Still Fragmented Government or Reassertion of the Centre?

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Introduction

Traditionally, political and administrative systems in Western democracies are based on a complex set of norms and values that are balanced in different and often ambiguous ways. This government model allows for trade-offs and prioritizing between different values and goals within the same organization (Olsen 1997; Christensen and Lægreid 2003b; Lægreid, Opedal and Stigen 2005). Since the early 1980s, however, this multifunctional and hence complex civil service model has been challenged in many countries by New Public Management (NPM), which offers more one-dimensional solutions to complex structures and problems (Self 2000).

Most NPM reform efforts have had similar goals: to improve the effectiveness and efficiency of the public sector, enhance the responsiveness of public agencies to their clients and customers, reduce public expenditure and improve managerial accountability (Wright 1994). The means used to achieve these goals were a whole series of reforms connected to structural devolution – strong vertical and horizontal specialization of administrative systems, competitive tendering, customer choice, and so on. In addition, NPM prescribes cultural changes aimed at making the government apparatus more user-friendly and market-oriented (Christensen and Lægreid 2001c).

NPM is actually a rather loose concept encompassing several different administrative doctrines, inspired, in turn, by a combination of newer institutional economic theory and management theory (Boston et al. 1996). This makes NPM rather contradictory, for it simultaneously prescribes centralization, regulation and control and decentralization, flexibility and autonomy, with the latter aspects often prevailing. These tensions result from the contradiction between the centralizing tendencies (make the managers manage) of contractual arrangements and the decentralizing tendencies (let the managers manage) of management (Boston et al. 1996; Christensen and Lægreid 2001c).

In this chapter we look for patterns of similarity and difference in the effects of NPM reforms in New Zealand, Australia and Norway. The research questions are as follows: *What have been the effects of the first generation of NPM reforms on the relationship between political control and administrative autonomy in these countries? Have the countries studied continued to implement NPM features in the second generation of reforms during the last five to ten years? Or have they (whether*

initially radical or reluctant reformers) reacted to the effects of the original NPM features by turning away from NPM and pursuing new solutions? *What are the main features of the post-NPM reforms and how do they relate to NPM?*

First, we will give a broad overview of the changes brought about by the first generation of NPM reforms in the 1980s and 1990s in these three countries and the effects they have produced. The NPM reforms in New Zealand and Australia – where some reform measures were similar and others different – started earlier than in Norway, which is known to have been a reluctant reformer (Olsen 1996). There have been a lot of studies of both reform processes and effects in these countries (Boston et al. 1996; Schick 1996, 1998, 2002; Painter 2001; Gregory 2001, 2003; Halligan 2001, 2004; Roness 2001, 2004; Christensen and Lægreid 2001c, 2005; Gregory and Norman 2003; Christensen, Lægreid and Wise 2004; Pollitt and Bouckaert 2004; Boston and Eichbaum 2005; Christensen, Lægreid and Ramslien 2006; Lægreid, Roness and Rubecksen 2006a, 2006b), but we will focus only on some of the main reform effects.

Second, we will outline and discuss what has happened in the period since the first generation of NPM reforms were implemented in the 1980s and 1990s. We will discuss to what extent these countries have addressed the impact of these first-generation reforms by making structural and cultural changes in the second generation of reforms. The term 'second-generation reform' is used to denote reforms implemented after 1999, which changed some important structural and cultural features of NPM, especially in New Zealand and Australia. We will look primarily at reforms at the central level and focus more on the balance between political control and agency autonomy than on efficiency measures as such.

Theoretical Approaches and Central Concepts

Structural Features, Cultural Aspects and Myths

The structure of public institutions is important because it affects the performance of government (Schick 1996). Reorganizations change the patterns of interaction within political–administrative systems and across organizational boundaries (Pollitt and Bouckaert 2004). An *instrumental hierarchical view* highlights the fact that political and administrative leaders, through conscious design of the formal structure, can and will influence and change actual behaviour (Egeberg 2003). This viewpoint suggests a tight coupling between administrative policy programmes, reform solutions and practical results. Organizations can either be multi-purpose organizations (several purposes, one organization), or single-purpose organizations (one purpose, one organization) (Pollitt and Bouckaert 2004).

Specialization is an important organizational feature (Gulick 1937; Egeberg 1984, 2003; Hammond 1990) and can be either vertical or horizontal. Increased vertical specialization implies more autonomy for general agencies, regulatory agencies and government-owned companies and enterprises. Vertical specialization implies structural devolution and administrative decentralization: authority and responsibility are delegated or transferred to lower levels, organizations or

positions in the civil service (Christensen and Lægreid 2001c, 2001d). But vertical specialization is different from political decentralization, where authority is delegated to elected representatives (Pollitt, Birchall and Putnam 1998). Increased horizontal specialization implies differentiating between the government's roles and functions as owner, administrator, regulator, purchaser and provider (Boston et al. 1996; Christensen and Lægreid 2002). Horizontal specialization defines how different issues and policy areas are to be coupled or de-coupled at the same organizational level (Gulick 1937; Egeberg 2003).

Co-ordination is another important organizational feature, and can be either vertical or horizontal. NPM reforms tend to focus more on the vertical aspect. Co-ordination is more likely to occur *within* organizational boundaries than between the boundaries of different organizations. It means that issues and tasks are linked together at the same organizational level, both within and/or between different units at that level. Co-ordination can be accomplished via the exertion of authority from the top in a traditional hierarchy, where consistent orders are passed down the hierarchical line; but it can also be achieved less formally, by voluntary co-operation within a network or collegial body. A third mode of co-ordination is the market mechanism (Egeberg 2003; Pollitt and Bouckaert 2004). A contract is an important feature in markets, even though NPM-inspired contracts in the public sector are often more relational than hard-edged private contracts (Martin 1995a). Contracts may be a means to ensure co-ordination, for political leaders can use them to specify targets and objectives more clearly and to control performance via quantitative indicators for monitoring results and measuring efficiency. The audit 'explosion' (associated with NPM) potentially has strong elements of administrative centralization and implies an increased focus on formal and external management by numbers. This is in contrast to more traditional forms of control based on trust (Christensen and Lægreid 2002).

The dynamic connection between specialization and co-ordination is important (Gulick 1937). In this respect the different phases of NPM reforms are part of a long-term cyclical trend, where periods of specialization are followed by more co-ordination. Increased specialization implies a need for greater co-ordination efforts, if coherence is to be maintained. Otherwise, the danger is that newly specialized agencies will go their own way. NPM reforms replace co-ordination of input with more focus on co-ordination of output. Under NPM, market co-ordination is supposed, where possible, to replace hierarchical co-ordination (Pollitt and Bouckaert 2004, 80). In New Zealand, the traditional model, *managing for process*, used rules to maintain centralized authority. It was challenged by an NPM-inspired model: *management for results*, which seeks centralized control of results but decentralized decisions about service delivery (Norman 2003).

Organizational cultures can influence organizational performance. This perspective highlights the informal aspects of organizations rather than the formal and structural aspects. Cultural features of public organizations serve to make them more stable and integrated and can prevent sudden, deep and thoroughgoing change (March and Olsen 1989). A cultural perspective focuses more on *evolution* than *revolution* (Selznick 1957), although a crisis can lead an institution to leave one trajectory or institutional path and embark on a new path (Baumgartner and Jones

1993; Christensen and Lægreid 2004a, 2004b). Cultural or institutional features of public organizations may potentially further or hinder instrumentally planned reforms, and therefore influence the conditions for political control. Reforms that are in accordance with the traditional administrative culture are more easily accepted than those that are not.

In addition, *myths* and *symbols* are important features for understanding relations between organizations and the environment. Myths and symbols spread around the world through imitation and can result in *structural similarity* and *isomorphism* (Meyer and Rowan 1977; DiMaggio and Powell 1991). The main point of these myths is to attain or increase legitimacy, and myths may either further or hinder political control. A reform that is compatible with the currently dominant norms and ideas in the environment will tend to be selected, while one that is not compatible will be rejected. The myths are primarily seen as meta-structural elements existing on the surface of organizations. In this case, the new structure is symbolic and the old structure is instrumental. Brunsson (1989) terms this 'double talk' or 'hypocrisy'.

