



**Authorising Environment:  
Mapping Role Designation and  
Practice in the New Zealand  
Model- *A review of the New  
Zealand literature***

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## ***Future State 2 - Working Paper 11/07***

*Future State 2 is a research project being undertaken on behalf of state services chief executives as part of the Emerging Issues Programme (EIP). The project aims to identify how the 'centre' can support new ways of working that are required for the public sector to respond effectively to emerging complex problems, and how individual agencies could promote new ways of working. There are several strands to this work: 1) international perspectives, 2) emerging trends in governance, 3) joint accountability, 4) experimentation and learning in policy implementation, 5) skills and capabilities 6) agency restructuring,, and 7) the authorising environment.*

## Future State 2: Strand 7<sup>1</sup>

### Authorising Environment: Mapping Role Designation and Practice in the New Zealand Model

*A review of the New Zealand literature by Elizabeth Eppel*

#### Introduction

The starting proposition for the Authorising Environment strand is that reform of public management system to date has been a one way street. By and large reform has focused on how public organisations set, manage and report their performance, paying insufficient attention to the role of the authorising environment, such as ministers, parliament and the media. Recent international analyses of public management reform identify authorising agents as the ‘missing piece’ in system design and performance, emphasising, for example, the formal role of politicians and legislators in setting performance criteria and their absence of understanding and inconsistent levels of utilisation. It is taken for granted that public sector reform revolves around both normative and descriptive suppositions that the signals sent by authorising agents *matter* within the design and operation of public management systems, and yet we know precious little about how this part of the system actually works.

The authorising environment is an ongoing project<sup>2</sup>, which explores the missing link in systemic public management reform: the role expectations for ministers and the question of what should (or can) be done to modify the way ministers and legislators engage with the public management systems that they have installed. This is about both better alignment (by clarifying the expectations of authorising agents and the fit with what public organisations do) and stronger engagement (by examining what can be done to increase conformance by authorising agents with the systemic expectations that they themselves have set).

This paper is part of the initial phase of the project: a literature review on what is already known about the role expectations of the key authorising agents – ministers – in the New

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<sup>2</sup> *The principal investigators are Michael DiFrancesco (the Australia and New Zealand School of Government and Elizabeth Eppel (Victoria University of Wellington).*

Zealand public management system. The focus has been on the 'performance' framework governing minister-chief executive relations, and has confirmed that this area is under-researched. In the second stage of the project this New Zealand research literature will be placed in the context of the international literature on ministerial role expectations and public management design, as a first step in scoping a research question for empirical study.

### **New Zealand Literature**

In the New Zealand model as designed and implemented through legislation (the State Sector Act 1988 and the Public Finance Act 1989) and the Cabinet Office Manual, there is a separation of the roles of Ministers as direction setter and the bureaucrats as the implementers. By convention the public service departments are expected to provide 'free and frank' advice (Boston, 1991). Chapman and Duncan (2007) identify four subsequent events which have led to some modifications to the model: the change in the electoral system from first-past-the-post (FPP) to the mixed member proportional (MMP) system in 1996; the changing role of the State Services Commission; the Schick report (Schick, 1996); and the formation of the Labour-led coalition government in 1999. Their arguments in relation to the changes arising from these events are discussed in turn.

First, Chapman and Duncan (2007) note the change in chief executives performance agreements to require recognition of the 'collective interest' of government as one of the responses to the sense among ministers in the 1990s that 1988/89 reforms had led to departments acting in isolation, leading to a one-dimensional approach and poor co-ordination. As a response to the challenges of managing a coalition, and often minority, government formed after MMP, Chapman and Duncan note the increasing practice of the use of advisers on ministers' offices 'with a personal loyalty to the minister' or the party, who might be involved in negotiating between the lead party in government and other parties, to enable legislation to be passed, and have taken on tasks of policy co-ordination which might formerly have been the role of government departments.

