Think Big and Privatise Every Thing That Moves

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Abstract

With the change of government in 1984, there was a perceived need by the incoming government to undertake a fundamental change in the way New Zealand was governed. This in turn saw a change how business managers and those in high government office approached their jobs. This change coincided with a western trend toward the embracement of the neo-liberal agenda. In the case of New Zealand, the reforms put in place by the incoming Labour government and continued through successive administrations on the left and right, manifested in a paradigm shift in the perception and role of management and managers within New Zealand. The chapter does not take a stand on whether such changes were beneficial or otherwise but rather traces the developments that lead to a change in management theory and motivation in New Zealand

Introduction: The New Zealand Frontier, 1790-1900

A study of management history is in effect a study of the organisation of commercial activity. Initially like many 'frontier' societies, European commercial activity in New Zealand was based entirely around the need for Europeans to secure natural resources. Michael King, in his well-regarded History of New Zealand, places the start of such activity in the decade beginning 1790 (2003, p. 118). New Zealand's flora and fauna was unique and abundant, wood and flax were easily harvested from virgin forests and lowlands while abundant sea mammals around the coast, who were largely unafraid of man, provided fur, oil and blubber. All products that were much in demand in the capitals of Europe and formed the basis of many European fortunes. A pattern of exploitation undertaken by private businesspersons, set the template for early New Zealand industry. Volume 1 of the Dictionary of New Zealand Biography is replete with such people. One such person is Ranulph Dacre, a trader and exploiter of whale and timber products in pre-colonial New Zealand (Rogers, 1990). Although not a 'major' player he is indicative of the type of business person that was active in precolonial New Zealand. A self-made man who entered service in the British navy at the age of 13, Dacre subsequently became a merchant's ship captain, making and losing fortunes with some regularity over the course of an Australasian business career built around trading and land speculation that covered the years 1824 to 1872; years that eventually saw Dacre return to Britain with modest wealth. New Zealand was, in short, until the late 20th century, a country built upon biological resource exploitation and farming. Consequently, it was land, most particularly for agriculture, which was the primary driver of commercial and managerial activity in early New Zealand. Yes, the entrepreneurial exploits of the early traders cannot be overlooked. But it must be emphasised, it was with ecological exploitation that New Zealand experienced something close to organised management.

As King (2003) notes, the pattern of ecological exploitation that has characterized New Zealand history pre-dated European settlement, commencing in the 13th CE with Maori colonisation of what they called *Aotearoa* ("Land of the Long White Cloud"). From the start, human relationships with the natural world were troubled, the Māori, upon their arrival, driving to extinction the large, flightless Moa that stood at the top of the ecological pecking order. Relationships with the natural world became even troubled in the 19^{th} CE with the arrival of Europeans in search of fuel, land and 'the exotic' (furs, whale oil, gold etc.) While European settlers to New Zealand in the 1800s viewed the country as a new frontier, the indigenous people of New Zealand, collectively known as Māori, were initially supportive of European settlers. Some but not all Maori also saw some advantage in adopting the methods of the Europeans. Again, the Dictionary of New Zealand Biography details how Hone Tuhawaiki - a Māori leader of the Ngai Tahu people who dominated New Zealand's South Island - was adept at selling land in order to buy goods from traders and sealers; goods that included a ship on one occasion. He also adopted many of the 'trappings' of the European, living in a weatherboard house and wearing a full Naval Uniform. By 1840 when he signed the Treaty of Waitangi, he was the acknowledged leader of the Ngai Tahu (Anderson, 1990). While the first generation of European traders, whalers and sealers posed little threat to Māori land occupancy, this changed when in the early 1820s they were joined by flax exporters, Kauri loggers and shipbuilders; the latter group being initially concentrated in and around the settlement at Kororāreka (now known as Russell) in the north of the country (Sinclair, 1991, p. 39). However, it was not until the third decade of the nineteenth century that systematic European colonisation of the country was considered by the British government (King, 2003, p. 156; Temple, 2002).

By 1840 the increasing number of European, North American, Australian and Asian settlers was causing tension, not only between the Māori and the newcomers, but also among the settlers themselves. This prompted a call for the British Crown (King, 2003, p. 152) to provide certainty of security. Subsequently, British authority was formalised when, on 6 February 1840 at Waitangi, a treaty between Governor Hobson, as the Representative of the British Monarchy, and several Māori chiefs, ostensibly representing all Māori, essentially ceded sovereignty of New Zealand to Britain. The Treaty of Waitangi is now taken by many to be the founding document of New Zealand.

The signing of the Treaty of Waitangi may have given many a sense of increased security. For those entrepreneurs, however, who were actively organising the colonisation of the country it threatened to undermine their entire business model; a model premised on their ability to buy land from the Māori to sell to colonists. As Burns (1989, p. 154) notes, when William Wakefield, leader of the New Zealand Company in Wellington, was given a copy of the treaty by the Reverend Williams he swore at him. Wakefield and the New Zealand Company relied on selling land to investors in UK. It is likely that his anger was caused by a (genuine) fear that he would no longer be the sole arbiter of land exploitation in the Wellington region. Nevertheless, from 1840 there was an increase in settlers arriving, mainly from the United Kingdom. In part, this upsurge reflected the efforts by the New Zealand Company to consolidate its position *vis-a-vis* the Crown. However, ongoing disagreement over the meaning of the Treaty, along with a growing reluctance by Māori to sell land suitable for settlement to the government, eventually brought to head the steadily building tensions; tensions that resulted in a series of armed conflicts from 1842 to 1872 (Ministry for Culture and Heritage, 2014).