What Have Been the Effects of Administrative Reforms and How Do We Measure Them?

It is important to distinguish between *reforms* and *actual changes*. Actual changes do not need to be a product or result of reforms, and reforms do not need to result in actual changes (Christensen, Lægreid, Roness and Røvik 2007). There are different ways to assess the effects of NPM-oriented reforms. A first, rather broad approach is to look at whether the reforms have changed the decision-making behaviour and role-enactment in general of central political and administrative actors (Christensen and Lægreid 2002; Pollitt and Bouckaert 2004). A second, narrower approach examines the functioning of new NPM-inspired management systems. We lean more towards the first way of measuring effects, but operate with an extended effect concept. Therefore, we include external political effects as well as internal administrative effects and technical–economic effects (Olsen 1996). A substantial democratic dilemma related to NPM reforms is how subordinate agencies and commercial units are to gain enough autonomy to function efficiently, but not so much freedom as to make them politically uncontrollable (Christensen and Lægreid 2004a).

Measuring effects can be a difficult task, but it is probably easier to evaluate the effects of reforms on central political and administrative roles than to delve more deeply into the question of effects on efficiency and effectiveness. It is not unusual for politicians, public servants or executives of public service-providing units to claim that NPM reforms have significantly improved the system of government. This may be true in some countries and sectors, but it is constrained by problems of 'rational calculation' (Dahl and Lindblom 1953) and also by the manipulation of symbols and 'superstitious learning' (March and Olsen 1976). Organizational structures are intermediate variables in an administrative policy. There is no widely accepted model showing closely the connection between structural changes and actual changes in outputs and outcomes (Pollitt and Bouckaert 2004). Possible efficiency gains are particularly difficult to assess, because the structural thinking behind rational economic theories is often pretty loose (Boston et al. 1996). In addition, efficiency

effects can intertwine with other processes and changes, making it more difficult to isolate individual effects. Measuring cultural effects can frequently be more difficult than assessing the results of structural features, for cultural features are often less tangible and less formal than structural features (Pollitt and Bouckaert 2004).

In addition, the effects of NPM reforms on political control and professional autonomy may point in different directions, given the potential complexity shown by the *transformative approach* (Christensen and Lægreid 2001b). By this we mean that the institutional dynamics in this kind of reform process can best be interpreted as a complex mix of environmental characteristics, polity features and historical–institutional context. A transformative approach emerges when we combine internal and external reform features to explain why NPM may have different content, effects and implications in different countries (Christensen and Lægreid 1999a). External reform components and programmes are filtered, interpreted and modified by a combination of two further, nationally based processes. One process is the national political–administrative history, culture, traditions and style of government. The other is national polity features, as expressed in constitutional and structural factors (Christensen and Lægreid 2001b).

New Public Management Reforms in the 1980s and 1990s

What were the effects of the reforms that took place in the 1980s and 1990s? Although they were far more radical in New Zealand and Australia than in Norway, all of them were informed by central NPM ideas. Did NPM reforms alter the conditions for political control? The expectations from the 'official model' (Pollitt et al. 2004) or 'public interest perspective' (James 2003) were that structural devolution and more managerial autonomy, combined with performance management, would improve performance and efficiency, without having negative side-effects on other values like control and democracy. The underlying argument was that more autonomy for managers would allow politicians to spend more time steering the 'big' issues and less time dealing with 'small' issues. In other words, the political authorities were to abstain from involvement in individual cases but at the same time strengthen their role as general regulators (Christensen and Lægreid 2004b). However, is it possible simultaneously to give managers more freedom, subject them to more control by the ministries and also make them more responsive to consumers (Pollitt and Bouckaert 2004, 165)?

The three countries embarked on different reform paths: New Zealand took a *radical* approach, Australia a more *pragmatic* one, while Norway remained a *reluctant* reformer for a long time. For this reason, co-ordination now seems more likely to be a problem in New Zealand than in Norway. Australia has experienced co-ordination problems, but to a lesser degree than New Zealand (Christensen and Lægreid 2002). When it embarked on reforms in 1984, New Zealand was still a relatively centralized country and subsequently became a rather extreme reform case, because it chose to combine strong horizontal specialization and vertical specialization (Boston et al. 1996). Australia chose a more integrated solution in the machinery of government than New Zealand, creating mega-departments from the

late 1980s onwards. In contrast, New Zealand allowed the number of departments to proliferate. Australia started early on the reform path, but moved more slowly than New Zealand (Stewart and Kimber 1996). In both cases the decision to embark on a substantial reform process was motivated by a combination of internationally related economic crises and political entrepreneurship, and in both cases the reforms were initiated by Labour governments (Campbell and Halligan 1992); but they chose somewhat different paths concerning the speed, scope and content of civil service reforms. New Zealand opted for an aggressive, sweeping and headlong approach (Pollitt and Bouckaert 2004). Australia initially chose a more gradual and consensus-oriented style, though this weakened over time. In the 1980s, Norway was a less centralized country than either New Zealand or Australia. In Norway, the reforms took place mainly while the Labour Party was in power. The reforms in Norway started later and proceeded in a reluctant way, though they picked up speed in the mid-1990s. However, they were still rather limited by New Zealand standards (Olsen 1996; Lægreid and Roness 2001; Christensen and Lægreid 2002; Pollitt and Bouckaert 2004).

According to Schick (1996), managerial freedom can be compatible with central direction, implying that autonomy and control can be strengthened at the same time. In addition, he argues that most departments in New Zealand have reduced staff levels and operating budgets without reducing the volume or quality of public services. New Zealand managers reported that they were doing 'more with less' and that they had been able to reduce costs because of their new flexibility in managing resources. However, Schick (1998) criticized the contractual basis of the New Zealand model. A problem with contracts between public entities is that a government has weak redress when its own organizations fail to perform. Another challenge is to formulate clear objectives, for these are important for effective management. 'Objectives – short, measurable statements of intended results – provide a means for clarifying and aligning organizational goals and individual goals' (Norman 2003, 96). The New Zealand model has used the term accountability in a narrow sense, placing the emphasis on external control and formal reporting (Norman 2003, 147). Effective formal contracts require clear objectives. However, clear objectives are often not realistic (Pollitt 1993, 120–21; Norman 2003, 104, 123). Formal reporting routines may deliver information, but it is not always useful information. What is more, non-economic, non-tangible and non-quantitative factors can get de-emphasized in formal reporting (Gregory 2001).

Schick (1996) also observed that separating ownership and purchase interests encouraged cabinet ministers to focus more on outputs than on outcomes. However, he did not see a need for any basic restructuring of the New Zealand government. Nevertheless, he argued for certain adjustments in each of these organizational areas. Central agencies were to be more clearly focused on government-wide tasks, departments were to have the capacity to fulfil their accountability requirements, and activities and finances were to be more transparent and more readily subject to ministerial responsibility, potentially representing more central control.

New Zealand has a large number of agencies, and more specialization may reduce the potential for conflicting functions. However, it has also created new problems or exacerbated existing ones. Fragmentation occurs partly because there

are too many agencies, and partly because there is a lack of a common purpose for these agencies. Each organization is first and foremost responsible for its own activity (Review of the Centre 2001, 5) and finds it difficult to see the wood for the trees – that is, the whole-of-government agenda. In addition, departments and governments have become much smaller since the first generation of reforms in New Zealand (Boston and Eichbaum 2005), and the use of contracts to establish accountability relationships between chief executives and ministers has established a more formal and sharper distance between the political and administrative arenas (Norman 2003, 149–51).

Australia went some way towards dismantling monolithic departments, introducing third parties for the provision of services. Under this model, the individual agency became the main focus, and a disaggregated public service was the result. There was also some increase in the number of public bodies, although the major ones had been largely moved out of the public sector. Autonomization in the case of Australia was more a matter of a highly devolved system and the numerous agents that served it (Halligan 2006).

