ADMINISTRATIVE REFORM IN WHITEHALL AND CANBERRA IN THE 1980S:

THE FMI AND FMIP COMPARED

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ABSTRACT

This study examines new administrative reforms in Whitehall and Canberra in the 1980s. More particularly it compares and contrasts two programmes of managerial change which were central to the British and Australian governments' drive to introduce a more managerially oriented administration. Whitehall's programme was the Financial Management Initiative (FMI) which, later in the decade, was succeeded by 'The Next Steps'. Canberra's initiative was the similarly entitled Financial Management Improvement Program (FMIP).

The study has three purposes:

(i) To describe and analyse the progress of the two reform programmes during the 1980s.
(ii) Through a comparison between the experience of the two, to illuminate those factors which were critical in advancing the cause of reform and those which retarded it.
(iii) On the basis of this analysis, to develop a deeper theoretical understanding of the process by which administrations are changed.

Each of these purposes was informed by one more fundamental question. Why is it that administrative reforms seem so often to fail ? This dissertation is devoted to an examination and extrapolation of that basic inquiry.

CONTENTS

FIGURES AND TABLES

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Our Task

... In my more extravagant/romantic moments I think of us as carrying the torch for change, but modestly, as befits the immensity of the task. Whitehall is littered with attempts at rational, informed management and supporting information systems. Typically, management consultants have played a part, sometimes a large part (I toy with a catalogue of vintages - Couloirs du Trésor, Chateau Arthur Andersen, 1976...). Maybe they have underestimated the complexity of Ministers' motives when taking decisions; maybe they have overestimated the pace at which a bureaucracy can absorb new ideas; maybe civil servants have been disinclined - for whatever reason - to change even where change is feasible.

But the Fulton Report was published 14 years ago, in June 1968...We share subsequent experiences of management reviews and new management styles; and of all the attempts to evolve the whole process of public expenditure planning, control and execution, however often patient progress has been subordinated to IMF cuts or change of government or whatever. The Rayner spirit is now three years old. It has sharpened perceptions of the need for and scope of change...

So I think there should be a better chance this time, if we are patient and careful and as helpful as our combined wits can make us. "

(Memorandum from a Treasury Under Secretary to colleagues, 18 May 1982)

INTRODUCTION

1. The Problem

> "Smiley had watched Whitehall's skirts go up and come down, her belts tightened, loosened, tightened. He had been a witness, or victim, of such spurious cults as lateralism, parallelism, separatism, operational devolution and now...integration. Each new fashion had been hailed as a panacea...Each had gone out with a whimper, leaving behind it the familiar English muddle..." (Le Carre, 1980, p.138)

Administrative reform has not had a notable history of success in Whitehall...or elsewhere for that matter for it can clearly be argued that the familiar administrative "muddle" is not restricted to Britain alone. But, as Smiley so clearly recognised, the failure of one or even many reforms has not daunted the efforts of those determined to impose new order on what they have perceived as the inefficiencies of conventional public administration.

However, if British, Australian, Canadian and New Zealand experience is taken as a guide, it would seem that it is far easier to be critical of the muddle than to find a novel and lasting order to impose upon it. At the beginning of the 1970s major inquiries were conducted in each country. They all concluded that the practice of management in government should be transformed (Cmnd 3638, 1968 (The Fulton Report); Royal Commission on Australian Government Administration, 1976 (The Coombs Commission); Royal Commission on Government Organisation, 1969 (The Glassco Commission); State Services in New Zealand, 1962 (The McCarthy Commission). Yet nowhere had significant progress been made (see Chapman 1978, p.295; Caiden, 1982, p.86; Greenaway, 1985, p.14; Gray and Jenkins, 1985, p.103; March and Olsen, 1989, pp.70-71). Despite this and only a few years later, rational management, which had suffered so unmercifully at the hands of its academic critics and which had appeared to produce so little which endured, re-emerged to provide a new banner around which the adherents of reform could rally. As is usually the case with a new fashion its attraction spread fast and wide (Spann, 1981, p.14). Soon, the civil service in each of the Westminster countries was caught up in the new rush by government to remake the public sector in a more managerial image (Hood, 1991, p.6). Hence, when this research began in 1983, it seemed an opportune moment to look again at the process of reform; to track the development of the new initiatives; to see whether this time their outcome might be different or whether they, like so many previous "fashions", would fade from sight, and, if so, to explain why.

This study, then, examines new administrative reforms in Whitehall and Canberra in the 1980s. More particularly it compares and contrasts two programmes of managerial change which were central to the British and Australian governments' drive to introduce a more managerially oriented administration. Whitehall's programme was the Financial Management Initiative (FMI) which, later in the decade, was succeeded by 'The Next Steps'. Canberra's initiative was the similarly entitled Financial Management Improvement Program (FMIP).

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(iii) On the basis of this analysis, to develop a deeper theoretical understanding of the process by which administrations are changed.

Each of these purposes was informed by one more fundamental question. Why is it that administrative reforms seem so often to fail ? This dissertation is devoted to an examination and extrapolation of that basic inquiry. The specific purposes of the study are now introduced in more detail.

2. The Aims of the Research

(i) To describe and analyse the progress of the two reform initiatives during the 1980s.

The description and analysis of administrative reform may proceed from a number of different standpoints (Pollitt, 1984, pp.2-3). I have approached the problem phenomenologically (Quinn Patton, 1990, pp.68-71). That is, I have presumed that the best way both to understand and record the changes which took place in Whitehall and Canberra is to see them, as far as possible, through the eyes of the participants. A programme of administrative reform is not, in my view, a unitary or self- evident phenomenon. Its key components may be capable of reduction to paper but its essence lies not in this formal statement of intent but in how the relevant organisational actors perceive and interpret it. Consequently, my research method was qualitative rather than quantitative in nature. I became both participant and observer in the processes which I studied (See Appendix A). The research focused heavily on eliciting from the participants not only a clear view about what they thought of management reform but also their perceptions about their own role and that of others in its pursuit. In this way I sought to obtain not only a factual but also a political and intuitive understanding of reform's dynamics.

Such an approach has its dangers. The researcher's position may be skewed where he or she relies too heavily on the opinions of others to found his or her own. Too close an identification with one or other of the actors or groupings may engender bias whether conscious or unconscious (Nachmais and Nachmais, 1981, pp.172-176). I was, however, fortunate to obtain access to all but the most confidential of relevant departmental files. These acted on many occasions as an edifying corrective to some of my more far-fetched hunches and presuppositions. I freely acknowledge the dangers which remained. Nevertheless, I hope that my explicit acknowledgment of them and my very conscious efforts to reflect upon and understand my personal reactions to events has served to minimise their impact.

There is also another corrective embedded in the text. I want, very much, to engender in the reader an appreciation of what managerial reform looks like from the inside. To serve this end I have made extensive use in the case study chapters of direct quotations drawn from interviews and from internal working documents. By presenting and juxtaposing the perceptions of the actors in the words which they themselves have used I wish to communicate some of the 'excitement of the chase' and by doing so to bring the superficially uninteresting subject of management reform to life. The use of quotations also serves another purpose. By presenting research material in its original and unadulterated form, readers can more readily make their own judgements as to the validity of my understanding of events. In short, the description and analysis in this study has proceeded from my attempt to enter the assumptive worlds of the actors in the reformist play (Young and Mills, 1980, pp.6- 10). The degree to which this attempt has been successful will now have to be judged by others.

(ii) Through a comparison between the experience of the two, to illuminate those factors which were critical in advancing the cause of reform and those which retarded it.

In the public administration literature, the analysis of administrative reform has generally proceeded through an examination of the individual case. A reform programme is described, its progress dissected and reasons for its success or failure advanced (see, for example, Kellner and Crowther Hunt, 1980; Gray and Jenkins, 1982; Metcalfe and Richards, 1987a). Occasionally, the analysis is extended over time. The factors which were considered relevant to judging the progress of an earlier programme of reform are re-applied to its successors in order to consolidate our understanding of the process (see, for example, Plowden, 1983; Pollitt, 1984; Wilenski, 1986, pp.166- 202; Gray and Jenkins, 1986, 1990). However, the comparative analysis of reform programmes is a much rarer event (see, for example, Arnold, 1988; Olsen, 1988, 1991; Pollitt, 1990). In part its rarity is ~~due to~~ CAUSED BY the logistical difficulties and financial obstacles inherent in undertaking any international study. In part, too, it is ~~due to~~ ATTRIBUTABLE TO the simple fact that it is unusual to find reform programmes simultaneously undertaken in different countries which are sufficiently similar to permit a ready and useful comparison to be made. The emergence of the FMI and the FMIP, however, provided just such an opportunity.

There were three factors in particular which made the comparison of these two programmes feasible and attractive. First, the content of the programmes was almost identical. Their close affinity ensured that like would be compared with like. Secondly, both programmes operated within Westminster systems of government. This avoided some of the methodological difficulties which inevitably emerge when similar programmes are considered in ~~quite~~ different governmental contexts. Thirdly, the reforms were introduced by governments of different political complexion. This fact provided an opportunity to examine what influence, if any, competing political perceptions of the civil service and of the appropriate strategies for its reform would have on the outcomes of the programmes in question.

In theory, similar reforms should proceed in similar fashion to similar conclusions. Where differences occur, the comparative method permits their causes to be examined and conclusions with respect to the determinants of programme success and failure more readily to be drawn.

(iii) On the basis of this analysis, to develop a deeper theoretical understanding of the process by which administrations are transformed.

Since the mid 1970s a procession of authors has lamented the absence of an adequate literature on administrative reform (see, for example, Self, 1978; Caiden, 1982; Ridley, 1982; Halligan and Power, 1990). The literature, they argued, has been torn between that of the management reformers whose personal interest in the outcomes of reform can blind them to its defects and that of critical academic analysts who, by focusing so intensively on the many obstacles to change, concentrate too little attention on the fact of its existence (Self, 1978, p.312; March and Olsen, 1989, pp.74-76; Halligan and Power, 1990, p.279). This cleavage is but one symptom of a broader division which has developed between the practitioners of public administration and its academic observers. Academics, as outsiders, have been prone to misunderstanding and generalisation. Practitioners, as insiders, have viewed their practice selectively and subjectively. No effective method appears to have been devised to bridge the two perspectives, although participant observation has shown some promise in this regard (Ridley, 1982, p.9). Practitioners, have increasingly vacated the sphere of commentary. Academics, while dominating it, have fallen prey to excessive specialisation (Johnson, 1981, p.136). The quality of observation has suffered substantially as a result (Spann, 1979, p.505; Chapman and Greenaway, 1980, p.189; Caiden, 1982, p.192). This study makes a conscious attempt to bridge the gap. By working beside administrators as they went about their tasks, I sought actively to understand the pressures and constraints under which they operate. By taking the time to reflect more deeply on the processes in which they were involved, I hoped to cast a keener, more conceptual light upon the nature of administrative innovation.

The limited nature of the literature on public sector change is not reflected in the private sector. In recent years there has been a line of impressive research devoted to the examination of change in large private sector corporations (see, for example, Quinn, 1980; Mintzberg and Waters, 1982; Kanter, 1983; Pettigrew, 1985; Toffler, 1985; Johnson, 1987; Mangham, 1988; Mangham and Pye, 1991). Combining case study method with the conceptual tools provided by organisational theory, these private sector studies appeared to me considerably to advance our understanding of the nature and dynamics of organisational reform. Yet this methodological and conceptual combination had been used much more sparingly to explain innovation and change in central government. Certainly considerable work had been done in applying contingency theory and its variants (See in particular Greenwood and Hinings, 1976; Pitt and Smith, 1981; Hood and Dunsire, 1981). But this theorising was neither designed nor equipped to facilitate our comprehension of the very political processes of change which constitute the internal facts of bureaucratic life (Pollitt, 1984, p.174). Beyond this, there had been other sporadic and introductory attempts to apply the insights of organisational theorists to the problems of change and reform in government (see, for example, Brown, 1965; Smith, 1971; Arnold, 1974; March and Olsen, 1983; Jenkins and Gray, 1983; McCulloch, 1988). But a more detailed theoretical survey based upon original case study material had yet to emerge. In this study, I seek to employ just such a combination.

3. The Study Outline

The study is divided into three parts which correspond broadly to the study's three purposes. The first part consists of the case study material. Here, the progress of the FMI and the FMIP is examined in detail. The part consists of six chapters. Chapter 1 examines the context of the reforms. It sketches the economic, social, political and administrative factors which together combined to revive the managerial cause both in Britain and Australia. The chapter then outlines the Thatcher and Hawke Governments' public sector reform agendas and situates the FMI and the FMIP within them. The argument advanced in the chapter is that contextual factors play a critical role in determining the shape and establishing the momentum of administrative reform.

Chapters 2 and 3 look closely at the FMI. The initiative is scrutinised first through the governmental reports and evaluations devoted to it. These paint a generally positive picture of the FMI's progress, although by 1986, towards the end of its tenure in Whitehall, cracks have already begun to appear. I then open the curtains on the inner life of the reform programme. I explore the dynamics surrounding each of its three component elements - top management systems, delegated budgetary control and policy evaluation - revealing the reciprocal misunderstandings, conflicting priorities and sometimes bitter internal disputes which characterised its development. These, in turn, serve to explain why it was later discarded in favour of the more radical approach embodied in 'The Next Steps.'

Chapter 4 considers 'The Next Steps'. While considerably more radical in approach, the Next Steps programme had its roots in the same managerial philosophy which underpinned the FMI. Consequently, it was not surprising to find the same problems which beset that initiative re-surfacing in relation to its successor. The politics of administrative reform in Whitehall are arcane and entrenched. To these the Next Steps also succumbed. Nevertheless, it had demonstrated by the end of the 1980s an uncharacteristic if still flawed resilience. This was ~~due not least~~ attributable to the fact that its designers had learnt important lessons from the implementation of the FMI. These lessons too constitute useful source material for the comparison which follows.

Chapters 5 and 6 are devoted to the examination of the FMIP. Again, I observe the Canberra programme first through the public reports. These applaud its direction but are, at the same time, somewhat more candid about the difficulties experienced in its execution. I look then inside the administration at how corporate planning, delegated budgeting and performance measurement progressed. A remarkably similar pattern of mismatch, misinterpretation and conflict to that present in Whitehall emerges. Yet unlike the FMI, the FMIP is not cast aside. Rather, the Department of Finance redoubles its efforts to implant the new managerial thinking and its associated techniques. In this it achieves partial but not inconsiderable success. The different outcomes in Britain and Australia provide a rich source of contrast which is explored in more detail in Part II.

Part II of the study consists of two chapters. In Chapter 7 I develop a practical framework for analysing the process of administrative reform drawn both from my experience of the phenomenon and from my consideration of the relevant literature. In the chapter, I propose that administrative reform may be considered as consisting of four discrete but interconnected aspects. These are its environment, content, strategy and dynamics. Each of these aspects and the interaction between them is of major importance in determining the outcome of any new reform initiative. I consider each aspect in turn and draw in the findings of previous research to demonstrate its salience.

In Chapter 8 I compare and contrast the experience of the FMI and the FMIP in accordance with the framework developed in the previous chapter. It is in this chapter that the principal findings of the study are contained.

Part III consists of the final chapter. It takes a more theoretical look at the phenomena which have been observed and discussed in Parts I and II. In this chapter I present three competing models of administrative reform. These models I term 'purposeful intervention', 'institutional negotiation' and 'appreciative shift'. I then examine the evidence adduced in the study in relation to each. I conclude that no one model provides a complete explanation of the process of administrative reform. Each, however, can make a distinctive contribution to deepening our understanding of it.

PART I :

THE CASE STUDIES

CHAPTER 1

AN ENVIRONMENT FOR CHANGE

In the 1980s, the British and Australian governments were subjected to intense pressure to reform the management of their public sector institutions. Economic, social, political and administrative forces combined to persuade the two governments that wholesale changes to public administration were necessary. On coming to office the Thatcher and Hawke administrations embarked upon programmes of administrative reform of almost unparalleled breadth and intensity. The central objective of each was to improve the way in which government was managed. The power and coherence of the pressures placed on government does much to explain why the managerial reform movement arose when it did and why its influence remained unabated throughout the decade. In this chapter the pressures for change in the two countries are considered as a prelude to a more detailed examination of the FMI and the FMIP.

SECTION ONE: BRITAIN

1. The Economic Context

The economic situation which prevailed in Britain in the 1970s was ~~quite~~ unlike that in the previous decade. The 1960s had been characterised by a 'treble affluence' - gross domestic product increased continuously, public expenditure and public services expanded and personal income rose (Wright, 1981, p.3). Inflation was low and under control, there was full employment and the economy was growing steadily albeit slowly. The 1970s witnessed a reversal of these trends. Inflation increased dramatically, unemployment reached levels unseen since the Great Depression, the balance of payments situation worsened and the dollar value of the pound declined significantly (Wright, 1980, p.110).

The Keynesian paradigm which had prevailed for several decades was confounded by stagflation, paving the way for the ascendancy of the monetarist alternative (Wright, 1981, p.10; Ham, 1981, p.130; Pliatzky, 1982a, p.178). This upheaval set the scene for the concerted attack on public expenditure which followed. Influenced heavily by monetarist economists at home and abroad the Conservative Party concluded that government should no longer engage actively in demand management. Rather, the market economy was best left to correct itself. The process of self- correction could only be distorted by active governmental intervention in the economy since public sector growth 'crowded out' private sector investment, thereby reducing the capacity of the economy to re-establish its equilibrium (Bacon and Eltis, 1976, pp.110-111; Heald, 1983, pp.38-41).

The Government's first expenditure White Paper was a clear embodiment of these beliefs (Cmnd 7866, 1980) Inflation, it announced, would be attacked by controlling the rate of monetary growth and reducing the public sector borrowing requirement. Taxes would be reduced to restore individual and corporate incentives for investment. Public expenditure would be cut to accommodate reductions in borrowing and taxation. There were no measures proposed to secure full employment marking, perhaps, the decisive departure from the post war Keynesian consensus (Gamble, 1985, pp.192-197; Keegan, 1985, p.138).

The Government's economic policy had substantial implications for the level and composition of public expenditure. Describing public expenditure as being at the heart of the country's economic difficulties, the Government announced its intention progressively to reduce public spending in volume terms for the following four years. The reduction in expenditure was necessary to decrease the rate of growth in money supply in the same period (HC 500, 1980/81, pp.16-19; Thain, 1985, p.271). The Government did not reach its expenditure targets (Pliatzky, 1982a, pp.184-185; Riddell, 1983, pp.70-71; Riddell, 1989, pp.32-34). Nevertheless, its attempts to cut expenditure were strenuous and included substantial reductions in education, housing, environment and social security. These cuts were supplemented by more general measures instituted to increase control of public spending. The Government imposed cash limits, made substantial cuts in civil service personnel and launched a concerted attack on levels of public sector pay. It was these changes, more than reductions in programme expenditure, that contributed to a feeling amongst civil servants that they too were under attack.

2. The Social Context

The decline in Britain's economic fortunes was accompanied by increasing criticism in the community regarding the size and role of government. As the recession grew worse and Britain's economic standing deteriorated relative to other major industrialised nations, the search for a scapegoat began. Government provided a ready and easily identifiable target (Gamble, 1986, p.48).

Within the Keynesian paradigm, government had been regarded as a force for economic and social advancement. Fiscal policy provided the essential means through which cyclical fluctuations in economic activity could be moderated. The higher the level of public expenditure the greater the leverage which fiscal policy could exercise. Keynesians believed it proper for the state to intervene in the market to provide public goods and to mitigate the effects of unbridled market power on the poor and the disadvantaged. Given these beliefs, there had been a consistent propensity for state expenditure to grow as a proportion of gross domestic product and, while economic growth had been strong and standards of living had continued to rise, the community's faith in the right and the capacity of government to rectify economic and social problems had remained unshaken.

However, with the reversal in economic fortunes the critics of government became more numerous and their tone more strident. In the intellectual arena the most potent were Hayek and Friedman. Both were economists. Both had a grand vision for society. Hayek believed that central planning was both politically dangerous and economically inefficient (Hayek, 1988, pp.85-88). It was politically dangerous because it reduced individual liberty, increased the power of the state, weakened the role of Parliament and undermined the rule of law by investing government officials with considerable discretion. Planning was economically inefficient because it dampened competition, increased the prevalence of monopolies and stifled entrepreneurialism. Friedman too attacked the 'deadening effects of government control.' He argued that slow growth and declining productivity called for a fundamental reassessment of the role of government in economic activity. Continued governmental intervention at the expense of market competition threatened not only to destroy economic prosperity but also to reduce human freedom (Friedman and Friedman, 1980, p.25)

These ideas were embraced enthusiastically by policy institutes and politicians alike. Through its Hobart series the Institute of Economic Affairs introduced Hayek's and Friedman's ideas to a wider audience. It popularised Niskanen's work on the pathology of bureaucracy (Niskanen, 1973) and held several symposia on the role and size of government. The Centre for Policy Studies took a similar stance. It had been established in 1974 by Sir Keith Joseph. Margaret Thatcher later became its President. Both Joseph and Thatcher cited Hayek and Friedman with approval (Bosanquet, 1983; Leach, 1983, p.158) and it was Joseph who later assumed primary responsibility for carrying the arguments of the New Right from the academic into the political arena (Keegan, 1985, pp.80-81; Young, 1989, p.102). The Centre had also acted as the intellectual home of other prominent Thatcher advisers such as Sir Alan Walters and Sir John Hoskyns. Politicians, advisers and analysts alike believed that the responsibility for the decline in British fortunes should be laid squarely at the feet of government. Only if government strictly limited its interventions in market, economy and society could Britain's economic decline be reversed (Littlechild, 1979, p.12).

Just as the role of government was attacked so also was that of the civil service. From a theoretical perspective, public choice theorists such as Tullock (1965, 1983) and Niskanen (1973) argued that bureaucrats should be regarded as self- serving, their principal objective being to maximise their budgets and increase the influence of their bureaus. These theorists proposed that, unlike private entrepreneurs who would not supply goods beyond the point at which their price equalled their cost, the welfare of bureaucrats rose continuously as agency budgets increased. Hence, individual bureaucrats had little incentive to restrain their output even where the marginal value of providing a service exceeded its marginal cost (Dunleavy and O'Leary, 1987, pp.117-119; King, 1987, pp.102-104; Lane, 1987, p.30; Dunleavy, 1990, pp.154-173). Consequently, bureaucrats themselves were central to explaining why government had grown significantly. These anti-bureaucratic views found a ready audience in the Conservative political leadership (Dunleavy, 1986, p.363).

Public sector management was also subjected to sustained criticism. Influential business writers compared management in the public sector unfavourably with that in the private sector (see, for example, Drucker, 1977, p.131) They believed that the problem with public sector institutions was that they were rewarded not for effective performance but for honouring their promises. Hence, there was an inbuilt tendency for expenditure to grow and for delivery to take precedence over productivity. In the policy sphere, public sector management relied too much on ad hocery and pragmatism and too little on science, planning and rational analysis (see Johnson, 1985, p.418). The management theorists argued that governmental affairs would be conducted more effectively if the tenets of private sector management were adhered to. As this view gained currency, techniques developed in the private sector, such as zero-based budgeting, programme budgeting and cost benefit analysis, were tried in government but without notable success (see Self, 1975; Wildavsky, 1979). Politicians too picked up the thread berating the civil service for its inefficiency and lauding the productivity of private entrepreneurial initiative. Both the Heath and Thatcher governments employed private sector managers as consultants on civil service efficiency on the premise that their diagnosis would be both sharper and more relevant than that developed by the civil service itself.

3. The Political Context

The Conservative Government entered office in 1979 with a manifesto commitment to reassert political control over the civil service, reduce its size, improve its management and eliminate its waste and inefficiency (Conservative Manifesto, 1979, p.9). Economic reform had to be supplemented by administrative reform if its budgetary strategy was to succeed. The commitment of the Prime Minister to this objective was particularly in evidence (Young, 1989, p.154). Her attitude to the civil service was described by one of her colleagues as ferocious (Cosgrave, 1985, p.170). She disliked its reserve, was annoyed by its obstruction and opined against its lack of commitment to governmental purposes. She came to office determined to tackle and subdue it. This would be done by cutting its staff and resources, appointing livelier officials, rooting out wasteful practices, improving systems of management and recasting it in the private sector mould:

> "Firm cash limits and manpower ceilings are essential external disciplines. But we must also ensure that departments' internal systems for controlling resources are effective including arrangements for scrutiny and audit... Getting the right people for top jobs is vital. In considering appointments to be made in the future, I have very much in mind the need for excellence in managing central government which I see as an important policy in its own right...I shall be looking for an increased proportion of candidates with business experience amongst those selected for the Civil Service."
>
> (Prime Minister's letter to Timothy Eggar MP, 4 August 1982)

In developing her views of the service Mrs Thatcher had been strongly influenced by a number of close advisers. In 1978 Leslie Chapman, a disgruntled former official of the Property Services Agency, wrote a book entitled 'Your Disobedient Servant' in which he made scathing criticisms of civil service organisation and management. Providing practical gist to the public choice mill he argued that almost every pressure in the public service was directed towards increased expenditure (Chapman, 1978, pp.48-55). His arguments were greeted sympathetically in opposition circles and he was appointed as Mrs Thatcher's adviser on civil service matters during the 1979 election campaign (Hennessy, 1990, p.592). Chapman was passed over following the election in favour of Sir Derek Rayner. Rayner, the head of one of Britain's most successful retailing organisations, brought with him a wealth of managerial experience from both private and public arenas. Less punitive in his attitude to the civil service than Chapman, he devised, with the Prime Minister's strong support, an efficiency strategy which used civil servants themselves to identify areas of waste and duplication and to make recommendations for change (see generally Metcalfe and Richards, 1984; Metcalfe and Richards, 1987a, pp.1-21). Late in the first term of the Thatcher Government, Sir John Hoskyns, the head of the Prime Minister's policy unit, also weighed in to the civil service debate. Whitehall, he believed, lacked strategic direction, a deficit which should be considered particularly severe in the light of Britain's economic decline (Hoskyns, 1983, 1984). He argued that civil servants had lost the heart for national revival. This problem was exacerbated by their political neutrality which made it necessary for them to withdraw the 'last five per cent of commitment' to governmental objectives. Neutrality, he believed, should be abandoned and Whitehall peopled with individuals willing to commit themselves wholeheartedly to change.