By 1845 the New Zealand government was in a difficult position. With an estimated European population of 12,744 (Statistics New Zealand, 2015) necessary infrastructure was lacking. There was a feeling of disquiet that in some circles the Maori, no longer had sovereignty over their own land. This fundamental confusion within the meaning of Rangatiratanga, (governance or sovereignty) continues to be a source of tension between Maori and the Crown. In the mid-19th century the tensions led to warfare which lasted until the early 1870s. What came to be known as the New Zealand Wars devastated the Māori population, which went from 80,000 in 1845 to 56,000 by 1851 (NZ Government Staff, 1893 to 2010; Statistics New Zealand, 2015).

With the Māori more or less defeated by 1872, with holdouts confined to the rugged fastness of the "King Country" of New Zealand's North Island, New Zealand in the latter half of the 19th century went through a number of boom and bust cycles. As was the case previously, these were driven by land hunger and the demand for natural resources. Behind this new boom, however, was a fundamental alteration in the New Zealand landscape. After the Treaty was signed, the Crown gained control of vast native kauri forests covering much of the North Island. Subsequently, these forests were felled and the lumber shipped to Australia and the U.K. Forest land, once cleared, became available for settlement. Increasing numbers of settlers spread out across the country, establishing towns and farms. Mining also attracted immigrants. With gold rushes occurring in California (1848) and Australia (1851), New Zealand also attracted prospectors (La Croix, 1992, pp. 204-227; Umbeck, 1977, pp. 197-226). These bonanza seekers were rewarded with gold finds in the Coromandel peninsula in 1841, Central Otago in 1861, and West Otago in the late 1860s (King, 2003, p. 208). Fuelled by such new found sources of wealth the New Zealand population rose to 668,652 in 1891. By this stage, the Māori component was outnumbered by almost eight to one, having stabilised around the 42,000-44,000 mark. Increasing European population dominance, however, did solve the question of land ownership. Never fully defeated, and never accepting the Crown's interpretation of the Treaty of Waiangi, Māori discontent and opposition was never resolved. The unresolved nature of this conflict can be ascertained by the fact that in 1975 – when the Māori numbered some 360,000 in a population of 3.2 million - a Hikoi (land march) from the Hokianga in Northland culminated in thousands of marchers and their supporters descending on Parliament, demanding that not one more acre of Maori land should be alienated. In response, the Government established the Waitangi Tribunal to hear Maori grievances. The Tribunal's power was limited to make findings of fact and recommendations, progress was slow and in 1977 there was a 506 day occupation of land at Bastion point in Auckland. Eventually, in the face of continuing Māori opposition, the Crown entered into direct negotiations with the Māori in 1988, bypassing the Waitangi tribunal. Even this measure, however, failed to resolve the situation. Even today, with individual claimants (iwi and hapū) and a number of multimillion dollar settlements, countless disputes over land ownership are still outstanding.

Home Ownership and the Creation of a Welfare State

As noted in the previous section, the issue of land ownership has long been central to patterns of commercial activity in New Zealand. From the 1890s onwards, however, problems relating to land ownership increasingly assumed an urban hue. As Gibson (1973) indicates, by 1891 some 45.4% of the New Zealand population were town dwellers with 28.4% of the total found in the four main urban centres, namely Auckland and Wellington (both North Island) and Christchurch and Dunedin (both South Island). By 1936, the comparable figures were 60% and 36.4%, respectively. As the 20th century progressed, this trend became more and more manifest, making matters relating to urban circumstance the central factors in the New Zealand experience. By 1971, almost half the nation's total population (47%) was found in the four large metropolitan centres. Another 31.8% lived in smaller towns, leaving only 21.2% living in rural settings (Gibson, 1973, pp. 71-84). At the time of writing (2018), approximately a third of New Zealand's population of 4.7 million lived in Auckland. By comparison with Auckland's outsized growth the preeminent South Island cities – Christchurch and Dunedin – remain modest in size, the former boasting 360,000 inhabitants and the latter 120,000. Among North Island cities only Wellington, with 412,000 citizens, remotely rivals Auckland in size.