Given the radical nature of the 1988/89 state sector reforms, the State Services Commissioner of the early 1990s focused on making the new departmental chief executives fully responsible for the resources (human, financial and physical) and operations of their departments, using remuneration, performance management and relationships with ministers. According to Chapman and Duncan, 'the emphasis on chief executive, as opposed to departmental performance, led to a loss of centralized, co-ordinated direction of government departments' (2007, p. 8). In the early 1990s, SSC's focus was not on wider management issues across government, and 'management styles were largely driven by the financial aspects of management, as determined by the Treasury' (p. 8). In the late 1990s, SSC began to shift its focus to 'broader strategic issues and the capacity of departments to provide relevant strategic advice and implement such policies' (p. 9). The State Services Commissioner also advocated for a wider mandate to cover non-departmental state agencies, and wider functions were recognized in changes made to the State Sector Act in 2004. This opened the way for SSC to take a strategic sectoral overview whereby, for example, a whole of education perspective might be taken and include not just the Ministry of Education but also the other state agencies

carrying out more specific functions in that sector (NZQA, Career Services, Skill NZ and later TEC).

Schick's (1996) critique of the 1988/89 reforms highlighted issues of co-ordination across departments and the effects of the emphasis on quantitative outputs rather than outcomes. When the Labour-led government was elected in 1999, they focused on what they had seen as the excesses of corporate extravagance in government departments and the state sector generally and announced a Review of the Centre to achieve a better integrated, people-focused service delivery; address fragmentation and alignment issues; and enhance the people and culture of the public sector. In addition there were changes in the way the State Services Commissioner managed chief executive performance, which became less focused on hard documentation and more use was made of the views of a range of stakeholders and the minister (Chapman & Duncan, 2007; Hitchiner & Gill, 2011; Wyn, 2007).

The effects of these events on the minister-chief executive relationship are picked up in Wyn's (2007) portrayal of the relationship between ministers and chief executives in the context of the longer historical development of the public service in New Zealand. She identifies stages of evolution from ministers having extensive involvement in administration, to a more unified and independent public service, to managerialism and contractualism and finally a return to a more unified and better integrated public service which pertains in 2011 (see Table 1).

Table1: Development of the public service and impact on minister-chief executive relationship (Wyn, 2007, p. 54–55).

Period	Minister-chief executive relationship	Impact
<b>Pre 1912</b>		
Age of ministers as administrators	<ul style="list-style-type: none"> <li>Public servants work directly to the instructions of ministers</li> <li>Portfolio ministers control administrative management of departments, including appointments, pay and discipline</li> <li>Department administered separately – no common policies or standards</li> </ul>	<ul style="list-style-type: none"> <li>Political patronage</li> <li>Low moral</li> <li>Poor performance</li> <li>Hunt commission established to review options for change</li> </ul>
<b>1912-mid 1980s</b>		
Birth of the professional public service	<ul style="list-style-type: none"> <li>Office of the public services Commissioner established 1912, with responsibility for efficiency of the public services and also administrative management, including making appointments and setting pay.</li> <li>Introduction of common practices and standard conditions between departments</li> </ul>	<ul style="list-style-type: none"> <li>Unified, independent career public service</li> <li>Non-partisan, non-political</li> <li>Public servants able to take the long view</li> <li>Rules govern procedures</li> <li>Over time public service grew to be perceived by some as unresponsive to the wishes of government.</li> </ul>