There are different ways to see the effects of these development trends in Australia. One view is that structural devolution and prioritization generally have weakened the central political leadership, even though its control over the core of the public service remains strong (Christensen and Lægreid 2001c). A move towards a management culture could point in this direction. Painter (1997) argues that the public service in Australia was transformed by a greater focus on 'efficiency in government' in the 1980s, but that this moved on to 'efficiency of government' in the 1990s. On the one hand, more efficient use of resources could mean that politicians are able to fulfil more political goals. On the other hand, it could bring a cultural shift towards more efficiency-oriented ideas with less heed being paid to political steering and democratic control (Christensen and Lægreid 2001d). In addition, from a scale point of view, mega-departments are complex units to control as policy instruments.

An alternative view might underscore that the Australian reforms strengthened central control capacity overall and that the reforms altered rather than weakened control over the public service. Australia chose a more integrated arrangement than the fragmented solution opted for by New Zealand. Still, Halligan (2006) emphasizes that Australia must face the impact of its own classic NPM reforms. This indicates that NPM reforms have contributed to problems of fragmentation and lack of political steering in Australia as well as in New Zealand.

Historically, Norway has had a rather unified and integrated central state system, with relatively strong political control of agencies by the cabinet and ministries (Christensen 2003). In practice, the system has been very robust, since the agency model that dominated for 150 years represents a broad organizational form that allows a wide variety of action. The system has combined hierarchical control by politicians, the influence and partial autonomy of professional groups, a stable environment, a cultural consensus and the peaceful coexistence of many actors, creating an atmosphere of mutual trust. It was taken for granted that this integrated government system would be the best for a long period of time (Christensen and Lægreid 2004b).

Management by objectives and results (MBOR), which was implemented in 1990, became an important feature of Norwegian reforms early on, though competitive tendering and privatization did not. In the early 1990s it was followed by a rather gradual programme of structural devolution. The gradual gain in autonomy by the traditional agencies aroused little controversy among political and administrative elites, according to a study of this group (Christensen and Lægreid 2004b). On the contrary, political leaders thought that this increased autonomy, which was controlled via the MBOR system, the yearly letter of allocation and a formal and informal steering dialogue, worked rather well. Moreover, administrative leaders in the ministries believed that increased autonomy for traditional agencies had been implemented as intended (Christensen and Lægreid 2002). The result may in fact amount to an undermining of political control, since the administrative leaders may use symbols to defend their stronger position.

Moving Towards New Ways of Organizing in the 2000s?

Some Main Features

Now that we have outlined some of the main features of the first wave of NPM reforms in the three countries, we must ask what further directions might be taken and how the effects of the first generation of NPM reforms are feeding into the second generation. Three different scenarios may be outlined. The *first* is the idea of a linear and continuing process towards more market, management and efficiency (Christensen and Lægreid 2001c). In this scenario the new administrative orthodoxy would continue to dominate – in other words, NPM reforms would continue to play a prominent role in the future, making isomorphic and global trends more evident. Possible reasons for the evolution of such a trend could be instrumental success in solving pressing societal problems, the emergence of institutional cultures more compatible with NPM, or the dominance of supportive reform myths.

The *second* scenario is that after a period of NPM there will be a reaction to the norms and values of the first generation of reforms – a reaction to effects and practice that are perceived as negative – and a return to some of the main features of the 'old' system. The likelihood of such a development depends on how substantial the structural changes that have been made are and how easy it is to reverse them. The partial or full privatization that took place in many countries under NPM, for instance, might prove difficult to revoke, since there are not many instances of re-nationalization.

A *third* scenario is that NPM has helped to make the public sector more complex and that this will become more evident in the new millennium. A new synthesis or balance will take place as part of a dialectical process. Rather than a linear and cyclical process, this will take the form of a co-evolution of reform ideas, administrative practice and theory (March and Olsen 1989; Olsen 1992; Lægreid and Roness 1999; Christensen and Lægreid 2002). Hybrid organizational solutions will prevail in the public sector, their content varying according to the national context, and traditional

values and norms will be combined both with NPM solutions and with reactions to certain elements of NPM.

How realistic is each of these scenarios viewed in the light of the reform paths taken in New Zealand, Australia and Norway? In many countries NPM has created a highly disaggregated and decentralized apparatus for pursuing public goals. Many political systems are now trying to 'rebuild' the state or at least create more central governance capacity within the state (Peters 2004; Christensen and Lægreid 2006b; Halligan 2006). According to Shergold (2005a), 'there is a tendency to bureaucratic fragmentation'. Terms like 'joined-up government', 'whole-of-government', 'reassertion of the centre' and 'horizontal management', are often used to describe moves towards greater coherence. But what do these terms mean? Often they are used interchangeably, and different terms are used in different geographical settings, for example, 'joined-up government' in Great Britain and 'whole-of-government' in Australia (Hunt 2005; Christensen and Lægreid 2006b). The terms are new, but they have been coined to address old problems concerning co-ordination and control.

Adding to this, the term 'whole-of-government' can have different meanings: a whole-of-government approach can be comprehensive or specific, formal or informal; it can take place at different organizational levels and involve policy-making and/or implementation. However, there are some elements that are common to all frameworks where whole-of-government is involved. Generally speaking, whole-of-government seems to be more about informal rather than formal collaboration, and a whole-of-government approach brings together different stakeholders in specific policy areas. Moreover, departmentalism is considered to be the opposite of whole-of-government, for whole-of-government involves collaboration across organizational boundaries and therefore implies first and foremost horizontal collaboration, in contrast to departmentalism (Kavanagh and Richards 2001; Hunt 2005). Nevertheless, vertical and hierarchical aspects are also discernible in the concept of whole-of-government. One of its aims is to make civil servants better able to handle 'wicked' issues that cut across policy areas, by reducing tunnel vision and 'vertical silos' (Bogdanor 2005). Bakvis and Juillet (2004, 8) capture some important elements when they state that 'horizontal management can be defined as the coordination and management of a set of activities between two or more organizational units, where the units in question do not have hierarchical control over each other and where the aim is to generate outcomes that cannot be achieved by units working in isolation'.

The Case of New Zealand

New Zealand has now entered the 'second generation' of reforms. The reforms known as the 'first generation' comprised the radical changes introduced from the mid-1980s to the early 1990s. But after 1999 there was a change in direction (Boston and Eichbaum 2005). In 2000 New Zealand established a Standards Board to give advice on problems that had emerged in the state sector during the late 1990s. A year later the government released a key review of the state sector, entitled the Review of the Centre (2001). This led in turn to the enactment by Parliament in 2004 of both new and amending legislation. The aim of these changes was to strengthen whole-of-government capacity (Gregory 2006).

The Review of the Centre (2001) suggested new ways of working within the state structure. It envisaged forming teams and networks to find new ways to solve problems and involving a number of actors working towards common goals. These teams and networks were given names like 'circuit breaker teams' and 'hard wired' and 'soft' networks. Nevertheless, the State Owned Enterprises Act 1986, the State Sector Act 1988 and the Public Finance Act 1989 remain in place as the three pillars of New Zealand central government. The new legislative package comprises four separate enactments, three of them amending basic legislation, while the fourth is a new statutory entity, which represents a fourth central component in the legislative framework of the state sector (Gregory 2006).

Before the first generation of reforms was implemented, the State Services Commission (SSC) was the central personnel agency of the government. This agency administered a unified career service, with standard pay rates and working conditions. This major function was abolished by the reforms of the 1980s. Responsibility for personnel policy was delegated to the chief executives of each state-sector agency, who could hire and fire according to the requirements of each agency. Now, the State Services Commissioner is empowered to review the machinery of government across all areas. Resource-switching authority will be devolved to public managers, enabling them to respond to changing circumstances without first having to get parliamentary approval. In addition, the new legislation enables a department to transfer its appropriations for outputs to another department (Gregory 2006). This may counteract the negative effects of 'siloization'.

