executives who were incentivised to deliver specified outputs and held accountable for the delivery of those outputs. New Zealand was the first nation state to adopt private sector accounting in the early 1990s, and its decision makers have benefited from annual reporting about the government’s balance sheet. Currently, unlike comparable countries which have negative government net worth, the New Zealand government has net assets valued at 45% of annual gross domestic product (Ball, 2019).

The market values now embedded in New Zealand’s public sector are captured by Max Harris, one of a generation which has known no other system (Matthews, 2017), in his book The New Zealand Project: the private sector is an engine of innovation and creativity. The pursuit of self-interest, and the presence of competition, are beneficial since they can produce that innovation and creativity. … Governments should be slow to act in the economy, since government intervention tends to stifle innovation and disrupt market forces. … Recipients of government support can become dependent. Well-intentioned government action can have unintended consequences. ‘Fairness’ is an empty concept that might be best defined by what people accept within the market. There is no such thing as society, or the public. Choose self-interest. Choose self-regulation. Choose markets. (Harris, 2017, p.55)
Market values emphasise responsiveness to customers and fast action. Such values can foster innovation in services and achieve accountability for results. But they come with risks (see Appendix). Markets can become focused on the short term, fostering internal competition, blaming and gaming in pursuit of funds and statistics which claim results for individual organisational units. Over the course of 30 years of New Public Management, markets established to foster business-like competition for public services have effectively become hierarchies, which use competition to ration public funds. A group representing social service providers has recently claimed that such contracting is covering just under two thirds of the full cost of services – meaning underfunding by government of $630 million (MartinJenkins, 2019).

The competing values model offers a simplified but multi-layered technique for identifying types of cultural change being asked of organisations in this environment. The reforms of 2019 seek, by contrast, a compassionate, unified public service that is motivated by a spirit of service to the community’ (Hipkins, 2018). The proposed principles are political neutrality, free and frank advice, merit selection, openness and stewardship. Proposed values are for a public service that is impartial, is accountable, behaves with integrity, is respectful and is committed to service (State Services Commission, 2019).

The competing values framework provides a ‘see at glance’ explanation of some of the tensions within a large organisational system such as the New Zealand public service (or a corporation such as Microsoft, described below). Overemphasis on one or two values can create unstable organisations. The framework instead emphasises that leaders must focus on both internal and external issues. Organisations need both internally focused commitment from staff and effective external services for customers, citizens or elected representatives. The location which has supported the development of the competing values framework is significant. It began in the 1980s at the Business School of the University of Michigan, based in Ann Arbor, a leafy city of 114,000 people less than an hour’s drive from Detroit, a city based on Ford and General Motors, major adopters of hierarchy and market values with their ‘one best way’ production and marketing techniques (Kanigel, 1997).

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Such analytical techniques were also introduced to the United States government in the 1960s by Robert McNamara, who moved from Ford to become the US secretary of defense between 1961 and 1968.

At a time when the market dominance of the American automobile industry was under challenge from Japanese and European competitors, the competing values framework was a challenge to the ‘rational management’ of the motor industry (Quinn, 1988). The ‘collaborate’ and ‘create’ quadrants of the framework draw on sociology, psychology and anthropology to understand human contributions to organisational success. The ‘control’ and ‘compete’ quadrants describe the values behind the quest of businesses for market share and profit. The languages of economics, accounting, law and marketing tend to dominate these perspectives. The framework captures at a glance more than 100 years of fierce debate about ‘how to organise’, with advocates of efficiency-focused ‘scientific management’ focusing on control and standardisation and the ‘humanist’ advocates focusing on people and flexibility.

Competing values which large organisations currently must accommodate are summarised by Ulrich et al. (2017, p.186). Organisations and their leaders must balance:

- global and local demands;
- the need for change (flexibility, adaptability) and stability (standardisation);
- taking time to gather information and making timely decisions;
- internal and external hiring;
- individual employee needs and collective organisational goals;
- internal focus on employees and external focus on customers and investors;
- top-down organisational control and bottom-up employee empowerment.

Proposals for a Public Service Act to replace the State Sector Act are a reaction against a dominance of market and control values. But the extent to which legislative change can lead to a dominant new cultural value of ‘spirit of service’ will be strongly influenced by managers and analysts who have learned managerial skills through the dominant systems of the past 30 years.