	<ul style="list-style-type: none"> <li>• Appointments made from within the service, and based on merit.</li> </ul> <p><i>Official Information Act (1982)</i></p> <ul style="list-style-type: none"> <li>• Facilitates more open policy processes</li> <li>• Encourages officials to think hard before they commit anything to writing.</li> </ul>	<ul style="list-style-type: none"> <li>• Limits free and frank exchange where advice may not be accepted if ministers may be shown to be acting contrary to advice received</li> <li>• May encourage more verbal advice, bringing into question the impartiality of the advice offered</li> <li>• Minister may require advice to be written in a certain way.</li> </ul>
<b>Mid 1980s to 1999</b>		
Age of managerialism	<p><i>State-owned Enterprises Act 1986</i></p> <ul style="list-style-type: none"> <li>• Public trading organisations corporatised and managed by a chief executive (CE) accountable to a minister through a board.</li> </ul> <p><i>State Sector Act 1988</i></p> <ul style="list-style-type: none"> <li>• Underlined the primacy of the relationship between minister and CE</li> <li>• CE responsibility for administration, and Departments constituted as separate organisations for employment and remuneration purposes</li> <li>• CE performance reviewed by SSC and minister</li> <li>• CE appointed on fixed-term rather than as a permanent head</li> <li>• CE accountable for outputs, minister responsible for outcomes</li> </ul> <p><i>Public Finance Act 1989</i></p> <ul style="list-style-type: none"> <li>• CE responsible for financial management and financial performance of department</li> <li>• New financial management procedures</li> <li>• Outputs/outcomes measurement focus.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced shareholding minister's responsibility.</li> <li>• Destroyed concept of a unified public service</li> <li>• Reduced anonymity of top public servants through a more open appointment process</li> <li>• Set relationship between minister and CEs off in different directions (letting managers manage and freeing ministers from day-to-day management detail).</li> <li>• Improved reporting and financial accountability.</li> </ul>
<b>2000 onwards</b>		
Age of reunification and integrated service delivery	<p><i>Review of the centre 2001 (recommendations)</i></p> <ul style="list-style-type: none"> <li>• Reduce fragmentation of the human resource framework of</li> </ul>	<ul style="list-style-type: none"> <li>• Potential conflict of ministerial and CE responsibility for outcomes</li> <li>• Minister-CE relationship still</li> </ul>

	<p>the public service</p> <ul style="list-style-type: none"> <li>• Improve alignment of policy goals and enhance collaboration between departments, and between central and local government.</li> <li>• Integrate service delivery to the public</li> </ul> <p><i>Managing for outcomes 2001</i></p> <ul style="list-style-type: none"> <li>• CEs responsible for outcomes</li> </ul> <p><i>Public Finance Act 2004</i></p>	<p>primary but joint ministerial teams could introduce strains on this</p> <ul style="list-style-type: none"> <li>• CEs still responsible for management of their departments but within a framework of public service-wide standards and qualifications</li> <li>• Renewed focus on service to public needs reinforcement of doctrine of ministerial responsibility</li> <li>• Focus of CEs shifts to longer term.</li> </ul>
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The State Sector Act 1988 is often referred to as one of the most important constitutional measures enacted in New Zealand (e.g. Walsh, 1991). The Labour government elected in 1984 believed that the policies of the previous Labour government had been ‘thwarted by senior public servants, used to and comfortable with the long established policies’ of the previous long serving National government (Walsh, 1991, p. 52). Further economic arguments for the changes were set out in a Treasury briefing in 1984 (The Treasury, 1984) and were focused on the efficiency and effectiveness of government management structures and processes, among other things, by applying labour market regulation similar to that applying to the private sector (see for example Scott, Bushnell, & Sallee, 1990). Others have made more of the links to agency theory which featured in the Treasury’s analysis and are particularly critical of its reductionist framing as inappropriate for the complex outputs and influence on outcomes expected of government agencies and the multiple accountabilities of chief executives (Boston, 1991a; Norman, 2003; Whitcombe, 1990).

The State Sector Act 1988 significantly changed the procedures for appointing the heads of government departments, and appraising their performance. They became chief executives, with a fixed term employment contract of up to five years, and changes to powers and responsibilities made them accountable for the efficiency and outputs of their departments. Appointments to chief executive positions are made by the State Services Commissioner, who is the official employer in terms of the Act after following a process prescribed by the Act. First the State Services Commissioner must consult the appropriate minister when a vacancy occurs to ascertain any matters the minister wishes the Commissioner to take into account when making the appointment. In practice, advice that an appointment is to be made and matters to be taken into consideration are likely to be considered and confirmed by Cabinet. The Commissioner then establishes a panel consisting of the Commissioner, the Deputy Commissioner and others as determined by the Commissioner, which makes the selection of the new chief executive. When the Commissioner has completed the selection process, the minister must again be advised of the name and qualifications of the person to be appointed and must refer the appointment to Governor-General in Council for its confirmation, before the Commissioner can make the appointment. The Cabinet Office Manual provides guidance to ministers on the procedures:



*Appointment of chief executives*

3.22 *The State Services Commissioner's role in appointing chief executives and the independence of chief executives in matters concerning their employees underpin the neutrality of the public service.*

3.23 *The process of selecting most public service chief executives is managed by the State Services Commissioner, in accordance with Part III of the State Sector Act 1988. The Commissioner's recommendation is subject to confirmation by the Governor-General in Council, following consideration by Cabinet. Conditions of employment for chief executives are determined by agreement between the State Services Commissioner and the chief executive, subject to the agreement of the Prime Minister and the Minister of State Services.*

There is provision for the Governor-General in Council to decline to approve an appointment, in which case an alternative named person must be substituted and notice of their appointment published in the *New Zealand Gazette*. Boston observes that this step makes any political appointment evident, and there has been only one occasion in 1990 where the government did not support the Commissioner's recommended appointment (Boston, 2001, p. 201).

According to s. 32 of the Act, the chief executive is responsible to the appropriate minister for carrying out the functions and duties of the department, providing advice to the minister, the conduct of the department, and the efficient, effective and economical management of the department. A specific exception is made on specific matters regarding individual employees, where the chief executive is bound to act independently of the minister (s. 33 "State Sector Act," 1988).

The Act sets out matters to be taken into account by the Commissioner when selecting chief executives for appointment:

*S. 35 (12) In deciding upon the person to be appointed as chief executive of a Department, the Commissioner or the Governor-General in Council, as the case may be, shall have regard to the need to appoint a person who—*

- (a) can discharge the specific responsibilities placed on that chief executive; and*
- (b) will imbue the employees of the Department with a spirit of service to the community; and*
- (c) will promote efficiency in the Department; and*
- (d) will be a responsible manager of the Department; and*
- (e) will maintain appropriate standards of integrity and conduct among the employees of the Department; and*
- (f) will ensure that the Department is a good employer; and*
- (g) will promote equal employment opportunities.*

Once a chief executive is appointed, the Commissioner is responsible to the appropriate minister for reviewing the performance of the chief executive and reporting to the minister on the manner and the extent to which the chief executive is carrying out the requirements of their position. A tripartite relationship therefore is formed between the chief executive of a core public service department, the Minister responsible for the portfolio(s), and the State Services Commissioner (Gill, 2011; Lodge & Gill, 2011). The State Services Commissioner is the formal employer, and reviewer of the performance of chief executives.

According to Hitchiner and Gill (2011), the practice of chief executive performance management has tended to vary with each State Services Commissioner. In the 1990s, there was a formal chief executive performance agreement. These became less effective instruments for the complexity of the CE role as it evolved over time, and formal performance agreements for chief executives were abandoned in 2002. ‘Output delivery expectations set out in [departmental] Output Plans have formed an increasingly small part of the chief executive review process in comparison to other matters of interest’ (Hitchener & Gill, 2011, p. 84) – such as the chief executive’s success in managing a “two-way relationship” in which the minister and chief executive agreed to a set of “clear and achievable expectations and priorities” (Ryan, Gill, & Dormer, 2011, p. 292).

Operational modifications which occurred after the review undertaken by Schick (1996) and the Review of the Centre furthered this evolution (State Services Commission, 2002). Lodge and Gill (2011) refers to the evolution of the public sector bargain that was struck through the changes made by the State Sector Act. In the original version of the bargain, chief executives accepted fixed tenure and ministerial performance expectations in exchange for freedom to manage how departmental resources were deployed to achieve their outputs, and rewards and tools more akin to those available in the private sector. This bargain was modified such that while chief executive are still appointed for fixed terms of up to five years and may have their contracts extended, the maximum term is generally around eight years. There have been a number of changes addressing issues of departmental fragmentation and duplication, which have imposed requirements for chief executives to work more co-operatively to achieve operational efficiencies and also more focus on outcomes which tend to be broader than the scope of a single department. This activity has also resulted in recentralisation of some functions into larger departments, such as the Ministry of Social Development which has absorbed the formerly independent Child, Youth and Family, and Work and Income; the Ministry of Education which absorbed the formerly independent Special Education Services and Early Childhood units; and Internal Affairs which has absorbed Archives and National Library. The effect of these organisational structure changes has been to make the functions of departments and their accountabilities even more complex, leaving the agency theory doctrine of separation of functions in the past (see for example Whitcombe, 2008). While it has been argued by Gill (2008) that the net change in the number of public sector agencies had been minimal, the trend to reduction by combining functions in a single agency is continuing at the time of writing.