From these sources a number of clear threads in the Government's policy towards the civil service emerged. First, the power of the civil service would be moderated. In pursuit of this objective the Government proceeded with great determination to attack the influence of civil service unions, to decrease the rights of civil servants to engage in politically related activity and to introduce measures designed to decrease civil servants' privileges (Ponting, 1986, pp.216- 218). Second, the service's commitment to the achievement of governmental purposes would be increased. While not going so far as Sir John Hoskyns in advocating the politicisation of the service, the Prime Minister soon made it clear that she was willing to 'skip a civil service generation' in order to promote those whom she believed would pursue government policy with vigour and enthusiasm (Hennessy, 1990, p.634). Third, the size of the civil service would be cut. The cuts were necessary not only to assist with the economic imperative of decreasing public spending but were also symbolic of the Government's determination to decrease the influence of the state. Fourth, private sector solutions would be adopted to deal with public sector inefficiencies. Privatisation would be pursued with considerable vigour. Fifth, non departmental bodies whose primary rationale was deemed to be survival rather than productivity would be shut down (see Cmnd 7797, 1980).

4. The Administrative Context

Ever since the Fulton report (Cmnd 3638, 1968), the civil service itself had been grappling with the problems of managerial modernisation. Fulton, echoing criticisms made even earlier by Lord Plowden (Cmnd 1432, 1961), argued that in its structures and methods of operation the civil service had placed too great an emphasis on the provision of policy advice. As a result, it had neglected the task of effectively managing governmental business. This was a serious problem given that the administration's predominant activity was not in fact policy development but service delivery. To meet this concern, Fulton made a wide-ranging series of recommendations for change. The most relevant of these for present purposes was that 'accountable management' should be introduced throughout the civil service.

Accountable management, a technique borrowed from General Motors, involved the designation of discrete units in governmental departments whose outputs could be measured against costs and other criteria and whose performance could effectively be assessed. Fulton argued that wherever measures of achievement could be established in quantitative or financial terms and where individuals could be held responsible for output and cost, accountable units should be established (Cmnd 3638, 1968, p.52). Once established these units would be linked into commands each of which would be responsible for the achievement of clearly specified programme objectives. Programme objectives in turn would be related to corporate and governmental objectives through a process of strategic planning (Garrett, 1980, p.130).

In ensuing years not all went well for the managerialist cause. The newly created Civil Service Department took responsibility for initiating Management by Objectives (MBO). It did so by establishing a number of experimental projects. These, however, did not meet their designers' expectations. This was because the information systems necessary to support managerial decision- making were either absent or inadequate, advice from MBO specialists had not always been available and lack of commitment from senior staff had dented morale and enthusiasm (Hancock, 1976, p.16; Garrett, 1980, p.136). MBO soon ceased its formal existence but the technique survived on a more random basis in several parts of the administration. In the Department of Social Security, for example, MBO was still widely practised at operational levels throughout the 1970s (Personal Interview).

The next major attempt to introduce managerially focused reform was the Heath Government's Programme Analysis and Review (PAR). This was a programme which focused on policy evaluation rather than managerial improvement. Nevertheless, it shared much in common with accountable management. PAR's proponents sought to make policy formulation more rational (Heclo and Wildavsky, 1981, p.280). Each year every department would, under the supervision of an interdepartmental committee, evaluate specific blocks of policy. The evaluation would then form the basis for future policy directions.

PAR too ran aground (see Heclo and Wildavsky, 1981, pp.lxii- lxiii; Gray and Jenkins, 1982; Heald, 1983, pp.187-188). Insufficiently appreciating the differences between 'running the country and running a company', the technique never successfully melded policy review and political decision making. Consequently, it was pushed aside as the

Government became ever more preoccupied with managing economic decline (Pliatzky, 1982a, p.104). Similarly, the review cycle was established independently from the budgetary cycle. This considerably reduced its practical relevance:

> "It was a highly intelligent concept but it was not made an integral part of the decision-making process...a typical PAR exercise would look at a programme irrespective of departmental budget so the whole thing was guaranteed to turn it into a task that was pushed aside by the more urgent operational tasks until it just became a burden and was dropped."
> (Treasury Under Secretary)

The demise of PAR did not, however, mark the end of attempts to improve civil service management. Accountable management, for example, continued to emerge in other guises. Pressure was exerted by the House of Commons Expenditure Committee to improve the presentation of public expenditure to Parliament by classifying it in terms of the objectives it was to meet and by developing tangible measures of performance. The Civil Service Department launched a wide-ranging series of departmental management reviews. These examined the operation of departmental units, subjecting their performance to critical scrutiny in the light of their stated managerial objectives.

Thus, while the programmes which had acted as the standard-bearers for managerial reform faltered and died, each left its mark and slowly the managerial ethos began to trickle through Whitehall's linoleum passages. The steady and uninspiring progress merited little attention in the academic and popular media. It was, however, sufficiently significant later to form the foundation for Whitehall's response to the Thatcher Government's strident demands for greater managerial competence. That response was the formulation of the Financial Management Initiative:

> "There was a shift in perceptions on the part of government departments themselves over quite a long period. I mean clearly what the FMI displays is pretty much displayed wisdom...and the civil service has been shifted...its perceptions and stance and practices over quite a time too. Progress was slower than you might like to see but it would be quite a mistaken view of the matter to see the FMI as something which was intrinsically new. What it was a coming together of the feelings within the service that the time for these ideas had come. There were certainly powerful impulsions from the Government and the PM in particular. Then there was Sir Derek Rayner and his lasting reforms without which I don't suppose the FMI would have taken the form it did...But, as it were, I think that they were pushing an open door..." (Treasury Deputy Secretary)

5. The Government's Response

The Government responded to the many forces for change with a two part programme of management reform. First, it wished to create a general incentive towards efficiency and economy. This it did by initiating heavy reductions in civil service personnel, by cash-limiting government expenditure and by attacking civil service pay. Secondly, it aimed to increase civil service efficiency (Cmnd 8293, 1981, p.2).

(i) Tightening control

The first step the Government took was to introduce cash planning. This meant that the size of a government programme would in future depend on the amount of cash allocated to it and how much that amount would purchase at prices then prevailing. If, therefore, the actual rate of inflation exceeded the rate assumed for the purpose of making cash estimates, a real reduction in public expenditure would occur (Heclo and Wildavsky, 1981, p.xxvii; Likierman, 1981 p.1; Likierman, 1988, p.72). The Government took advantage of this by incorporating inflation and pricing assumptions which were much below actual inflation rates. It was then able to squeeze public expenditure without having to specify where cuts would fall (Pliatzky, 1982b, p.16; Pliatzky, 1983, p.326; Heald, 1983, p.176) Cash planning provided the means through which continuous downward pressure could be imposed on costs, particularly those associated with pay and employment. In so doing it advanced its commitment to cutting back public sector size and reducing the influence of civil service unions (Thain and Wright, 1989, p.160).

Cash limits were complemented by personnel reductions. Following its freeze on public sector recruitment the Government announced in July 1980 that major cuts in civil service numbers would be made. In a civil service which numbered approximately 732,000 the Government achieved cuts of 100,000 in four years. By 1986 the size of the service had been further reduced to 594,000, making it smaller than at any time since the Second World War (Drewry and Butcher, 1988, p.201). The effect of these cuts on the operation of the civil service was mitigated by the cosmetic nature of some of the reductions (Dunsire and Hood, 1989, p.152). Nevertheless, their effect on civil service attitudes to managerial improvement would prove profound (Johnson, 1985, pp.422-423):

> "What were the main incentives [for administrative reform] ? There is no doubt in my mind that manpower cuts was the main one. They showed the Government was serious about reducing public spending and forced us to consider how we could do more with considerably less."
> (Departmental Under Secretary)

The Government also launched a frontal attack on civil service pay. It withdrew unilaterally from pay negotiations and refused to agree to any form of arbitration. These actions resulted in a major but unsuccessful civil service strike. The strike left a bitter legacy.

Although the Government was better able to control the level of public sector wages, this came at the cost of considerable resentment and civil service morale plummeted (Ponting, 1986, p.217).

(ii) Promoting efficiency

Not content with cutting the size and power of the civil service, the Government wanted to increase its efficiency. Following the Heath Government's precedent of inviting private sector consultants to advise on public sector management, Mrs Thatcher appointed Sir Derek Rayner to head her efficiency unit. Sir Derek, the joint managing director of Marks and Spencer, had been successful in reducing costs and increasing profitability in his home company and Mrs Thatcher doubtlessly hoped that he could achieve similar results in Whitehall. Rayner commenced a series of reviews which he styled 'scrutinies'. Their purpose, he explained, was to examine a specific policy or activity with a view to achieving savings or increasing effectiveness; to propose solutions to the problems identified; and to implement agreed solutions within a strict time-scale. Where scrutinies unearthed institutional rigidities which impeded effective management, proposals were made for their removal and lessons were drawn for departmental management more generally (See Allen, 1981; Beesley, 1983). The individual scrutinies were supplemented by a series of multi departmental reviews. These involved inter departmental comparison of managerial methods (Metcalfe and Richards, 1987a, pp.132-133). The Efficiency Unit's 1985 study, 'Making Things Happen' (Efficiency Unit, 1985), reported that from 1979 to 1984 there had been 176 departmental scrutinies and 90 more had been conducted as part of multi- departmental reviews. These had identified savings and extra income worth £600 million and once-for-all savings of £67 million. However, of the total figure, only £300 million of savings had actually been achieved. £145 million had been rejected as impractical or unacceptable and the remainder either awaited final decision or had yet to be implemented (see further Collins, 1987, pp.12-13).

Rayner sought consciously to overcome many of the difficulties which had beset his scrutinies' closest predecessor, PAR. PAR topics had been generally delineated. Scrutinies focused on the assessment of specific and observable activities. PAR's methodology had been ill defined. The Rayner methodology was limited and clear. Officers conducting PAR reviews had remained embedded in existing departmental structures. Rayner scrutineers reported directly to the central unit and to the Minister concerned. PAR reports had been secret. Scrutiny results were made public. PAR had lost the support of the Prime Minister. Sir Derek Rayner and his successor, Sir Robin Ibbs, obtained access to the Prime Minister and possessed her unwavering confidence (Gray and Jenkins, 1985, pp.132-135).

Rayner's efficiency agenda went considerably wider than his scrutiny programme. He wished not only to change the practice of management in Whitehall but also to change its managerial culture (HC 236-II, 1982/83, p.88). He believed that there were a number of central principles which should dictate the direction of administrative reform. Ministers should be made to feel responsible for the efficiency of their departments. The work of officials should be governed by clear objectives. As far as possible, responsibility should be pushed down the management line. Efforts to improve efficiency should be tailored to the specific context in which they were effected. In these principles the skeletal outline of the FMI could be discerned. However, it was left to the Treasury to put the flesh on the bones. The Thatcher Government did not enter office with a clear and coherent programme of management reform. Its primary objective was simply to reduce civil service numbers and remould civil service management in the image of the private sector. This it did through its twin strategies of slashing services and lopping heads (Cooper, 1987, p.120). Beyond this, it had little idea about the precise shape which management reform should take. Treasury officials were quick to take advantage of this lacuna:

> "We then had a visit one day from the PM and over luncheon at the top of the office she made it perfectly plain that something was going to happen about survey prices rather quickly. That precipitated the change to cash planning. We then said now we've got cash planning but it has become a very blunt instrument. There's not much intelligence left in it...And of course there was Rayner going on about efficiency and effectiveness and defining objectives and measuring outputs and all the rest of it. And so everything sort of crashed together into a realisation that somehow Treasury had got to take an initiative in order to get its status back up, in order to get the initiative over spending departments and to fend off the criticisms of Rayner. So through from November 1981 and early 1982 there was awful perpetual drafting and redrafting trying to produce a paper and what was finally issued by the PM in May bore all the marks of its rather shambolic origin."
>
> (Treasury Under Secretary)

Thus, in May 1982, the Financial Management Initiative was born and accountable management re-entered the administrative arena.

SECTION TWO: AUSTRALIA ✓

In Australia, the public service was subject to remarkably similar pressures to alter its traditional patterns of management. Events fell together to create a seemingly irresistible impulse for administrative reform. The Hawke Labor Government took up the cudgels for managerial change just as the Thatcher Government had done before it. Yet there were important differences between the British and Australian experience in this regard. These are significant in explaining why reform in Australia took hold more rapidly than it did in Britain.

1. The Economic Context

In common with other Western nations, Australia was subjected during the 1970s to a protracted period of stagflation. The OPEC oil crisis, the impact of the Vietnam war and a sharp increase in Commonwealth spending during the Whitlam Government combined to produce higher inflation, higher unemployment and a significant decline in economic growth (Walsh, 1979, pp.213- 215). The effects of these recessionary trends was lessened for a time when the second OPEC price rise in 1979 sparked a 'resources boom'. This, however, was shortlived. In the two years immediately preceding the election of the Hawke Government the Australian economy crashed. Unemployment increased to 10.3 per cent, inflation to 11.2 per cent and, fuelled by a severe drought, the nation's first negative growth outcome was recorded.

From mid-1983 until 1985 the economy experienced a mild recovery owing ~~due~~ to expansionary budgets brought down by both the Fraser and Hawke governments, the ending of the drought, and strong investment in housing and stock (Davis, 1989, p.79). Inflation declined and employment increased, mirroring changes elsewhere. However, the difficulties with the budget deficit continued unabated. Then, in the mid 1980s, the terms of trade moved sharply against Australia (Gruen, 1986, p.31). Export prices declined sharply relative to import prices. The price for world and hence Australian oil collapsed. Foreign indebtedness increased and the repayment of debt became more onerous as the Australian dollar depreciated considerably. Australia's manufacturing industry, which had been strongly protected, still lacked the capacity to compete effectively on foreign markets, thus denying Australia an alternative source of export growth. Taken together these factors prompted the then Treasurer, Mr Keating, to warn of the danger of the nation becoming a 'banana republic'.

Despite these difficulties, public spending increased as a proportion of GDP in the Hawke Government's first two years. However, as the balance of payments situation worsened, the Government decided to cut back on spending in order to reduce the public sector borrowing requirement and provide an example of restraint. Therefore, in March 1984, the Prime Minister announced his now famous trilogy of promises - that tax revenue would not increase as a proportion of GDP, that government expenditure would not increase as a proportion of GDP and that the budget deficit would be reduced as a proportion of GDP over the life of the Parliament. Following the deterioration in the terms of trade in 1985-1986, the Government took more drastic action. It established a 'razor gang' the purpose of which was to cut $1000m from public spending within a year. The razor gang adopted a targeted approach to cuts, with areas of activity likely to advance economic development hit less hard than others (Considine, 1990, p.182). In addition, the Government pressed on quickly with its plans to rationalise the public sector. In the Prime Minister's mind, the need for public sector reform was linked directly to the nation's economic difficulties:

> "These decisions are an essential part of the restructuring of the Australian economy. ~~which~~ THIS has been made necessary by the decline of international commodity prices and their consequent effects on our economic circumstances. That restructuring must involve all sectors of the Australian economy including the public sector...The Australian Public Service must be able to take its place in the rebuilding of our manufacturing and industrial sectors required by Australia's current economic and social circumstances and our national aspirations."
>
> (Prime Minister, Bob Hawke, Ministerial Statement on the Reform of the Australian Public Service, Parliamentary Debates, H. of R. vol. 150, p.1448)

The size of the Commonwealth's share of public sector spending as a proportion of GDP shrank dramatically from 31.1 per cent to 28.9 per cent by the end of the decade (Commonwealth of Australia, 1991a). As in Britain, the strong downward pressure on public expenditure in turn exerted heavy pressure on the administration to improve its effectiveness and efficiency.

2. The Social Context.

The protracted economic downturn prompted Australians to reconsider the size and role of government at all levels. Traditionally, Australia had looked to government to stimulate its growth and development - to roll back its frontiers. But with economic deterioration and the break in faith with Keynesian prescriptions, Australians' attitude to the state began quickly to change. The collectivist values which had predominated in the past gave way, under the influence of monetarist doctrine, to individualist values of the market place. Australia's folk heroes changed from visionary social reformers to swashbuckling entrepreneurs. In intellectual circles the views of Hayek and Friedman quickly gained currency (Sawer, 1982, p.2). As in Britain, a clutch of right wing think tanks emerged in their wake. These published Hayek and Friedman's work, adding to it some notable Australian variants. The think tanks produced a torrent of material and, through journals such as

'Quadrant,' progressively stole the march on Australian intellectual and economic debate.

Government was subjected to increased if ill-informed and ideologically motivated criticism (Wilenski, 1986, p.26). Leviathan, the Centre for Independent Studies argued, was out of control and required restraint (James, 1987). The fact was that Australian government did not take a large proportion of GDP by international standards. Neither had the size of government increased dramatically, as some critics implied (Freebairn, Porter and Walsh, 1987, p.41). Nevertheless, the small-government lobby became increasingly influential. Economists argued that government was crowding out the private sector and impeding economic growth (Emy and Hughes, 1988, p.159). Management experts lauded the virtues of the private sector and drew unfavourable, if often misguided, comparisons with the public sector (see Wilenski, 1988, pp.218-221). These currents, which first emerged in the pages of economic journals, moved swiftly to capture attention in news periodicals and press editorials. By the mid 1980s their influence was such that leaders of both Conservative and Labor parties had been persuaded that the public sector was too large, too costly and had to be reduced in order to return economic prosperity.

> "The country faced substantial economic problems and we just had to tackle them. The problems also took place against a background of concern with big government, whether our programmes had got to the stage of being beyond any control at all. So you can't isolate the FMIP and similar developments from prevailing ideological trends which we just had to respond to. Things like privatisation etc. are other attempts to solve what is now widely seen as the problem of big government."
> (Deputy Secretary)

3. Political Pressures

Economic and social factors in turn shaped the political agenda for administrative reform. The Labor Government in Australia pursued reform with a zeal equal to that present in Britain under Margaret Thatcher. But whereas the Thatcher reform programme was driven principally by an ideological commitment to reducing the size of the state, the Hawke Government's agenda, at least in the first three years of the administration, was informed by a technocratic concern for more effective administration:

> "We are not tinkering with the government machine for the sake of it, or because other governments are doing it, or because of narrow political interests that might be defined as the need to be seen to be doing something. We are striving to improve the workings of the Canberra system and the quality of its outputs to the benefit of the whole Australian community... Equally we do not seek to make distinctions between a productive private sector and a non- productive public sector. The sectors just cannot be characterised in this way. So, as we are

concerned about the state of the economy and the efficiency and effectiveness of private organisations, then we must be interested in the efficiency, responsiveness and effectiveness of public sector organisations."

(Dawkins, 1985, p.60)

Labor entered office with a comprehensive policy for public sector management reform. In its policy statement, Labor and the Quality of Government (Australian Labor Party, 1983), it proposed a comprehensive set of measures for reforming the Canberra bureaucracy. At the same time it sought to reassure the administration that its intentions were benign not confrontational. The relationship between the public service and the conservative Fraser Government had deteriorated substantially as Fraser became increasingly strident in his attacks on the public sector and adopted harsh measures to cut back its growth. The Labor platform, by eschewing the use of staff ceilings amongst other things, projected both a concern for the traditions of the administration and a commitment to its improvement (Weller, 1983, p.319):

"The major factor [promoting reform] was the change in the attitude of the Labor Government to the public service. There had traditionally been a lot of antipathy between Labor parties and the public service. The suspicion between them in the Whitlam times was seen by more thoughtful people in the party as being destructive. In the period of the late 70s and early 80s, there were those in the party who realised they needed to have a rather more sophisticated approach, a strategic approach to how the public service should be managed to achieve political objectives."

(Departmental Secretary)

The Thatcher Government's reform agenda had been fashioned by individuals with close links to business and to right wing think tanks. The foundations for the Hawke Government's programme were laid by trusted and social democratically oriented advisers (Warhurst, 1988. p.344). Principal amongst these was Peter Wilenski, a former private secretary to Prime Minister Whitlam. Wilenski conducted a comprehensive review of the public administration in New South Wales in the late 1970s and Labor's policy was derived in large part from the recommendations of that review. Soon after the Government took the reins of administration, Wilenski was appointed by Hawke as Chairman of the Public Service Board. In another crucial appointment, Hawke appointed John Dawkins as Minister for Finance. Dawkins brought intelligence and energy to public service reform. The heads of the Departments of Prime Minister and Cabinet, Treasury, and Finance resigned during Hawke's first term. They were then replaced by officials with considerable sympathy towards the Government's administrative reform agenda. The new head of the Department of Finance, Dr. Michael Keating, had written previously on the problems of governmental overload (Keating, 1984). He, in particular, was to have a very significant influence on the later course of managerial change.

The Hawke programme drew further inspiration from apparently successful attempts by recently elected Labor Governments in New South Wales and Victoria to modernise their administrative machinery (see Halligan and O'Grady, 1985; Considine 1990, p.174; Halligan and Power, 1990, pp.286-288). Reacting to the mistakes and excesses of the Whitlam era (see Thompson, 1979, p.70; Wilenski, 1986, p.117), State Labor governments had been at pains to present themselves to the public as effective and prudent managers of the community's resources. In this they had largely succeeded and their example was followed with alacrity by the Commonwealth (Wilenski, 1986, p.190).

The Government's reforms were brought down in an atmosphere of bipartisan support. David Connolly, the opposition spokesman on public service affairs, and himself the author of an influential parliamentary report on civil service restructuring, reacted favourably to the Government programme (Connolly, 1984; Thompson, 1988, p.221). The public service also reacted positively regarding it as a generally sophisticated response to political and managerial difficulties (see Tange, 1984; Bailey, 1984; Caiden, 1990, p.13).

Four central themes dominated the Government's reform agenda (see Codd, 1991). First, a reduction in public expenditure had to be achieved. The Government therefore imposed cash limits and made deep but selective cuts to staff and programme expenditure. Second, the Government acted to reinforce ministerial control of departments (Dawkins, 1985, p.64; Wilenski, 1986, p.169). It strengthened the strategic capacity of the Cabinet, appointed consultants to ministers, increased governmental flexibility in the appointment of departmental secretaries and strengthened the role of Ministers in the allocation of departmental resources (see Hawke, 1989). Third, the Government wanted the administration to act more fairly towards its employees and the public. Consequently it introduced equal opportunity, industrial democracy and merit protection reforms. Finally, the management of the public service would be improved. The structure of the budgeting process was overhauled and corporate management became the catchword of the eighties (Considine, 1988).

4. The Administrative Context

The Royal Commission on Australian Government Administration was established by the Whitlam Labor Government in 1974 and reported to the conservative Fraser Government in 1976. The five volume report examined almost every aspect of Commonwealth administration and in 183 recommendations set down a blueprint for administrative reform

(Royal Commission on Australian Government Administration, 1976, pp.413-435). Like Fulton, the Commission, chaired by H.C. Coombs, argued that the substantial extension in the role of government as a provider of services to the community had made it essential that the quality of public management be improved. The structure and organisation of the administration was excessively centralised and hierarchical. Managerial responsibility in administration needed to be devolved and decentralised in order to increase managerial efficiency. Efficiency, Coombs believed, could be improved substantially if the principles of accountable management were adopted (Royal Commission on Australian Government Administration, 1976, p.36).

The Fraser Government did little to implement the Commission's recommendations. It preferred instead to concentrate its attention on cutting services and personnel and drawing the administration to account by developing Commonwealth administrative law (Thompson, 1979, pp.80-81). However, late in the Fraser Government's administration several factors contributed to a re-emergence of interest in public sector reform. The Government's image as a competent administrator was badly dented by a series of administrative scandals (Dickenson, 1984, p.44). The Labor Party attacked, turning administrative reform into an election issue (Nethercote, 1984b, p.31). To limit the damage, the Fraser Government established the Review of Commonwealth Administration, chaired by a businessman John Reid, to make recommendations to achieve a more efficient and effective public administration. In Reid's view, the service needed to upgrade the quality and experience of senior management, to grant greater independence to line departments and to engage in a concerted drive to improve personnel and financial management (Commonwealth of Australia, 1983a, pp.xvi-xvii). The Report recommended the establishment of a financial management improvement programme through which accountable management was to receive its reincarnation. In the same year the Parliamentary Joint Committee on Public Accounts published its report on the selection and development of senior managers in the Commonwealth public service (Joint Committee on Public Accounts, 1982; Self, 1983, pp.21-23; Wettenhall, 1986, pp.121- 123). Its principal recommendation was that a Senior Executive Service should be established. In this service a much higher priority should be given to the acquisition of skills in the management of large organisations.

In the administration too the first stirrings of reform had become evident. In part these were encouraged by a belated but timely recognition that Coombs' managerial recommendations now deserved more serious consideration-

"You need to be careful about the FMIP because it didn't come solely out of the Labor reform movement. The reform movement had already begun. There had been Coombs and a series of other inquiries between 1976 and 1982 which had bred a concern here about the quality of financial management and the pressures on government to perform and to manage better and we realised that we'd have to respond. We were also concerned about big government, the tax revolution and other similar trends and in this context, the FMIP type initiatives fell quite easily."
(Deputy Secretary)

Senior officials also picked up quickly that the political environment had changed, that the administrative scandals had battered their reputation and that management, therefore, would need to be lifted up the agenda. Many had also realised that existing management practices had become anachronistic, falling behind developments at State level and overseas. Problems of overload, a lack of responsiveness to ministerial demands and the mismatch between the demand for services and the resources available to meet them had forced senior officials to rethink traditional methods of public service organisation (Considine, 1990, pp.180-181).

"The other push was from the people in the service themselves who saw the current arrangements as stopping things being done. It was part of a trend towards clearer lines of control, rationalising the roles of central agencies and departments and loosening up the system. There was, in other words, a rationalist approach coming from within the service itself."
(Departmental Secretary)

5. The Government's Response

In December 1983, the Hawke Government released its White Paper entitled 'Reforming the Australian Public Service'. In it, the Government made plain its plans for the public sector. These were to develop an administration that was more responsible to Ministers and the Parliament; more efficient and effective; and fairer in the recruitment and management of its personnel (Commonwealth of Australia, 1983b, p.1). The principal elements of the paper were embodied in legislation in June 1984. The Public Service Reform Act 1984 strengthened the Government's hand in the appointment of Departmental Secretaries, established a Senior Executive Service, appointment to which would be by open competition and enshrined the merit principle. The Act also embraced the equity agenda. It provided that departments should formulate equal employment opportunity plans to promote the employment opportunities of designated groups and prohibited unjustified discrimination. The accompanying Merit Protection (Australian Government Employees) Act 1984, established a merit protection agency to hear appeals against promotion and generally to oversee the fairness of the personnel management process.