A more useful way of understanding the capabilities the new legislation will need in order to be effective is captured in the term ‘paradox navigator’, used by Ulrich et al. The concept of paradox has roots in Eastern philosophy, where the different energies of yin (female) and yang (male) interact, each working independently and together, generating constant change. The word paradox is based on Greek language. The concept of paradox is contained in management theories such as ‘behavioral complexity, polarity, flexible leadership, duality, dialectic, competing values, dichotomies, competing demands, and ambidexterity’. Navigating involves ‘constantly steering, adjusting, adapting, and evolving more than the disciplines of managing, which implies controlling, resolving, administering, and solving’ (ibid., p.178). Tensions, debates, dialogue and conflicts which emerge as a result of paradoxical thinking can be a positive contributor to organisational change.
When people in an organization agree all the time or act out of their existing roles, adaptation is less likely. Navigating paradox accepts and heightens disagreements that enable organizations to change and evolve. (ibid., p.179)

Market methods adopted in the 1980s sought to tackle financial crisis by reducing complexity to specified results and the measurable. The change challenge now is for a stronger focus on values of collaboration and creativity, difficult capabilities to measure and place in accountability frameworks. Rhodes describes such values at work in British public services as ‘craft’ skills of ‘counselling, stewardship, prudence, probity, judgment, diplomacy, and political nous’. He uses the term ‘craft’ rather than ‘science’ to accept the importance of experiential knowledge as well as formal knowledge. The craft is learned on the job. A craft involves passing on practical beliefs and practices from generation to generation. In contrast to a science, a craft has no one best way. … The craft is learned from a ‘master’, and the novitiate moves from apprentice to journeyman to master. … Much of that knowledge is tacit. It has not been systematized. It is complex. Often, it is secret. (Rhodes, 2015, p.638)

The terms used by Rhodes align with the people-focused values of clan and network cultures. External analysts seeking evidence of performance and contract-ready specifications are likely to find such cultures frustrating, but the tacit and in-depth understanding of craft skills enables members of clans and networks to learn and adapt.

From a study of skills needed for 21st-century public service in local government in Britain, Needham and Mangan (2014) also identify ‘navigating’ as a core capability. Roles which help navigation include being a networker, storyteller, system architect and municipal entrepreneur; market and control roles are ‘commissioning’ and ‘broking’.

The introduction of legislation to emphasise a ‘spirit of service’ for the New Zealand government has an interesting parallel in change since 2014 at the major software corporation Microsoft. The chief executive appointed that year, Satya Nadella, had been on the staff of Microsoft since 1992, when it was beginning to overtake IBM in market leadership in personal computing. Nadella became the third chief executive of Microsoft at a time when it was losing market share. In a book about the experience, he identifies a catalyst for his determination to achieve change as a cartoon caricature of Microsoft as divisions pointing guns at each other, an image which equally encapsulates fragmentation and competition in public service systems.

Collaboration and creativity were at the core of the change process Nadella adopted. His language is similar to that of ‘spirit of service’:

In order to accelerate our innovation, we must rediscover our soul – our unique core. We must all understand and embrace what only Microsoft can contribute to the world and how we can once again change the world. I consider the job before us to be bolder and more ambitious than anything we have ever done. Microsoft is the productivity and platform company for the mobile-first, cloud-first world. We will reinvent productivity to empower every person and every organization on the planet to do more and achieve more. (Nadella, 2017, pp.78–9).

The change of title from ‘State Sector’ Act to ‘Public Service’ Act is a helpful change of language which gives prominence to the human contribution of service and seeks to move on from the image of a state sector as a series of contracts.

By 2019, Microsoft was achieving record financial results, which Nadella attributed to ‘deep partnerships with leading companies in every industry’ (Microsoft, 2019). In contrast to the 1990s when the company was the focus for anti-competition practices, it has escaped the increasingly negative publicity surrounding Amazon, Google and Facebook. The chief executive of Microsoft acted to change an organisation culture of the 1980s and 1990s: ‘... innovation and competition don’t respect our silos, our organisation boundaries, so we have to learn to transcend those barriers. We are a family of individuals united by a single, shared mission.’ (ibid., pp.100-2)

Finally, we are one company, one Microsoft – not a confederation of fiefdoms. Innovation and competition don’t respect our silos, our organisation boundaries, so we have to learn to transcend those barriers. We are a family of individuals united by a single, shared mission. (ibid., pp.100-2)

Amazon, Google and Facebook. The chief executive of Microsoft acted to change an organisation culture of the 1980s and 1990s; the language used is similar to that used by those who seek change in public services.