In addition, five types of crown entities are defined: Crown Agents, Autonomous Crown Entities, Independent Crown Entities, Crown Entity Companies and School Boards of Trustees. Government requirements are standardized for each class of agency, giving the government the power to direct the agencies collectively to comply with whole-of-government requirements or with initiatives aimed at improving public services. The new legislation also clarifies the reporting and accountability requirements of crown entities, with a strong emphasis on the production of annual statements of intent. The power to 'hire and fire' will remain in the hands of the chief executives of these agencies, who are directly accountable to the respective governing boards. Previously, crown entities and state-owned enterprises practically had their own individual empowering acts of parliament, which usually said little or nothing about the role that the minister of state services and finance might have in implementing whole-of-government requirements; nor did they specify the respective roles of ministers, crown entity boards and departments relevant to their functions and activities (Gregory 2006). Under the new arrangements these features may change.

Radical structural changes are not an important element of the latest reforms in New Zealand. However, some reorganizations are evident. One example of a re-organization designed to increase coherence is the Building Industry Authority (BIA) – a crown entity hived off from the relevant department in the early 1990s. In 2004 the functions of the BIA were absorbed back into a newly created Department of Building and Housing under full ministerial control (Gregory 2006).

The Case of Australia

In Australia much attention has been paid to moves to re-enhance political control *before* the second generation of reforms began. According to Halligan, three changes have been important: the strengthening of ministerial influence, a reduced role for public servants and changes in the system of appointment and tenure of senior public servants (Halligan 2001). However, the main changes have only *recently* been implemented. The central agency has a greater role and departments are more controlled than before. Responsibilities are still devolved to agencies, but this has been modified through a whole-of-government agenda organized by the Department of the Prime Minister and Cabinet (Halligan 2006).

In 1999 a new budget framework was introduced in Australia, which involved: 'changing financial management and reporting, including budgeting on a full accrual basis, implementation of outputs and outcomes reporting and extending agency devolution to inter alia budget estimates and financial management. However, expectations did not result in action. The combination of highly centralized budgetary process and highly devolved agencies was problematic' (Halligan 2006). The Department of Finance's role and capacity to oversee financial management and information has been enhanced through a greater focus on departmental programmes, a renewed emphasis on cash accounting and an expansion of staff capacity in a shrunken department to provide the necessary advice to the government. A number of other reported changes include improvements to cash management arrangements, budgeting and programme reporting and financial information systems (DoFA 2003, 2004b; Halligan 2006). The 1999 public service legislation reflected a paradigm shift towards *values-based management* rather than *rules-based management* (Halligan and Adams 2004).

According to Halligan (2006), another element in the new model is whole-of-government. More attention is being paid to reducing the negative effects of devolution, and the prime minister has committed himself to a series of whole-of-government priorities in new policy-making (DPMC/Department of the Prime Minister and Cabinet 2003, 2004). The Howard government's organizational response in recent years has been mainly to build co-ordinating units within current structures, particularly within the Department of the Prime Minister and Cabinet (Halligan 2006) – one example is the Cabinet Implementation Unit (CIU) designed to expedite implementation, which, according to Halligan (2006, 172), has 'often been a neglected end of the policy spectrum'. Its task is to secure effective implementation of key government decisions by enhancing communication around the implementation stage.

A final element is departmentalization: the re-establishment of departmental control of public bodies, whereby ministerial departments have tighter and more direct control of public agencies (Uhrig 2003; Halligan 2006). In the 1980s, a core principle was to require departments to manage and provide policy advice. Now, the focus is on both policy delivery and policy advice (Shergold 2004).

Centrelink is a large and complex organization and was created by linking different services together to achieve '*best practice*' in service delivery. About one-third of the Australian people are customers of Centrelink, and a customer focus is a central

feature of this organization (Australian Public Service Commission 2006). Centrelink was established as a one-stop-shop, multi-purpose agency to provide services to several purchasing departments, including unemployment and social security. It is a generalized service-delivery agency capable of handling several major functions. Centrelink is composed of different models (Halligan 2006): it is both a public-service organization subject to public-service legislation as a statutory authority and a top-down model subject to political direction. In addition, it is a service provider existing in a purchaser-provider relationship. As part of the core of public service, Centrelink is subject to the Financial Management Act in the same way that departments of state are, but is rather different from the traditional departmental model. The agency is part of the Family and Community Services portfolio and reports to the minister for community services through an appointed Board of Directors. Nevertheless, it is still a separate entity and has its own accounting and reporting requirements. In contrast to a standard departmental model, Centrelink reports to the minister through the Board on administrative issues (Halligan 2004).

The Case of Norway

Reorganization of public activity in Norway over the last ten years has been characterized by a gradual move away from an integrated state and towards a more fragmented one. Nevertheless, Norway still lags somewhat behind the Anglo-American NPM pioneers. One of the main features of the Norwegian reforms has been increased structural devolution, whereby ordinary agencies have been given more autonomy and several of them transformed into state-owned companies. Although there was considerable consensus on this development, with the Labour Party as a key actor, the party has since had trouble turning its espousal of NPM to its political advantage (Christensen and Lægreid 2002). Under the Labour government of 2000–2001, a partial privatization of Telenor, the national telecommunications company, and of Statoil, the large government-owned oil company, was implemented. However, the main reform strategy in Norway has been to avoid privatization by concentrating on structural devolution within the public sector (Christensen and Lægreid 2004b). Another NPM-inspired reform was that of the hospital system. In 2002 responsibility for Norwegian hospitals was transferred from the counties to central government. The ownership was thereby centralized to the state. The reform also set up new management principles for the hospitals based on a decentralized enterprise model (Lægreid, Opedal and Stigen 2005; Christensen, Lægreid and Stigen 2006).

After the general election in 2001, the incoming Conservative–Centre minority government, dominated by the Conservative Party, embarked on a more radical NPM-inspired reform agenda. The new and active minister of government administration (a professor in economics) imitated the main features of the New Zealand reform agenda in the 1980s, assigning a prominent role to structural devolution, 'single-purpose organizations', competitive tendering, efficiency measures, consumer choice, decentralizing service provision, and so on (Christensen and Lægreid 2003c). The minister took for granted that NPM was a successful model, even though problems had already emerged in New Zealand. What is more, the minister took little notice of

the Norwegian national context, introducing reforms that were ideologically based and de-contextualized, instead of learning broadly from other countries' experience with NPM (Christensen and Lægreid 2003b).

The most controversial reform attempt between 2001 and 2005 was the reform of the regulatory agencies. In 2003 the Centre–Right minority government put forward a White Paper to the parliament (St. Meld. Nr. 17 – 2002–2003), proposing changes in regulatory agencies. The recommendation from the OECD (2003) was to separate the regulatory function from the commercial and other functions. In addition, it recommended reducing the potential for ministerial intervention, by making agencies more autonomous and professional. Evidence-based decision-making was to replace consensus-based decision-making, with advice on specific decisions being provided by expert appeal bodies outside the political system (Christensen and Lægreid 2004b). The White Paper aimed to change the reform process from an ad hoc and piecemeal one affecting individual agencies to an overarching and comprehensive regulatory policy. It took on board the OECD's mantra that it was important to face future challenges, even though there were no major problems with the way regulatory agencies worked.

The government formulated four *ideals* or goals concerning the organization and functioning of regulatory activities. *First*, regulatory agencies were to have unambiguous roles, thus breaking with the Norwegian tradition of integrating different roles and functions. This was an argument for more horizontal specialization in the form of non-overlapping roles, as in the principle of 'single-purpose organizations' in New Zealand. *Second*, each regulatory agency was to have unambiguous and non-contradictory collective goals. Here the government adopted a 'role-streamlining' approach to the problem, which contrasted with the traditional model of resolving conflicts between roles in a multifunctional state through role integration. Streamlining the roles of regulator and controller implies separating these roles from the state's other roles (St. Meld. nr. 17 – 2002–2003; Christensen and Lægreid 2003a, 2004b). *Third*, regulatory agencies were to increase their independence from the ministries, and political and professional considerations were to be more clearly defined and balanced in a more explicit way. *Fourth*, it was deemed important to strengthen the professional competence of the regulatory agencies. In addition, it was proposed to relocate some of the regulatory agencies away from the capital, Oslo.