The improvement of efficiency through better resource allocation and priority setting formed the third component of the reform portfolio. A new strategy review process was instituted for the Cabinet, the control of staffing and finance was integrated under the umbrella of the Department of Finance and departmental secretaries were required to prepare annual management improvement plans to facilitate ministerial involvement in departmental management.

The Government issued a second White Paper in 1984 entitled 'Budget Reform'. The paper announced that the budgetary process would be completely overhauled. The purpose of the overhaul was to ensure that budgetary priorities and governmental objectives coincided, to focus attention on the goals and objectives of particular programmes, to apply specific techniques aimed at improved performance and to establish machinery to ensure that programmes were regularly reviewed (Commonwealth of Australia, 1984, pp.1-2). Soon after, Government introduced a new system of forward estimates, provided the Parliament with much more detailed management information, established programme budgeting, imposed cash limits and then implemented the Financial Management Improvement Program (see generally Howard, 1986a, 1986b; Halligan, 1987).

This first stage of reform was well received. There was bipartisan political support, with the conservative opposition applauding in particular measures to increase the accountability of the administration to both government and parliament (Connolly, 1984, pp.13-15). It was also greeted with approval by existing and former senior officials who compared it favourably with the negative and indiscriminate exhortations to do better with less which governed the management of the service in the Fraser period (Tange, 1984, pp.10-13).

The second phase of reform, which coincided with the Government's second term in office, was narrower in focus and more confrontational in style. Against a deteriorating economic background its principal agenda was economy. It began with a freeze on staff numbers and the creation of the razor gang. It continued with an attack on a civil service pay claim for an 8 per cent increase in wages. This resulted in a half-day public sector strike and the granting of minimal concessions by the Government preceding a radical alteration to the terms and conditions of public sector employment (Dickenson, 1986).

In November-December 1986, the Public Service Legislation (Streamlining) Act was introduced. The Act contained new provisions for the redeployment and retirement of staff. It gave departmental secretaries greater powers to reduce the classification of inefficient staff and to retire officers from the service because of inadequate performance. It withdrew rights of appeal over promotion. The legislation was supplemented by a number of administrative measures. The Government introduced an efficiency dividend of 1.25 per cent per year on administrative expenditure. It also established an efficiency scrutiny unit on the Rayner model and employed a merchant banker and management consultant to run it. Introducing these measures the Prime Minister observed that the first stage of public service reform had provided considerable flexibility, independence and professional opportunities to the senior echelons of the public service. In the second stage, characterised by restraint, the Government expected a return on the initial investment.

Three days after its re-election in 1987, the Government invoked a third round of reform. This time it focused on the machinery of government. The twenty eight departments in existence before the election were collapsed into sixteen. A two tier system of ministers was created for the first time since Federation. The Public Service Board was abolished with most of its former functions being transmitted to the Department of Industrial Relations and the Department of Finance. Its reduced personnel and staffing responsibilities were vested in a much smaller office of Public Service Commissioner.

In the Prime Minister's view this rationalisation was required in order to effect administrative savings and efficiencies, better policy co-ordination and improved budgetary processes (Codd, 1988, p.25; Hamilton, 1990, p.64). However, the abolition of the Public Service Board and the concomitant increase in the power of the Department of Finance prompted one respected commentator to conclude that personnel management had not so much been streamlined as eclipsed (Nethercote, 1988, p.17). In one important respect, however, the commentator was wrong. Quite dramatic personnel changes had begun to occur during the Hawke administration.

To begin with the Prime Minister appointed John Dawkins, a technocratically oriented, politically skilled and visibly enthusiastic Minister to lead the reform endeavour. Dawkins then established and led a Public Service Support Group, the membership of which included the Secretary of the Department of Prime Minister and Cabinet and the Chairman of the Public Service Board to effect the programme set down in the party platform. Soon after, Peter Wilenski was appointed as the new Chairman of the Public Service Board, placing him in a pivotal position to chart the changes. Then, in 1986, Michael Keating took over at the Department of Finance. Politically and administratively the balance of power had been tipped in favour of the reformers (Nethercote, 1984b, p.31; Warhurst, 1988, p.335; Caiden, 1990, pp.11-12).

In the first years of the Hawke administration, a substantial number of senior administrators chose to retire. The Government replaced them with a younger, more managerially oriented cadre:

> "There was a demographic shift. By the late 1970s the older guard had moved on and a lot of younger secretaries were coming on with economics training in particular. There were also lots of efficiency types with commerce and accounting degrees emerging at the same time and this, combined with ...a general pressure on public expenditure, contributed to a feeling that the old days had gone."
>
> (Deputy Secretary)

In five short years, the face of Canberra's administration was altered. Through the judicious use of its increased powers to appoint Departmental Secretaries, with the advent of the Senior Executive Service and with new powers to redeploy and retrench staff the Hawke Government effected a wholesale change in the composition of the senior Commonwealth bureaucracy. In 1988, of a sample of half of the administration's senior executives, 44 per cent were found to hold degrees in economics and commerce. The figure rose to 54 per cent when those with economics- accountancy backgrounds were included. It rose again to 72 per cent in the influential central departments (Pusey, 1991, p.59). The bias towards economics-business training contrasted strongly with the position in other OECD countries and particularly with Britain where a liberal education was still the preferred qualification. The new officials were much younger than their predecessors, most departmental secretaries, for example, being appointed in their mid-forties (Pusey, 1991, p.132). They brought with them an 'economic rationalist' outlook which inclined them to greater economic de-regulation, privatisation, smaller government and less welfare spending (Pusey, 1991, p.135). They were drawn to business culture (Pusey, 1991, p.115). Most importantly for present purposes they were enthusiastic about the Government's programme of administrative reform (Pusey, 1991, p.117).

Summary and Conclusion

The severity of the economic downturn which had begun in the late 1970s provided the British and Australian governments with a very powerful incentive to rein in public expenditure and maximise public sector productivity. Further, their determination to reform their administrations was fuelled by a substantial change in the intellectual climate. With a decline of faith in Keynesian prescriptions, economic thinkers advocated market solutions to national economic problems. They saw government as a hindrance to the effective working of markets and argued, therefore, that state intervention in the economy should be minimised. The Thatcher and Hawke governments soon embraced the new orthodoxy. Consequently, they both set in place a wide-ranging series of reforms whose primary purpose was to make government smaller, leaner and more efficient.

The external stimuli for administrative innovation were similar in both countries. There were, however, some notable differences in the two governments' approaches to administrative reform. When the Hawke Government assumed office, it brought with it a detailed plan for civil service reorganisation. The Thatcher Government's proposals were cast much more generally. The Australian reform portfolio was more comprehensive than the British. Because it embraced a concern for democracy and equity as well as efficiency, the Hawke Government's agenda was accepted more readily in Canberra than the Thatcher Government's more punitive measures were in Whitehall. Mrs Thatcher's style was combative, Mr Hawke's was collaborative. Initially, therefore, less antagonism was generated to reform in Canberra. The Thatcher Government had no ready constituency within the civil service to activate change. Hawke quickly appointed political and administrative associates to positions of influence, thus establishing a strong coalition to promote the Government's programme. Each of these differences worked to the Hawke Government's advantage. Each played its part in creating an administrative environment which, both internally and externally, was conducive to change.

CHAPTER 2

THE FMI, MINISTERS AND MANAGEMENT

In 1982, the Treasury and Civil Service Committee tabled its report on efficiency and effectiveness in the civil service (HC 236-I, 1981/82). It made a number of significant recommendations. In the Committee's view, it was important that ministers should assume greater responsibility for the management of their departments. The effective management of departmental programmes, it believed, was at least as crucial to the country as the performance of ministers on the floor of the House. To assist ministers in the performance of their new managerial role, the Committee recommended that top management information systems such as MINIS be introduced in all departments.

Next, the Committee argued that line managers in the civil service should have increased power over the allocation of their resources. Therefore, it recommended that managerial authority should, as far as possible, be delegated from the centre of departments to operational managers. Then, it turned its attention to policy and programme expenditure. In this area it recommended that there should be an annual cycle of departmental programme reviews. The performance of each programme should regularly be evaluated and the results of the evaluations should be reported to the Management and Personnel Office and the Parliament. All these changes, the Committee believed, should be welded together through changes to personnel policy designed to encourage the promotion of good managers and the enhancement of their managerial skills.

The Financial Management Initiative (FMI) was the Thatcher Government's response to these recommendations. The aim of the Initiative was to:

> "promote in each Department an organisation and system in which managers at all levels have:
>
> 1. a clear view of their objectives; and assess and wherever possible measure outputs or performance in relation to those objectives;
> 2. well defined responsibility for making the best use of their resources including a critical scrutiny of output and value for money; and
> 3. the information (including particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively."
>
> (Cmnd 8616, 1982, p.21)

The approach embodied in these principles differed markedly from traditional management in the civil service. This had been characterised by methods of organisation in which managers were encouraged to concentrate almost exclusively on the quality of service they were providing; to be relatively indifferent to the costs of providing that service; and to spend little time on weighing costs against results (Wilding, 1983b, p.6).

In summary, the FMI prescribed a system of management in which:
(i) Objectives are set and ranked at the apex of a department and framed in terms sufficiently specific to provide concrete guidance for action.
(ii) The department is divided into coherent managerial blocks or businesses, each of which is responsible for the achievement of specific objectives.
(iii) Each manager's objectives are clarified as is the extent and limits of his/her responsibilities. With that goes the definition of the manager's authority to take decisions about the use of resources he/she consumes in order to achieve them.
(iv) A chain of accountability is defined in which each manager is made responsible to the one person for his/her use of resources and programmatic performance.
(v) The manager's authority to take decisions is commensurate with his/her responsibility for action.
(vi) Information systems are established to permit Ministers, senior and junior managers alike to monitor their performance against targets and adjust their activities and resources accordingly.
(vii) Cost and programme information is brought together at the top of the department to enable consistent decision-making about future priorities and resource allocation (See similarly Hunt, 1986, p.170; Gray and Jenkins, 1988, p.171).

The new system could not be introduced overnight. A staged approach was necessary. Therefore, the Financial Management Unit (FMU), which had been created to steer the initiative, devoted its attention to three specific areas of development (see Financial Management Unit, 1983, p.51; Cmnd 9058, 1983, p.3; Russell, 1984). First, following the Government's acceptance of the Committee's recommendation with respect to MINIS, the unit began work to introduce top management systems in each Whitehall department (Cmnd 8616, 1982, p.8: Cmnd 9058, 1983, p.5; Financial Management Unit, 1983, p.24). Next, the FMU focused on the delegation of managerial responsibility. In co-operation with departments it established a number of experimental projects in delegated budgetary control and worked intensively on the design for decentralised management accounting systems (see Chipperfield, 1983, pp.26-29). Then, the evaluation of programmes was addressed. The Government had not accepted the Treasury and Civil Service Committee's recommendation for a structured cycle of review. Instead the FMU was charged with the responsibility of developing and introducing effective techniques to assess whether programmes were achieving their objectives and providing value for money.

Early governmental reports were candid about the political, institutional and methodological obstacles which stood in the path of managerial change. This candour lay in stark contrast to the public relations character of the Government's later papers. The early reports drew attention to a host of difficulties with which management reformers would have to grapple. In summary these were as follows:

(i) The Conservative Government had imposed tight controls on numbers of civil service personnel. Yet these controls went against the grain of according to departmental managers the flexibility to vary the mix of resources at their disposal (Cmnd 9058, 1983, p.13).

(ii) A balance needed to be struck between flexibility within budgets, which increased the responsibility of each manager for the use of resources, and flexibility between budgets, preserving for senior management the ability to adjust the allocation of resources during the budget year (Cmnd 9058, 1983, p.14). Similarly, a balance needed to be struck between departmental flexibility and Treasury's desire to exercise strict control of public expenditure.

(iii) If delegation were to be successful, the performance of programmes needed accurately to be assessed. Developing adequate measures of performance, particularly of the quantitative kind, posed formidable methodological problems (Financial Management Unit, 1983, p.10)

(iv) One important although long term objective of the reforms was to combine management and budgetary planning. To do this the timetables for the two needed to be combined but this posed considerable logistical difficulties (Financial Management Unit, 1983, p.37).

(v) Ultimately, the success of the reforms would depend upon the ability of the reformers to change entrenched civil service attitudes. Whether the changes proposed would, of themselves, be sufficient to shift these attitudes was an issue in the forefront of the FMU's thinking as it embarked on what everyone recognised would be thoroughly daunting task (Financial Management Unit, 1983, p.43).

SECTION ONE: THE FMI THROUGH THE REPORTS

Between 1982 and 1985 a series of reports appeared which summarised and assessed the FMI's progress from the Government's perspective. This perspective is interesting because it painted an optimistic picture of the initiative's development and influence. Only later, with the conduct of official evaluations, did cracks begin to appear in the facade. Here the official version is briefly considered so that it may later be compared and contrasted with the findings of this study.

1. Top Management Systems

One of the first assessments to appear was the Financial Management Unit's report on the development and operation of top management systems (Financial Management Unit, 1984a). The unit reported that most departments had installed systems which covered both administrative and programme expenditure and which included information covering both past performance and plans for the future. However, further development was required to clarify intra-departmental objectives and to effect the assignment of managerial responsibilities for programmes as well as administration. Considerable work also needed to be done to create effective links between top management systems, PESC and Estimates. The 1984 White Paper (Cmnd 9297, 1984) found similarly that solid progress had been made with MINIS type systems. Each department, it said, had taken steps to introduce a top management system. The systems had established a useful framework within which ministers and senior officials could take informed decisions on resource allocation and effect appropriate changes in departmental organisation.

During 1984, the FMU undertook a detailed survey of top management systems in five departments. It reported that the systems were by then well established (Financial Management Unit, 1985a). Their use, however, needed still to be refined to permit top management to set plans for improved performance and value for money; to allocate personnel and other resources (including programme expenditure) and to review subsequent progress. By the time of the National Audit Office (NAO) report on the FMI (HC 588, 1986/87) the Joint Management Unit (JMU), which had succeeded the FMU was doing little work in connection with Top Management Systems. This, the NAO reported, reflected the considerable degree of progress which had been made by departments in installing and operating systems which had already proven of benefit to ministers and senior officials alike (HC 588, 1986/87, p.17).

2. Delegation

In 'Budgetary Control Systems' (Financial Management Unit, 1984b) the Financial Management Unit produced a guide to instruct departments on how they should proceed with the delegation of financial responsibility. The Unit proposed that departments take time to develop a strategy, compatible with the framework established by top management systems, for decentralising budgetary responsibilities from central resource divisions to senior line management and their subsequent delegation even further down the line. Only when such a strategy was agreed could the specification of cost centres and the assignment of managerial responsibility proceed effectively.

In 1985, the FMU examined the issue of delegation from a different perspective - that of the Principal Finance Officer. In its report 'Resource Allocation in Departments: The Role of the Principal Finance Officer' (Financial Management Unit, 1985b) the unit drew from the experience of a number of departments to elaborate upon the role which the Principal Finance Officer should play in an environment of delegated managerial control. It proposed that PFOs should forego their detailed controls in favour of playing an active role in setting and monitoring the achievement of value for money targets for programme and administrative expenditure. It had previously recommended that Treasury adopt a similar stance in relation to departments. Treasury it said should exercise aggregate control through cash limits and personnel numbers. Beyond this, departments should be given block budgets for administrative expenditure, leaving them maximum scope for the internal allocation of their running costs (Financial Management Unit, 1983, p.37).

3. Policy Evaluation and Programme Expenditure

In 'Policy Work and the FMI', the FMU identified a number of problems with arose when programmes had not been systematically evaluated (Financial Management Unit, 1985c). Programmes had been misdirected or outdated, insufficient information had been generated to assess their value and without adequate information, officials had not been able adequately to advise the Minister about criticisms of existing policy. Therefore, it recommended that new policy initiatives brought before Cabinet should specify their objectives in terms of 'what will be achieved, by when and at what cost'. Subsequently each such initiative should be evaluated in the terms outlined (HC 588, 1986/87, p.19).

4. Governmental Evaluations

The early White Papers and official reports presented a picture of steady and substantial progress. Even where difficulties occurred they were minor and would be overcome given time. The conclusions could hardly be otherwise. The reports were produced by the management reformers themselves. However, four years after its commencement, the initiative was examined and evaluated more independently. The evaluations demonstrated that results were more mixed than outside observers had previously been led to believe.

The Government Accountant, Anthony Wilson, was the first to report (H.M. Treasury, 1986a). He led a team which examined the operation of delegated budgetary control systems in six central departments. He concluded that there were healthy signs of progress in the delegation of running cost controls. Operational managers had become more cost-conscious. Savings had been made and budgetary discipline had stimulated local managers to reorganise their work and improve services. Nevertheless, progress between departments had been variable and the 'laggards [could] do much to accelerate their progress by using the developmental work and experience already gained elsewhere.' (H.M. Treasury, 1986a, p.2). The report concluded that to be effective, budgeting must secure the firm commitment and close involvement of senior management, strong connections must develop between budgets, outputs and results, and the environment created by central agencies must be continuously supportive. However, beneath these prescriptions lay more fundamental criticisms of the FMI's progress.

Wilson found that top officials had not been sufficiently involved in the budgetary reforms. They had not appreciated the importance of becoming managers (Richards, 1987, p.34). They had not exercised budgetary responsibilities themselves. They had not used top management systems to set objectives, match resources and allocate responsibilities. They had not participated adequately in the assessment of budgetary performance. Although coated in duly respectful language, these criticisms were substantial. Wilson argued that greater emphasis should be placed upon the development of output and performance measures. He recognised that these presented methodological difficulties, particularly when applied to policy work. He contended, however, that these difficulties were matters of degree rather than principle. Finally, his report addressed problems in the budgetary environment. It declared that manpower limits and centrally imposed pay assumptions had 'represented the most serious detraction from the credibility and realism of the whole budgetary process'. (H.M. Treasury, 1986a, p.17). As departmental planning systems became more sophisticated, Wilson proposed that central agencies should be considerably more willing than they had been to cede control.

The Wilson report was subjected to concerted criticism in Whitehall. Treasury disliked its conclusions, not least because the report reiterated that central controls must be relaxed (Richards, 1987, p.35). The much more positive review by the National Audit Office found greater favour. The NAO's report was based on an evaluation of the FMI's progress in 12 government departments. The report concluded that considerable advances had been made in the development of suitable management systems. No serious shortcomings had emerged in the departments which had been examined (HC 588, 1986/87, p.11). Nevertheless, more could clearly be done. The NAO found that all departments had developed top management systems which supported the setting of objectives, decisions on priorities, the allocation of resources and the review of activities. Nevertheless, departmental objectives needed to be formulated more clearly; objectives needed harmonisation at successive departmental levels; and in many departments integration had not yet been achieved between top management and budgetary systems. The Office found that all departments had introduced budgetary control systems for their administration costs. But the range of costs covered by budgetary systems varied considerably within and between participating departments. Further, there was an emerging danger that holding managers accountable for costs, e.g. manpower costs, over which their control was limited may prejudice management's acceptance of the systems. Echoing the remarks of the Wilson report, the NAO also recommended that considerably greater emphasis be placed on the development of effective indicators of performance. It pointed to methodological difficulties inherent in the evaluation of programmes. Nevertheless, it concluded that programmes should be reviewed regularly and, in the first instance, reviews should focus on programmes whose objectives could clearly be defined and which offered good prospects for improving value for money.

Why were these reports so different ? In part the difference can be explained by the fact that, in its reports, the NAO is unable to question the basis of existing Treasury policy. It is confined to determining whether or not a policy is operating effectively. Since Treasury had already accepted departmental plans of work, the NAO was hardly likely to denigrate them (Flynn et al., 1988, p.184). The supportive tone of the NAO's report may also have been related to the close relationship which existed between the Comptroller and Auditor-General, Gordon Downey, and the Head of the Efficiency Unit, Sir Robin Ibbs, for whom he had worked (Hennessy, 1990, p.614). Departmental officials are traditionally reticent, even defensive, in the face of inquiries from THE Auditor. Defences may have been down when the Wilson team conducted its less formal inquiries. The NAO too must tread carefully with departmental officials fearing that, if criticisms are framed too harshly, departmental co-operation might in future be less forthcoming. The Wilson team were insiders examining what was happening inside. The NAO's officers were outsiders relying heavily on second hand information.

The two reports were, in effect, refereed by the Committee of Public Accounts (HC 61, 1986/87). It conducted its own examination of the FMI based on the NAO's findings. It was less hesitant than the Office had been to criticise. The committee observed that departments had been developing their new management systems for nearly five years but not all had progressed as quickly as they should have. For many departments full implementation was still many years away. Similarly it concluded that delegated budgetary control systems had taken so long to develop that support for delegation in departments had been significantly retarded. The committee turned its attention to policy evaluation and programme expenditure. It endorsed strongly the Government's requirement that for new policy initiatives and reviews of existing policy, objectives should be set in terms of what would be achieved, by when and at what cost. In a not so subtle rebuke to the constant governmental emphasis on efficiency, the committee concluded by expressing its view that the FMI should be concerned as much with obtaining improved value for money by providing better quality services as with the achievement of savings through greater efficiency.

The FMI which emerged from these external evaluations was a distinctly more tarnished reform than earlier governmental assessments had been willing to admit. Certainly progress had been made but it was patchy. Many fundamental problems remained unresolved even five years after the initiative had been announced. Why, after such a lengthy period, was this so ? In the remainder of this chapter that question will be addressed through an examination of how ministers and officials in Whitehall reacted to the advent of Heseltine inspired Top Management Systems.

SECTION TWO: MINIS AND MINISTERS

The MINIS system was introduced to the Department of the Environment by Michael Heseltine. Heseltine, who had a background of management in the private sector, wanted to create a management information system specifically applicable to the exigencies of government (Heseltine, 1980):

> "When I came to the Department of the Environment I was very aware that I was taking over responsibility for an enormous department with a vast range of responsibilities divided...into many directorates. In the nature of things, ...I knew it would be impossible for me to know what the Department was actually doing...So from a very early stage in conjunction with my then Permanent Secretary and the senior officials we set out to create an information system which would reveal and cost the totality of a government department. This I thought was an essential precondition for Ministers to be able to make decisions about the totality of their responsibilities."
>
> (HC 236-II, 1981/82, p.158)

Heseltine found it hard to determine who was finally responsible for the conduct of many departmental activities and whether certain activities should be conducted at all. Therefore, he commissioned a Rayner team to study what information departmental Ministers required to manage their departments. It recommended that a new top management information system be established. MINIS was designed to provide Ministers and senior officials with systematically presented information which would enable them to review priorities, set objectives and allocate resources (Likierman, 1982, p.130). It would describe how work was organised and who was responsible for doing it. Each year, departmental activities, performance and future plans would be assessed in particular to determine whether value for money was being achieved. Specific areas of work would be selected for detailed scrutiny. New departmental priorities would be set and resources would then be allocated in accordance with them (Financial Management Initiative, 1984a, Ch.5).

In Whitehall the advent of MINIS was not greeted with universal acclaim. Senior officials giving evidence before the Treasury and Civil Service Committee (see, for example, the evidence of Sir Frank Cooper, HC 236-II, 1981/82, p.415) argued that they were already doing much the same thing; that the system may not be transferable; and that its applicability was heavily dependent on the personality of its sponsoring Minister (Likierman, 1982, p.130). Others questioned whether the return from introducing comprehensive reporting in some areas e.g. policy areas, would justify its expense. In their view, principles of financial management should be applied only in areas of expenditure where they were directly relevant, for example, in operational areas (Minutes, Meeting of Permanent Secretaries, 7 April 1982). Many Ministers also lacked enthusiasm. Explaining the system to Ministerial colleagues in a meeting at Downing Street, Mr Heseltine found that there were 'few takers'. However, Mrs Thatcher strongly supported it. (Shades of a Home Counties Boudicca, The Times, 17 May 1983, p.5). The Prime Minister's exhortation ensured that other members of Cabinet fell into line.

1. The Minister as Manager

> "It comes down to different attitudes on the part of the civil service towards Ministers about things managerial. Ministers don't actually give a toss about management because they don't understand or know anything about management in our system. They are interested in good management, yes, but there it stops. Even people like Michael Heseltine who have done much to improve it are not interested in the nitty gritty. After that, he doesn't want to know and why should he ? He's got plenty of work to do with politics."
>
> (Deputy Secretary)

Sir Derek Rayner had argued that Ministers needed to take a much closer interest in the management of their departments. Their involvement in politics and policy was not enough. Ministers should also ensure that departmental resources were marshalled effectively to achieve their political objectives (Hennessy, 1990, p.608). In response to parliamentary questioning the Government endorsed this view. The then Minister responsible for the civil service, Mr Hayhoe, proclaimed that ministerial involvement in management was central to the FMI's success.

Disputing claims that, like other Whitehall reforms, the FMI would wither on the vine, Mr Hayhoe reaffirmed the Government's strong commitment to a managerial approach and cited the personal interest of Ministers in management as a powerful reason why the FMI would thrive where other similar reforms had perished (Hansard, House of Commons, 28 October 1983, cols.557- 558).

Not long after the FMI's introduction it became evident to senior civil servants that not all Ministers were managerial enthusiasts. Rather, their interest was variable:

> "I don't think that I am particularly optimistic with our present group of Ministers. If you had Heseltine or Patrick Jenkin or I don't know...I think they would take it more to heart than Norman Fowler. I'm not criticising Norman Fowler...It's just that Mr Fowler's working method is completely different and I don't think management is close to his heart."
>
> (Deputy Secretary)

At least one expressed dismay that the role had been cast upon him:

> "As a matter of fact I didn't come into politics to be a manager and do you know, I've never been trained as one."
> (Minister quoted by a Deputy Secretary)

From the outset, the diffident response of Ministers to management generally and to top management systems in particular slowed their incorporation into mainstream administration. The object of the systems was to assist Ministers to manage - to make better decisions about departmental priorities. If Ministers lacked interest the success of the systems would be undermined:

> "I think it is dependent on Ministerial support. It has to be. Both in the creation of and maintenance of information systems, and the way in which they are used - if Ministers don't take an interest in setting up and keeping in good trim a system which is going to ensure that costs are properly allocated and information about the use of resources is fed up to the centre, the thing will fade"
>
> (Former Under Secretary)

Soon after the FMI's introduction, however, considerable doubt had emerged among officials regarding Ministers' willingness and ability to assume managerial leadership. There were a number of aspects to their scepticism. First, officials questioned whether Ministers were really interested in better management or whether, in the alternative, they were primarily concerned with cutting back services (Reed and Ellis, 1987, p.181-2; HC 61, 1986/87, Evidence provided by the Council of Civil Service Unions, p.18). Certainly, if the latter was the case, top management systems provided them with the information to do so.