After 30 years, the cultural values of a style of business of the 1980s and 1990s are deeply embedded in New Zealand public sector cultures. Legislation change is straightforward compared with changing...
organisational culture – that combination of behaviours and tacit and explicit knowledge which together add up to ‘how we do things around here’.

The change of title from ‘State Sector’ Act to ‘Public Service’ Act is a helpful change of language which gives prominence to the human contribution of service and seeks to move on from the image of a state sector as a series of contracts. The Wellbeing Budget and the proposed public service changes are part of an international rethinking about what money can’t buy:

The most fateful change that unfolded during the past three decades was not an increase in greed. It was the expansion of markets, and of market values, into spheres of life where they don’t belong … We need a public debate about what it means to keep markets in their place. To have this debate, we need to think through the moral limits of markets. We need to ask whether there are some things money should not buy. (Sandel, 2012, p.7)

Shifting from outputs specified through contracts to a spirit of service involves navigating competing values of focus and flexibility.

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

New Zealand’s reorganisation of the vocational education sector … is likely to be a first test of seeking balance between competing values after 30 years during which polytechnics, universities, industry training organisations and private providers have been in competition for funds based on student numbers.

Theory has a direct impact on day-to-day organisation practices. Legislative change and a focus on aspirational, positive goals can help the New Zealand public service move on from theory dating from a period of triumphant Anglo-American, market-based thinking. Sumantra Ghoshal, in a much-cited article entitled ‘Bad management theories are destroying good management practices’ (Ghoshal, 2005), described the impact of theories embedded in the New Zealand public management model. Agency theory views organisations as problems and risks, because essentially no one is to be trusted to do their jobs; rather, tight monitoring and control of people is required to prevent ‘opportunistic behavior’ (Williamson, 1975). Multiple policy ministries and funding agencies were established to guard against ‘opportunistic behaviour’ through competition for funds and detailed specification of outputs. During the first half of the 1990s, at the height of belief in this formula, the science, housing and health sectors were all reorganised to force competition between providers. Market-like competition between schools was introduced in the late 1980s and extended to tertiary education, with competition and incentives for research funding added after 2003. The problem with theories which set out to solve the ‘negative problem’ of human imperfections, as Ghoshal argues, is that they set up self-fulfilling prophecies (Ghoshal, 2005).

New Zealand’s reorganisation of the vocational education sector (Tertiary Education Commission, 2019) is likely to be a first test of seeking balance between competing values after 30 years during which polytechnics, universities, industry training organisations and private providers have been in competition for funds based on student numbers. The minister of education, Chris Hipkins, responsible for vocational education is also minister of state services and responsible for the proposed new Public Service Act.

The market model enabled and forced polytechnics to pursue niche markets and strategies outside their own regions. This led to innovation such as that of the Southland Institute of Technology in Invercargill, which used local trust funds and lowered costs to provide no-fees education which has attracted students from around New Zealand. But by 2018 many polytechnics were in financial crisis, as students increasingly favoured university study or work over study. The government-created market forced polytechnic managers and staff into financial survival mode, providing similar generic and low-capital courses, and into competition with each other for students from the largest and fastest growing city, Auckland. Almost every tertiary education provider established an outpost in the central
business district of Auckland, while training for skills needed for major parts of the economy, such as building and construction, farm work and viticulture, was financially risky and student enrolments dropped significantly.

As the review of the vocational sector noted:

Some institutes of technology and polytechnics have continued to experience growth and are high-performing institutions, but others have suffered from falling domestic enrolments in recent years. Some institute of technology and polytechnic growth has come from competing in other regions or through international student enrolments. All regions deserve to be backed to succeed; there's strength in combining forces to support each other. (Ministry of Education, 2019a).

After nearly 30 years of 'market' as the dominant value, hierarchy is explicitly back as a core value for the vocational education sector. Instead of competing, polytechs and industry training organisations will be organised into a New Zealand Institute of Skills and Technology, which ‘will be a consolidated organisation that makes strategic use of capital, achieves greater efficiency in programme design, development and delivery, and reduces the duplication of functions within the current vocational education network’ (Ministry of Education, 2019b).