As early as the 1890s the then Liberal Government in New Zealand recognised that growing urban areas was starting to affect the quality of city life and began to encourage the better off working class buy their own house in the quickly growing suburbs (Fergusson, 1994). They provided low interest loans, however there was a very poor uptake; mainly because the transport cost outweighed the shift from low quality city accommodation. In 1905-06, as a way of building upon the work done by previous administration the reforming administration of Richard Seddon (Prime Minister, 1983-1906) passed two pieces of legislation that both indicated the growing importance of the urban population and the willingness of New Zealand governments to override market forces in the pursuit of social objectives., The first of these two pieces of legislation, the *Workers Dwelling Act 1905*, made provision for the construction of houses in suburbia designed for inner city workers. The second, the *Advances to Workers Act 1906*, encouraged the purchase of a single level standalone house on a plot of land in suburbia; houses which the government itself intended to construct. Like the administration before them, however, Seddon's government discovered they could not build the houses cheaply enough for their intended market (Schrader, 2005). By 1910 only 126 of an anticipated 5000 had been built. Despite this practical failure, the government intervention in housing supply and purchase, helped spell out an interventionist strategy by government that was to persist for most of the 20th Century, had been cast. The State would, when it became involved in the market, build high quality buildings that would help working people afford to purchase their part of the New Zealand dream. In expressing the continuing importance of this social objective, in 1950 Sidney Holland, the then Prime Minister Holland, is reported as saying: " the Government has great faith in the social value of home ownership … it promotes imitative, self-reliance, thrift and other good qualities which go to make up the strength of the nation" (Schrader, 2005). It is this first approach towards 'self-help' that in turn lay the foundations that would lead to a change in the way management was practised in New Zealand during the 1980s.

It was not only in terms of housing policy that the New Zealand governments of the late 19th and early 20th centuries showed themselves to be receptive to reforming measures. Particularly prominent among these measures was the *Industrial Conciliation and Arbitration Act 1894*, a piece of legislation introduced by one of the great reforming figures in New Zealand history, William Pember-Reeves, who served as a Liberal Party Minister for Labour between 1892 and 1896. Under this piece of legislation, the first of its type to apply to a national economy, trade unions gained official recognition as representations of workers. Wages and other working conditions became subject to *de facto* state regulation as the "awards" of the Arbitration Court were legally binding on all parties. In reflecting on New Zealand's system of compulsory conciliation and arbitration system - which was to endure in a largely unchanged forms until 1991 – Pember-Reeves (1903) accurately observed in his book, *State Experiments in Australia and New Zealand*, that "to a large extent" it was "the Labour Laws" of Australia and New Zealand "which helped to distinguish the spirit of these democracies from that of countries like Canada and parts of the United States". In both their "boldness and stringency", Pember-Reeves added, "they are not matched elsewhere". Other reforming legislation that characterized the Liberal governments of the late 19th and early 20th centuries included female suffrage, introduced in 1893, and old age pensions, introduced in 1898.

Significantly, the great industrial and social welfare reforms of the late 19th and early 20th centuries were due to the actions of middle-class based Liberal Governments, not working-class or trade union based Labour Governments. After a generation of relatively inaction, however, the interventionist creed was given new force with the articulation and legislation of a "cradle to grave" welfare state under the administration of Labour's Joseph Savage (Prime Minister 1935-1940) and Peter Fraser (1940 to 1949). Subsequently, the social policies of full employment and the provision of a "*social welfare safety net*" for all New Zealanders were adopted by both National and Labour governments. In the 1950s and 1960s the economic cost of these welfare initiatives was comparatively modest. These decades were prosperous times for all New Zealanders with the country ranked towards the top of the OECD league tables; a position based almost entirely upon the bounty of its agricultural produce, most of which was sold to the United Kingdom. However, by the mid-1970s the wheels started to come off the interventionist model that had long characterized New Zealand society. New Zealand found itself without a major purchaser of agricultural product when the UK entered the EEC in 1973. At home, the advent of Supplementary Minimum prices, and the OPEC price increases lead to some major financial issues. In an attempt to redress these issues and in part an attempt to "future proof" the New Zealand economy The National government under Prime Minister Muldoon put in place a number of initiatives. They closed down and redistributed the national superannuation fund, fixed the exchange rate and embarked on a number of large scale infrastructural programmes 'colloquially known as Think Big. Finally in the last few years of their tenure the National government presided over a wage and price freeze. When a snap election was called the government fell, it was a first part the post landslide victory for Labour. However the labour government did not inherit a 'star'. Rather the economy was very also to collapse. Reform was required; the scale of such reform and the method of such reform contributed to a change in the way management was see and practiced with New Zealand to this day.

The Unravelling of a Century of State Intervention

The previous sections have been provided as background, for what is the real context of this chapter; New Zealand in the 1970s and 80s – when New Zealand came of age and the practice of management in New Zealand changed forever. The 1950s and 60s were our teenage years, life was easy and New Zealanders were prosperous. A Treasury working paper by Mawson (2002) ranking the country either third or fourth place amongst OECD countries at this time. Unemployment in the 1950s was extremely low, with a popular joke of the time being, "*they were personally known to the Minister of Labour*". Socially the population of three million people also found its voice, demonstrating, against New Zealand's involvement in the Vietnam War, sporting contact with South Africa and nuclear testing in the Pacific. Domestically, New Zealand land rights and the women's movement were inciting passion. New Zealand was truly the land of milk and honey; however, events outside New Zealand were soon to end the good times. For example, Britain joining the European Economic Community in 1973, limiting access to what had been our primary export market. In 1973 and again in 1979 Arab OPEC countries substantially increased oil prices, as a result, New Zealand plunged down the OECD league tables. The response of a newly elected Prime Minster, Robert Muldoon in 1975, was to invest heavily in "*Think Big*" projects designed to make New Zealand self-sufficient in energy while creating employment opportunities. However, while waiting for these projects to come online New Zealand faced rising inflation, Muldoon's response in 1982 was to freeze prices, wages and interest rates while at the same time, to earn much-needed foreign currencies he offered farmers subsidies and minimum prices. Muldoon's wage and price freeze were unpopular and by 1984, his majority in Parliament had shrunk to one. When faced with the dissenting voice of National MP Marilyn Waring threatening to vote for an opposition sponsored nuclear-free legislation; Muldoon called a snap general election. National lost the 1984 winning only 37 seats in a 95-seat parliament, thus effectively ending the political career of one of New Zealand's most powerful and polarising prime ministers and minister of finance.