> "Some Ministers are interested but not in a very constructive way. It was fascinating really because Patrick Jenkin and Heseltine simply said 'don't talk to me about priorities, I tell you - and halve that man's staff"
>
> (Under Secretary)

Second, civil servants criticised the practice of ministerial management. According to the theory of top management systems, Ministers should make logical choices between available alternatives by assessing the consequences of each in accordance with a common means of comparison. This method of deduction was explicitly endorsed by the Government's White Papers on management reform. But soon, officials' observations of Ministerial behaviour began to dispirit them. Speaking of Mrs Thatcher, for example, one Under Secretary railed that she:

> "thinks the right way to take a decision is to pronounce...We will abolish x, we will abolish y. She listens to people who are as prejudiced and ignorant as she - no one is then prepared to bell the cat until with any luck some Minister will try to scramble out of what has been decreed with some cobbled up scheme...I mean the idea that you assemble your relevant facts, do deductive and inductive reasoning and then derive a range of options and rank them by whatever criteria of social and economic efficiency and political acceptability are available seems to be beyond her."
>
> (Under Secretary)

Third, top management systems were designed to provide Ministers with a comprehensive overview of their departments. The idea was that, surveying their territory, Ministers would be in a better position to make strategic decisions. However, even the more managerially minded Ministers failed to take the wider view. Instead, they tended to use the information to intervene selectively in aspects of departmental operation which caught their interest:

> "At MOD, [Heseltine] used the MINIS system as a means of intervening in different levels of the department simply as a tool in the old style system of buggering people about and not as a management tool at all in the sense which is envisaged."
>
> (former Under Secretary)

Fourth, the FMI's designers had expressed the fond hope that top management systems would encourage Ministers to make more rational decisions with respect to departmental priorities. Provided with the detailed information on which to base their preferences Ministers could take the hard decisions required to redirect departmental operations. Ministers, however, showed little sign of doing so:

> "I think I should register the point that at the end of the day the test of much of what we are doing will be in the willingness of Ministers to accept that resource implications should play a more important role in policy decisions than they have in the past. A willingness to reduce functions or publicly to defend a lower quality of service would be significant and useful signals from Ministers, including those responsible for the central departments."
>
> (Minute from Permanent Secretary, 12 December, 1983)

Fifth, Ministers found themselves in a dilemma when asked to define their objectives precisely. On the one hand, by specifying departmental objectives and targets, Ministers could provide their departments with greater direction about what they wished to achieve. Patrick Jenkin's specification of objectives for the Department of Trade and Industry was one example of this. On the other hand, the same objectives locked Ministers into a particular course and raised the prospect that they might be criticised if targets were not met. Some Ministers were, therefore, distinctly reticent about committing themselves in the manner that top management systems required:

> "Ministers show no wish to define the objective of the (x) programme more precisely ...As they wish to retain flexibility on the weighting to be given to the three key factors (developmental, political, commercial) in any particular situation the scope for sharper definition is limited both with regard to overall policy and at a disaggregated level."
>
> (Permanent Secretary's minute, 9 December 1983)

Sixth, and for similar reasons, there was significant consternation both amongst Ministers and senior officials about the prospect that top management system documents would be published. The reservation stemmed in part from the understandable desire not to disclose departmental decisions and activities which needed to remain confidential. It also related to the concern ~~both~~ of BOTH Ministers and officials that to reveal inadequacies in departmental performance to the parliamentary and public eye may cause them considerable embarrassment.

Seventh, officials and Ministers brought different time perspectives to bear. Managerially minded officials hoped that top management systems would help them to plan and achieve their long term operational goals. For them, the systems were a strategic tool. Ministers by contrast, used them to assist with the achievement of short-term political objectives. For them, top management systems provided tactical assistance. The different perspectives were constantly in conflict:

"Top management systems are essentially designed to look at long-term objectives. They provide you with assistance on short-term objectives, to tell you if you are doing something downright stupid but they are not designed for short-term tactical manoeuvring. Ministers, I think, are primarily interested in the short and medium term. That is the political horizon. There are notable exceptions...but they are rare. Therefore, they are in fact using the systems for short-term tactical purposes rather than long-term direction."

(Under Secretary)

Finally, Ministers' problems with top management systems were compounded by the fact they did not have the time to become too closely involved with managerial issues. Each already had substantial responsibilities to Cabinet, parliament, constituency and party. As the most recent interloper, management was the last item squeezed in and the first item squeezed out of Ministerial priorities:

"All the experience so far is that where this reaches Ministers at all, there is forty minutes between two hour tightly scheduled meetings and then ten minutes are spent on jocular asides and half an hour on the work. Well you cannot find this a useful tool."

(Under Secretary)

High rates of ministerial turnover also made it difficult if not impossible for Ministers to engage in strategic management. Ministers could not be expected to use the systems strategically when on average they remained with a department for two years or less (see Cooper, 1987, p.123).

The volume of material generated by most top management systems in their early years was such that Ministers blanched at the task of comprehending it. MINIS in the Department of the Environment produced five volumes of summarised information for the Minister's consideration. It was only towards the end of the decade that the size of reports was substantially reduced:

"When Heseltine was at the DOE, he was unable to digest the material presented to him. He couldn't digest half the stuff."

(former Under Secretary)

In theory, top management systems provided Ministers with the means to increase their control and direction of departments. Properly applied, however, they set limits on ad hoc ministerial intervention. For the systems to retain their credibility as a framework for action, Ministers as well as civil servants had to abide by the system's rules (Metcalfe and Richards, 1987a, p.74). In the event, civil servants were not persuaded that Ministers had the capacity or inclination to do so. Their instincts were not primarily managerial, their priorities differed and time constrained their involvement. So, instead of using top management systems to provide themselves with a comprehensive overview of departmental operations as the precursor to establishing their priorities, Ministers used them to intervene in selected parts of departmental operations in which they had a particular interest or which took their fancy:

> "...so it changed its character into a diagnostic instrument from which issues would be flushed for consideration and in that sense it was good. But it's no longer an element in an integrated management system. It's an occasional dipstick."
>
> (Under Secretary)

2. Top Management Systems and Senior Officials

> "These systems are only as good as the people who use them, the top managers. And frankly, Ministers and senior civil servants have got other things to do... Their job is not just running the department, its running the country."
>
> (Second Permanent Secretary)

With rare exceptions, Ministers did not engage with top management systems. Therefore, the task of their maintenance and use fell to the senior management of departments. They were charged with the responsibility of implementing the new systems. This they did, appointing financial management co-ordination units under the supervision of Principal Finance and Establishments Officers, to draw up and execute departmental plans of work. Yet, senior officials themselves shared some of their Ministers' disquiet about the value to be attached to the systems in particular and to management more generally.

Senior officials had been born and raised as the Minister's principal advisers on policy. For most, management was of secondary importance, a task which was delegated to Principal Finance and Establishments Officers. Just as making Ministers into managers had proven a difficult enterprise, so too the conversion of top officials was slow in coming. In a lively pamphlet, Ponting argued that the continuing devotion of senior officials to advising Ministers and developing policy doomed the FMI to fail as an exercise to turn senior civil servants into resource managers and directors of executive operations. The tasks the initiative sought to impose were, in his view, seen by top management as at best peripheral and at worst pointless (Ponting, 1989, p.69). The evidence in this survey suggests similarly that top management systems were given only passing attention in senior echelons.

Like Ministers, most senior officials had not been trained in management. Certainly, in accordance with the generalist tradition they were expected to become familiar with all aspects of the governmental machine. In practice, however, this meant that they should devote their primary attention to developing their policy skills and political acumen. Where managerial skills were required they could be picked up on the job:

> "People at this age (35-45) have done almost no management development training at all....I, for example, was thrown into the Principal Establishments Officer job without ever having done establishments work in my life before."
>
> (Deputy Secretary)

As with Ministers, senior officials did not see management as being as interesting as the more political aspects of their work. It was in that arena that they obtained their principal rewards. It was in that arena that they could exercise the greatest degree of influence. Management, by contrast, was more routine, less exciting. It was not what most high flying officials had joined to do. It was not primarily what they were promoted for. It was not where their priorities lay:

> "Management is a tiresome business, nobody goes into it unless they have to."
>
> (Deputy Secretary)

Political acuity and managerial expertise did not necessarily go hand in hand. Most often they required distinctive competencies and distinctive attitudes. In the view of several officials it was a mistake to presume that the talents of political adviser and executive director could easily be melded in the one personality:

> "What we've developed is men of considerable caution who can see all the twenty sides of a question at once; who won't drive by the seat of their pants - they tend to be intellectuals, contemplative, unflapping and safe. But to manage a government department requires quite different qualities from these. They are creativity, drive, lots of energy and need different sorts of people - positive, extrovert, able to talk to people at lower levels, visit them at their stores etc ...I wonder whether you can in fact combine the two."
>
> (Deputy Secretary)

In their world-weary fashion, senior administrators also doubted the capacity of the new systems to deliver the more rational decisions which they promised. In the intensely political environment inhabited by Ministers and senior civil servants the scope for changing fundamentally the way in which decisions on resources were made seemed to top officials to be very small indeed:

> "It doesn't do to be too starry eyed about what will actually happen because this is a political process and it's in the nature of political operators that they tend to take their decisions on this sort of thing at the last minute...that's my main criticism, its how politics has to work and very often these political imperatives won't have an awful lot to do with the painstaking cost benefit analysis which officials have done down the line. So that I think it would be silly to look for a great new era of rationalism in public expenditure."
>
> (Deputy Secretary)

In policy divisions in particular, officials regarded the new managerial innovations sceptically. These officials acted as the Minister's political antennae, sensing shifts in political structures, economic conditions, social movements, consumer demands etc. and attempting to translate these changes into workable policy and programmes. The work, in their view, was not and could not be routinised. It was not inherently rational (see Smith, 1976, pp.140-141). Objectives were difficult to set because they changed frequently, according to political dictates and social pressures. Targets moved as problems were redefined. Evaluation was problematic since it was frequently the political solution of the instant which mattered, not its outcome in the months and years ahead. The problems of applying the new managerial precepts were, therefore, formidable:

> "The nature of our work is so essentially governed by Ministers and news and policies and serving political ends and reacting to pressure and so on and we have economic policies and so much reactive operation that these (managerial) concepts are going to be so much more difficult...what happens to a perfectly responsible and capable manager who puts down in his annual report this year six objectives every one of which is cut through immediately by the next budget and the next public expenditure cuts. That is going to be very difficult. And I want to associate with that there is a very real dichotomy between the professions of Ministers and their actions in this respect."
>
> (Under Secretary)

In policy divisions it was the form rather than the substance of top management systems that was adhered to. Officials complied with the terms of the exercise but, feeling it to be of marginal relevance to their work, they did not appear to regard it particularly seriously.

3. Management Information Systems at Operation Level

As a general principle, then, the closer one came to the political process, the more difficult the application of managerial principles and systems appeared to become. However, this left that very substantial portion of civil service work, the delivery of governmental services, open to improvement. It was in areas of executive operations that the FMI made its most substantial gains:

> "The actual progress of the initiative.... does vary very much according to department and even within departments because it is rather easier ...to apply the principles in executive areas where the task is quite clearly defined and it is a question of managing and organising it in the most efficient and effective way. It is rather more difficult in policy areas and perhaps most difficult of all where you are responsible for a policy which is actually executed by someone else."
> (HC 61, 1986/87, Ann ~~Meuller~~ CB, Minutes of Evidence, p.3)
> MUELLER

Operational managers and government consultants put to print extolling the virtues of the system in clarifying objectives, encouraging thrift, effecting better organisational design and promoting organisational cohesion (see, for example, Whitbread, 1987; Clark, 1988; Killykelly, 1988). In the Newcastle office of the Department of Social Security, for example, Thorpe Tracey concluded that the principal achievement of the FMI was that it had enabled the organisation systematically to rank objectives and match resources to them so that it was then in a better position to advise Ministers about what could and could not be done within a given level of resources (Thorpe Tracey, 1987, p.335). This he contrasted with the previous system under which there had been no formal means of setting objectives, allocating resources to achieve them and monitoring the outcome. In short, the system had introduced a more methodical approach to management in very important areas of departmental work.

At operational level, the preparation of top management system reports required managers to think through more closely the purposes of their work and to set individual and unit achievement targets. No longer would it be enough for an executive officer in a local DSS office to regard his or her job as simply to supervise the clearance of claims. The officer was now required to think through 'what he was expected to do, what he was seeking to deliver, what he was signed up to be judged on' (Deputy Secretary). Further, the location of each individual's work within a broader divisional and departmental context contributed to the development of a shared and more purposeful identity:

> "The major (change] is in the development of an overall more business-like attitude. It's the growth of corporate identity and the corporate spirit, a sharpness of approach, a general appreciation that you only make the best of what you've got by acting collaboratively under strong central direction."
>
> (Under Secretary)

At the top level of operational departments, the contribution of top management systems was more limited. Their value did not rest in providing new and compelling management information on the basis of which better managerial decisions could be made. Rather the creation of a cycle of review provided the management board with the incentive to pause, if only once a year, to reassess the allocation of departmental resources in the light of changing departmental priorities (see Tomkys, 1991, p.260).

> "Certainly it improved, although ephemerally, the way in which we thought about tasks. But, like an awful lot of Whitehall initiatives it became over-bureaucratised."
>
> (Deputy Secretary)

4. Technical Considerations

Over-bureaucratisation was one of several major technical problems which impeded the usefulness of MINIS type systems. Both in the Department of Social Security and the Department of Industry, it took several volumes to summarise the various facets of departmental activity. This did not matter too much at local office and branch level where the amount of relevant information was still manageable. However, at senior levels, it became very difficult to digest it and the usefulness of the systems suffered as a result. The danger that top management systems might induce information overload had been well recognised from the outset. Even at the end of the decade, however, a solution was only just emerging:

> "My own judgement is that a lot of the top management systems are still too cluttered with detail. There isn't enough attention on a handful of key targets, key objectives, key indicators. This is partly a learning process. Those that are now doing best are those that are slimming down."
>
> (Treasury Deputy Secretary)

Good performance indicators proved hard to come by. Effective planning required managers to assess the performance of their units against objectives and targets which had been set for them. Process indicators were plentiful. But measures of final output could not easily be developed for large tracts of governmental activity (see HC 61, 1986/87, V. Strachan, Minutes of Evidence, p.17).

It was difficult to harmonise departmental objectives. The Department of Social Security started bottom up with statements of functions, costs and achievements of various parts of the department. On the other hand, the Department of Industry began top down by identifying the aims and objectives of the department as a whole to provide a framework for the establishment of lower order objectives at executive levels (Starkey, 1983, p.215). Either way problems remained. Both the NAO report and the Wilson report found that it was in many cases difficult to discern the relevance of lower level activities and targets for the overall objectives that Ministers and senior management had determined.

Most importantly, the integration of top management systems with the PESC and Estimates systems created significant difficulties. The FMU's original idea had been that planning, undertaken within the framework of departmental top management systems, should inform departmental budgeting, embodied in the PESC and Estimates process:

> "Its got to happen. PESC itself has to be set in relation to what the department proposes to do. You can't separately have another system in which individuals bid for the resources they need to carry out their bit of

> the program totally unrelated to what's happening in broader terms....they are part and parcel of the same process."
>
> (Under Secretary)

Two obstacles in particular stood in the way of their being melded. First, the organisational units (directorates) used as the building blocks of top management systems did not necessarily nor even usually coincide with the functional division characteristic of PESC White Papers. Secondly, timetabling the processes to coincide proved an intractable problem (see Financial Management Unit, 1984a, p.33; H.M. Treasury, 1986a, pp.14-16). Top management systems did not get locked into the budgetary cycle. Without the clout which direct resource implications would have given them, their relevance was perceived as marginal.

5. Hard questions

Beneath all of the difficulties which top management systems encountered lay a much deeper one related to their design. The systems generated a massive amount of descriptive information related to departmental activities. Ministers and senior officials, however, had little idea of what to do with it. This was because they did not find descriptive information very helpful in solving the most difficult problems they had to face - the problems of making hard choices between competing priorities.

> "Take X department as an instance. It has an enormous amount of information about what is being done, what it costs and what resources go into it. There is not information about why it is being done, what it is expected to achieve and therefore how one attempts trade offs in value for money terms between various activities."
>
> (Treasury Under Secretary)

The systems had been designed without a clear appreciation of the fundamental questions which they would be required to answer. These were not primarily managerial in nature. They were political. Political decision-making required the effective presentation, analysis and evaluation of competing policy prescriptions. This, top management systems were in no position to provide. Their usefulness was greatly diminished as a result:

> "The FMI will never give politicians and their advisers sufficiently homogeneous comparable quantitative hard edged information which will enable them to make decisions as to whether they should put resources into, for example, social security or personal social services....There is still no one doing the job that CPRS was set up to do, to ask the fundamental questions not from a management point of view but from a good policy point of view."
>
> (Former Under Secretary)

CHAPTER 3

DELEGATION AND EVALUATION IN WHITEHALL

SECTION ONE: THE DELEGATION OF MANAGERIAL RESPONSIBILITY

Some months prior to the introduction of the Financial Management Initiative (FMI), the Government had commissioned a multi departmental review of running costs under the chairmanship of John Cassels CB. After surveying management and budgeting practices in six central departments, Cassels arrived at some ~~quite~~ remarkable conclusions (Cassels, 1983a). Taking a common sense approach to his work, he argued that it was not possible to assess whether departmental running costs were effectively spent without first examining whether or not their expenditure accorded with departmental priorities. Here, however, he hit a snag. He found that the departments he had examined either had no formal means for establishing their priorities or, if they did, the process of setting them was divorced from that of allocating departmental resources.

Next Cassels observed that planning was normally the product of the interaction between an operational manager and his or her superior. As plans were implemented, the manager was held to account by the superior for the unit's performance in achieving the targets which had been set. However, the responsibility for allocating resources to achieve agreed aims did not rest with the operational manager. It was vested centrally in finance and establishments divisions. So, the line of responsibility for resources was separate from the line of responsibility for planning their use. In Cassels' view, the separation between planning and budgeting was one of the fundamental causes of inefficiency in the civil service. For the effect of this separation was to encourage operational managers in the view that existing levels of activity and resource consumption could be taken as given. Little incentive was present for managers to explore ways to achieve either better results with similar resources or the same results with less.

The principal change required was to instil in managers at all levels a concern for the achievement of value for money. Therefore, Cassels recommended that each department be divided into management blocks representing its main activities. For each block, clear and unified lines of responsibility should be established. In each line, cost centres should be created and a budget holder appointed. Then, budgetary authority should be delegated as far as possible.

> "The right principle must surely be that, so far as possible, the consumer of a resource should have a duty laid upon him to ensure he uses it as economically as possible. That points to the need to develop a budgetary

system where it is convenient and practical to identify the costs of resources being consumed and put an obligation on the manager not only to achieve the output expected but also to control his costs and keep them to a minimum"

(Cassels, 1983, p.11)

Before examining delegation in detail, it may be useful to define the term. It is only ministers who can propose legislation involving expenditure or taxation (Brittan, 1974, p.79-81; Punnett, 1983, p.302). They are assisted in this task by the Treasury. The Treasury is responsible for the presentation to Parliament of annual proposals for expenditure and taxation and it is the Financial Secretary to the Treasury who presents these annual Estimates to Parliament. The Estimates are put to Parliament shortly before the beginning of the financial year. They are classified by votes and divided into sub-heads (Pliatzky, 1982a, p.24). The Treasury, therefore, has to be satisfied by the spending departments concerned that the expenditure proposed, and the underlying policies, are acceptable. However, even when Treasury has agreed to the inclusion of a new item of expenditure on the appropriated Estimate, the department concerned still cannot use the Estimates money voted by Parliament without Treasury agreement. In theory at least, every departmental spending commitment must be approved in advance (Heclo and Wildavsky, 1980, p.111; Punnett, 1983, p.311). In practice it is not feasible to operate in this way. Therefore, the Treasury delegates some of its authority over expenditure to departments. Therefore, what delegation to departments means is that the Treasury tells a department that, within certain terms and conditions, the department may authorise expenditure or approve projects without prior Treasury authority.

Similarly, delegation may take place within departments. Formally, the Principal Finance Officer (PFO) and Principal Establishments Officer (PEO) are jointly responsible for ensuring that delegation from Treasury is properly managed. Traditionally, they have ensured financial prudence and propriety by exercising financial control themselves. However, they may also delegate their powers to authorise expenditure to operational managers. Under the Cassels proposals, operational managers would take much greater responsibility for the control of costs associated with the services they delivered than they had previously. Delegation from the centre of departments was, therefore, an essential precondition.

In summary, there are two facets to delegation. It may proceed from Treasury to departments and then, within departments, from central finance and establishments divisions to operational managers. The debates and disputes surrounding each form are now more closely examined.

1. Delegation from Treasury to Departments

(i) The Departmental position

> "It seems to me that if you go to a lot of trouble and effort to have departments and ministers placed in a much better position to plan for their resources...there must be a presumption that, other things being equal, the department is to be given the maximum room for manoeuvre...I mean why would the department go to the trouble of analysing its options, looking to where it could make trade offs, looking at better information systems, developing a more coherent plan... if all that must be subject to a great deal of intervention by an external authority."
>
> (Under Secretary)

The advent of delegation necessarily involved a major change in the role of the Treasury. Instead of imposing and enforcing detailed rules which were uniformly applied, the Treasury would identify and prescribe general principles for good financial practice and then audit their application by evaluating departmental performance. Departments would be left free to manage so long as they developed effective systems of financial control and their performance met predetermined standards.

Not surprisingly, the delegation push was embraced enthusiastically by departments. There was little dissent from the proposition that Treasury, as the eyes and ears of Parliament, should carefully control the level of public expenditure and take primary responsibility for ensuring that resources were expended wisely and with maximum regard for value for money. But where the FMI held out its promise was in pulling Treasury officials back from daily 'interference' in departmental management (See further Moseley, 1985, p.29; Fraser, 1987, p.47):

> "I have got a large strike on my hands down at our central computing establishment at Newcastle. It is extremely efficient and highly technological...we are having a bust up there over deliberately attempting to achieve cost effectiveness. We are trying to alter the shift hours because the shifts up there are not effective. We have identified the fact that by stopping a number of shifts (and altering others) we reckon we can save money. We have heeded detailed Treasury advice for the degree of leeway we have got for negotiating our own settlement. Treasury hasn't been unhelpful but have only allowed us so much. I regard that as absolutely extraordinary. I've got an administration on my hands of one and a half billion pounds a year. This is an issue about two thousand pounds a day. We can see our way through to saving something like three quarters of a million pounds a year...now given a successful deal out there, I find it slightly grotesque that I can find myself locked in negotiation with the Treasury over the

odd fifty thousand pounds...I mean what do the people at the Treasury know about running a big computer centre and handling low paid staff. The answer is very little."

(Permanent Secretary)

Departmental officials objected strongly to Treasury intervening in what they saw as their managerial prerogatives. Detailed intervention was not only inconvenient, it was often ill informed. Departments, they argued, knew more about the practical operation of their expenditure programmes than the Treasury did. By contrast, Treasury mandarins were characterised as living in a world of their own far removed from the practical realities of dealing with the government's customers. Therefore, they believed that Treasury should, within certain broad parameters, leave them to get on with the business of managing (Young and Sloman, 1984, pp.108-9). Treasury, for example, had a legitimate concern with the public expenditure implications of policy. But this concern should not extend to dictating the terms of policy itself:

"I was present at a meeting last year when it was put in all seriousness by a Treasury Expenditure Division assistant secretary that he was off to a meeting with his department, Agriculture, which was proposing a shift of resources from, say, pigmeat producers to grain producers and he felt it was entirely within his province that he should veto this proposal and should impose his view on the department as to whether support should go to one category of farmer or the other. That illustrates to me in very stark terms precisely what the Treasury ought not to be doing."

(Assistant Secretary)

As departments had grown in size and their management had become more complex, the capacity of the Treasury to intervene in matters of detail had declined. And yet, departmental officials felt that many unnecessary controls still remained. These controls were exercised principally in relation to financial inputs. However, the focus of new management reforms was on the maximisation of outputs. Hence, if the financial performance of budget centres was continuously improving, the need to control totals for functional heads of expenditure lessened considerably:

"How does Treasury reconcile control of total public expenditure, which you do by inputs, and responsibility for getting efficient management, which you do by outputs. That is the unresolved problem. What we're doing now is putting in output budgetary systems but still continuing with input controls. Treasury must realise that it has to step back."

(Deputy Secretary)

Therefore, departmental officials believed that the time had come for a thorough review of Treasury controls. Instead of the Treasury authorising expenditure on a case by case basis, departments should be allocated fixed sums of money which they could manage as they wished:

> "To have Treasury control over individual projects is daft... What you have to try and do is to get the Treasury on top of total public expenditure effectively and that's a Cabinet problem as much as anything. Once you have achieved that, then you should delegate the power to spend to a department within a given total."
> (Deputy Secretary)

What departmental officials proposed was a system of block budgeting. Treasury, on behalf of the Parliament, would allocate funds to departments in broad categories, i.e. programme by programme with a single allocation for running costs. How departments then distributed these resources internally would be a matter for them. Instead of focusing its attention on expenditure on particular cost items, for example, telephones, travel and subsistence etc. (input control) Treasury officials would be expected to focus their attention on the financial performance of departmental budget centres (output control). So, the more that departments exercised control through accountable units, the more desirable it would become that Treasury should scrutinise through the same channel (Financial Management Unit, 1983, pp.37-38).