The employment and accountability relationship of chief executives has been called a *menage-a-trois* in which one party (the State Services Commissioner) is the formal employer, but the chief executive is held to be responsible to another (their portfolio minister(s)). A former State Services Commissioner referred to the arrangement where ‘employed by’ and ‘works for’ are not synonymous as most unusual. Despite the tensions inherent in this unusual triangle, several note the resistance of the chief executive role to politicization (e.g. Chapman & Duncan, 2007; Lodge & Gill, 2011).

While descriptions of the formal minister-chief executive relationship are easy to find (e.g. Boston, 1991b; Gill, 2011), and observers have drawn conclusions about the way these

relationships operate at a macro-trend level, there is surprisingly little empirically derived information about the detail and variability of how these formal relationships operate in practice. It has been suggested that it depends to a large extent on the individuals involved. A fundamental assumption at the heart of the relationship is an understanding that the role of the minister is to set the political directions and priorities and that the chief executive will use the resources at their disposal to achieve the goals of the minister and the government, and will be held accountable for their achievement, through the agency of the State Services Commissioner. We know little of whether this assumption holds in practice and how. Empirically-based observations of how these relationships are enacted in practice is scarce and patchy, often the result of researching a related area such as organizational performance rather than as a direct result of research focus on the minister-chief executive relationship and the authorizing environment per se. The little that has been found is discussed below.

Shortly after the enactment of the State Sector Act 1988, Whitcombe surveyed and interviewed a group of chief executives who had participated in the first performance review process for chief executives appointed under the new Act (Whitcombe, 1990). The intention of how the performance expectation-setting and review process would operate had been articulated (Scott & Gorringer, 1989; The Treasury, 1987) and the research aim was to investigate the practice. While six participants found the review process useful, this was less than a third. Reasons given included: it provided a framework for focusing on the end result; it gave feedback on how the CE was doing in the job and a clear idea of what the Minister thinks; it imposed a discipline to produce results and also showed up shortcomings in the performance agreement. Those who had a mixed reaction found the process did not focus on the right areas or ask the right questions and there were difficulties where there had been a change of minister. CEs negative about the process criticized the poor paper work, superficiality, failure to focus in depth on critical areas, and the failure to tell them anything they did not already know therefore adding no value for the time devoted to the process. Whitcombe's conclusions focused on the operability of a pure agency theory-based model in the face of changing priorities and multiple accountabilities. The relevance of this research has been overtaken by the move after 2002 away from specific performance agreements towards departmental Statements of Intent and letters of expectations exchanged between the Commissioner and chief executives to identify areas for particular chief executive focus.

James (2002) described the nexus between ministers and their departmental chief executives as 'the heart of government' and 'crucial to good government'. This relationship is imbued with three constitutional conventions: individual ministerial responsibility; collective cabinet responsibility; and public service loyalty, neutrality and anonymity. These constitutional conventions underpin the arrangements set out in the State Sector Act which create a boundary between the chief executive and the minister. James used a series of workshops with public servants and ministers to explore that boundary which he says was variously described as strategy and outcomes versus management, administration and outputs; political versus technical; and defending government policy versus explaining it. He called the boundary porous in that it changes according to circumstances and time. It is also very private and specific to the individuals involved in the minister-chief executive relationship. James

concluded that the conventions of ministerial responsibility and collective cabinet responsibility, while undergoing adjustments brought about by MMP and minority governments, still held. However, the conventions of loyalty, neutrality and anonymity, he concluded, were under strain. This was a result of increased pressure on public servants to front select committees and the media to 'explain' government programmes and answer for the success or failure of these programmes to select committees. It also reflects the requirements of the Official Information Act which routinely puts the advice tendered by public servants to ministers into the public domain. It was seen as increasingly difficult for any CE and their senior staff to maintain low profile anonymity, especially when the policies being administered are contentious in the eyes of the public.