With power suddenly thrust upon them Labour immediately faced a crisis, as prior to the election Muldoon had been receiving advice from the Reserve Bank to devalue the New Zealand dollar. Muldoon steadfastly refused; resulting in the New Zealand dollar coming under pressure from speculators. Following the election, the New Zealand dollar faced increased pressure and New Zealand faced a constitutional crisis as Muldoon refused the convention to take advice from the incoming government. Eventually Muldoon acceded, the dollar was devalued 20%, and funds flowed back into the country. The newly sworn in Labour government, following advice from Treasury, the Reserve Bank and others immediately set about reforming New Zealand constitutionally, economically and socially. They followed a ,

'neoliberal' ideology being promulgated by the major players within Bretton Woods institutions and which was fast gaining ground in the UK and the USA. The remainder of this chapter examines the policies of the fourth Labour Government and the legacy left by its three main actors, Prime Minister Lange (the great debater). Roger Douglas (Minister of Finance whom the term Rogernomics was coined) and Richard Prebble (Minister of Railways). Following a brief literature review, illustrative examples are provided demonstrating how the management reforms impacted on management practice and the country as a whole. These are followed by brief discussion and conclusion.

The 4th Labour Government, over the six years from 1984 became one of the most aggressive proponents on neoliberalism in the OECD. Christopher Pollitt (2000, p. 185), writing about rise of neoliberalism in the west went as far to say; although New Zealand was in the vanguard of reform it is certainly not recognised as a model to imitate. This then is the story of how a Labour Government enacted and institutionalised the ideology of neoliberalism in New Zealand, changing the way New Zealanders saw management and business; forever. This chapter necessarily relies on contemporaneous government publications and management commentary. This is to illustrate the change in management practice in New Zealand because of the Government's adoption of neoliberalism. Granted, the country was not the first to dabble in this paradigm, it was however seen at the time and continues to be seen in hindsight as the most neoliberally 'progressive' of the western democracies, (Boston J & Eichbaum C, 2014; Eichbaum, 2006; Pollitt, 2000).

The neoliberal agenda was set by the Lange administration and it was not until the second term of the Labour government the 'reforms' which were to have such an impact on management practice in New Zealand began to bite. The Lange administration had signalled far-reaching changes. Since 1984 they had been actively putting in place foundational reform, after another victory in 1987 the mooted changes began to be entrenched. It was an institutional desire to be seen as responsible and business like, that led to the '*success*' of the reforms firstly within the public sector then the wider management arena in New Zealand. This is based on the theory that individual managers within government controlled business organisations are more influenced by their need to achieve identity and legitimacy from 'business' practitioners than their in their desire to better serve the public (Litvin D, 2002). Thus managers may wish to be seen by their peers, and by society in general, as owners and managers of a 'business', and so will adapt their behaviour to reflect what they believe are the appropriate and commonly-held assumptions surrounding the concept of management. Because individual actors choose to adopt behaviour patterns that clearly identify them as belonging to a collective, the literature of institutional theory accommodates both collectivist and individual approaches to the subject. These oppositional elements — individualism versus collectivism — inherent in institutional theory can be used to build a theory for government managers, since management is perceived as being at once an individual and a collective construct (Haugh & Pardy, 1999; Pfeffer, 1982; Weber, 1947, p. 360).

Privatisation and re invention of public service

Following from the above and outlined below are the main ideas promoted by the movement for the "re-invention of government" which themselves were not new. Well before the publication of the book by Osborne and Gaebler, *Reinventing Government* (1993), much had been written regarding the benefits, or otherwise, of encouraging government managers to adopt the techniques of private-sector business managers. One of the more significant authors in this field was Selznick (1947/1966) who in his book, The TVA and the grass roots, clearly described how government workers clothed themselves as private businesspeople. At the time, the phrase privatisation was not used, However, by the time (Considine & Painter, 1997) published their book on managerialism, the concept had become not only entrenched but colonised within both the public and private sector in New Zealand. In the latter part of the 20th century, the ideas first raised by Weber became enmeshed in the re-invention of government movement and gained support from a mixture of neo-liberal contributions. These inputs ranged from the sociological through to the economic and political, and helped lay the foundation for what was variously known as Thatcherism in the United Kingdom, Reganomics in the United States, and Rogernomics in New Zealand. These neo-liberal political/economic adjustments to macro policy occurred close enough in time to be seen as a western trend; they all emphasised privatisation of government commercial operations, together with a belief that private enterprises were more efficient, beneficial and equitable than state-owned and staffed operations.