The result of the negotiating process in the Storting was a mixed solution (Hommen 2003). Although the government received support for moving eight regulatory agencies out of Oslo, it had to agree to a number of compromises on the formal changes. The Storting stated that appeals should not be moved out of the ministries for the time being and that proposed changes concerning other aspects of the regulatory agencies should be made only on a case-by-case basis and not in a general and sweeping way. Thus, the eventual solution was a hybrid one.

Even though the Conservative–Centre government was very eager to pursue typical NPM reforms, its record in actually implementing them was rather mixed. It eagerly pushed for getting local authorities to establish 'one-stop-shops' for local service provision and to proceed with a broad programme for converting public administration agencies into state-owned companies. The agencies affected included such areas as road construction, the airport administration and the agency for

government administrative development. In the sphere of immigration, however, a decision was taken to bring the immigration authorities back under closer government control, which went against the grain of the regulatory agency reform (Christensen and Lægreid 2005; Christensen, Lægreid and Ramslien 2006).

The aim of the new Employment and Welfare Administration was to get more people working and active, and fewer on benefits, and to provide a more co-ordinated and efficient employment and welfare administration. The Employment and Welfare Administration is currently organized in three agencies, and a one-stop-shop has been created as an employment and welfare office in each municipality. These are to replace the existing Labour Market Administration and National Insurance Service, and the system of having several different offices in each municipality (St. Prp. Nr. 46 2004–2005). This is one of the biggest reforms in Norway and includes elements of NPM like structural rationalization and increased efficiency. However, in introducing a more complex multi-purpose organization, the reform goes against the idea of the single-purpose organization.

Before the national election in 2005 the Labour Party formed an alliance with the Centre Party and the Socialist Left Party. This alliance ran pretty much on an anti-NPM ticket, arguing that NPM reforms should be stopped or modified because of their negative consequences, such as reduced political control and more fragmentation. This view was particularly interesting coming from the Labour Party, which had previously been seen as supporting NPM. The alliance won the election and formed a Red–Green government. The crucial question now is whether the anti-NPM rhetoric will remain just rhetoric or whether it will result in major changes. The government has started to modify or stop some of the NPM-style reforms, but since the head of the Labour Party (and prime minister) is a technocrat with a background in economics, there are doubts about whether he will really pursue anti-NPM measures or simply continue with NPM-inspired reforms.

Is Government Being Brought Together Again or is it Still Fragmented?

Major reorganizations can change the patterns of interaction within political–administrative systems (Pollitt and Bouckaert 2004, 120). From an instrumental perspective, political and administrative leaders can expect a tight coupling between reform programmes, structural changes and actual behaviour. This perspective suggests that organizations can be designed or redesigned according to wishes and goals that political leaders formulate (Egeberg 1984, 2003). The big challenge is how to reorganize in order to meet future requirements. Should the NPM architecture be completely dismantled and a new system installed? Should politicians create a more mixed system, modifying some major components of NPM? Or should the main NPM elements prevail and only minor adjustments be made to face future challenges? How can these questions be answered in the light of empirical trends in New Zealand, Australia and Norway?

Organizing for More Coherence and Co-ordination

From an instrumental point of view, co-ordination is an important feature in the architecture of the state sector. Frequently, more specialization implies a greater need for co-ordination, if overall coherence is to be maintained (Pollitt and Bouckaert 2004, 84). The most obvious strategy for executive politicians to regain co-ordination, policy capacity and control lost as a result of NPM is simply to reorganize in order to win back their influence (Christensen and Lægreid 2004b). International trends indicate a move towards greater coherence in the political–administrative system, and many political systems are now trying to rebuild some central governance capacity within the state (Peters 2004).

A cultural perspective highlights the importance of path-dependency (Krasner 1988). New Zealand and Australia still show a great deal of path-dependency concerning the NPM reforms that started in the 1980s. However, recently there seems to have been some movement in the direction of a more complex system, with more concern for central control and co-ordination. A similar feature in New Zealand and Australia is that both countries are making attempts to strengthen the centre and trying to put in place well functioning co-ordination mechanisms (Gregory 2006; Halligan 2006).

What role do central agencies play in the public service in New Zealand and Australia? From an instrumental point of view, one way to increase co-ordination and central control is to strengthen central agencies, showing that central hierarchical leadership is important. The State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet are the three major central agencies in New Zealand (Norman 2003). The Treasury was the principal architect of the reforms of the 1980s and 1990s, whose shape and character were dictated by a focus on economic and financial management. Now, the State Services Commission, whose functions were downsized by the first generation of restructuring, is to be a key player in the reassertion of the centre (Gregory 2006). This change may well influence the balance of power between the central agencies.

In Australia the three components of the traditional system – the cabinet, the central agency and the department – have been strengthened. The empowered departments now have many more responsibilities than they did under traditional arrangements. The Australian Public Service Commission and Department of Finance and Administration have been reconstituted with stronger roles. The Department of the Prime Minister and Cabinet has also been enhanced and now plays a greater role (Halligan 2006). Halligan states that Australia is moving from a model comprising classic NPM features towards a more integrated model in which new elements are a desire for coherence, a strengthening of internal capacity and improvements in performance. In other words, Australia is confronting the impact of its own reforms. The trend to devolve responsibilities to agencies remains a feature in Australia, but it has been modified. Central reform agents state that devolution should not blind us to the fact that the whole of the Australian public service is greater than the sum of its parts and they stress that the most pressing problems of public policy do not respect organizational boundaries (Shergold 2005a, 1–2). From an instrumental point of

view, a stronger reassertion of the centre is an instrumental tool for creating better conditions for co-ordination and control (Halligan 2006).

In instrumental terms, Australia can be said to be shifting its focus from the vertical towards the horizontal aspect, because there is some concern about cross-agency programmes and relationships across organizational boundaries. In addition, a reinforcement of vertical relations and interaction is taking place. The whole-of-government agenda can also be seen as a centralizing element, if central agencies drive policy directions and principles. Currently, both devolved agencies and a reactivated centre co-exist in Australia. This indicates that one way to improve political control and diminish fragmentation is to make more active use of central agencies (Halligan 2006), and current trends show that New Zealand and Australia are now both doing this. Peters, taking an instrumental point of view, states that if co-ordination is to be effective, it is very important to extend the hierarchy upwards to include central agencies, for individual organizations may be so bound up in their own goals and tasks that they fail to recognize the need to collaborate (Peters 1998a).

However, in line with a theory of instrumental negotiation, more power and influence may also create conflicts between different stakeholders. According to Gregory (2006), there is a possibility that the latest changes in New Zealand will aggravate power struggles between the central agencies, stemming primarily from the conflicting requirements of fiscal stringency and the need to develop and sustain state-sector capability.

Can New Ways of Working Offer Solutions to Fragmentation Problems?

Instrumentalists hold that fragmentation occurs partly because there are too many agencies, and partly because there is a lack of a common purpose to unify these agencies. In line with the Review of the Centre Report (2001), a number of legislative changes have been introduced in New Zealand in 2004, providing for a reassertion of the centre and creating various kinds of networks and teams to improve co-ordination. The creation of 'circuit breaker' teams and 'soft' and 'hard wired' networks, advocated by the report, can be regarded as an innovative response. The aim of the New Zealand government is now to regain some political capacity without embarking on a major restructuring of the state, on the grounds that there has already been too much restructuring (Norman 2003; Gregory 2006). This naturally places some constraints on the changes it is possible to make.