Daly (2002) examined the principle of political neutrality and its operation. She observed that much of the power exercised by the public service comes from the policy advice role. Further, if the relationship between ministers and the public service breaks down, then the democratically elected component of government loses its ability to govern and the component of government chosen for its competencies in advising on and implementing decisions loses its legitimacy. She suggests that the risk of departments developing a political agenda is reduced by shorter appointment periods for chief executives. "When you are minister of an area that you know very little about, your department tends to continue in the same direction they had been going under the previous government. In this situation, they lead the minister, not the minister leading them. This is when you become wary of public servants following an internal culture" (Ministerial interview 2002 quoted by Daly, 2002, p. 12). Daly suggests that the principle of anonymity complements neutrality because the chief executive and the department are then extensions of the minister. Loss of anonymity, which for example occurred in the Cave Creek and Work and Income cases, threatens public perceptions of political neutrality and according to Daly, the State Sector Act has increased the potential for politicization of the chief executive and public service roles. Others believe that this has not occurred to any significant extent (e.g. Lodge & Gill, 2011).

The theme of public trust and confidence and its relationship with organisational performance was explored more deeply by Wyn (2007) in a case study of organisational culture change in the Department of Corrections and the Police. Wyn identified organisational performance as a necessary precursor of public perceptions of trust and confidence in a department, a proposition supported in the international literature. She noted the role of portfolio ministers and the prime minister in supporting CE attempts to improve organisational performance by expressing their expectations of the department and their trust and confidence in the department to perform. However, where minister's trust and confidence is shaken to the extent that they express publicly their lack of confidence in their department or their department chief executive, then this undermines and works against any attempt by the chief executive to change performance to be more in line with expectations. Highly operational coercive departments such as Police and Corrections, according to Wyn, require public trust and confidence to be able to operate effectively. However she also cites examples which demonstrate how vulnerable such departments are to having public trust and confidence undermined by publicly reported incidents of poor performance. She observes that a vicious

cycle can easily be created in which the reporting of incidents is compounded with each new incident and public confidence is rapidly eroded even when, taken as a whole through some more objective measure, overall organisation performance might be on an improving trend. If public confidence is badly enough eroded over time then the minister finds themselves in the position of needing to give voice to the public disquiet, rather than remaining silent or expressing confidence, thereby undermining the efforts of their chief executive to achieve the culture change the Minister wants. When a minister expresses dissatisfaction with a department, then that can act as a strong motivator for the department to do better, but simultaneously they undermine the CE's attempts to do so.

A series of case studies on organizational performance management in particular departments also throw some light on chief executive-minister relationships (see for example Dormer, 2010; Gill, 2011; Norman, 2003). Dormer's PhD research (2010) used semi structured interviews to examine the performance management systems in two departments – Child Youth and Family, the Public Prisons Service and Community Probation Service, the latter two both within the Department of Corrections. The Gill (2011) volume contains cases based on Child, Youth and Family, Conservation, Corrections, Work and Income, Women's Affairs, Transport agencies, and Justice sector agencies. Complex outcomes and multiple accountabilities make the measurement of performance a difficult task, further compounded by the diversity of functions performed, differing perspectives on the functions and their relative importance and the purpose of the performance information (e.g. accountability, planning, improvement).

A consistent comment found in the various case studies concerns the intrinsic, non-explicit rather than formal nature of the means by which ministers convey their wishes – summed up by a minister interviewed by Dormer: 'no one in their right minds thinks that we use [the formal accountability documents] to manage performance' (Dormer, 2010, p. 15). Norman (2003) also noted the informal nature of the processes: 'Trust matters more than anything else in the relationship between the chief executives of policy ministries and ministers. Documentation doesn't help build such trust and can get in the way of building this' ... 'the real substance of accountability to the minister does not come through formal processes and documents, but through weekly meeting and informal exchanges. The formal system is only relevant where there are problems' (Norman, 2003, p. 147).