The ideology gathered support throughout the 1980s and was, by the 1990s, sufficiently established for academic and industry papers to appear chronicling the push for privatisation. Most of these stories were ones of acceptance and encouragement (OECD Staff, 1993; Osborne & Gaebler, 1993; Prokopenko & Pavlin, 1991; Schneider & Teske, 1992). The OECD had interpreted economic rationalism to mean pursuing Market-Type Mechanisms. However, it would be erroneous to suggest that the path was universally approved. Concurrently, there was gathering critique. Many critics, in New Zealand and overseas, were far from convinced of the economic and social benefits promised by the Market-Type Mechanisms or the new efficiencies suggested by the '*New Public Management*' (Kelsey, 1993, 1994, 1997, 1999; Pollitt, 2000, 2001; Sharp, 1994). Such a focus on central government management reform is important within the context of New Zealand. In New Zealand the managerilaist reforms undertaken in the public sector had a large influence on the private sector. In some ways they assisted in shaping the way managers saw their job. In New Zealand managerialism, usually a term of derision, had become entrenched — to the point that the term itself was colonised by its practioners. For example, a State Services publication, Current problems in Public Management (State Services Commission, 2002), suggests that government policy advisors were not only aware of the term "managerialism", but saw it as a laudable rather than a derogatory term. It states:

- *Before 1984 (dominated by bureaucracy and process) it took 6 weeks to get an initial benefit payment;*
- *Now (with the development of managerialism and an output focus), assessment and payment are much quicker, and emergency benefits for food and shelter are available on the day (p. 3). Parenthesis in original*.

Of all the seeds for New Zealand's adoption of managerialism sown in the reforming legislation of the Labour government (1984 – 1990); the most important legislation was the State-owned Enterprises Act (1986), the State Sector Act (1988) the Public Finance Act (1989). No matter how necessary the reforms were seen to be; one international commentator has written the New Zealand government was deluding itself that the reforms would be universally viewed in a positive light (Pollitt, 2000, p. 185). The power of legitimacy and identity influenced by Treasury, and the Business Round table led the government to believe their reforms were desirable, supported, and the only possible way to act.

The belief held by individual managers that they were acting in accordance with accepted business definitions and the normative isomorphic identification with the institutional norms of the private sector manager was another strong influence in New Zealand. For example, Considine and Painter (1997) Enteman (1993) , Pollitt (2000) and Gregory (1999) provide a contemporaneous critique of the concept of managerialism and the adoption by government actors of the language and techniques associated with it. Managerialism seen as a politically rationalist and therefore "correct" approach to public business organisation in that emotions should not be part of the business equation. It has been argued that, from time to time public servants undertake activities that resemble those of a private company, then that activity must be organised in accordance with accepted business practice. The New Zealand Treasury supported this line of reasoning, urging that "corporatisation would achieve considerable efficiency gains." (1987, p. 119). This advice from Treasury was heeded and the legislation to enable the privatisation and commercialisation of activities previously undertaken by government was passed through Parliament.

However, there was some contemporaneous dissent, professor Michael Peters of Auckland University, in a 2001 article, was especially critical of these developments. He suggested that New Zealand had not only successfully enacted neo-liberalist policy, but restructured the way New Zealand governments relate to the public domain. In Peters' opinion, New Zealand was close to an almost religious devotion to the market concept. Such an emphasis, he suggested, has elevated the market from a contrived to a natural construct. In other words, the market-driven approach as practised in New Zealand is now almost beyond question. In New Zealand, government policy has placed such importance on privatisation of services and the free-market paradigm associated with it that the rationalist private sector model is the only business model to be considered within a business framework. Peters argues that these policies had the effect of placing the state, democracy and the community in a subservient role with respect to the market. Finally, Peters views the free-market paradigm expounded by the government, and the free trade philosophy of the WTO, IMF and World Bank, as evidence that New Zealand has abandoned its historical ties to the community and embraced the market (Peters, 2001, p. 209). It is this paradigm of free trade and market forces that has allowed the structures of managerialism to find legitimacy with managers government business operations.

The major proponents of this prescriptive path believed that a public business is no different from a private business and therefore needs the same sort of management structure (Osborne & Gaebler, 1993; Pinchot, 1985; Prebble, 1996; Schneider & Teske, 1992). This argument, however, fails to take into account the cultural differences that exist between a publicly-owned business organisation and a private organisation. In addition, the argument does not accommodate the way power is exerted within a public service environment, or the individual motivators for success that influence a public manager as opposed to a private businessperson (Schneider & Teske, 1992).

This theoretical model, has involved an almost rigid adherence to the principles of market-type mechanisms outlined above (Peters, 2001; Schick, 1996; Wilson & Doig, 2000) Central to the philosophy of government reform in New Zealand was the importance placed on the need for government agencies to be financially and economically accountable. The authors of the Treasury briefing paper Government Management, essentially the briefing paper for the incoming Labour government, envisaged that the reforms be extended even into "non-commercial areas" (New Zealand Treasury Staff, 1987) of government and local government activity. This aspect of accountability is met through contractual arrangements which clearly and specifically lay down outputs against which the particular operation will be measured. For example, the State-Owned Enterprises Act (1986) Part1 s 4 reads in part: "The principal objective of every State enterprise shall be to operate as a successful business and to this end be as profitable and efficient as comparable businesses that are not owned by the Crown." The State Sector Act (1988) s 51(6) reinforces these managerialist expectations by requiring senior management to "promote efficiency" as part of their duties. Managers need only refer to the Public Finance Act (1989) for guidance as to how efficiency should be interpreted. Further, even when conducting non-commercial activities the Act requires the enterprise to exact a fee from the receiver of the goods or services (State-owned Enterprises Act (1986) S7).