In Australia an increased concern with co-ordination and control has led to the creation of inter-departmental committees and taskforces across agencies. According to Shergold (2005b), policy objectives and operational considerations are linked in various areas, like welfare and health. Another new co-ordinating body in Australia is the Cabinet Implementation Unit within the Department of the Prime Minister and Cabinet. The objective of all these moves is to improve the capability and capacity of the Australian public service. Can new ways of working offer solutions to fragmentation problems?

Loosely coupled structures, like the new networks and committees, may facilitate innovative behaviour, flexible responses and extensive policy dynamics and thus strengthen horizontal co-ordination between areas that are separated organizationally.

Networks can turn proposals into solutions in a way that would be impossible in an inflexible hierarchical organizational structure that lacks the capability to co-ordinate tasks and considerations from different sectors and involving different organizational units (Peters 1998a). On the other hand, studies reveal that contact patterns and exchange of information strongly reflect the organizational structures in which they take place in the administrative apparatus. Hence, the flow of information tends to diminish across organizational boundaries. Problems and solutions are more likely to be coupled within the boundaries of an organization than across organizational boundaries (Egeberg 2003, 120–21).

As a consequence, the relationship between structure and actual behaviour can be ambiguous and loosely coupled in a network society. From an instrumental negotiation point of view, action in a network results from bargaining between the stakeholders involved rather than from command and control. However, bargaining is more uncertain than command and control and it is more difficult to attribute blame or analyse the reasons for failure in a complex system of networks between different organizations (Peters 1998a), since a network structure may lack a stable and clear accountability framework. Adding to this, if teams and networks are to be effective instruments, the system must depend on trust between different stakeholders at different levels. From a cultural point of view, people involved in these processes must feel that it is appropriate to work together.

The main advantage of networks, committees and teams working across organizational boundaries is the flexibility they offer when different tasks need to be coupled in different ways. By contrast, the main advantage of hierarchical solutions is predictability. An important question, therefore, is how to strike the right balance between predictability and flexibility. The experience of different countries shows that vertical co-ordination needs to be supplemented by horizontal co-ordination, if important tasks are to be tackled in a wider context. This argument would suggest a need for whole-of-government. In most cases it is more difficult to secure the necessary conditions for horizontal co-ordination than for vertical co-ordination, because policy-making and service delivery often follow a vertical track. However, identifying connections between tasks that reside in different organizational units is often a necessary condition for good service delivery, both for the individual service-user and for the community. The demand for more horizontal co-ordination is increasing, and leaders therefore need to address the dilemmas and challenges that it poses in order to succeed. In many cases there may be grey areas between horizontal and vertical lines in the public service, where leaders from the vertical line may potentially come into conflict with project leaders involved in horizontal networks.

NPM also brought a shift in focus from inputs to outputs in the first generation of reforms. As a result of NPM, outputs are specified in contracts. However, outputs are not the same as outcomes. According to Schick (1996), 'the contracts do not specify outcomes because these may lie beyond the direct control of the contracting parties'. An important feature in the latest changes in New Zealand is 'managing for outcomes' (Boston and Eichbaum 2005). From an instrumental point of view, agencies have to co-ordinate their activities to achieve key goals that politicians formulate (Cook 2004, 8). However, outcomes are more than an aggregation of

outputs and they are influenced by many different factors, some in control and others beyond control of the chief executives. Therefore, chief executives are responsible for 'managing for outcomes' instead of 'achieving outcomes'. The chief executives pay attention to outcomes, but 'they continue to be accountable for the delivery of outputs and for altering the mix of outputs as circumstances dictate' (State Services Commission 2005b, 1).

Will the latest changes in New Zealand be effective instruments for regaining political control? According to Gregory (2006), radical reforms are no longer seen as an option, even though they may actually be required. The latest legislative changes do not reflect a rejection of the principal components of the State Sector Act or the Public Finance Act, and can be classed more as 'fine tuning' than as radical changes. Gregory argues that the structural changes and solutions in New Zealand are not sufficient to redress the fragmentation that resulted from the radical reforms of the 1980s and 1990s. He states that the chosen remedies do not match the size of the problems in New Zealand. According to Halligan (2006), the latest changes in Australia will diminish fragmentation. However, the changes brought about in Australia by the reforms of the 1980s and 1990s were more pragmatic than the more radical changes introduced in New Zealand.

According to Gregory (2006), the main risk entailed in the latest attempts to strengthen the centre in pursuit of whole-of-government objectives is that they will turn out to be 'more palliative than curative'. Why is New Zealand a more reluctant reformer in the 2000s than in the 1980s and early 1990s? One argument is that New Zealand has invested too much in the system that emerged from the original reforms (Gregory 2006). In addition, both public administrators and politicians are now more inclined to take an incremental and pragmatic approach to public management (Norman 2003), instead of introducing yet more radical reforms. Certainly there is the view that the New Zealand state sector has experienced too much restructuring (Mallard 2003), which has produced a sceptical attitude to aggressive instrumental reform features. Second, the ideas that underpinned the original reforms have become strongly entrenched in the thinking of New Zealand policy-makers, showing a new type of cultural path-dependency. Third, the political impact of the reforms of the 1980s and 1990s – whereby the centre shifted to the right – has endured in New Zealand. The original reforms were based on a belief in the need to reduce the ability of the state to intervene in the social and economic marketplace. The state-sector legislation passed by a centre–left government at the end of 2004 indicates no resolve to radically alter that intention (Gregory 2006).

In addition, as governments attempt to re-centralize their style of governing, they are confronting new challenges and dilemmas. While strengthing the centre may overcome some of the problems that have been created, there is still a danger of going back to the old centralized and hierarchical state system (Peters 2004). Too much autonomy and too little control can undermine co-ordination and prevent the delivery of a consistent service or product. But too much control by the centre can undermine motivation among those who work at a more practical and operational level, and this can result in passivity, lack of initiative and acceptance of rule-bound behaviour (Wilson 1994; Norman 2001). In a nutshell, all structural arrangements

have their advantages and disadvantages (Gulick 1937). This may be one explanation for why New Zealand has been reluctant to get rid of the original concept.

Nevertheless, New Zealand has embarked on a number of reorganizations, some more radical than others. For instance, the Building Industry Authority (BIA) was a crown entity whose main function of regulating construction standards was removed from that department in the early 1990s. This resulted in political blame-shifting games, after it had become clear that standards of housing construction had declined badly. A reorganization was implemented that involved vertical de-specialization or integration. In 2004 the functions of the BIA were absorbed back into a newly created Department of Building and Housing, under full ministerial control (Gregory 2006). Integrating and transforming an agency into a department can be a tool to secure political control and may in some cases represent an active attempt to 'destroy' the original concept.

A Renewed Focus on Cultural Norms, Values and Evolutionary Change

From a cultural point of view, organizational cultures can have a significant influence on organizational performance and behaviour. Therefore, a central message is that whole-of-government depends on a combination of structural and cultural features. The cultural perspective focuses on evolution rather than revolution (Selznick 1957) and is therefore relevant for understanding the second generation of reforms in New Zealand. This period is marked by evolutionary and pragmatic change, rather than the revolutionary and ideological change characteristic of the first generation of reforms. The New Zealand public-sector model is now qualitatively different to that of the 1980s and 1990s. Many departments experienced a major loss of 'institutional memory and policy capability' after the radical reforms in New Zealand in the 1980s. According to Boston and Eichbaum (2005), the new model is more robust and is no longer characterized by the hard-edged contractual arrangements of the 1980s. According to Norman (2003), NPM created an unproductive and formalized distance between politicians and public servants in New Zealand. Cook (2004) highlights the collective interest as important, stating that agencies should not work separately but in collaboration in order to secure shared outcomes. Cook argues that the first generation of reforms in New Zealand created a 'silo' effect in the administrative culture. Boston and Eichbaum (2005) characterize the new period as one of 'consolidation, development and renewal', implying that integration and gradual changes are more important.