Two cases often raised in discussion of chief executive-minister accountability and responsibility are the Cave Creek disaster, where a viewing platform erected by the Department of Conservation collapsed causing the deaths of 14 students; and the Cabinet decision to move the Department of Work and Income into the Ministry of Social Development and the related decision not to reappoint the existing chief executive of the department of Work and Income. In the former case, an egregious operational failure did not lead to the immediate resignation of either the Minister responsible for the Conservation portfolio or the chief executive, both of whom accepted responsibility, but also said they needed to remain in office to ensure that systems were changed to prevent further tragedy. The official enquiry into the incident noted that although the platform had collapsed because it was not constructed using sound building practices, the department was struggling to

manage within a constrained budget, thus sharing some of the responsibility with the minister and the political system that makes resource allocation decisions. In the Work and Income case, the chief executive had been criticized for her management style and corporate spending by the Prime Minister and the minister, while in opposition. When they achieved government, both PM and minister expressed reservations about whether the chief executive could provide the policy and outcome leadership they were looking for. The structural change to abolish the department meant that the chief executive position no longer existed. A case brought by the chief executive to challenge her non reappointment was lost (Wallis, 2001).

Collectively, the empirical studies all tend towards an observation that operational departments have a particularly hard row to hoe, in that single operational incidents which catch media and public attention tend to shape perceptions of performance, and negatively affect the climate for improved performance (e.g. Dormer, 2010; Wyn, 2007). Dormer (2010) commented that the role of ministers often strays beyond the setting of strategic direction and priorities and into the managerial responsibilities of the CE. In the case of Police and Corrections, the minister has taken a firm directive stance on her expectations regarding the culture and performance of the organisations and has shown little tolerance for operational mishaps (Wyn, 2007). Notwithstanding, the use the language of outputs and outcomes, performance measurement and management both within individual agencies and, at times, by ministers and their advisors in central agencies, continues to focus on procedural management and the control of inputs (e.g. Gill, 2011; Lodge & Gill, 2011).

Since 2000, the State Services Commission has modified their process for reviewing chief executive performance, which goes hand in hand with their review of departmental performance. Lodge and Gill (2011) referred to a “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’” ... [SSC] ‘increased the emphasis on feedback for 10 to 20 internal and external “stakeholders” to complement the minister's views.’ “Nevertheless, the relationship with the minister remained central: ‘They get 10-20 references, what matters is the view of the minister’; ‘you either have the confidence of the minister or not’. 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’ ...a further noted “if 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 doesn't really make a difference”. Commenting on how the system has evolved over the years, Hitchener and Gill concluded that ‘regardless of the internal structure of the State Services Commission and priorities of the Commissioner, sanctions for poor performance by the chief executive or their departments (however assessed) have tended to be applied behind the scenes. An inherent tension exists between expectations of accountability and transparency and the requirement for privacy and respect for human dignity. Opaqueness in the employment relationship is inevitable if the commissioner is to behave lawfully as a good employer, and the relationship with the chief executives is to be based on trust and respect for the privacy and professionalism of the individual chief executives’ (Hitchener & Gill, 2011, p. 84).

Parliament, particularly through the role of Select Committees, is also an important agent of the authorizing environment in which chief executives and their departments operate. Prebble (2010) provides a comprehensive discussion of how Parliament interacts with the executive and the judiciary based on constitutional theory and practical examples. Drawing upon this source, Hitchiner and Gill see little evidence of parliament using output-based, capability-based or outcome performance information to actively scrutinize the executive. Furthermore, ministers do not appear to seek or rely on comprehensive (or even high level) performance information – ‘In practice, parliament and ministers do not reward transparency’ (Hitchener & Gill, 2011, p. 92).