Central government's emphasis on financial efficiency is overt in the objectives of the Public Finance Act (1989):

> *An Act to amend the law governing the use of public financial resources and to that end to (a) Provide a framework for Parliamentary scrutiny of the Government's management of the Crown's assets and liabilities, including expenditure proposals; and (b) Establish lines of responsibility for the use of public financial resources; and (c) Establish financial management incentives to encourage effective and efficient use of financial resources in departments and [Crown entities]; and (d) Specify the minimum financial reporting obligations of the Crown, departments, and [Crown entities]; and e) Safeguard public assets by providing statutory authority and control for the raising*

of loans, issuing of securities, giving of guarantees, operation of bank accounts, and investment of funds.

Such demands have an inevitable effect on those charged with managing services offered to the public. The penetration of market-driven notions within both central and local government can be demonstrated by a document published by the Hillary Commission for Sport and Recreation in 1994. Rather than suggest ways in which the public could benefit from improved access to sporting and cultural opportunities, the (Hillary Commission for Sport), in their desire to be effective and efficient, attempted to entrench the ideals of managerialism. For example, the Commission advocated user charges for leisure services provided by local government, going as far as reporting that "if people want it [the service] then they will pay for it" (1994, p. 7) and "by introducing user charges, lower income groups have the option of whether they wish to use a service instead of paying for a service they don't use."(1994, p. 10).

The advocacy of such measures revealed the making for institutional identity. Managers working within a public organisation were openly advocating economic efficiency in line with the institutional management norms of the private sector. This should have raised questions regarding the very existence of the Hillary Commission. Influenced by the neo-liberal paradigm, an organisation designed to encourage leisure activity, motivated by legitimating elements, looked to the market for reasons for non-participation rather than for the cause of low participation. Such efforts would have been applauded by the Business Roundtable which in 1995 advocated blanket user charges on library services on the basis that only a small section of the community utilised these facilities (Zohrab & Dwyer, 1995). The Hillary Commission's attitude was indicative of how deeply entrenched the rationalist paradigm had become within the service provision arm of local government in a very short time. In 1994, the acceptance of such neo-liberal practices appeared to be strong.

It is unlikely that the Hillary Commission would have acted in this way if it were not for the passing of the Public Finance Act (1989), which had a major impact on the development of business operations in government. Through the introduction of the Act, the government sought to ensure that government departments, and other Crown agencies, adopted a financial emphasis in their reporting. This is made clear in Section 34(A) of the Act. In so doing, the government attempted to hold government departments to the same "generally accepted accounting practices" (Public Finance Act, (1989)) as private business operations. The government's action could be interpreted as looking beyond a financial return; it was also interested in ensuring that the organisational structures and management procedures of public companies and departments were a mirror of their counterparts in private industry. For example, by 1994 the requirement for government-owned operations, be they local or central government concerns, to be run as successful businesses, introduced in the State Owned Enterprise Act 1986, had also been incorporated into the Local Government Act 1974, the Port Companies Act 1988, the Energy Companies Act 1993, the Housing Restructuring Act 1992, Southland Electricity Act 1993, and the Crown Research Act 1992 (Petrey, 1994). Such an attitude failed to recognise that government business operations were, and in some cases still are, the sole provider of social services or, indeed, of essential goods and services such as water reticulation. Historically, it had never been envisaged that in New Zealand such entities would need to make profits.

Impact of Political Reforms on the practice of management in New Zealand

The fourth Labour Government, elected in 1984, made a philosophical change to the management and the provision of government services. This philosophical change was implemented when Labour was re-elected in 1987 and was also adopted and further extended by the National government of Prime Minister Bolger and Finance Minister Richardson, elected in 1990. Presented below are examples of Government actions, which resulted in change to the practice of management throughout the entire country. First is the corporatisation of government business units into standalone State Owned Enterprises (SOE's) and their subsequent conversion to limited liability companies, which could be sold as, trade sales or listed on the New Zealand Stock Exchange (NZX). The remainder of this section provides three examples of how this change in government philosophy played out; with the sale of Air NZ, the sale of the telephone section of the NZ Post Office and lastly the supply of water in the Auckland region by local councils. We demonstrate that although privatisation/corporatisation provided funds for the State it was also about it was more about government philosophy.