(ii) The Treasury position

Treasury officials, however, took a much less sanguine view of the developments proposed. From the outset they advanced several arguments to counter the case for even the limited introduction of block budgeting. These arguments consumed a great deal of time and their effect was to dampen considerably departmental hopes for major change. In their view, the proponents of block budgeting took altogether too narrow a view of the role which Treasury should play in overseeing public expenditure.

It was Treasury's role to assess spending proposals in the light of a full range of governmental considerations of which expenditure totals were but one. For example, Treasury ensured that departmental spending proposals were consistent with government policy; that there were no other more economical ways in which to achieve programme objectives; and that adequate provision for proposed spending had been made in the cash limit and forward expenditure plans provided for in PESC. If not, Treasury might insist on savings being made elsewhere in a department's programme to offset the cost of the proposal being put forward. In theory, much of this scrutiny could be undertaken within the department itself. But Treasury officials doubted whether this scrutiny would be sufficiently detached:

> "The civil service works rather on the Thomas a'Beckett principle - that we are loyal to and serve with all our zeal the organisation in which we are at any one moment. The drive of the civil servant in a spending department is towards policies of his own Minister. Obviously he

will recognise the constraints posed by government policy as a whole but his first loyalty will be (very properly) to his own Minister. Ministers themselves often find some difficulty in subordinating their own ideas to the competing needs of colleagues."

(Minute from Treasury Assistant Secretary, 29 April 1983)

Treasury officials observed that where large amounts of expenditure were concerned it was rare for only one department to be involved. A policy involving a major shift of resources from A to B might, very quickly, assume governmental relevance. Treasury was in a much better position than those in departments to assess the impact of expenditure on the direction of policy in government as a whole. Block budgeting also presumed the rationality and inviolability of departmental boundaries. In reality, however, these were based on convenience and, they argued, provided no reliable guide on how departmental programmes should be organised.

The Treasury was concerned that a system of block budgeting might curtail the amount of information available to Parliament. Officials noted that the Public Accounts Committee had, in the years preceding the introduction of the FMI, sought to extend its capacity to scrutinise and control supply (Wilding, 1983a, p.48; Robinson, 1985, p.39). Since this was the case, the pressures were against widening or amalgamating the expenditure categories presented to Parliament in the Estimates.

Expenditure division officials argued strenuously that Treasury control could seriously be jeopardised by the absence of adequate powers to approve in advance expenditure above certain levels or between vote heads. Without the capacity to examine such expenditure case by case, Treasury would be denied a crucial source of information about departmental activities and processes of decision-making:

"When it comes to Treasury control I am sure you won't ignore the point that no block budget will impose a discipline on a spending department unless it is uncomfortably tight. To advise Treasury ministers what total to go for, Expenditure Groups need knowledge. The present system, while imperfect, provides them with quite a lot of it and there is at least some link between that, and the fact that the Treasury has to be consulted about different programmes in particular and not only in total. ..We are giving thought to the possibility of increasing delegations and I am certainly not saying the present pattern is right. But we should be apprehensive about anything that threatened to substitute an opaque wall for the windows into departments which we presently have."

(Minute from Deputy Secretary, 27 October 1982)

The requirement that departments should obtain prior approval for particular expenditures permitted Treasury, through its negotiations with departments, to familiarise itself with the details of departmental expenditure programmes. Armed with this knowledge the Treasury was in a sound position to compare the merits and demerits of departmental proposals for expenditure reductions and to assess the pain which each might inflict. Without it, the Treasury, and hence the Government, would be placed at a significant and undesirable disadvantage:

> "The conclusive argument against block budgeting lies in the Government's objective of reducing public expenditure. Unless the Treasury is going to be able to hack out individual projects/programmes, reductions will only come about by overall squeezes. They can and do have some good effects; but an across the board squeeze will yield only modest savings before some departments protest that they can do no more. Treasury will then have to look at it in detail to see whether it can do more; and if it cannot, but Ministers' overall objective is still to be maintained, will have to go hunting for the balance. That will inevitably take us back to something other than block budgeting."
>
> (Minute from Treasury Assistant Secretary, 25 April 1983)

Finally, Treasury officials raised explicitly the constitutional barriers which lay in the path of reform. Constitutional convention required the Minister and Permanent Secretary, as the department's accounting officer, to ensure that money had been spent for the purposes which Parliament had authorised. Their accountability to Parliament had resulted in the development of a uniform approach to financial scrutiny and control across the civil service and placed clear limits on the extent to which it was desirable and feasible to delegate financial authority. The maintenance of a unified civil service was a further pressure militating in favour of centralisation. Hence, they argued that block budgeting could not proceed without in some way altering the constitutional balance:

> "Properly used, the delegation aspects of the FMI will be beneficial in shifting the onus of proof on to those who wish to retain power and authority. But there are too many around who only half understand the realities of public administration and can too easily be seduced by the naive pursuit of delegation at any cost...It may be unfashionable to say it, but we are dealing with Her Britannic Majesty's Civil Service, not a series of independent bucket shops. To the best of my knowledge, the constitution has not yet been changed."
>
> (Minute from Treasury Assistant Secretary, 16 December 1982)

(iii) Halting progress

In a memorandum to his Deputy Secretary, one Treasury official predicted accurately the course which delegation would take in its first few years. It was likely he argued, given the ultimate financial accountability of Ministers and permanent secretaries to the Parliament and given the government's continuing commitment to reductions in public expenditure, that the FMI could lead to quasi-delegation of many things but full delegation of very few. This in turn, could result in a diminution rather than an increase in managerial efficiency (Minute from Assistant Secretary, 14 December 1982).

While in early days there was a plethora of delegated budgetary control experiments throughout Whitehall, the most important characteristic of the administrative landscape in the FMI's formative years remained the proliferation of Treasury and departmental controls. Throughout the FMI's effective existence, for example, personnel numbers were fixed through the application of ceilings. Delegation of accommodation costs was regarded as impractical. Centrally imposed pay assumptions detracted significantly from the ability of departments to manage their pay and running costs budgets. Annuality - lack of flexibility to carry over unspent funds from one year to the next in anticipation of future expenditure - was experienced as a particularly grating and unnecessary inhibition on managerial discretion (Cooper, 1983a, p.35). Inflexible definitions of capital and current expenditure created difficulties for departments in switching between the two, particularly in relation to minor items such as micro-computers and office furniture (H.M. Treasury, 1986a, p.19). Taken together, the combination of controls ruled out much of the scope for departmental managers to vary the mix of their resources and hence improve their performance.

However, as the FMI philosophy gained ground Treasury officials became steadily more amenable to a re-examination of the nature and extent of existing controls. They were not willing to cave in to the strong pressure for block budgeting which had emerged in both the MPO and departments but instead embraced a more cautious strategy. Two years after the FMI was launched, the Treasury responded to departmental agitation by conducting its own, low key inquiry into existing levels of control. In its brief to departments, the Treasury distinguished three different kinds of control. There was first, that category of controls and rules thought to be necessary to maintain 'the essential needs of a unified civil service'. Rules with respect to pay were the most obvious examples. Here, it proposed, the scope for delegation would be small. Secondly the Treasury accepted that there was a category of controls which existed solely for historical reasons. These could more easily be dispensed with. Thirdly, there existed those rules which related to the control of public expenditure. It was with these that the FMI was principally concerned. Such rules could be reviewed on a case by case basis. But, Treasury officials constantly emphasised, delegation would occur here only where they were satisfied that the rule was not an essential part of expenditure control (Letter from Permanent Secretary of the Treasury, 18 November 1983)

The product of the Treasury's inquiry was made public two years later. A new running costs system was introduced in April 1986 (H.M. Treasury, 1986b). Under the system each department was given a financial limit on the gross administrative costs of running its operations. These administrative costs included wages, personnel overheads, accommodation, office services and other smaller miscellaneous costs. Within its limit, a department was free to transfer its expenditures between the five different categories. It was not, however, allowed to divert programme funds to administrative purposes.

The system represented a significant advance on that which had preceded it (Thain and Wright, 1990, p.129). It foreshadowed the end, two years later, of personnel number controls. Departments had much greater capacity to transfer funds between expenditure heads. The rules with respect to annuality were modified. But for these concessions, the Treasury extracted its price. It bore down on running cost totals expecting departments to deliver 'efficiency savings' of 1½ per cent per annum. Running cost limits took no account of pay settlements even where these exceeded assumptions. Departments also had to provide Treasury with three year management plans for their programmes, thus increasing the transparency of their management. Overall, however, the new system ran with the grain of the FMI. It had been slow in coming. The disputation and consequent delay which had ensued between Treasury and departments had caused considerable anger and disillusionment in departments and the FMI had suffered as a result. Nevertheless, once in place the running costs system eased the inter-departmental tensions and established the preconditions for greater delegation to operational managers from the centre of departments. This should have been the easier part of the enterprise. Instead, it was to prove another major stumbling block.

2. Delegation within Departments

(i) Departmental reaction

Just as it was proposed that Treasury should adopt an altogether more detached position in relation to the control of departmental expenditure, so also, within departments, it was proposed that the Principal Finance Officer and the Principal Establishments Officer should change their roles from that of controllers to auditors (Peat Marwick, 1985, p.29ff):

> "[The line manager] will, I think, be much more independent. He'll have a much bigger incentive to go

back up the line and say 'look, what you're requiring of me just doesn't add up' and 'what you require of me doesn't make the slightest bit of difference'. In that sense there will be a sharper dialogue between the operators and the central divisions who dream up the things they would like them to do."

(Deputy Secretary)

Delegation, however, necessitated risk. As controls were ceded to line managers it was inevitable that decisions would be taken with which central resource controllers disagreed. Yet there was no more certain way for senior management to demonstrate a lack of seriousness about delegation than for them to censure and correct at the first sign of trouble (Cassels, 1983, p.13).

In early days, this difficulty appeared far from the minds of departmental officials charged with implementing the FMI in departments. First on an experimental basis and then more widely, departments approached the task of introducing the new principles of delegated budgetary control enthusiastically (Bell 1984; Thorpe Tracey 1987; Coates, 1988; Killykelly, 1988; Oates, 1988). In the Department of Social Security the thrust towards delegation had commenced even before the FMI gave it added impetus. Following the findings of the 'Traffic Study' (Department of Health and Social Security, 1982; Warner, 1984, p.256-257), the first phase of a decentralised budgetary control system was introduced. Eight hundred cost centres had been identified and managers appointed to them. Each manager was provided with a monthly financial report detailing all expenditure charged against his/her unit. Cost centre managers were responsible for keeping expenditure within their budget for the supplies and services over which they could exercise control (Department of Health and Social Security, 1983). There were not many of these at first but officials were hopeful that the range could be expanded as central divisions let go their reins.

However, as they became more involved in the process, departmental officials discovered that many practical questions needed urgently to be answered. When could the old style controls safely be relaxed ? How should appropriate standards for setting and controlling budgets be developed ? What provision should be made for necessary specialist finance and personnel support to be provided for line managers ? How should new and strengthened supporting information systems be introduced ? How could the new budgetary information systems contribute effectively to and be melded with the existing PESC and Estimates processes ? The underlying question remained, however, whether, when, and to what extent, delegation would cascade from Treasury to departments and from there to operational managers. In Treasury and central finance divisions, by contrast, it was the practical limits to delegation rather than methods for its advance which were most actively canvassed. The debates which ensued between the competing parties again were vigorous.

(ii) The Centre's position

Those in finance divisions, like their counterparts in the Treasury, placed their emphasis on the control of departmental resources. They tended not to have confidence that operational managers would take the same care to achieve savings and value for money as they had. For them, delegation upset the balance between fiscal responsibility and operational enthusiasm. Why after all, place cost control in the hands of the very officials whose task it was to spend money?

> "My role I think is to put an emphasis on saving money precisely because there is no one else that has that as their specific responsibility. I will have very long arguments with (the Director of Regional Operations) not on the concept of the thing but on how we actually implement it. Whether the goal for the regional organisation should be to improve service within a given sum of money or to reduce costs within a given level of service. ...It's not a question of philosophy and as I read the current mood of the government it is the latter rather than the former."
>
> (Principal Finance Officer)

As with the Treasury, the FMI envisaged that the role of the PEO/PFO would change. The PEO/PFO would relinquish detailed controls on the expenditure of departmental resources. In return, he or she would assume positive responsibilities for advising the permanent secretary on the size and distribution of the departmental budget, for setting the various ground rules to which operating divisions would work, for ensuring that these ground rules were complied with and for challenging the decisions of line managers where necessary. These positive responsibilities, however, took time to develop. In the meantime central finance officers harboured major reservations about the delegation of financial responsibility to departments' operational wings. Until PFOs were convinced that effective financial control systems were available to operational managers and were satisfied that these systems could be utilised effectively, their natural tendency was to advise the Permanent Secretary against assignment of financial responsibility. At the same time, however, operational managers argued that unless responsibility was assigned, they could neither obtain experience nor demonstrate their competence. This particular disagreement was never fully resolved and blighted many attempts to achieve even a modest degree of intra-departmental delegation.

Finance officials felt that unless carefully planned, delegation could run the risk of creating confusion and frustration and, ultimately, a loss of overall efficiency. Therefore, they argued, rather than pressing for delegation over as wide a field as possible, a more cautious approach was required. Departments should first think hard about the areas in which something approaching final delegation was possible. They could then consider in which of those areas delegation would be sensible. Delegation would not be sensible everywhere. For example, some officials felt that indiscriminate delegation might result in a loss of important benefits deriving from economies of scale and the concentration of expertise. In the field of accommodation, for example, the negotiation by departments, and even individual units within departments, of leasing and other similar arrangements would deny government the bargaining power which derives from being a large customer and deprive it of the necessary expertise to obtain the best leasing terms and conditions.

Lurking beneath these concerns was Treasury's perturbation regarding its own position. For if authority could effectively be delegated there, increasing demands would be placed on the Treasury to divest itself of more and more of its authority. Despite the fact that Treasury's capacity to monitor departmental performance should increase given the improvement in the quality of information provided to it by departments, Treasury officials remained concerned that their influence would be weakened with consequent detrimental effects on their capacity to manage public expenditure.

> "What is sauce for the goose is sauce for the gander. The advocacy of delegation from finance divisions on this sort of scale will lead inevitably to pressures for corresponding delegation of responsibility from the Treasury. I am not opposed to delegation, either within departments or between the Treasury and departments, provided that it is kept under the control of the delegating authority - who after all has an ultimate responsibility for the way in which he exercises his judgement when he makes a delegation. But this means that the delegator must remain in control of the nature and extent of what he delegates; the trouble is that (the FMI) creates a presumption the other way which will be used against the Treasury by departments just as it will be used against PFO's and PEO's in departments."
> (Minute from Treasury Under Secretary, 19 January 1983)

(iii) Delegation in Practice

For line managers, delegation presented both opportunities and anxieties. Generally, it was the more senior managers at under secretary and assistant secretary levels who greeted the prospect of change most warmly. Junior staff were more anxious, fearing its effects on their traditional methods of operation and on their employment prospects. For both groups, however, the principal initial difficulty which they experienced was in negotiating any worthwhile level of delegation at all:

> "I was having to sit down and negotiate with my colleagues in the central finance part of the office over

the precise degree of delegation I was going to get. That took an enormous amount of time. All of us were new to the game and they were more reluctant than we were to embrace it."

(Deputy Secretary)

One of the most important facets of the negotiations related to the development of indicators of performance. If delegation were to proceed, central finance officials wanted to make ~~quite~~ certain that they would have sufficient knowledge about management's results to intervene where corrective action was necessary. Debates ensued between the parties about the appropriateness of suggested measures of performance. Operational managers wanted to ensure that the measures accurately reflected their administrative effectiveness. Central officials wanted extensive and tangible indicators upon which to base their assessments:

"The other problem was to concentrate your mind on what sort of outputs and measures and objectives you should set to make a judgement about how well you were doing. I think people underestimate the intellectual and management difficulty of getting that right."

(Deputy Secretary)

Performance indicators were but one component of the much larger management information systems which were created to deal with the additional complexity inherent in a decentralised management environment. With departments creating many hundreds of cost centres, each of whose performance needed to be monitored and each of whose results needed to be standardised and aggregated, management accounting systems of considerable sweep and sophistication were required. These systems, however, were only in their infancy when the FMI commenced and their lack represented a major obstacle to the rapid delegation of managerial authority:

"Then there was the total inadequacy of management information. We had obviously relied on a vote system of expenditure, cash controls and all that's fine and dandy but it isn't about how you manage a particular component part of a major department. So we really had to make sure that the information systems came on stream."

(Under Secretary)

Even when new information systems became available, significant behavioural hurdles had still to be overcome. It took considerable time for senior managers involved in pilot delegation projects to recognise and then to act on the fact that they had genuinely new responsibilities and a new measure of opportunity to be able to make judgements for themselves. At junior levels, the FMI's proponents struck considerable opposition and hostility from managers reluctant to adapt, uncertain about their capacity to master the new challenges and critical of the lack of rewards available for adaptation:

"Frequently senior managers don't understand what it's about. It goes against their whole training...Further

> down the line you have promotion blockages resulting from the service having contracted. At HEO and SEO level younger ones are often more go ahead in their thinking than older ones who because they don't agree with the approach are hostile to it on the grounds of ideology and self interest...they see themselves as ready to be thrown on the scrap heap...These are substantial obstacles and I don't think they can be ignored."
>
> (Efficiency Unit Assistant Secretary)

Defensiveness in the face of change was exacerbated by the fact that few incentives to embrace it existed. It was of critical importance in the early stages for staff to see that there were benefits for them in seeing the department run better. Hence, in a number of departments employee bonus schemes were established in which some part of efficiency savings could be redirected towards an improvement in working conditions. But these were small beer in comparison with larger politically and institutionally founded obstacles to more effective management.

At senior levels for example, officials still saw little sign that their opportunities for promotion would be enhanced by throwing themselves with enthusiasm into the managerial fray. Promotion was still linked tightly to soundness in the political and policy arena. The 'golden route' to the top through a series of appointments close to Ministers remained substantially unaltered. Unless and until a new route could be created, the priority accorded in officials' minds to managerial proficiency was bound to be secondary:

> "Part of the standard doctrine in all this is that you will be judged on your use of resources and that people who are efficient in that will be promoted. I have my doubts about that. We have one principal in this department who saved us three million single handedly in the last year and was not at the top of the promotion list and is not going to be. I'm not at all sure how far people are going to regard a person if one of them comes and says 'look, I can deliver for ten per cent less. He won't say jolly good... he'll applaud the man who comes and says I can deliver ten per cent better service for the same money."
>
> (Finance Assistant Secretary)

Junior staff were bitter about the Government's critical attitude to the civil service and, identifying the new changes with attempts to punish them, were reluctant to comply:

> "We have a government that hates the sight of us, looks down on us as necessary evils to cut and screw down. Everything this government says seems aimed at knocking us. They are our employer and they hate the sight of us. Staff feel this terribly and are very insecure...I'd like to see how they'd cope, by Christ I would, there is no deadwood or easy jobs anywhere, I say that with such conviction."
>
> (Departmental Assistant Secretary)

"The real difficulty is in convincing people at the coalface that this is not just another strategy for cutting departments down. After all, no one will willingly work themselves out of a job."
(Departmental Under Secretary)

Finally, however, it was the continuing proliferation of departmental controls which detracted from real progress with delegation. One early example from the Department of Industry serves well to illustrate the point. In the Department, pilot projects were established in three discrete departmental units. Under the terms of the experiments, the following authorities were delegated: altering the grade mix below the level of Assistant Secretary subject to staying within manpower targets; the employment of casuals and the approval of overtime subject to cash limit controls; recruitment of low level clerical staff; fund transfer between division heads; and the authority to enter into financial commitments and authorise payments for a limited range of vote headings to set maximum amounts. These delegations, however, were subject to the following constraints: prior permission was to be obtained where the cash limit allocation of the office might be exceeded; prior authority was to be obtained from Treasury to transfer funds between sub- heads; financial commitments for future years had to be covered by specific allocations of the department's public expenditure provision; expenditure had to be within government policy; authority was restricted to the terms of any agreement between the department and the Treasury; there had to be prior consultation with the central divisions who would in turn consult the Treasury on any novel or contentious expenditure; and the relevant provisions of government accounting, the Department's finance handbook, the accounting memoranda of the department and establishments officers guide all had to be followed (Department of Trade and Industry, 1984, Annex A1). At a training programme for managers on the implementation of the FMI, the Director of the Business Statistics Office declared himself unhappy with these arrangements. Although he was pleased to have some additional flexibility, this was small and came at the cost of more intensive reporting requirements. In addition, the flexibilities obtained had to be set against the thirty per cent manpower cut he had to manage in the previous four years, a cut which had reduced the services offered by the office at a time that business was placing pressure on it to improve and extend its output.

In summary, what happened in the first five years of the FMI's life in departments was that managers were given new responsibilities but were not provided with the requisite authority, technical capacity or incentives to exercise them. This was a most potent formula for disillusionment and delay.

Not until running cost controls replaced manpower ceilings in 1987, five years after the FMI was introduced, did the flexibility available to managers increase significantly. By then, however, the FMI had effectively run its course.

SECTION TWO: POLICY AND EVALUATION

1. Background

Since PAR, there had been no concerted attempt in Whitehall to evaluate government policy and programmes (Gray, 1986, p.12). PAR's demise, and that of the CPRS, had been effected in the first term of the Thatcher Government. It was a government profoundly sceptical about the capacity of sustained analysis to deliver benefits for the advancement of governmental objectives (Plowden, 1985, p.401; Williams, 1983, p.24; Williams, 1989, p.257). Yet the case for effective policy review was strong. It derived not only from criticisms of past performance (Dell, 1983, pp.96-97; Hennessy, 1986, Chapter 3; Hoskyns, 1983, 1984) but also from a sincere desire on the part of many senior officials, particularly those who had recently retired, to see an improvement in Whitehall's capacity to deal with turbulence and change (see, for example, Delafons, 1982, p.221; Cooper, 1983b, p.20; Hunt, 1983, pp.91-92; Nairne, 1983, p.256; Wass, 1983, pp.106-107; Wass, 1987, p.182; Pliatzky, 1984, p.27; Butler, 1986, pp.20-21).

The Financial Management Unit (FMU) picked up the theme and in its report on 'Policy Work and the FMI' (Financial Management Unit, 1985c) argued that the policy process could be improved substantially through the application of managerial principles. Just as operational units could become more effective if clear objectives were specified, targets set and performance assessed, so also the work of policy units would be enhanced if the objectives of policy were made clear, responsibility for its implementation was properly defined, its performance monitored and its outcomes systematically evaluated.

The FMU's successor, the Joint Management Unit (JMU) pursued its quest for better policy on two major fronts. First, the Unit had an incentive for improved policy analysis and evaluation embedded in Cabinet procedure. In its original report, the FMU had drawn attention to the ambiguity which characterised many policy objectives; to the fact that assumptions which underpinned policy were not often made explicit or tested; and that little systematic performance assessment was undertaken (Financial Management Unit, 1985c, p.2). Therefore, it recommended that whenever a new policy initiative which involved significant public expenditure was launched, the plans for monitoring and evaluating it should clearly be specified in the Cabinet submission. In response, the Cabinet resolved that wherever a new policy proposal was put to it, departments would have to specify what was to be achieved by the change, by when, at what cost. In addition, Cabinet submissions would have to outline how policy performance was to be evaluated (HC 588, 1986/87, p.19)

Secondly, the JMU pressed on with its focus on policy evaluation:

> "We concentrated heavily on evaluation. We realised that if you could get evaluations then you would meet the other criticisms as well. If you evaluate, then this flushes the ambiguity in objectives out in the open...The question was, could we do it ? Were the methodologies there ?"
>
> (Assistant Secretary)

The JMU sponsored some 40 evaluation case studies. Their subject matter was varied ranging from a review of action for equal opportunity for women in the civil service to consideration of aid to refugees in Thailand to an analysis of the North Sea fiscal regime. These were collected together and disseminated internally (JMU, 1987). The interest of the case studies rested not primarily in their content but in the lessons they contained about the methodology of evaluation and the organisational arrangements established for its conduct (Flynn et al., 1988, p.182). The lessons were then distilled in a practical guide to conducting policy evaluation (H.M. Treasury, 1988a). This formed the core instruction document for a wide-ranging series of seminars which the JMU built into the Civil Service College's top management training programme.

The new focus on evaluation was aimed primarily at improving the practice of management rather than provoking the fundamental reappraisal of policy. It was a programme of policy management rather than policy review (Gray and Jenkins, 1986, p.181). Neither the Government nor senior officials had been suddenly persuaded of the merits of public policy analysis in any broad sense. The need for better policy management sprang from the necessity, in a constrained fiscal environment, to balance conflicting public demands for improving the quality of public services and lowering the burden of taxation. The Government could provide better quality services by ensuring that existing funds were expended more efficiently and effectively (Butler, 1986, p.22). Hence the purpose of evaluation was to determine whether policy could be framed and managed to achieve better value for money. Policy evaluation under the FMI would not be PAR revisited. Rather, the objective was to make it part and parcel of normal operational management. However, even with these more modest objectives it quickly ran aground.

2. Policy Evaluation in Practice

> "It (policy evaluation) did not filter one bit. The Treasury wrote a lot of books, X. was a great expert in the field - a great enthusiast. My impression was that although [the unit] managed to get through Cabinet a policy that all policies should be evaluated - no important policy was ever evaluated. De-unionisation of GCHQ was never evaluated, privatisation of British Telecom was never evaluated. Why ? Because people don't see any point."
>
> (Second Permanent Secretary)

This is a harsh judgement on the JMU's work. It was in Whitehall terms a not inconsiderable achievement that forty government schemes were reviewed and that a whole cadre of officials was equipped with new methodological skills and provided with a new enthusiasm for the evaluation cause. Yet, it is also true that formulation and review of major policy remained unaffected by the FMI's forays (Richards, 1987, p.32). The reason was that neither Ministers nor senior policy officials found the new methods of value. The position of each is now examined in more detail.