Reforms designed to foster and force collaboration and creative responses include the creation of ‘workforce development councils’ which will give industry greater leadership across vocational education in sectors such as construction and infrastructure, manufacturing and technology, primary industries and social and services sectors.

The capabilities needed to establish a new balance of values for vocational education are signalled in Change 4 in the proposal for change. This is an aspiration and an ideal which captures the challenge of organisational culture change:

The Institute will have a new focus and culture, different from the institutions that are integrated into it. It will mean that all the regions are able to share resources, support each other and share accountability to deliver high performance. (Ministry of Education, 2019a, emphasis added)

Navigating competing values will be a major challenge for those leading the new strategy for vocational education.

**Legislation is the easy work compared with the leadership needed to encourage and cajole many small changes in service in organisational cultures.**

Embedding a ‘spirit of service’ at the heart of the public service is another level of complexity and challenge. The competing values framework and its visual recognition of the need to navigate opposites and work with paradoxes is a useful technique for new aspirations for collaboration and creativity which don’t lose important accountability and economic sustainability goals.

**Conclusion**

Organisation cultures take much longer to change than the time it takes to pass even the most complex legislation. The proposed Public Service Act is an opportunity and a prompt to rethink organisation systems which have created a one-size-fits-all straightjacket around public service performance. Markets, contracts and money have become the dominant language of public organisations, reflecting the emphasis on a single competing value embedded into the routines of budgets and performance reporting.

The framework established in the 1980s reflected the enthusiasm of the era for market values as a replacement for cumbersome hierarchies and central planning. But competing values are the essence of politics. Public services are the means for implementing political decisions. The emphasis on market values and New Public Management methods has over more than 30 years sought to categorise public services as technical issues which can be resolved through competition and citizen/client demand.

New Zealand’s coalition government seeks to make an impact on multidimensional issues such as climate change, inequalities, housing development and water quality. None of these can be delivered by single agencies narrowly focused on production-style performance targets. These cross-cutting political issues need organisation systems which encourage and reinforce creativity and collaboration without neglecting important strengths of hierarchy and markets. Legislation is the easy work compared with the leadership needed to encourage and cajole many small changes in service in organisational cultures.

The title of a history of a New Zealand government department is a helpful summary of this challenge of navigating competing values. The Department of Labour was founded by the reforming Liberal government of the 1890s as part of its political mandate to tackle disparities of wealth, power and economic development in that era. The history of the department is *Holding the Balance* (Martin, 1996). That balance involved navigating between the interests of employers and organised labour represented by trade unions. Today’s balancing act for public services is similar. How can a relatively small and isolated country generate sufficient wealth from a volatile international marketplace and provide a ‘fair go’ for its citizens?

A new Public Service Act with an emphasis on a ‘spirit of service’ brings collaboration and creativity into legislation which has for 30 years emphasised ‘contracting’ and control. The proposed emphasis is potentially more motivating for those working for public agencies. But as the coalition government has found...
during its 2019 ‘year of delivery’, that implementation is hard to guarantee. The competing values framework shows at a glance the tensions of translating political rhetoric or legislation change into action.

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1 Specific, Measurable, Achievable, Relevant and Time Bound objectives. The term was first used in Doran (1981).

2 4,242 citations on Google scholar.
## Appendix: Strengths and weaknesses of competing values

| Clan culture (Collaborate) | Adhocracy culture (Create) |
|----------------------------|-----------------------------|
| **Effective** | **Effective** |
| • Participate, engage | • Innovate, experiment and learn |
| • Loyal to each other | • Entrepreneurial; take action |
| • Care for people | • Create and align with others |
| • Self-organising teams | • ‘Mistakes don’t exist’ |
| • Development, education | • New projects |
| • Coaching | • What rules, not how to |
| • Friendly, supportive, comfortable | • Respect for professionals |
| **Ineffective** | **Ineffective** |
| • Culture of complaints | • Withdrawn culture |
| • Chat culture | • Autistic genius: I do it my way |
| • Disease to please | • Hyperactive – exhaustion |
| • Groupthink | • Doing before thinking |
| • Paternalism | • Starting things but not see it through |
| • Helplessness | • Chaotic, wasting resources |
| • Us versus them | |