In the 19th century evidence of a countries success was the provision of an efficient rail service while in the 20th century it was a national airline. In the New Zealand, the flag bearer was Air New Zealand (Air NZ). Air NZ developed in 1965 out of Tasman Empire Airways Ltd (TEAL) a trans-Tasman flying boat service and in 1978 New Zealand's domestic carrier was merged into Air NZ. One-year later tragedy struck Air NZ and the entire country when one of its DC10s on a sightseeing flight over Antarctica crashed on Mt Erebus with the loss of 257 lives. In April 1989, whilst still a government owned airline, Air NZ was sold for $660 million to Brierley Investment, Qantas, Japan Airlines and American Airlines. The first public sale of Air New Zealand (AIR) was an offering of 30% (5% reserved for airline staff and 25% for the NZ public) of the shares in October 1989 at a price of $2.40 (Reuters News Official, 1989).

In 1996 Air New Zealand purchased Ansett Australia, for A$475 million, and moved to full ownership of Ansett in February 2000; when they purchased the remainder from News Corporation Ltd for A$580 million. Ansett was solely a domestic carrier and the board of Air NZ saw opportunities to enhance Air NZ's trans-Tasman service by linking into the Australian domestic network. As well as these synergies, they also expected to be able to increase profitability at Ansett by applying some of their experience in running a profitable Air NZ. This did not happen and in September 2001 Ansett into administration on behalf of its creditors. In NZ, the media lay blame for the collapse at the feet of the Australian unions who were considerably more powerful and militant than NZ unions. In Australia the consequence of bad management by Air NZ, Leiper (2002) in his analysis of the Ansett collapse, identifies the original decision of the Board of Air NZ to purchase Ansett as being flawed and compounded by paying too much for what was in reality a struggling domestic airline. A decision repeated in 2000 when they again paid too much to achieve complete ownership. A classic case of hubris by an overconfident board. Regardless of the causes of the Ansett collapse, Air NZ was in breach of its existing borrowing covenants and required a substantial capital injection by the New Zealand Government if it was not suffer the same fate as its subsidiary Ansett.

The privatisation of the Bank of New Zealand (BNZ) is interesting because its history is markedly different from other assets privatised in New Zealand. In 1861 the BNZ was established, and although is banker for the government it was a privately owned three well respected New Zealanders; politicians Thomas Henderson and Thomas Russell as well as the "Father of Auckland" John Logan Campbell. The driver for the BNZ was to compete against the foreign owned Union Bank and Bank of New South Wales. The BNZ's early history was as turbulent as the countries was with the NZ wars and the boom and bust cycles of gold mining and property speculation. The BNZ made a number of bad loans in the 1880s requiring them to sell down their London investments and build up cash reserves while transferring £125,000 from reserves to a debt suspension account in anticipation of loan write-downs (Colgate, Sheppard, Guerin, & Hawke, 1990). Despite assurances by directors in June 1894 all was well were forced to inform the Colonial Treasure the bank would be forced to close if it didn't receive state support (Colgate et al., 1990). The Bank of New Zealand Act 1895 allowed the BNZ to write off £900,000 of capital and £450,000 of the proceeds of the previous call. The Government then subscribed for £500,000 of six year 3.5% preference shares while shareholders were required to subscribe anther £3/6/8 per share, bearing 5% interest. The government then became a BNZ shareholder in 1904 before a Labour Government Nationalised the bank in 1945 Wilson (2010).

The fourth Labour Government in 1987 allowed the bank to recapitalise itself by way of an issue of 15% equity capital and in 1988 the government announced it would sell all its shares. However this was delayed when a conflict of interest was revealed, with preferred bidder Brierley Investments, as Ron Brierley was on the BNZ board at the time (Wilson, 2010). In 1989 a further rights issue was made, the Government not wanting to invest further funds in the BNZ gave their rights to Capital Markets Ltd, after which the resulting share structure was the Government 51.6%, Capital Markets 30.5% and the public 19.9% (Singleton, Grimes, Hawke, & Holmes, 2006). Despite everyone, believing capital the bank was adequately capitalised the incoming National Government was required to deal with problems from the bank's aggressive lending in Australia. After the government provided $620 million and Capital markets provided $100 million the government sold its remaining shares in the BNZ to National Australia Bank (Wilson, 2010)

A clear indication the neoliberal business model did not always pay dividends is given by the privatisations of Air NZ and the BNZ. Both State Owned Enterprises faced immanent collapse after the Government allowed them free reign. Both required substantial additional funding after being cut lose from Government control. It is not possible to say if under Government control, they would have required this additional funding but clearly both pursued high-risk business strategies after privatisation. The privatisation push for efficiency and introduction of managerialism was not limited to central government operations. It was also seen most markedly in local government with privatisation program extended to local body business units, such electricity lines companies, ports and airports; enabled by amendments to the Local Government Act (1974), which established Local Authority Trading Enterprises (LATE); now known as a Council Controlled Organisations. A LATE, like an SOE, was required to make a profit and follow recognised business practice. In addition the amendments, mentioned below, organised the employment relationship for local government employees. This followed the separation of operations and policy which was in vogue in central government at the time.

Through the Local Government Amendment Act (1989, No 1) and the Local Government Amendment Act (1989, No2), local government business operations such as water, power, waste collection were encouraged to be set up along the same lines as a State Owned Enterprise. In essence these reforms separated the 'rowing from steering, and established new administrative structures. Like the SOE they were reorganised so that the general manager of the individual units became a CEO and in turn the CEO was the employer for the council workers who were employed within the LATE. These organisations (LATE) were required under the legislation to make a profit. Richard Prebble ex Labour Minister of Transport, writing about reforming the local government businesses retells a story " … I've already put in place some reforms from when I was Minister of Transport that is going to force the ARA [Auckland Regional Authority] to be more efficient"(Prebble, 1996, p. 46). A legacy of the 1984 – 1990 reforms is the Land Transport Amendment Act 2013, which makes it clear that local authorities can only provide public transport under contract. Simply put, they must use private sector operators to provide public transport.