(i) Officials and Ministers

One senior official is said to have remarked that 'If the news is good Ministers do not need to know, and if the news is bad they do not want to know.' Hence, if policy assessment is to succeed, Ministers will have to want it (Whitbread, 1987, p.105). Officials in policy divisions expressed considerable doubt, however, about whether this precondition could be met. The problem began with the attitude of the Thatcher Government itself. This was a government which appeared little interested in assessing the effectiveness of policy except in frankly ideological terms:

> "These problems [of comparing and choosing between finely balanced policy options] will not go away because they are so difficult. But the asking of this sort of question is so antipathetic to the current administration that it doesn't get done. Walter Williams describes the Reagan administration as the most anti-analytical in American history. The same could be said to be true of the Thatcher administration."
>
> (former Under Secretary)

More fundamentally, policy evaluation obtained little currency in the political arena because Ministers and managerialists looked at the policy problem across a deep professional and practical divide. A number of its manifestations emerged clearly during the research. Ministers of all persuasions adopted policy settings not principally because they had emerged, as the result of extensive evaluation, as the most effective solutions to social problems, but rather because they accorded with their political values, attitudes and commitments. In these circumstances, the best offices of the civil service and any evaluations could do little to alter the substance of decisions whose nature was predetermined:

> "[The problem of public ownership] has been bedevilling British industrial policy for thirty years. But there has been an increasing urgency about it in the last ten. Successive governments have been denationalising steel, nationalising our partnership with BL and denationalising British Air. That's a crazy way of organising things. There is no way the service can alter political attitudes to public ownership. We simply have to carry out the sterile business of changing ownership between one election and the other."
>
> (Policy Under Secretary)

The politician's task is to make party commitments concrete and in a manner which will maximise the support of relevant actors. In this context, the painstaking specification of programme objectives, targets and performance will be secondary. Thus, for example, the management of programme expenditure was so integrally a political matter that policy officials doubted whether analysis and evaluation of the kind that the FMU proposed could make a significant difference to programme operations. These were governed by much larger considerations:

> "It [the FMI] will not assist with programme expenditure. For example, the x programme has been on a sharply expanding budget for a number of years because it constitutes an important part of the balance in the relationship between government and the x industry. So, we have therefore, in practice, been able to operate without constraint on expenditure - our staff are limited but not expenditure. Only this next year will we have constraint which was suddenly imposed. We will be getting slightly more than last year - but actually because of the growing number of cases we will have to cut right back. That is the real constraint that forces us to manage. Hitherto it has been a responsive scheme operating against a number of pre determined criteria. If the criteria are met, the cases go ahead. All this is a much greater influence than the FMI."
>
> (Policy Under Secretary)

Just as changes in prevailing ideology could affect the climate in which policy is made, so also could changes in the preferences of individual Ministers. Each brought with him/her particular commitments and interests which influenced the direction of policy and the manner of its making. Analysis conducted for one proved next to irrelevant for another:

> "You go through terrific problems in setting down what your aims are, to have an evaluation plan and indeed to establish a base line...we did everything perfectly. The policy was conceived by one Minister and ...the next Minister came along and decided that the area we were involved in wasn't an area that DTI should be involved in. It should be transferred to another department. Of course in the process of transferring the policy, all the

> work that we did about evaluating the policy got lost. That's what happens, there are a lot of policy variations - evaluation gets overwhelmed by some bigger wash."
>
> (Policy Principal)

Individual Ministers' priorities and objectives also changed constantly in response to the pressures of circumstance. For Ministers, and for their policy officials, the challenge was primarily to manage the tide of events, to forge solutions to ever-present political problems. To administer departmental programmes effectively had traditionally been of secondary importance. In this context, strict adherence by Ministers to predetermined objectives became problematic and so too did the careful pre-planning of programme management:-

> "I mean take it at its crudest and say that a Minister has a session with a set of under secretaries...they are all committed to this policy and twelve objectives are set down and then he says four months later 'here are the twelve objectives' and you only achieved two of them. It isn't terribly easy in the nature of relationships with Ministers to say yes but nine of the remaining ten were not achieved because three weeks after you had approved the original ones you created new priorities and another fortnight you changed again...Either you tell them they don't know what they are doing or you tell them that they disregarded their own concepts and skills and neither of these is comfortable for a civil servant to do."
>
> (Under Secretary)

The transparency of evaluation caused Ministers immediate problems. If the outcome of a considered evaluation was the withdrawal of a programme or a reduction in its funding, Ministers could find themselves in difficulty. Hence it had become a rule of politics that it is preferable to continue a programme than to end it (Butler, 1986, p.22). If an evaluation disclosed that a programme did not adequately meet its objectives, there may still be many beneficiaries who demanded its retention and who amassed considerable political support in its favour. If the pressure was sufficiently intense, Ministers might easily relent:

> "There are no votes in spending less and cutting out service. There are only votes in spending more and introducing new service. Given that, it is clearly a difficult thing to introduce [policy review]. Hence the suspiciousness of many policy officials."
>
> (Treasury Assistant Secretary)

The aim of policy management was to obtain better value for money from policies and programmes. But what is value for money for the manager may not be so for the Minister. Cost effectiveness is but one of many considerations which feature in Ministerial assessments of policy and programme effectiveness. There are others which will often weigh even more heavily in the balance. In determining the appropriateness of policies and programmes, a Minister considers their acceptability to local constituents, to government backbenchers and to other important interest groups. He/she will examine their effect on particular sectors of industry or individual geographical areas. Policies will be vetted for their consistency with the party platform and government policy. Having looked at these, the policy setting arrived at will not necessarily be one which a more objective analysis of efficiency dictated:

> "[Ministers] do want value for money but it may mean something different in their terms. Value for money is important because they only have limited amounts of money and they are always having to make choices about how to spend it and therefore must be making calculations in their heads about what constitutes better value. That may however not be measurable in the sorts of terms that the management people propose...it may be in terms of scoring political points, winning elections or getting the good will of some particular pressure group. So they are interested in value for money but it is very dubious what that actually means."
>
> (Deputy Secretary)

(ii) Managerial Prescriptions for Policy Work

> "The FMI was presented as an advance in rationality. There would be clarity of responsibility, accountability, information, access to the experts. It is fundamentally a rational process and this is why there was the spastic reaction from anybody involved in policy that this doesn't connect with my world."
>
> (Treasury Under Secretary)

Policy officials had one fundamental problem with the managerial prescription. Managerialists believed that policy could be arrived at rationally. The experience of policy officials persuaded them that it was formulated through a curious and unspecifiable process embracing, among other things, analysis, perception, knowledge, opportunity, balance, skill, cunning, hunch and plain gut feeling. Events coalesced and judgements were made, new circumstances arose and new solutions posited. Policy-making was a fluid process rather than a logical sequence. Careful analysis was valuable but only to a point. Beyond it the qualities of particular individuals and their skill and experience in assessing situations and acting on them seemed to assume far greater importance:

> "The FMI tried to [evaluate] and I think it fell on its face because you can evaluate delivery but evaluating programmes is much harder because you are deeply enmeshed in competing views. Also, people very seldom formulated their aims before they began. It may be odd to say this of government, but I don't think people do often formulate their ideas very clearly, they come up in all sorts of funny ways...You don't know why policy comes along. Somebody once asked me how the legislative programme comes up - I answered that it is far more happenstance than people give it credit for."
>
> (Second Permanent Secretary)

The FMU had argued that policy-making should be conducted more systematically. An evaluation plan should be present from the outset. Each new policy should be evaluated within a fixed period and modified accordingly. Policy officials found it much harder to segment policy in this way. Policy was fluid. It had no clear beginning or end. It formed part of and was constrained by its historical antecedents, the commitments which underlay it and the programme structures used to effect it. Programmes meant different things to different people. As they became more deeply embedded, policy became what its practice was:

> "Take the first point - having aims and objectives and things like that. We did try to do that for some social security policies but it was incredibly difficult for most of them. Say you've got a benefit - you don't have a policy, you've got a benefit and in fact you have to invent the policy to suit the benefit. Like retirement benefit - what is the policy ? It is incredibly difficult to try and write a set of objectives there which everybody would agree on and which are not somehow mutually contradictory because you actually find that it's trying to do a lot of different things - to provide some support to people in old age. So if it's doing that, why isn't it means tested ?"
>
> (Deputy Secretary)

The concept of targets also created difficulties. The success of any policy once set loose in its environment depended on many factors, only one of which was its architects' careful design. The outcome of a programme of support for the car industry, for example, might be affected not only by the terms and conditions of the particular scheme but also by variations in local demand; industrial disputation; tariffs, interest rates and other aspects of national economic policy; the level and intensity of national and international competition; the price of oil; the pressure for cleaner cities and many others. All this made the setting of targets, except in rudimentary process terms, exceedingly difficult:

> "The thing that worries me most about it, as geared to a policy division is that the concept of target setting is not fully appropriate. There is not really an effective distinction between something that is a policy target and something that is a managerial target. You might have a policy target to reduce import penetration by 50 per cent by the end of this year. Now, in no way is that something by which I ought to allow my career to be judged. Whereas getting the handling time for special assistance cases down from ten to eight weeks is the sort of thing that might be measured."
>
> (Policy Under Secretary)

Policy making, officials argued, was fluid rather than static. Policies were in a constant state of emergence and transformation. They had no clear beginning nor ending. They merged one into the other. As this was the case, the conduct of overarching evaluation appeared less relevant to policy officials than constant but close monitoring of progress and its subsequent marginal adjustment:

"The notion that you have a policy and then you have a point in time a couple of years later when you say 'and now it has worked' is really a bit naive because life has moved on and the objectives have moved on and bits of monitoring information have become available as you go along and you've made little changes...lots of information has become available and you change in response to that, so the animal you're evaluating has changed as well and maybe you have to see it as a rolling programme of watching what you are doing rather than a big bang thing which is how I imagined it would be when we started...It might not be any the worse for this and it may be the only way you can do these things unless you say I will not touch this piece of policy again."
(Deputy Secretary)

Here, then, there appeared to be room for accommodation between policy officials and their managerial counterparts. If the larger ambitions of the management reformers could be replaced with more modest ones, policy officials were significantly more willing to allow that useful results might flow from policy management. Rather than aiming continuously for the global assessment of policy, a more incremental approach could be utilised. Certainly, the experience of comprehensive evaluation along FMI lines had not, for some, been a happy one:-

"We did invest a lot of effort in doing an exercise in relation to provision for the elderly with retirement pensions and income support, coming up with objectives, looking at evaluation methods....the thing just sat on the shelf because by the time we finished it, it was such a motherhood thing that you couldn't actually use it and we all found that very disillusioning."
(Deputy Secretary)

So, policy analysis should be concentrated on change at the margin. For instance, although one could not specify the objectives of a benefit with precision, if a change in its administration were proposed then the task of analysing the effect of that change became manageable. Its objectives could be delineated more easily and its effects monitored more readily. Since much of the original policy, and the programmes which were its tangible expression, were not in any case open to alteration, the incremental approach appeared to hold out considerably more promise that the global alternative. Existing policy rather than being the object of analysis could act as the framework within which evaluation of incremental change could take place:

"Most of it is rather intermediate stuff because often the objectives of change themselves are intermediate sorts of things. They don't tend to be global like stopping people from starving. You're not in that sort of fundamentalist territory."
(Deputy Secretary)

For all its benefits in practice, the more limited conception of policy management failed, nevertheless, to come to grips with more fundamental questions regarding the effectiveness with which policy was delivered and the appropriateness of policy choices. In reality, it amounted to monitoring and adjustment with a particular eye to issues of cost. Policy officials conceded that evaluation of this kind would be helpful but so long as it focused principally on efficiency, its potential remained limited. Gray, for example, calls attention to the fact that in concentrating so heavily on the mentality of accountants, the FMI may have missed the opportunity to learn more from managerial advances in private industry where there had been a renewed focus on assessing the quality of products and services rather than concentrating on the efficiency of their manufacture or delivery (Gray, 1986, p.19). In fact, not until Next Steps was well under way did the quality of services delivered by government become a major preoccupation:

> "Policy people are right to be sceptical about the capacity of the financial management people to ask the right sorts of questions about programmes. It is OK to ask questions about the efficiency of industrial policy but what they haven't got is the tools to ask questions about its effectiveness. There is a gap in the rhetoric here."
>
> (former Policy Under Secretary)

CHAPTER 4

TRYING AGAIN: THE NEXT STEPS

Five years after its inception, the FMI had 'run out of steam'. Its successes, although present, were limited. Its failures, whilst understandable, were manifest. In summary, the FMI lost momentum because its forms prevailed over its substance, because there was deep suspicion at many levels of the civil service about the motivations of its political and bureaucratic proponents and because it failed to overcome deeply entrenched structural and cultural impediments to change. Managerial zeal did not, however, fade with the programme that was its standard- bearer. It re-emerged resplendent, draped in the new garb of the Next Steps programme. This reform built consciously and conscientiously on the foundations which the FMI had lain. At the same time, however, its designers sought at every step to avoid the pitfalls which had buried its predecessor. In this, they appear to have been only partly successful. Although there is much in the Next Steps approach which is attractive, its introduction into the arcane world of Whitehall politics could not be expected to proceed without a hitch. In the event, the political and bureaucratic forces which had drawn swords on the battlefield of the FMI, picked them up again to war in the very same fields over its successor.

1. The Background to 'The Next Steps'

By 1987, five years after the FMI's launch, the Prime Minister had, for good reason, become concerned that the pace of managerial change had slackened. Advised by Sir Robin Ibbs that the FMI had failed to deliver many of the benefits it had promised, she commissioned the Efficiency Unit to conduct a scrutiny not solely of progress with the FMI but of management in government more generally (Hennessy, 1990, p.618). Unlike previous scrutinies, 'Improving Management in Government' was not focused on the delivery of a particular service or the conduct of a particular function but was designed to examine the entire process of management reform since the Thatcher Government assumed office in 1979. The scrutiny was further motivated by the perception among Efficiency Unit personnel that the unit itself needed to assess its future direction. Coming on the tail end of the Parliament it was appropriate for its members to pause to think about how its contribution might be renewed when the next government assumed office:

> "They realised that what they had done was largely marginal in so far as basic attitudes were concerned. The ethos still looked a good deal like it had done before. So they focused on the FMI, as the latest of the reforms that had taken place. They asked what has the

> FMI delivered and then found that well, perhaps, it hadn't delivered anything substantial at all."
>
> (Principal)

The Government's new concentration on managerial change was also fanned by its radical reform agenda. It had a very substantial programme of political change ahead of it. There was not only civil service reform but reforms to the poll tax, education and the National Health Service among others. The magnitude of the reforms proposed led the Prime Minister and the Efficiency Unit to question whether the structure and operation of the civil service was adequate to deal with the political stresses with which the governmental machine would soon have to deal.

The unit therefore began a comprehensive programme of interviews with Ministers and civil servants at all levels of the administration. The need for further reform combined with mounting evidence of the FMI's lack of success in achieving fundamental change soon persuaded its officials that more major surgery was required:

> "They talked to people about the FMI, about the expectations that people had for it and whether these were being realised. They talked to senior people about the extent to which they thought they managed departments and about why they couldn't. They talked to Ministers about their managerial responsibilities and ministers' worries that the sheer workload was preventing them from doing the job they thought they were in politics for. But the real motivator for the Next Steps was their talking to the real people out there doing it who persistently gave them the same message - that they could do more, that they wanted to do more...but that the machine prevented them from doing it. That was the bedrock on which all the rest was constructed."
>
> (Principal)

The unit released a draft report for internal consumption. It was the source of immediate consternation. Three different disputes began over its prescriptions. The first related to civil service size. The Efficiency Unit saw the fledgling conception of agencies as a means to reduce the size, role and influence of the service even further than it had been. Hence, the first that departments heard about Next Steps was that it was an initiative designed to cut back the core civil service. This would be achieved either by privatising or by hiving off agencies which would then establish their own methods of organisation and conditions of operation:

> "I got involved with the Next Steps from mid-1987, pre-publication. Departments were asked to deliver up candidates [for agency status] on a hush hush basis. The whole emphasis of the Next Steps was not on improving management but on reducing the size of the civil service. There was great chest thumping stuff coming out of the Efficiency Unit about how, on this approach, one might get the civil service down to twenty five thousand.

> Since then we have seen a shift in emphasis so that we are back on the track of improving management in government."
>
> (Departmental Deputy Secretary)

The attempt to hive off civil service work to autonomous agencies outside the civil service umbrella met with swift and stiff resistance, not least from the Treasury. Departments and their staffs were not yet ready to countenance the abandonment of a unified civil service. Following intensive negotiation, management improvement was reinstated as the primary objective of the new reform programme. However, as Next Steps developed further the issue of whether and to what extent it was consistent with a unified service loomed large as a matter which required urgent resolution (Fraser, 1988, pp.48-49).

A second dispute arose because Treasury was concerned about the impact the intensive push to delegation would have on its ability to control public expenditure. Treasury officials reasoned that if agencies were permitted openly to bid for resources, to control their staffs and to manage their financial affairs more independently, it may not be able to control new demands for additional expenditure which would inevitably arise. This concern, while quite legitimate, was soon sucked into the vortex of Treasury-departmental relationships with each side suspecting the other of making inroads upon their respective spheres of influence (Cameron, 1988, p.11; Drewry, 1988, pp.505- 506). In the event, the impasse was ended by the intervention of the Prime Minister and the head of the Home Civil Service:

> "The Efficiency Unit reports directly to the PM...They told the PM what the ideas were and she responded favourably when she first heard them and crucially, so did the head of the home Civil Service, Sir Robert Armstrong. Without him, and his support right from the outset, I'm sure that this would not have come about, certainly not in the way that it has."
>
> (Principal)

Third, the Prime Minister had still to persuade the Chancellor and other Ministers of the merits of the new approach. By convention, a Prime Minister did not interfere with the way Ministers managed their departments. Yet the Next Steps clearly had fundamental implications for the relationship between Ministers and their departments. In addition there was considerable division of opinion between Ministers regarding the desirability of the changes. Some greeted with relief the programme's avowed intention to relieve them of managerial responsibility. Others, however, were concerned that Next Steps would rob them of control:

> "So Ministers needed to be brought on board. They were consulted and the Chancellor was one of those Ministers - and he said 'I don't much like the look of this and there

are many matters which would need to be sorted out before I support it in the form of a number of preconditions and steps that would have to be satisfied before an agency would be established.' Once these were agreed in general terms, the issue went to Cabinet for endorsement. In the final analysis it was a political decision."

(Principal)

2. The Next Steps Report

The Next Steps report was finally introduced to the Parliament by the Prime Minister on February 18 1988. It presented a sweeping indictment of the progress of management reform in Whitehall since 1982. It found that while the civil service was much more conscious of the cost of its activities than it had ever been, the essential features of management in Whitehall had remained untouched by five years of intensive administrative reform. Short-term political priorities still squeezed out long- term planning. Policy and ministerial support dominated civil service structure and function to the neglect of effective delivery of government services. Government programmes were focused on the expenditure of money rather than the achievement of results. There was a chronic shortage of managerial skills. The civil service itself was far too large to manage as a cohesive entity. Clearly, the introduction of new management systems had been a welcome development. However, without a real change in attitudes and institutions, in the culture of the administration, the benefits obtained from the systems had been limited (Efficiency Unit, 1988, Appendix B, p.21).

The Efficiency Unit's more specific findings on progress in each of the three components of the FMI was no less damning. Certainly progress had been made in the development of systems but little beyond the quality of information had improved. The unit concluded that top management systems had been found relevant principally to executive functions but had made scant progress in altering patterns of analysis in headquarters and policy divisions (Efficiency Unit, 1988, Appendix B, p.22). Delegated budgeting systems had been trialled with some success. However, the pilot systems had been overwhelmed by larger forces militating against delegation including ministerial responsibility to Parliament, the existence of extensive central controls and a general reluctance by managers to embrace the risks implicit in delegation (Efficiency Unit, 1988, Appendix B, p.28). There was still an inadequate concentration on results. Many more performance indicators had been developed but these related principally to administrative expenditure. Systematic evaluation of programmes had not yet been undertaken (Efficiency Unit, 1988, Appendix B, pp.25-26).

The Efficiency Unit's programme was a radical one. It made five principal recommendations. First, 'agencies' would be established to carry out the executive functions of government. Second, the manner in which an agency would perform its tasks would be specified in a policy and resources framework agreed with its sponsoring department. Third, each agency would be headed by a chief executive appointed from within or outside the civil service. The chief executive would be held personally responsible for the achievement of the specific objectives and targets set in the agency's framework document. Fourth, chief executives would responsible to Ministers who in turn would be accountable to parliament for the operation of their agencies To implement these changes, the unit recommended, fifth, that a full Permanent Secretary be designated as 'project manager' to ensure that the reform programme proceeded quickly and at a high level. The unit summarised the impact of its proposals in the following terms:

> "The aim should be to establish a quite different way of conducting the business of government. The central Civil Service should consist of a relatively small core engaged in the function of servicing Ministers and managing departments, who will be the sponsors of particular government policies and services. Responding to these departments will be a range of agencies employing their own staff, who may or may not have the status of Crown servants, and concentrating on the delivery of their particular service, with clearly defined responsibilities between the Secretary of State and the Permanent Secretary on the one hand and the Chairmen or Chief Executives of the agencies on the other. Both departments and their agencies should have a more open and simplified structure."
>
> (Efficiency Unit, 1988, p.15)

The new approach had an eclectic parentage. In 1968, the Fulton Report observed that there were many constraints on delegation in Whitehall and that large scale executive operations should be hived off wherever possible to independent boards (Cmnd 3638, 1968, para 147). In the late 1970s, some departmental agencies were created, the most important of which were the Property Services Agency and the Procurement Executive. Generally, however, the movement towards hiving off failed to take root because, as economic conditions worsened, political attitudes towards the proliferation of non-departmental public bodies hardened (Garrett, 1980, p.69). A decade later circumstances had changed, producing an altogether more conducive environment for a reconsideration of Fulton's ideas. Cash limits had placed a clear ceiling on budgetary expansion. Delegation rather than amalgamation was the administrative fashion. The strictly hierarchical civil service had begun to creak under the pressure of increasingly unpredictable economic and social conditions (Richards, 1989, p.31). Perhaps most importantly, the Government itself was strongly persuaded of the need for managerial reform and it had the will to effect it (Butler, 1990, pp.4-5).

"I think that it was framed at a time when everything was right for it. There was the political will to drive through management change...There was a grass roots feeling that delegation had not run through, that managers had been given the trappings and not the tools. I think there was also a growing number of people working their way up into reasonably influential positions who were interested in management issues...at the very top level there was a developing feeling that departments were extremely difficult to manage...on top of trying to do what most Permanent Secretaries are interested in which is policy work. A system that enabled those areas to be better managed was urgently wanted. All this formed a climate where there was a readiness for change."
(Treasury Under Secretary)

Next Steps also had a respectable private sector lineage (Richards, 1989, p.29). Newly emergent managerial literature emphasised the importance of 'loose tight' properties - the co-existence of firm central direction with maximum sub-divisional autonomy - to managerial success (Peters and Waterman, 1982, p.318). Establish a small central core of personnel whose task it is to set policy and establish guidelines for the delivery of services, enter contracts with service suppliers to meet sales and service targets and then just watch how well the system runs, was the simple but cogent message which came from business analysts (Toffler, 1985, p.170). This idea resonated clearly in the design of the Next Steps reforms. 'Small is beautiful' was the sincere belief of the new reformers and the increasingly hackneyed but popular phrase was cited with approval right across the managerial spectrum (See, for example, Peters and Waterman, 1982, p.321; Butler, 1990, p.5).

The Next Steps was not so different in concept from the FMI (Richards, 1989, p.29; Gray and Jenkins, 1990, p.161). Both sought to break down the excessive centralisation and hierarchy which had characterised British central administration for decades. In its place, a looser more delegated managerial environment was to prevail. However, the difference with the Next Steps was that it confronted more directly the major institutional impediments which had stood in the way of the 'loose-tight organisation'. It did so by proposing substantial delegation of budgets, manpower and pay and conditions backed by structural changes to match. It also sought to dilute the doctrine of ministerial responsibility to permit agency executives as well as Ministers to be held accountable for the performance and mistakes of the agencies in their charge. There were confrontations on both fronts. Each is now considered.

3. Ministerial Responsibility, Ministers and Managers

"The FMI talked quite a bit about management by Ministers. It only talked about it though. The reality was that Ministers couldn't exercise their responsibilities and what is more, arguably they didn't want to. That's not what they joined for. Next Steps took that on the nose."

(Principal)

The FMI had tried hard to engage Ministers in management. In this it failed miserably. The Next Steps blueprint drew from this the lesson that Ministers should be required to involve themselves in management only to the degree necessary to provide clear policy direction and establish definable targets for effective performance. The split between the policy responsibilities of Ministers and the managerial responsibilities of the administration was then institutionalised by effecting a structural separation between core departments, whose task was to provide political advice to Ministers, and executive agencies, whose task was to deliver governmental services.

Ministers, together with their Permanent Secretaries, would be responsible for charting strategy, determining specific policy objectives, ensuring compatibility between the various component parts of portfolio operations and endorsing annual performance agreements. Chief executives, by contrast, would be responsible for ensuring that their agencies pursued the objectives which had been set ministerially, reached the targets which had been agreed, delivered an effective service to the public and, where appropriate, for making recommendations to the Minister regarding policy changes which could facilitate their work.
This division of responsibility was also reflected in the accountability arrangements which were formulated for Ministers and chief executives respectively. Ministers would account to Parliament for the work of their departments including the performance and conduct of agencies within their portfolio. Agency chief executives would account to Permanent Secretaries and through them to Ministers for the achievement of the agency's operational objectives (HC 494-II, 1987/88, Evidence of Rt. Hon. Richard Luce, Minutes of Evidence, pp.64-65). Stated like this, the division of roles appeared clear and unambiguous. However, two assumptions needed to be fulfilled if the division was to be effected successfully. The first was that the doctrine of ministerial responsibility could be modified to accommodate the implicit loosening of Ministerial control. The second was that an effective distinction could be drawn between policy and administration. Both were open to question.

(i) Modified Ministerial Responsibility

The problem began with the Government's assertion that traditional patterns of accountability would not be altered by the administrative reforms which had been proposed:

"What we are saying is that we must preserve, of course, the basic principles of ministerial accountability to

Parliament. That is absolutely cardinal and I am glad to have a chance to reinforce that point. That must be preserved. At the same time, on the day to day operational management of the agency, we would delegate as much authority as possible. That means the chief executive himself must take a large number of decisions."