The New Zealand public management system has evolved further since the change of government in 2008 and the pressures created by the global financial crisis. There is little systematic documentation of the nature of these changes, their effects, and new practices which are evolving as the system adapts to these changes. The Minister of Finance refers to a ‘new responsibility model’ the government has chosen to use as its tool for managing its fiscal response to the financial crisis (English, 2011). This model, English says, ‘requires ministers and chief executives to clarify exactly what results they want. We are using the basic tools of ministerial and chief executive accountability, and thus spend a good deal of time ensuring that discussion between the Prime Minister and his ministers exactly reflects these expectations over the next two or three years.... We believe strongly in an alignment of political and administrative expectations. The process of ensuring the Prime Minister and ministers are clear about their expectations and performance is something we value strongly. It is a process that takes time to build momentum; a culture of caution and risk management in our public sector has become deeply embedded in the decade. As ministers, we must keep demonstrating political support for change and reinforcing the mandate that chief executives can use tools and make changes without fear of political consequences.’ (English, 2011, p. 57).

In three successive budgets, the government has challenged chief executives and the public sector to do more with the same or reduced budgets. In this environment, more pressure has come on chief executives individually and collectively to be innovative in the way the public sector works to achieve government priorities. The government has maintained firm oversight of the 10 departments responsible for 80% of government spending as a means of ensuring that the fiscal targets the government has set itself are met (English, 2011). One trend in this period has been the reinforcement by ministers of the formation of informal collectives of chief executives to provide leadership and coherency to the actions of individual departments when dealing with complex issues. Examples of these include the ‘justice sector CEs (Ministry of Justice, Police, Department of Corrections) who are looked to by ministers to find solutions to priority areas for government such as high offending rates, and offending while on parole. The social sector chief executives (Ministry of Social Development, Health, Education) have led work on preventing family violence.

In the literature reviewed, there is very little evidence of the way ministers play their executive role with respect to their portfolios. Informal communications during 2011 in the

course of the Future State 2<sup>3</sup> research have referred to letters of expectations from the Prime Minister to individual ministers, setting out the priorities of the government in each portfolio, which are then reported on and updated six-monthly. It has also been suggested that these letters are mirrored by letters between the State Services Commissioner and the relevant chief executives. Such attempts by government and ministers to play a stronger and more directive role in setting the strategic agenda and articulating expectations might represent an attempt to set important parameters on the chief executives' authorizing environment, but there is little systematic collection of evidence of how these new mechanisms are operating. The words of the Minister of Finance indicate that New Zealand's current government is determined to provide an aligned and strong strategic leadership to public sector CEOs: 'we probably need to rethink how cabinets work in order to achieve greater ministerial alignment (and reduce 'static'). Ministers need to work together to ensure the collaborative and cooperative delivery of services takes place.... At present the only powerful tool for achieving closer alignment is that ministers are ultimately accountable to the Prime Minister, who has the power to sack them. But modern cabinets require more than this punitive sanction to make them work effectively' (English, 2011, p. 58).

## Conclusion

Assumptions about the respective roles, relationships and expectations of ministers and chief executives stem from the State Sector Act 1988 and the Public Finance Act 1989 and the conventions codified in the Cabinet Office Manual. The research material reviewed here would suggest that there is a gap in our understanding of how these roles, relationships and expectations are enacted in practice, given that there has been no systematic attempt to do this over the 22 years the Acts have been in place. Clearly practice has evolved over that 22 years and there is a great deal of variation affected not least by the personalities involved. Moreover, under the pressures created by the global financial crisis, the government is currently considering how it most effectively plays its strategic leadership role. As the Minister of Finance puts it, the current system is very strong on accountability for money but not so on accountability for results. Given the knowledge gap between the formal system articulated in the Acts and the informal practice, what are 'legitimate' expectations about a genuine managerial role (and hence behaviours) of ministers? How do the strategic and managerial instruments of government support these roles? A more systematic enquiry might reveal some important insights into the performance of our public management system and inform any attempts to improve it.

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<sup>3</sup> *Future State 2 is a research project undertaken on behalf of state services chief executives as part of the Emerging Issues Programme (EIP). The project aimed to identify how the 'centre' can support new ways of working that are required for the public sector to respond effectively to emerging complex problems, and how individual agencies could promote new ways of working. There are several strands to this work: 1) International perspective, 2) Emerging trends in governance, 3) Joint accountability, 4) Experimentation and learning in policy implementation, 5) Agency restructuring, 6) Skills and capabilities, 7) Authorising environment.*



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