An example of the way these organisations changed their management practice can be seen in the story of Water Care. A bulk and waste-water operator owned by the Auckland Regional Council and supplier of water to Metrowater. The water reticulation organisatin for Auckland City and wholly owned by Auckland City, Water Care embodies both the institutional language and attitude of a private company. Managerialist phraseology is peppered throughout its 2002 Asset Management Plan — expressions that may show identification with the wider institution of the management profession but mean little to customers. Water Care assures the people of Auckland that it will "ensure negotiated customer service levels are achieved at minimum prices following rigorous risk assessment processes which meet best industry practice" (Water Care Staff, 2002). The company's "customers" are Auckland citizens who have no alternative supplier. The use of the term shows how Water Care's managers see the ratepayers — not as owners in a collective sense, but as individual purchasers of a product.

This attitude is in contrast to the stance of the Auckland Regional Authority (ARA), which performed Water Care's duties prior to the establishment of the Water Care, as reflected in its (ARA) annual reports. In the annual report for 1982, for example, the chairman noted "that Auckland simply could not work adequately as a metropolitan area … without the basic services the Authority provides" (Auckland Regional Authority Staff, 1982). On the question of bulk water delivery, the annual report for 1982 notes only that bulk water is delivered to local authorities connected to the ARA dams. There is no mention of customers or consumers. It is not until 1987 that the annual reports specifically mention "consumers" in regard to water, and even then it is only the recipient councils that are termed as such. However, by 1991 the Auckland Regional Authority was referring to both the councils it supplied, and the citizens using the water, as "customers". In addition, in 1991 the ARA first used the term "market", registering its intent to conduct "market surveys" of its newly perceived customers (Auckland Regional Authority Staff, 1990-1991, pp. 67-68). Finally, in 2002, in a flourish of managerialist language, Water Care concludes its 2002 Asset Management Plan with the intent of producing "A triple bottom line Annual Sustainable Development report as defined by the Global Reporting Initiative." (p. 55). Since this document is found on Water Care's web site, it seems to have been intended for external, as well as internal, consumption. That Water Care management believed such a sentence was meaningful to the citizens of Auckland demonstrates the distance between the two groups. More revealingly, the use of accepted business language shows it to be an open appeal for legitimisation from the external management profession.

In presenting the above three examples of privatisation we have illustrated how the reforms initiated in 1984 changed not only the employment relationship of public servants but also the way government managers related to their jobs. The above illustrations also demonstrate how the use of 'management' language and acceptance of private sector management technique became seen as the only way to conduct 'business'. The neoliberal paradigm embraced by the reforms and subsequent governments' has led to establishment of a New Zealand paradigm of management based on rationality and efficiency.

Conclusion

The Treasury authors of Government Management (1987) suggested that not only are markets efficient, and ensure maximisation (p. 15), but that they also provide a check on wastage (p. 38). Such views — that appear to be widely accepted within the New Zealand business community — are again indicative of how deeply entrenched in the New Zealand economic psyche is the notion that private sector models of business can be applied to public organisations without modification.

The move towards the market-type mechanism for government operations was seen as a way to encourage innovation and entrepreneurship by holding managers and government controllers accountable for outputs (Treasury, 1987; Public Finance Act, 1989; State-owned Enterprises Act 1986). The manager in turn is prompted by career imperatives — job security — to either adopt or adapt to the new regime, thus ensuring that the manager will see that following the neo-liberal pathway is in his or her best interests. It was argued that, in order to achieve the desired change in direction, new management personnel were needed (Prebble, 1996, pp. 75-78) managers who could lead by example, who could operate within the rationalist mould and help form a new culture to replace the "staid" business organisations of both local and central government. In response, there was increased recruitment of private sector management into the upper echelons of both central and local government organisations (Boston, Martin, Pallot, & Walsh, 1996).

The introduction of private sector managers did not see an increase in business innovation within either central or local government business operations. For example, Gregory (1999) quotes a 1997 report which explained the lack of internal innovation within government departments as a reaction to the need for managers to fulfil output obligations. By embracing economic accountability as a management tool the manager is in danger of becoming focused on the current objective and is less inclined to consider the long-term holistic implications of his or her actions lest they interfere with meeting the agreed output . It would appear that the reforms themselves, rather than the activities of the management within them, were seen as the prime example of innovation. Considine and Lewis (1999) have suggested that the application of management theory within the entities created by the reforms has placed too much emphasis on accountability and monitoring of outputs. This has resulted in a lack of entrepreneurial innovation and, in practice, reproducing traditional features of private-sector management which, in the long term may not be the best or beneficial form of management. Nevertheless in New Zealand, thanks in no small part to the Labour government of 1984 – 1990 it is the form of management that became entrenched within both the public and private sector.

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