A renewed focus on cultural aspects is also visible in the public service in Australia, where values have once again come to the fore and a list of 15 core values has been drawn up. According to Halligan (2006), values-based management has replaced rule-based management. A report (entitled *Embedding the APS Values* 2003) states that 'identifying core values is the first step to establishing a common understanding of the behavior expected of public service holders'. These values, however, are standard for all public agencies and do not give the agencies unique souls and identities but, rather paradoxically, are created and enforced in an instrumental manner rather than just evolving informally and gradually over time. Put another way, the values are now de-contextualized rather than contextualized

within different agencies. In sum, the second generation reforms seem to have been more preoccupied with *cultural changes* than *structural changes* (Christensen and Lægreid 2006b).

Why do political and administrative leaders consciously try to design an organizational culture? One reason, which has to do with myth-creation, is that designing cultural features can secure legitimacy in the environment. Values-based management can build public trust, but values must be 'deeply embedded' in the agency system and not just rhetorical statements (*Embedding the APS Values* 2003). A second reason is that an organizational culture can have a significant influence on organizational performance, and cultural features play an important role in the active socialization of civil servants. From an instrumental point of view, designing an organizational culture and using it as a manipulable variable is not easy. For one thing, a design strategy presumes that the leadership has information about what kind of cultural features are needed. Moreover, the leadership also needs the tools to ensure that these values and norms permeate the public service and work according to their intentions (Christensen, Lægreid, Roness and Røvik 2007).

Nevertheless, most agencies also have agency-specific values in addition to the common core values that are to encompass the whole public service. These have developed over time and have endowed each agency with a unique identity. In cultural terms, one can say that the values are *contextualized* rather than de-contextualized. However, the parallel existence of both agency-specific values and standard values may make the system more complex.

Culturally speaking, the Norwegian system of government has been characterized by a high degree of mutual trust at the central level (Christensen and Lægreid 2002). According to Fimreite and Lægreid (2005), there are indications that this trust is now being challenged and that mutual trust as a co-ordinating mechanism is no longer functioning as efficiently as previously. One reason for this might be that an increasing number of management tools are based on distrust. Co-ordination measures, like management by objectives and results (MBOR), are more focused on the vertical component than the horizontal component. Therefore, horizontal coordination represents just as much of a challenge to the system of government in Norway as it does in New Zealand and Australia.

How is Co-ordination Managed in the Norwegian Civil Service?

From an instrumental point of view, the horizontal aspect of public administration represents an important challenge in Norway as well as in New Zealand and Australia. However, whereas reforms in New Zealand and Australia were more superior-oriented and broader in scope, the Norwegian reforms have been more sector-oriented. Instrumentalists would say that the more fragmented nature of reforms in Norway is the result of a more fragmented public apparatus. In other words, ministries and agencies have been more oriented towards pursuing their own reform agendas than attending to a common reform strategy (Christensen and Lægreid 2004b).

Although Norway has been slower in implementing NPM than New Zealand and Australia and is trying to avoid some of its pitfalls, the new Red–Green government

now faces some of the same challenges that New Zealand and Australia have been grappling with over the last five to ten years. Ministerial responsibility is considered to be one of the reasons that Norway has strong specialized ministries, strong sectors and relatively weak superior ministries with a co-ordination mandate (Christensen and Lægreid 2002), albeit with the exception of the Ministry of Finance. The office of the Prime Minister has gradually become stronger in recent years, but nonetheless continues to play only a modest role as a co-ordinating body. One reason for this may be that the administrative policy instruments employed in recent years, such as MBOR, financial management regulations, performance auditing, management dialogue, contracting and greater specification of roles, have been directed primarily at vertical co-ordination (Lægreid, Roness and Rubecksen 2006b). This strong focus on the vertical dimension, however, ignores the problem of creating the necessary conditions for sufficient horizontal co-ordination. It is difficult to ensure horizontal co-ordination without specific organizational solutions (Fimreite and Lægreid 2005).

While New Zealand and Australia have recently been moving towards greater coherence, Norway has spent the last five to ten years moving in the opposite direction, towards greater use of autonomous agencies. From a cultural point of view, when NPM arrived in Norway in the 1980s, the main strategy was to adapt it to the historical path Norway had been following. The result was that Norway adopted only the least radical reform elements, like MBOR. This represents a 'soft' version of the more 'hard-edged' contractual reforms that took place in New Zealand in the 1980s (Christensen and Lægreid 1998a). The MBOR system and structural devolution have been the main reform components in Norway, and it took a long period of adjustment, translation and modification for the MBOR system to be widely implemented. The performance-steering component proved particularly difficult to adapt to the Norwegian system (Lægreid, Roness and Rubecksen 2006b).

After this modest strategy came under pressure in the 1990s, Norway became a more eager NPM reformer. This happened partly because the Labour Party had moved to the right, making a broad NPM alliance possible. The result was more autonomy for agencies and public enterprises. The changing attitude of the Norwegian government towards NPM ideas was visible in the new organization of regulatory functions and activities implemented in 2003. A main objective with this reform was to provide more clarity in the horizontal design of regulatory agencies, which is an argument for more horizontal specialization.

On the one hand, the agencies are supposed to gain more autonomy, both from the political leadership and from market actors. On the other hand, central political control is to be enhanced by strengthening frame-steering and regulatory power. The political authorities are to abstain from involvement in individual cases, but at the same time to strengthen their role as general regulators through the formulation of laws and rules or by the use of other general control instruments. However, using a broad effect concept, Christensen and Lægreid (2004b) have pointed to the potentially negative effects of the new regulatory reform in Norway. Democratic control seems to have been weakened by this autonomy, even if it is not absolute. It is unclear what kind of interests and considerations are replacing traditional political signals and discretion or how the trade-off between political control and agency

autonomy will unfold over time. They ask what consequences these reforms will have for legitimacy. One observation is that power relations seem to be changing faster than accountability relations. The political leadership often finds itself in a situation where it has responsibility, but without the corresponding power and control (Brunsson 1989; Christensen and Lægreid 2004b).

Conversely, many of the independent and autonomous agencies may gain more power without necessarily becoming more accountable (Christensen and Lægreid 2004b). From an instrumental point of view, an unclear power-accountability framework is problematic. The agencies in Norway report that they have a lot of autonomy, but at the same time they also face a significant amount of control (Lægreid, Roness and Rubecksen 2006a). From a cultural point of view, the agencies do not react quickly to new regulatory policy signals and there seems to be a lot of robustness, reluctance and path-dependencies. Old forms of control have not faded away. Rather they have been supplemented by new instruments of control, resulting in a more complex regime.

However, in the case of Norway the trend is not one-dimensional towards more autonomy for all kinds of agencies. In 2001 the Norwegian Directorate of Immigration (NDI) was granted more autonomy and a new appeals board was established, but in 2004 a new structure for the central immigration administration was proposed. The main argument was that the 2001 structure implied an undermining of the responsibility of the political leadership. It was deemed necessary to regain political control over the implementation of immigration law in practice. The 2004 reform was seen by many as a kind of tightening-up reform. There were two reasons for this. One was that the new structure potentially gave the political leadership more control over professional aspects of individual cases in the Immigration Appeals Board (IAB) and particularly in the NDI. Increased control was to be exerted via quicker and more closed decision-making processes where the political leadership would play a more dominant role. The other reason was that the new structure would be used by the minister to further a more restrictive immigration policy (Christensen and Lægreid 2005; Christensen, Lægreid and Ramslien 2006).

The Norwegian Hospital Reform provides a good illustration of the complexity entailed in trying to secure political control and enterprise autonomy at the same time. The enterprises remain loyal to the owner, the Ministry of Health and Care Services, while also trying to maximize their own autonomy. However, when the enterprises play out their autonomous role to the full, politicians experience loss of control. In many cases political intervention in individual issues represents a greater challenge to autonomy than general political efforts to enhance political control (Lægreid, Opedal and Stigen 2005).

The picture is also made more complicated by the fact that the trend towards 'single-purpose organizations' is not consistent across sectors and agencies. Some units have been merged into bigger agencies, such as the Food Safety Authority, the Directorate for Health and Social Affairs and the Directorate for Civil Protection and Emergency Planning. Despite the trend towards 'single-purpose agencies', combining different tasks within one agency is still quite a widespread practice (Lægreid, Roness and Rubecksen Forthcoming).