(HC 494-II, 1987/88,
Rt. Hon. Richard Luce, Minister for the Civil Service,
Minutes of Evidence, p.64)

However, as the Expenditure Committee pointed out in its 1977 report on the Civil Service, the creation of quasi autonomous administrative agencies necessarily implies a diminution of Ministerial control. For this reason, it believed there was a need to achieve a proper but altered balance between Ministerial supervision and autonomous action taken by an agency; between the formal accountability of Ministers to Parliament and the effective responsibility of chief executives for the conduct of their operations (HC 535, 1976/77, p.91). It is too early to predict what effect the Next Steps will have on these complex relationships. However, two quite different scenarios might reasonably be envisaged. In the first, it is assumed that the Government's position remains unaltered. No change in the operation of ministerial accountability to Parliament occurs. In the second, a shared responsibility to Parliament and public is envisaged. Both illustrate, more generally, the significant impact which the interaction between politicians and administrators can have on the outcomes of new programmes of administrative reform.

Scenario 1: Existing Accountability Arrangements

a. If the Minister is still held formally accountable to the Parliament not only for setting the framework of agency operation but also for its management then inevitably he or she will be inclined to intervene in administrative affairs. As was the case under the FMI, the delegation of authority to agencies and within agencies will be accepted as given only until a question is asked, a detrimental report is filed or a widely publicised administrative error is made. After that, Ministerial intervention to rectify the situation and to circumvent further political attack can reasonably be expected. Territorial disputes between Ministers and chief executives would be the result:

"I didn't think the Next Steps would work when it started. I didn't for instance think you could take something like social security and make it separate from politicians - I am still actually to see that you can do that. I didn't think politicians would allow it. I still can't see what politicians think is in it for them...Given that I couldn't see what was in it for Ministers because it just removed from their direct control things which might end up being embarrassing, I don't know what they will do if they can't actually

> change the wording of a form - I actually had a Secretary of State drafting a form...In a way the civil service has rather railroaded them into it."
>
> (Deputy Secretary)

If, as might be expected, Ministers do intervene to avoid embarrassment and parliamentary sanction, delegation under Next Steps will be substantially prejudiced (See further HC 494-II, 1987/88, Evidence submitted by the First Division Association, p.36).

b. Because, formally, Ministers are held accountable to Parliament, agency chief executives may well be inclined to adopt a conservative approach to the management of the agency in order to ensure that the Minister's position is made safe. The cautious, multi-layered, supervisory culture so prevalent in Whitehall departments may be replicated in agencies whose chief executives are concerned at every point to avoid errors having political repercussions. Such a conservative approach, however, would run contrary to the expressed intention of Next Steps which is to make agencies more entrepreneurial in outlook and action (See further HC 494-II, 1987/88, Evidence submitted by W. Plowden and G. Drewry, p.30).

c. If chief executives are to answer to Parliamentary select committees for the day-to-day operations of their agencies, they should be permitted to speak and to be drawn to account on their own behalf when appearing before them. However, the traditional view, as embodied in the Osmotherly Rules, is that all civil servants are accountable through their Minister and give evidence on behalf of their Minister. The Treasury and Civil Service Committee recommended to the Government that the rules be altered to permit chief executives to answer on their own behalf (HC 494-I, 1987/88, p.xix). The Government responded unfavourably to the suggestion. Here, the Government's concern to retain some control over agency chief executives lay in stark contrast to the assertion by agencies of operational independence.

Scenario Two: Modified Accountability Arrangements
This somewhat pessimistic analysis needs to be balanced by an appreciation of the very different problems which might arise if the alternative scenario were to come to fruition.

a. Where a Minister adopts a hands-off rather than hands-on approach to the management of agencies, the power and influence of chief executives will correspondingly increase. If, at the same time, the accountability of Ministers to Parliament for operational matters is diminished, an accountability vacuum may be created (See in particular Drewry, 1988, p.513; Drewry, 1990, pp.325-328). Chief executives would exercise their operational responsibilities in the absence of effective parliamentary sanction. This may not matter given the presence, as in Australia, of a fully developed system of administrative law. In its absence, however, it may reasonably be expected that there would soon be calls from Parliament for Ministers to reassume responsibility for their agencies in order to restore a balance between the exercise of administrative power and accountability for its use.

b. Chief executives would bear primary responsibility for the conduct and performance of their agencies. Acting more entrepreneurially, they may reap considerable success but with increased risk comes also the prospect of failure. Where failures occur, cooler Ministers may respond by pointing to compensating successes and arguing that the occasional failure is one cost of a system which as a whole produced far greater efficiencies. More likely, however, many Ministers would respond by reasserting their control.

c. Given their responsibility for large chunks of governmental work it is inevitable that chief executives, particularly of the mega-agencies, will increasingly become public figures in their own right. Not only does this prejudice traditional notions of public service neutrality but it also creates the potential for active and potentially public conflict between the executives and their Ministers. If, for example, chief executives were to be blamed by select committees for a deterioration in agency performance caused principally by Ministerially imposed policy or resource constraints, the temptation to criticise or at least allude to impediments posed by these constraints would be significant. However, such allusions might lead to a swift ministerial response (see, for example, HC 494-II, 1987/1988, Evidence of Rt. Hon. Michael Hesletine MP, p.48).

(ii) The division between policy and administration

The second assumption upon which the successful operation of agencies rested was that a clear distinction could be drawn between policy functions, which rest essentially in the domain of Ministers, and administrative or managerial functions which are the province of civil servants or managers. On this the relaxation of the doctrine of ministerial responsibility largely depends. For if there is no workable distinction, it will be difficult to determine the respective responsibilities of Ministers and their agency officials and even more difficult to determine who should answer for agency performance. Yet, both academic literature and practical analysis cast doubt on its viability:

"I don't accept that there is such a thing as a division of policy and administration. I think at the highest possible most ethereal level, Ibbs was all about the division of policy and administration. What he said was that Ministers were overburdened with day-to-day stuff. They should be out there governing the country, making policy and should not be burdened with the minutiae of how their particular services should be run. But when you've said that, when you get down the line, policy and administration are quite inseparable. The words actually slip away in your hands."

(Second Permanent Secretary)

Where, at the margin, there is an inevitable overlap between the two, new difficulties will certainly be created for Ministers and agency officials alike. Three examples will suffice to illustrate the point.

First, Ministers are keen to ensure that their policy settings are calculated to achieve maximum political advantage. However, these settings may not necessarily coincide with those preferred by agency chief executives whose principal concern will be to maximise the satisfaction of the consumers of their services. It is entirely possible, therefore, that centrally determined policy objectives will conflict with those dictated by operational concerns. Chief executives will be unwilling simply to accept policy as read and will soon seek actively to influence its direction. In consequence, two different policy streams may emerge as core department and agency negotiate constantly to achieve an appropriate balancing of interests. Different perspectives on policy may also spawn duplication as chief executives come armed to policy discussion with arguments and research of their own and departments recruit to better their understanding of operational exigencies (See HC 494-II, 1987/88, Evidence submitted by Robert Baldwin, p.88; HC 481, 1989/90, Evidence submitted by Rt. Hon. Richard Luce, p.48):

"[Duplication] is an enormous risk of agencies. As soon as you split anything, both sides try to regain their expertise. We are already finding at the centre that we have to build up some of the things that had been there formerly. When we set up the computer agency we suddenly found that all the computers had gone and I know that some agencies are recruiting policy people."

(Deputy Secretary)

Secondly, the more autonomous agencies become the more likely it is that they will be subject to 'capture' by their constituencies (See HC 481, 1989/90, Evidence submitted by P. Dunleavy and A. Francis, p.70). It is a moot point whether core departments will be able effectively to scrutinise the activities of their agencies and any lack of understanding will only serve to exacerbate splits in perspective between policy analysts and agency operatives.

Thirdly, the inevitable overlap between policy and administration may also cause difficulties in determining whether it should be a Minister or chief executive who should answer for an agency in Parliament. Individual complaints, for example, may raise both administrative and policy questions. Where operational failures are at issue, there may be a tendency for Ministers to redefine policy questions as administrative issues and for administrators to do the reverse. In either case, the waters of accountability may be muddied (see for example HC 494-II, 1987/88, Evidence submitted by the First Division Association, pp.38-39). The avoidance of responsibility would make it significantly more difficult for Parliament to apply the already limited sanctions at its disposal.

In summary, the proper implementation of the Next Steps would necessarily involve a considerable relaxation of the rules governing the accountability of Ministers to the Parliament. Such a relaxation in turn presumes that an effective distinction could be drawn between policy, for which Ministers will in future be held responsible, and administration, for which chief executives will be called to account. At present, however, the Government both embraces the distinction between policy and administration and shows little or no sign of acceding to the relaxation of ministerial responsibility. In the absence of such a relaxation, the operation of the Next Steps reforms, like those of the FMI before it, may be hampered (see also Chapman, 1988, p.6; Fry, 1988, pp.436-437) as Ministers and their officials engage in increasingly difficult territorial negotiations.

> "Accountability, however, will be unpicked by decentralisation. We're not necessarily saying that Ministers will not be accountable in a decentralised government just as they are in a centralised government ...but what it does require is an adaptation on the part of both Ministers and the public in the way they handle business in decentralised government and a good deal more thinking must be done in this area."
> (Treasury Deputy Secretary)

(iii) Political incentives for change

The foregoing discussion has concentrated on the political problems associated with the implementation of Next Steps. The discussion needs to be balanced by a recognition that, despite the formidable difficulties the initiative faces, there are a number of powerful forces in the political arena which have exerted strong pressure in its favour. As with the FMI, the most important of these has been the commitment which Prime Minister Thatcher brought to the cause of managerial improvement. Her interest in changing the way that government was administered was unflagging. It persisted throughout the life of the FMI and, when its fortunes began to wane, she was not discouraged but actively sought to revive the reformist agenda by embracing Sir Robin Ibbs' even more radical prescriptions. Despite inherent contradictions between her public advocacy and private style, between her active dislike of the administration and her drive to improve it, she nevertheless drove the managerial agenda in a way no Prime Minister since Lloyd George had previously done:

> "I think what any civil servant would recognise is that she was a passionate advocate to get substantial improvement in the management of government. She cared very much about the issue. She did not pretend that she was a manager but she wanted people who were good managers to manage well. What is more important she called people to account for the objectives and targets that ministers had laid down. She took a genuinely personal interest in making sure that the reforms were working. It seems to me that whether she had been in government for five, seven or nine years, that would have been her contribution."
>
> (Deputy Secretary)

Further, the Next Steps has, since its inception attracted considerable interest and enthusiasm in parliament. With no less than four inquiries in three years, scrutiny by parliamentary committees has acted as a very important impetus for change. By demanding that evidence of progress be provided and that explanations be forthcoming in its absence (HC 481, 1989/90, Evidence submitted by Peter Hennessy, pp.60-61), the Parliament applied intense pressure for managerial improvement.

Finally, the FMI, whatever its faults, had served as a vehicle through which some of the more intractable problems of reform could be resolved. As a result, Next Steps was able to build constructively on the foundations which had been laid. The FMI, for example, laid to rest the notion that Ministers either could or wanted to become managers. The Next Steps was not then bedevilled by endless debates on how they should be made interested in and committed to the managerial cause. It disclosed that Ministers had little time to devote to the details of administration. One of the reasons Next Steps was so eagerly embraced by some was that it recognised the reality of the Minister's position.

4. Treasury, Departments, Agencies and Delegation

The principal obstacle which lay in the path of the FMI had been the resistance of the Treasury to a relaxation of central controls. This resistance had been mirrored in departments where central finance and establishments offices were at best cautious and at worst actively resistant to the transfer of managerial authority to operational managers. The Next Steps programme took direct aim at these points of resistance. The Efficiency Unit report had been critical of the plethora of central controls still retained by the Treasury. It cited controls over recruitment, dismissal, choice of staff, promotion, hours of work, accommodation and the use of information technology among others as strong impediments to managers assuming their proper, delegated responsibilities. Each was seen as a significant constraint. None produced incentives to manage better (Efficiency Unit, 1988, p.5). It found similarly that central finance and establishments divisions by restricting flexibility, for example to switch resources between budget items, heavily constrained the ability of operational managers to exercise their initiative (Efficiency Unit, 1988, Appendix 2, p.28). In Whitehall, the trend towards the centralisation of financial and managerial affairs had been a long, steady and powerful one. Yet Treasury power, just as much as ministerial responsibility, required modification if the Next Steps revolution were to succeed. The substantial and successful reduction of central financial control was the sine qua non of successful administrative reform.

(i) Treasury and Agencies.

From the outset, the Treasury was deeply concerned about the Next Steps reforms. When early drafts of the proposals were first distributed they met with strong reservations (HC 494-II, 1987/88, Evidence given by Sir Robin Butler, p.57; Drewry, 1988, p.506; Gray and Jenkins, 1990, p.163). Its fear was that the strong push to delegation would undermine its control of public expenditure. Memories of expenditure rampant still exercised a pervasive influence on Treasury attitudes:

> "No one who was in Treasury in 1976 as I was, when the IMF came in, there is not a chance whatever that any of us would let that happen again. Public expenditure control has to remain absolutely."
>
> (Second Permanent Secretary)

Agencies, focused as they were on the delivery of better quality services, could soon be expected to vocalise demands for additional resources. This, combined with their greater independence, more assertive leadership and public recognition could, it was feared, place the Treasury and public expenditure under very considerable pressure:

> "I think one has to recognise that devolution can work in one of two ways. It can work to support Government policy, and it also could work in the opposite direction. The real problem is that the vast majority of the expenditure we are talking about is not priced. If it is not priced, supply always succeeds demand...People can have high cost options rather than low cost options, and they can have more rather than less, assuming it is a desirable product you are supplying the public, which money generally is. So I think one has to take great care to ensure the energies one is releasing from this...move in the direction of Government policy."
>
> (HC 494-II, 1987/88, Evidence from Sir Peter Middleton, p.74)

Treasury realised that, on the one hand, it had to move with the times and support the general thrust towards delegation. However, on the other, it could not abandon its commitment to public expenditure restraint. Therefore, it set two tough preconditions for its continued support. First, any improvements in the quality of service arising from the creation of agencies had to be achieved within existing levels of resources. There would be no relaxation of central expenditure controls (HC 494- II, 1987/88, Memorandum from H.M. Treasury, p. 68). Secondly, the Treasury demanded and was accorded the right to scrutinise candidates for agency status and to determine, in association with the sponsoring department, the policy and resources framework within which each should operate.

Having established its place at the negotiating table, Treasury insisted on strict conditions being met before agencies could be permitted to set sail. Every alternative to agency status should be considered before agencies were established. Framework documents should set out clearly the agency's aims and objectives and its arrangements for financial planning and control. Before acceptance, each agency should have adequate management and accounting systems. Responsibilities delegated to agencies would be the maximum practicable but had to be consistent with essential central controls. Targets had to be challenging but could not be such as to create demands for additional resources. Each agency should report on their progress against targets and set in place appropriate arrangements for evaluation (HC 481, 1989/90, Memorandum from H.M. Treasury, p.23).

It was in negotiations around the terms of agency status that the major battles between Treasury and agencies began. Treasury conditions were regarded by agencies as too onerous. Agency demands for greater freedom were treated mistrustfully by Treasury:

> "Let me caricature the Treasury as the people who are the less than devoted freaks. There are I think legitimate worries in the Treasury and there are less legitimate worries. Let me polarise the freak and unfreak by two attitudes. The freaks take as the starting point what controls is it absolutely essential to retain in order to preserve the constitutional position and to protect the position of the Secretary of State and the Accounting Officer. They throw the onus for proving the need on to the person wanting to exert the control. That is the right approach. Those who are less convinced want the case for each freedom to be argued. When you have arguments from these different starting points it can make for major difficulties."
>
> (Deputy Secretary)

It would be ~~quite~~ wrong to assume from what has been said that there had been no change in the Treasury position. The Treasury was considerably more prepared than it had been to delegate some of its financial controls, particularly input controls. It accepted, for example, that agencies should have increased in- year and end-year financial flexibility; that agencies might, in appropriate circumstances, be accorded trading fund status; and that chief executives rather than Permanent Secretaries could be nominated as Accounting Officers (see generally, Cm 914, 1989). But for this relaxation it had extracted a price. The price was a greater role in setting targets and monitoring agency performance. The ground it lost on inputs it made up on outputs:-

> "At any point in time...the Treasury will inevitably be battling to retain the controls it has had. But that may not be the real battle. The battle may be about what sort of controls it should have. What I believe to be true is that there is more than one way of controlling costs. And we have to adapt in Treasury to a world in which greater management responsibility is passed down and, with it, greater discipline is passed down. I think we are moving from a period in which Treasury had to place complete reliance on global input controls to one in which it can increasingly place suitable reliance on output oriented controls - overall budgetary performance, cost performance, value for money, quality of performance. I think we're seeing the development of a new balance between input controls and output controls ...this doesn't mean that everyone has a block budget. But it does mean that people have got more freedom within the budgetary total."
>
> (Treasury Deputy Secretary)

On the surface it appeared that Treasury had ceded considerable ground. Looked at more closely, it was not at all clear that the balance of authority between the Treasury, departments and agencies had changed fundamentally. Indeed the first study of agency financing suggested that if anything, Treasury control had been tightened rather than relaxed. Mellon's survey of experience with five of the first agencies concluded that Treasury appeared unwilling to trust in the capacity of agencies to manage properly. It still, she argued, operated within a framework of control rather than facilitation (HC 481, 1989/90, Memorandum submitted by Elizabeth Mellon, p.101).

(ii) Departments and Agencies

The most dramatic effect of Next Steps was not on the relationship between Treasury and departments but on that between departments and their agencies. The transfer of responsibility from departments to agencies involved, particularly in the case of larger agencies, shifts in authority and influence of almost unprecedented scale:

> "Agencies are about power. In the DSS a year ago, the Permanent Secretary presided over a department of about eighty-two thousand people. A year from now he will preside over a department which will consist of a funny little rump of an HQ of a thousand people, a benefits agency of seventy thousand people with running costs of one thousand million pounds a year and responsible for

disbursing benefits of almost six thousand million pounds a year; an Information Technology Services Agency of three thousand people; a National Insurance Agency of nearly seven thousand people; a smaller agency concerned with resettlement; and in a further two years, a child support agency...it represents a reverse takeover."

(Deputy Secretary)

In the post-agency era, core departments were expected to take on a much more strategic and less interventionist stance. They had to clarify their new identity, set targets for their agencies and develop new skills to perform adequately in the changed managerial environment (See HC 481, 1989/90, Memorandum submitted by the Department of Social Security, p.107). The key attitudinal change necessary was that the core department should learn to trust chief executives to perform effectively. Its own rule would be to determine whether what was done was consistent with governmental and ministerial objectives. Departments would have to learn to manage 'hands off' even at the cost of agencies making early mistakes. Only in this way would they be able to realise their potential (HC 348, 1988/89, pp.40-41).

To effect such fundamental change was always going to be difficult. One lesson which the FMI had demonstrated with crystal clarity was that the centre of departments had been extremely reluctant to pass on increased flexibilities to their line divisions. The full flexibilities inherent in the running costs system, for example, had rarely been transferred from the centre of departments. The danger was that:

"Departments though apparently delegating control may not do so in practice or - more insidiously - in the name of monitoring an Agency's performance, may supervise and constrain the Agency's freedom of action at every turn."

(Butler, 1990, p.7)

From the core department's perspective, freedom did not mean licence. The additional freedoms which agencies possessed needed to be balanced by a rigorous framework of operation, clear targets, and effective management information systems:

"Agencies are about empowering people. With that of course goes responsibility and accountability. Because we are talking about major change, we are talking about power and the transfer of power and this does inevitably create sensitivities and worries."

(Deputy Secretary)

Frequently, it took protracted negotiation before the respective roles of Minister, Permanent Secretary and Chief Executive were clarified and the framework document endorsed (HC 481, 1989/90, Evidence given by Chief Executive Employment Services Agency, p.32). The position of core departments was especially difficult since they needed to balance their own interests against those of the Treasury on the one hand and agencies on the other:

> "There is now almost a three-tier system of tension. There is tension between agencies and putative agencies wanting to go their own way and the central divisions of departments, particularly finance divisions, wanting to retain a measure of control. Then there is the tension between the department as a whole and the Treasury."
>
> (Under Secretary)

For agencies, however, the position was altogether more simple. They had steadfastly to assert their rights against both finance divisions and the Treasury:

> "It is ...like one of those electronic games where you encounter a minor enemy which you can set apart and kill only to encounter the gorilla which kills you - that, of course, is the Treasury!"
>
> (Deputy Secretary)

There were two areas of contention in particular which dominated discussion. The first related to determining the targets which should be set for agencies. The second was the debate about who should set them. As a general rule, core departments would argue that very detailed targets should be set so that the performance of new agencies could be monitored carefully. Agencies on the other hand contended that targets expressed in terms of general levels of service would be sufficient. Such high level targets, they argued, would avoid the need for constant intervention by those at the centre of departments. Departments countered by contending that high level or selective targets may still not be sufficiently sensitive to permit them to avoid Ministerial embarrassment when agencies did not perform:

> "You come back to the question of the answerability of the Secretary of State and it has been made abundantly clear that he will still answer to the Parliament for the service. Even if you take key targets, a mixture of high level targets and targets for particular benefits of extreme sensitivity, those where you musn't delay in processing a claim, there will nevertheless be other benefits where an inordinate delay or an inordinately high rate of inaccuracy will put the Minister in an embarrassing position."
>
> (Deputy Secretary)

Core departments and agencies also differed on who should set targets. Agencies proposed that only they were in a position to do so. Departments felt that unless targets were formulated centrally, a potent source of control would be denied them. Successful negotiations usually involved a compromise. Targets were set upwards through the agency and formed part of the business plan it presented to the department. The department then satisfied itself first, that the targets, as set, would contribute to its overall aims and objectives and secondly, that there were no glaring omissions:-

"We have an extremely strong commitment to equal opportunity policy at senior level. If there were no EO targets in the agency's plan, I would expect questions to be asked. It would then be for agencies to come back with a target - it should not be imposed."

(Deputy Secretary)

(iii) Managing by Contract

The buzz word used to describe the emerging relationship between departments and agencies was "management by contract". The idea behind the phrase was that the rigid, hierarchical form of managerial control for so long characteristic of Whitehall departments would be replaced by a series of quasi-contractual agreements between core departments and autonomous agencies to deliver government services as efficiently and effectively as possible (Plumptre, 1988, p.210; Kemp, 1990, p.25; Richards, 1990, p.5). The model established greater equality between the parties. It presumed that greater autonomy would facilitate the release of managerial energy. Greater maturity would qualify an unadorned rush to independence.

However, the reality was that no enforceable contracts existed. Nor was there legislation to structure the changes. All the arrangements were administrative. In the absence of enforceable terms, the agency concept relied almost solely for its success on the adjustment of attitudes of mind through the creation of new, somewhat artificial, managerial constructs. The principal benefits of agencies seemed to rest in their psychology:

"What is an administrative agency - it is nothing, it's an administrative unit but people feel it's part of the family, people feel it's there - the Treasury can give it delegations, put a man in charge, increase pay and personnel flexibility. The very act of having a ring fence means that within it people can be given greater freedoms and responsibility than otherwise - it's an act of faith."

(Second Permanent Secretary)

Early evidence suggested that the psychological approach was yielding ~~quite~~ promising results. Official after official said that there was a very different feel about living in an agency as opposed to a departmental environment. However, the lack of a secure foundation for agency structures and operations remained a legitimate cause for concern. Would control actually be ceded, or would it be simply that its emphasis was changed ? Could psychology alone overcome longstanding practices and habits of mind or would a new legal framework be required ? These were questions asked with equal validity of the relationship between core departments and agencies and the relationship between core departments and Treasury. Mellon again provided some preliminary and contingent answers. She wondered aloud whether, in practice, the rhetoric had been matched by action. She argued that, at least in the early days of the agencies she studied, what had tended to happen was that there had been little change in delegated authority but a major change in language and the sociology of ideas (HC 481, 1989/90, Evidence submitted by Elizabeth Mellon, p.101). Ideas may act as the precursor to action. However, as in the case of the FMI, if these were not soon to be matched by additional power, disillusionment would be the inevitable result.

(iv) Administrative incentives to change

Mellon's results were obtained at the micro level. At the macro level there were still many factors which weighed heavily in favour of the Next Steps reforms. Learning from the lessons of the FMI, the architects of Next Steps shrewdly designed their new reform portfolio to avoid many pitfalls which had beset its predecessor. So, whilst it was commonly acknowledged that Next Steps would encounter stiff opposition, the reformers seemed better prepared.

There was little doubt that this time there was a marriage of minds between Ministers and senior civil servants regarding direction and strategy of the reform programme. Both Sir Robert Armstrong and Sir Robin Butler, the first privately and the second publicly, emerged as articulate spokesmen for the Next Steps. Sir Peter Middleton at the Treasury also supported it although his enthusiasm was tempered by his concern to ensure that rigorous public expenditure control was maintained. There was, in addition, very substantial agreement amongst respondents at senior levels that the Next Steps was worth trying and that it could, despite major problems in its execution, yield substantial benefits. The agreement of the Prime Minister and the Head of the Home Civil Service has normally been a precondition for major machinery of government alterations (Pollitt, 1983, p.3). The spread of this consensus through senior levels of the bureaucracy laid an even deeper foundation for the changes embodied in Next Steps.

The Efficiency Unit recommended specifically that the implementation process be led by a Permanent Secretary. In the event a Second Permanent Secretary of visible enthusiasm was appointed to head the Next Steps team. There were two important aspects of this appointment. The first was its seniority. It was considerably more difficult for recalcitrant officials to ignore the urgings of Permanent Secretary rank with direct access to the Prime Minister than it had been for officials to brush off the exhortations of the FMU's leader, who, at Under Secretary rank had limited access even to the Permanent Secretary of the Treasury:

"The fact that Peter Kemp was put in charge of it meant that there was a strong unit in the middle harassing Permanent Secretaries about it. Therefore, a number of Permanent Secretaries perceived it to be to their advantage to be behaving nicely."

(Deputy Secretary)

The second factor was that Mr Kemp was named and charged openly with the task of setting the reforms on course. He was fond of saying that it was the first time in Whitehall's history that someone had been specifically put in charge of anything. That the Next Steps had a public persona set it significantly apart from the FMI. It made its entry on to the broader public stage and, in doing so, encouraged a degree of interest in administrative reform which had rarely been seen previously:

"That was something the FMU didn't have. They were a team not an individual, they had no public face. The other thing is that they didn't get beyond the bounds of the civil service, giving talks and all that kind of thing. I can do it."