One similarity between New Zealand, Australia and Norway is the way politically important tasks connected to employment and welfare are organized: the Ministry of Social Development in New Zealand, Centrelink in Australia and the new Employment and Welfare Administration in Norway are all similarly functioning organizations. However, they were created at different times: in Australia in 1996, in New Zealand in 2001 and in Norway in 2006. One important feature of all these agencies is the priority assigned to co-ordination between different tasks and goals. The philosophy seems to be that co-ordination of tasks needs to be done *inside* one organizational unit, rather than in the form of co-operation between different organizational units with different responsibilities, for these three agencies combine both horizontal and vertical co-ordination within one organizational unit. Horizontal co-ordination does not challenge the requirement for vertical co-ordination to the same degree as in more informal networks and teams. Thus, these agencies represent multi-purpose agencies rather than single-purpose organizations. Another important feature is their focus on users or clients, who can now use just one agency for different tasks rather than having to go to different agencies for each task or issue. The aim is to create more co-ordinated and more efficient service delivery.

How Can Norway Learn from the Changes in New Zealand and Australia?

How can Norway learn from reforms in other countries, like those in New Zealand and Australia? Sahlin-Andersson (2000, 48) argues that reform agents in different countries learn from each other, imitate each other, react to each other and present their reforms to each other. In principle, Norway may learn both from symbols and practice, which is a complicated process (Christensen and Lægreid 2003c). NPM trailblazers will tend to exaggerate and brag about the results of their reforms, and national political actors may use information about the effects of reforms in other countries as part of a political strategy. National supporters of NPM may de-contextualize the reform results, saying that they have proven successful all over the world, while at the same time contextualizing reform effects, maintaining that they are perfect for the Norwegian context (see Røvik 1996). However, insofar as NPM gains the status of a myth, its political opponents may equally well propagate counter-myths.

So what kind of instrumental arguments can advance in favour of the effects of NPM that Norway has more or less accepted over time? The main arguments for increased horizontal and vertical specialization are more efficiency and effectiveness, clarifying functions, avoiding overlap and making authority and lines of command less ambiguous. Increased efficiency can create more options for fulfilling political goals. The easier it is to 'purify' the different roles, the easier it is to balance different considerations, to handle accountability questions and to judge the preconditions for political and administrative control (Boston et al. 1996; Christensen 2001; Christensen and Lægreid 2004b).

What did Norway actually learn and imitate from the original, first generation of reforms in Australia and the more radical reforms in New Zealand in the 1980s and 1990s? In instrumental terms, Norway has implemented some of the same NPM elements adopted in New Zealand and Australia, but over a relatively long period of

time. And as NPM has gained currency internationally as a reform myth, Norway as a reluctant reformer is likely to have been subjected to more pressure to imitate reform trends in other countries. Culturally speaking, Norway has filtered the reforms and made Norwegian variants of them, thus making them more acceptable, but it has done so quite slowly. Back in the early 1980s, it was already widely accepted that the Norwegian government needed to be modernized and made more efficient, but this 'taking for granted' of reform arguments took a long time to be translated into actual change, and reform symbols were rather muted. Paradoxically, though, Norway embarked on more radical reform efforts at a time when some of the negative effects of the reforms in the trailblazer countries were already apparent, but it behaved as if the experiences of New Zealand and Australia did not exist. The reasons for this were probably ideological: at that time the Conservative Party was going through a kind of neo-liberal renaissance and was eager to make an ideological point, using a lot of symbols to do so. The good election result for the Conservative Party in 2001 gave it a strong political mandate to carry out more radical reforms, and it obviously thought that the Labour Party would continue to support the NPM agenda.

Trust is also an important cultural aspect in Norway, for the Norwegian system of government has traditionally been characterized by a high degree of mutual trust at the central level (Christensen and Lægreid 2002). The traditional political–administrative culture of the Norwegian system has gradually changed, putting internal pressure on political leaders. Central administrative leaders are generally more sympathetic towards reforms than before, and a new generation of agency leaders and directors in state-owned companies are now pushing for structural devolution, citing anticipated efficiency gains (Christensen and Lægreid 2004a, 2004b; Fimreite and Lægreid 2005). Adding to this, a cultural interpretation of the reforms will point to the fact that role enactment is always associated with a certain degree of discretion and interpretation.

In the run-up to the 2005 election, the new Red–Green alliance decided, instead of espousing NPM reforms, to campaign on an anti-NPM 'ticket'. This was partly based on these parties' traditional ideological stance, which advocated a large public sector, collective goals, control of public service provision, an emphasis on equality, and so on, all elements seen as running counter to NPM. However, there are tensions within the Red–Green government. The Socialist Left Party takes a critical attitude to reforms that imply the creation of single-purpose organizations and streamlining of roles, because this has led to a more fragmented state. It is also sceptical about using internal market models and contracts in the public service (Grande Røys 2006). The Labour Party is less sceptical towards NPM reforms than the Socialist Left Party and cites what it sees as the great benefits and efficiency gains brought about by the latest reforms in Norway (Stoltenberg 2006). The Prime Minister, who is from the Labour Party, is afraid of stagnation in the public service in Norway, because this can present a threat to important renewal. The Centre Party tends to side more with the Socialist Left Party than the Labour Party on these issues. The question now is what approach this new alliance will take to NPM-inspired reforms. Will the Red–Green government move away from the NPM path or at least modify it, and then follow in the recent footsteps of New Zealand and Australia?

Conclusion

The structure of public organizations is important because it affects the performance of government (Schick 1996). The connection between specialization and co-ordination is decisive in creating the right conditions for political steering, democratic control and performance. One lesson from this review is that major reorganizations and structural changes can alter political–administrative systems, and hence the conditions for political steering. Another lesson is that evaluation and learning is a tricky business, and that NPM reforms do not necessarily need the feedback provided by results in order to continue (Pollitt and Bouckaert 2004).

Earlier in this chapter we asked what kind of further trends we might expect in countries that have implemented elements of NPM. The first scenario is the idea of the linear process towards more market, management and efficiency. Norway now displays some features that fit this scenario. Though traditionally a reluctant reformer, over the last five years Norway has become more eager to implement NPM reforms. The new regulatory arrangements involve both more horizontal and more vertical specialization, but what has occurred is not simply an automatic adjustment to international administrative doctrines (Lægreid, Rolland, Roness and Ågotnes 2003). In addition, it is an open question whether more professional independence for experts in autonomous agencies will prevail, or whether there will be a counter-wave of re-politicization under the new government.

The second scenario is that after a period of NPM there will be a reaction to the norms and values that the reform is built on and a return to some of the main features of 'old public administration' and a rediscovery of the Weberian bureaucracy (Pollitt and Bouckaert 2004). The policy adopted by the incoming Center–Left government in Norway probably comes closest to this scenario. The latest changes in both New Zealand and Australia can be seen as reactions to the radical reforms in the 1980s and 1990s. In Australia classical NPM features are now being abandoned in favour of a multi-dimensional integrated model, and structural features as tools for securing co-ordination and political control are being rediscovered (Halligan 2006). In addition, the focus in both New Zealand and Australia has shifted away from structural aspects and formal features, and towards cultural aspects and informal features.

On the other hand, the first generation of reforms in Australia were not as radical in the first place as those in New Zealand, which may mean that New Zealand now has to do some more radical reorganization than Australia in order to regain political capacity. Nevertheless, according to Gregory (2006), the changes in New Zealand are more a case of 'fine tuning' than a fundamental rejection of the original concept. The changes in New Zealand, and especially in Australia, are closer to the third scenario, under which public services become more complex. Rather than a cyclical process there has been a co-evolution of reform ideas, administrative practice and theory (March and Olsen 1989; Olsen 1992; Christensen and Lægreid 1998a, 2001b; Lægreid and Roness 1999).