(Second Permanent Secretary)

The public leadership of Next Steps heralded a new approach to reform in Whitehall. The Next Steps reforms were implemented more openly than any since the war. Chief executives were named and their posts often advertised in open competition. Framework documents were made public. Agencies were required to report publicly on their performance against targets. Parliamentary interest in the progress of reform was welcomed. Next Steps became the focus of major addresses by the Chief Secretary of the Treasury and the Head of the Home Civil Service. The project manager participated in many academic and public forums regarding the Next Steps developments and contributed to journals, thus focusing more attention on reform and, incidentally, reducing the likelihood that it would be resisted and submerged.

However fragile, the artifice of agency generated considerable enthusiasm amongst many rank and file civil servants. The prospect of managerial autonomy was alluring and countless discussions ensued on how one might best take advantage of the opportunities the new initiative afforded:

"There is a real question about what in the agencies is there for the staff. There are two answers. First, the promise of more responsive personnel and pay systems..there is nothing disreputable about recognising local differences...and any efficiency savings are now shared with the Treasury. Secondly, there is genuine accountability down the line - empowering people to do things. It is difficult to know what that means. What there is not a limit to is encouraging people to come up with ideas...In an agency like DSS there is always a tendency to become procedural. If you can show people that there is a premium on doing things in a different way - that is what risk taking means."

(Deputy Secretary)

The Next Steps strategy looked upon structural change as the precondition for attitudinal change. This joint action on structures and people held greater promise of success that the FMI's approach which had hoped, against hope, that management information systems themselves would be sufficient to expose weaknesses in administration and generate sufficient momentum for structural and attitudinal reform.

Finally, the Next Steps reforms were embarked upon quickly, decisively and extensively. The pace of change was criticised, among others, by union representatives arguing that inadequate consultation prejudiced its prospects of success (HC 481, 1989/90, Evidence submitted by the Council of Civil Service Unions, p.38). Still others remarked on the thinness of the analysis which preceded changes of such magnitude. Perhaps it would have been better for a series of pilot agencies first to have been established to test the validity of the approach (HC 481, 1989/90, Evidence of Professors Hood and Jones, p.80). But for those at the heart of the changes such arguments counted for little. What was important was to garner political support and swoop:

> "The Canadians fell for the worst form of old fashioned trap. They've done precisely what we didn't do when we set up Next Steps. They set up eleven little working groups, to look at, as it were, pay across the board, the roll of outside boards across the board, accountability across the board. We, as you will have seen went for the Next Steps bull headed. We had political support, we just went in, we had to get the show on the road, there was no other way of doing it. They've gone down the path of extended navel gazing first. We decided to act."
>
> (Second Permanent Secretary)

It will only be in retrospect that an informed judgement can be made on the wisdom of this approach. The substantial risk which were taken may result in the reforms' early demise. Equally, however, the 'bull-headed' approach may in time be seen as having been the single best way to have finessed entrenched opposition and placed reform on a significantly higher trajectory.

5. Policy and Practice

For the sake of completeness, it is important to allude briefly to the fate, in the Next Steps era, of the third component of the FMI schema, policy analysis and evaluation. In short, it appears to have died. The important work on performance indicators conducted by the Treasury in the FMI period has proceeded and has become increasingly sophisticated. But the broader objective of advancing and systematising policy evaluation simply 'ran into the sand'. The former head of the JMU's policy evaluation arm remarked ruefully:

> "There is no talk now about policy. We now divide policy and administration...The risk with agencies is that they will become a penumbra of para-statals, which will be doing a lot of things very efficiently but no one will be checking that they are the right things."
>
> (Under Secretary)

In a sense the Next Steps marked the total victory of the policy officials over their FMI-inspired managerial challengers. However, two caveats need to be entered with respect to this conclusion. First, as has previously been observed, there is already an emerging confrontation between policy officials at the centre, responsible to Ministers and largely political in orientation, and similar officials in agencies, responsible to chief executives and focused largely on operational concerns. This is not, as it was under the FMI, a confrontation about the applicability of technique but rather a genuine and potentially constructive interaction of competing perspectives. The prospect that traditional policy analysts will be able to insulate themselves from these new sources of advice is considerably less likely than it was previously.

Secondly, there was at the time of this survey more than a germ of concern in Whitehall that too much had been sacrificed in the headlong drive to management by agency. There was a continuing, if quiet, recognition among perceptive officials that something more needed to be done to improve policy and programme performance. For some, there was even a hope that a new look at policy might constitute the next phase of the administrative reform process:

> "We do need to think about what happens after Next Steps, because if you shine a light on the executive bit, which desperately needed a light shone on it, and you get that right, it's like draining the pond in St James's park, you suddenly find that there are these huge boulders left behind. And now some people are starting to think about how it is that we can manage policy better. After all, we spend a much smaller amount on managing the civil service ...than we do on programme expenditure. The poll tax, to take an example could have been much better!"
>
> (Principal)

CHAPTER 5

THE FMIP, MINISTERS AND CORPORATE PLANNING

Canberra's Financial Management Improvement Program (FMIP), like Whitehall's FMI, emerged in response to a report on the efficiency and effectiveness of the civil service. In this case, the report was prepared by a governmentally appointed committee of inquiry chaired by the businessman, John Reid (Commonwealth of Australia, 1983a). Reid, like H.C. Coombs before him, argued that Commonwealth administration had for too long been dominated by the requirement that ministers' political interests be protected. Certainly, this was an important objective. But beyond it, the administration had failed to adapt to the changing nature of governmental activity. The functions conducted by government had expanded substantially. It had become a huge provider of services. The capital, personnel and financial resources required to deliver these services had increased correspondingly. They needed more effective management. Therefore, Reid believed that a more appropriate balance needed to be established between political and managerial work (Commonwealth of Australia, 1983a, Ch.2).

Accordingly, he made a number of important recommendations to improve management in government. Ministers, he proposed, should increase their involvement with the administration of their departments. Management should rank equally with policy. Reid rejected the idea advanced in the United Kingdom that ministers should manage their departments (Commonwealth of Australia, 1983a, p.41). However, he thought that ministers should exercise clear administrative leadership. This they could do by participating in the development of the department's goals and strategies and taking part in the allocation of its resources. In order to achieve this, the departmental secretary should ensure that regular and adequate information was forthcoming to the minister on operational and managerial issues (Commonwealth of Australia, 1983a, p.42).

To improve efficiency and obtain value for money, Reid re- endorsed the principles of accountable management. The committee quoted with approval the opinion of the then Secretary of the Department of Finance that:

> "At this level, financial management in the public service is presented with particular difficulties since, often, the nature of the results sought by programs allows only imprecise assessment of the effectiveness of different approaches to program management. Despite the difficulties, there is an overriding need to develop a capacity for a fully informed perception of resource

implications of policies, and for encouraging an attitude of mind that constantly relates the development and operation of individual programs to broader budgetary and other objectives."

(Commonwealth of Australia, 1983a, p.73)

The Department had suggested that a series of pilot studies in financial management improvement be established in selected agencies. Reid went further and recommended that a service wide financial management improvement programme be initiated. He believed that management in the public sector could be improved substantially if insights from private sector management could be applied in government. More specifically, he argued that leadership should be improved, that managerial authority should be devolved and that a greater awareness of the cost of activities should be instilled at all levels. New accountability arrangements should also be set in place to ensure that performance was regularly evaluated against approved goals, strategies and priorities.

In response to these recommendations the Government introduced the Financial Management Improvement Program (Commonwealth of Australia, 1983b, pp.20-21). Its central aims were:-

a. to develop budgetary and regulatory processes which would encourage efficient and effective departmental management practice;

b. to identify and promote techniques and systems which would help departmental and agency managers, ministers and others to focus on results; and

c. to change administrative procedures and practices to give managers more incentive to manage and a greater awareness of the resource implications of their decisions (see Beale, 1985, p.376; Australian Public Service Board and Department of Finance, 1986, p.23; Keating and Holmes, 1990, p.169).

In the jargon of the reformers, by reducing impediments present in the framework of expenditure control, the FMIP would 'let the managers manage'. Through better planning and the adoption of flexible and devolved managerial forms, the programme would 'encourage the managers to manage'. By holding managers accountable for their activities and their use of resources, the FMIP would 'make the managers manage.' The whole approach was dubbed 'managing for results' (Keating, 1988a, p.73; Holmes, 1989, p.30; Keating 1990, p.1).

The FMIP was built on and elaborated a simple planning cycle. The cycle can be represented diagrammatically in the following terms:

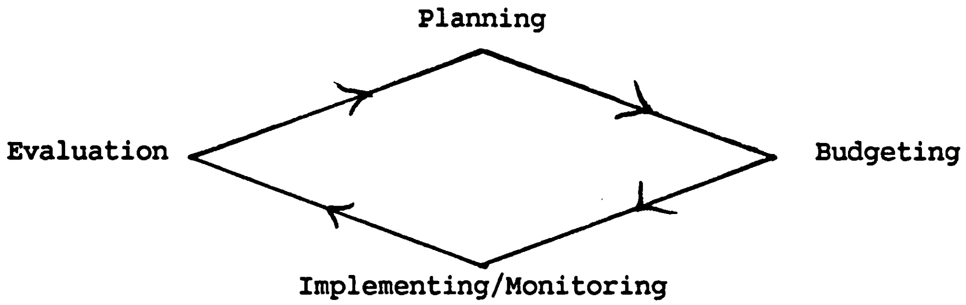

Figure 1 : The planning cycle

The principal objective of 'planning' was to link an agency's strategy to its operations. Planning would form the basis for a department's programme structure; decisions on appropriate organisational arrangements; approaches to devolution; resource allocation; and the priorities for evaluation (Holmes, 1989, p.36). In practice, this meant that departments would be encouraged to develop a corporate plan in which the objectives, targets, and performance indicators of each of its sub-divisions would be formulated and applied. Budgeting involved the explicit connection of programme objectives to the resources available to meet them. In practical terms this meant that the budget would be presented to Parliament by programme rather than item by item. Within departments, the development of programme budget structures would form the basis on which managerial responsibility could be devolved. Implementing/ Monitoring required the development of management information systems through which managers could be informed about all aspects of their programme's operation. It also involved the introduction of performance indicators through which a programme's progress against its objectives could be assessed. Evaluation was the quid pro quo for the devolution of managerial authority. Managers, having been accorded greater responsibility for the conduct of their programmes, would be drawn to account for their results. Evaluation would assist effective decision making and provide the essential bridge between past performance and future planning. And so the cycle would begin again.

The FMIP was implemented in the order set down in the planning cycle. Its first thrust was to improve planning. Budgeting, monitoring and evaluation would then follow:

> "The changes to the budgetary and regulatory environment were the essential changes that had to be made....After that we said the most important thing was to set objectives. Then we concentrated on the development of management systems in departments - corporate planning,

devolution and management information systems. Once you've got objectives, to tell whether you're achieving them you need performance indicators. Evaluation we left to the end."

(First Assistant Secretary)

As with the FMI, then, the FMIP contained three principal threads. These were departmental planning, improved budgetary and financial management and the evalution of programme performance. A number of Government and Department of Finance reports were released in subsequent years which outlined the progress of each of these components. These are now briefly examined as a prelude to introducing this study's more detailed findings.

SECTION ONE: THE FMIP THROUGH THE REPORTS

1. The FMIP Diagnostic Study (1984)

To translate the new financial management prescriptions into practice, John Reid recommended that private sector consultants be employed to work with public service officials in order to develop a concrete plan of action. The Government accepted the recommendation and a consultancy team set out immediately to find out from senior officials themselves what improvements to the practice of management were required. So, consistent with the Hawke Government's consultative style, senior officials were involved from the outset in planning the new approach.

The consultancy study team discovered that there was considerable variability in the performance, approach and quality of resource management between Commonwealth agencies (Australian Public Service Board and Department of Finance, 1984, p.9; Weller and Lewis, 1989, p.6). To improve it the team's report, 'The FMIP: Diagnostic Study', put forward proposals in two areas, infrastructure and performance-oriented management. With respect to infrastructure, the team recommended that there should be a more effective fit between each agency's resource requirements and the Government's policy goals. To achieve this end, corporate planning should be introduced in every department. To underpin corporate planning, the team suggested that greater priority should be given to the development of computerised management information systems. These would provide senior managers with the information they required to take resource decisions corporately.

Performance-oriented management required departments to structure their activities into programmes which had specific objectives and to develop performance indicators through which to measure their results. The team realised that in government considerable difficulties faced those who sought to define objectives clearly. Objectives might clash and their interpretation differ from the perspective of each actor who sought to define them. Nevertheless, it believed that 'responsible management' should seek to overcome these difficulties by developing consensus both with respect to corporate objectives and the means by which their achievement could be judged.

Devolution of managerial authority was also central to the performance management approach. Greater devolution of authority from central agencies to departments and from the centre of departments to line managers would act, in the team's view, as the greatest incentive which could be provided for improved managerial performance. The team identified three kinds of devolution: the ability to transfer resources between programmes; the ability to reallocate resources within programmes; and an ability to utilise administrative resources flexibly in meeting operational requirements. The power to allocate resources between programmes required the explicit decision of government. The power to transfer funds between appropriations depended on parliamentary authorisation. However, even within these constraints, considerable leeway still existed to devolve both staffing and financial responsibility.

2. The FMIP Report (1986)

The Financial Management Improvement Program was introduced to the public in 1986 in a report which was more in the nature of a public relations brochure than a concerted attempt to summarise its progress (Australian Public Service Board and Department of Finance, 1986). Having introduced the core components of the programme, the report represented diagrammatically the number of agencies which had taken preliminary steps related to each. But more detailed commentary and analysis was scant. The report concluded that, in the first twenty months of the FMIP's life, significant progress had been made in the areas of corporate planning and programme structuring. Devolution of managerial authority, the introduction of management information systems and evaluation was still in its infancy.

3. FMIP and Program Budgeting Report (1987)

'FMIP and Program Budgeting: A Study of Implementation in Selected Agencies' (Department of Finance, 1987) was commissioned by the Department of Finance. It engaged a private sector consultant to conduct an independent review of the initiative's progress in five portfolios. Looking first at corporate planning, the study found that each department had established the framework in which such planning could take place. Goals and objectives had been defined, corporate management committees had been established and strategies had been set. In few cases, however, had statements of objectives and programmes been developed to the stage where the plans could be used as the basis for assessing performance. No cases existed where this had been done satisfactorily. The report found that progress with corporate planning had been slower in large and complex departments than in small and more unified ones. Operational agencies, in which proximate measures of performance were available, had been more successful in establishing corporate planning and programme budgeting structures than policy departments.

Programme budgeting, the report stated, had been introduced as a practical means through which to focus managerial attention on the purposes to which their activities were devoted. Programme structures, therefore, collected activities having a common purpose. The evaluators found, however, that a department's programme structures often diverged from its functional organisation. This created considerable overlap and confusion. Despite this, the devolution of managerial authority had proceeded satisfactorily. The report found that all survey departments had devolved additional responsibilities both to divisions and regions and there had been a corresponding increase in managerial communication between centre and periphery. However, the report observed that a number of factors had slowed the pace of change. Detailed work was still required to align programme and organisational structures as the condition precedent of considered devolution. Some line managers, particularly in technical areas, had been reluctant to accept responsibility for resource management. Many lacked the skills to carry out their responsibilities effectively.

It was with performance indicators and evaluation that least progress had been made. There had been some promising work undertaken on the development of efficiency indicators but little if any in measuring effectiveness. This reflected the fact that administrative processes were more readily amenable to quantitative measurement than were programme outcomes. For the same reason, there had been greater progress with developing performance indicators in operational rather than policy departments. The report concluded that much more work was required to refine quantitative indicators and work needed to start on the formulation of qualitative ones.

4. The FMIP Report (1988)

One year later, the Department of Finance followed its independently commissioned evaluation with an assessment of its own (Department of Finance, 1988). The Department reported that most agencies had adopted relatively formal planning procedures and documentation.

Many, however, were still in the process of making effective links between corporate planning, policy development and resource allocation. Few, it concluded, had integrated planning with performance information and evaluation. Practical experience had demonstrated that planning processes should to be tailored to suit individual agencies with no single formula being applicable. So, for example, large service delivery agencies had found the adoption of formal planning processes easier than policy focused agencies. In decentralised agencies, corporate planning was likely to be more important than in highly centralised ones.

Devolution from the Department of Finance outwards to departments had proceeded successfully. However, the devolution of responsibility from the centre of agencies to regional and divisional managers had, the report concluded, been much slower to materialise. This was because many managers had been unwilling to take on additional resource management responsibilities, seeing them as complicating rather than simplifying their work. In addition, there remained a substantial deficit in the skill level required to undertake the new responsibilities which were being imposed.

The Department concluded that progress with performance indication and evaluation had still been limited. Two-thirds of the departments surveyed reported that efficiency and effectiveness indicators had been agreed at programme and sub- programme level. However, few of these had been developed to the stage where they were regularly measured. Those that were related to efficiency rather than effectiveness. The report observed that, based on international experience, the development of performance indicators would be a long-term process. Formal and systematic evaluation remained scarce.

5. 'Not Dollars Alone'

The most detailed and independent assessment of the FMIP's development was produced late in 1990 by the House of Representatives Standing Committee on Finance and Public Administration. Entitled 'Not Dollars Alone' it concluded that progress in implementing the core components of the FMIP had been slower than expected (House of Representatives Standing Committee on Finance and Public Administration, 1990, p.xiii). The reforms embraced within the FMIP had been instituted successfully in a number of areas but many departments were still far from obtaining full benefit from them. The Committee supported the general thrust of the reforms. However, it warned that too great an emphasis on 'risk management may prejudice the achievement of other equally important administrative values such as probity, fairness and ethical behaviour' (House of

Representatives Standing Committee on Finance and Public Administration, 1990, p.94).

There were a number of general factors which, in the committee's view, had retarded the programme's development. It had been identified principally as a cost-cutting exercise. Similarly, its primary focus had been seen as the reform of financial and resource management arrangements rather than the comprehensive improvement of management. It was viewed as a central agency initiative of limited relevance to programme managers. The pace and scale of surrounding public service reforms had decreased the attention which could be devoted to it (House of Representatives Standing Committee on Finance and Public Administration, 1990, p.23).

The report concentrated principally on budgetary and financial changes. The cause of devolution, it concluded, had been considerably advanced by changes in the wider framework of budgetary regulation (see Chapter 6). In particular, the introduction of a new running costs system had provided departments and their managers with considerably greater financial flexibility. However, the devolution of authority within departments had proceeded much more slowly. This, the Committee concluded, was because most departments had underestimated the need to manage the devolutionary process and because major shifts in the attitudes of Ministers and senior managers to central control were still required (House of Representatives Standing Committee on Finance and Public Administration, 1990, p.68).

The committee dwelt for a considerable time on the problems which had been experienced with the development of adequate indicators of performance. It acknowledged that a number of methodological difficulties stood in the way of their development (House of Representatives Standing Committee on Finance and Public Administration, 1990, p.76). Nevertheless, it believed that considerable scope existed for the use of performance information and urged the Department of Finance to relax its resistance to the development of qualitative indicators. In addition, the Committee recommended that departments should make a renewed effort to develop their evaluation planning processes.

The committee's report made no comment whatsoever about corporate planning. Its focus was on programme management and budgeting. Why it neglected corporate planning is unclear since corporate planning was clearly one of the FMIP's principal components. Perhaps the committee's omission reflected the fact that by 1990, five years after the FMIP had commenced, corporate planning had, in all but a few areas, been marginalised. In the remainder of this chapter, the reasons for this marginalisation are examined.

SECTION TWO: CORPORATE PLANNING IN CANBERRA

1. Introduction

The Reid review of Commonwealth administration argued that ministers should take a more active role in supervising the administration of their departments. To exercise this responsibility properly, they needed adequate information on all matters of operational concern (Commonwealth of Australia, 1983a, pp.40-42). Therefore, the report proposed that ministers should be provided with well organised and summarised management information so that they would become aware of the key issues without having to be immersed in day-to-day details of administrative activity. Reid noted the development of MINIS type systems in Britain but rejected that model. Rather than imposing stereotypical systems in each department, he argued that management planning and information systems should be tailored specifically to the responsibilities and requirements of individual departments. The key was to develop individualised systems each of which would permit the minister to assess departmental performance against expectations, having regard to the practicalities of the particular portfolio. Armed with this information, the Minister could exercise administrative leadership. More specifically, the minister could participate at an appropriate level in the development of portfolio goals, strategies, implementation arrangements, departmental organisation and management control.

Unlike their counterparts in Britain, Australia's management reformers placed no great weight on involving Ministers in management. Certainly, Ministers should be kept informed about operational matters but their practicalities and detail were properly the province of senior administrators. Ministers were not managers. They were and should be concerned primarily with setting departmental directions:

> "They are not basically put there to do detailed management. It is not their background qualifications or interest....A good Minister has a policy vision and wants to get it done. What he wants is to ensure that he trusts the department to get it done and has confidence that the Secretary will get senior managers to deliver rather than prescribe each step as to how it is delivered. I'm reasonably comfortable with that as the classical description of it and that it is broadly working."
>
> (Departmental Secretary)

In the senior echelons of the Canberra public service, there was a ready and early recognition that Ministers' interest in management would vary. Some would be very concerned to ensure that policies were effectively and efficiently executed. Others would be happy to leave every aspect of implementation to their departments so long as it proceeded without incident. Ministers should be consulted about operational issues but would refrain from becoming embroiled in them. They should be watchful but not interventionist:

> "I talk to the Minister about certain things and he picks me up from time to time. I talk to him about very senior appointments and he makes it clear that these are my responsibility but that he's interested. He will take me to task when something is not happening quickly enough or make it clear that he is watching something but he also makes it clear that it is me he looks to produce and to say how it is done."
>
> (Departmental Secretary)

Corporate planning, then, began life not as a means of injecting Ministers into management as MINIS had done but rather as a vehicle for improving the strategic and organisational capacity of departments themselves. The Canberra version of corporate planning was composed of a number of steps (see, for example, Newton, 1979, pp.15-16; Monaghan, 1984, pp.1-3; Beale, 1988, p.2; Australian Public Service Board and Department of Finance, 1986, p.13; Department of Finance, 1987, p.29; Glasson and Goode, 1988, p.103; Howard, 1990, p.78):

(i) The department or agency defines its mission. In private sector language it identifies the nature of its current business and what it should be.
(ii) From this definition of function, a statement of objectives and goals is obtained.
(iii) Objectives are then situated in the context of the organisation's external and internal environment. The threats and opportunities presented by the external environment are assessed and incorporated into the strategic analysis. The internal strengths and weaknesses of the organisation are similarly factored in.
(iv) From this analysis, alternative means of achieving organisational objectives are elucidated and a strategy is formulated to move the organisation in the desired direction. The strategy must be effective, efficient and equitable.
(v) Work priorities are determined and specific targets and standards of accomplishment are set. Individual officers are made accountable for the achievement of particular results and minimum standards of performance are identified.
(vi) Resources are allocated according to a pattern which reflects the strategic priorities which have been agreed upon.

(vii) Where possible, measures of performance are defined and then used to feed back to the department or agency information on the success of its plans.
(viii) An organised review of objectives and results is conducted to weed out those objectives which no longer serve a purpose or which have proven unattainable.
(ix) The planning process begins again.

Corporate planning constituted a way of thinking about government organisations with a view to managing them better. Its aim was to foster a cohesive and coherent departmental identity. It was a top down-process in the sense that objectives at each successive level of a department were to be defined by and related to a centrally determined mission. At the same time corporate planning would encourage a participatory and communicative management style facilitating a common understanding of and commitment to agency goals and corporate priorities (Harris 1989, p.2). By requiring the Minister to endorse departmental directions, it sought to reduce the volatility associated with frequent changes in political direction.

2. Politics or Planning?

Although corporate planning was to be driven by departments rather than Ministers, the process clearly needed to be mindful of Ministers' priorities, interests and sensitivities. The strategy which informed the corporate plan had ultimately to be determined by the Minister and not the agency. Equally, nothing in the corporate plan could be permitted to prejudice the Minister's political position:

> "I have my own scepticism about this. The idea that agencies somehow independent of government can have plans is wrong, it's undemocratic, it's not our system of government. So, any plan that we might have must be something which gets its authority from the Minister and Cabinet. In terms of operational plans, sure, we can have plans about how we're going to do it. But in terms of what it is we are doing and what priority should be given to the work [it] can only have an effect if the Minister endorses it and if the Minister drives it within the framework of overall Cabinet direction."
>
> (Departmental Secretary)

Corporate planning was conceived as a rational process. Its proponents took as given the assumption that government would be better conducted if its strategies, policies and operations were subjected to formal logic and analysis. There was nothing wrong with this assumption as far as it went. The problem was, however, that the logic of planning and the logic of politics frequently differed. Although no less rational, Ministers did not operate in the way that management textbooks would have them do. As soon as Ministers' interests had to be considered, corporate planning's logic and symmetry began to unravel. There were a number of dimensions to the interaction between Ministers and officials which were of particular relevance in this regard.

The corporate planning approach presumed that Ministers would both be willing and able to rank their portfolio priorities. This Ministers showed a singular disinclination to do. In part, this was because its synoptic model of decision making was an ideal type. In practice, there were many constraints which operated to modify it. Not the least of these was the absence of any consistent and measurable foundation on which to assess the value of alternative courses of action:

> "Even in the market context, any market suffers from limitations that mean it departs from the perfect model even though a market has prices to guide it. In public sector decision making, the limitations are so much greater because the process lacks the guide of prices. Those limits include the lack of:
>
> (a) a preference schedule that the government can define clearly specifying its weights and priorities and will hold to consistently; and
>
> (b) a schedule of options available to Ministers, including a schedule of probable outcomes, from which systematic choices could be specified.
>
> This may seem obvious, yet much of what we are led to expect from formal corporate planning, program budgeting and the like only improves the rationality of decision making - as opposed to the ease of exercising control - if (a) and (b) do exist."
>
> (Departmental Secretary, Memorandum, 26 May 1988)

There is little doubt that departments can affect Ministers' preferences by providing them with a well documented and analysed range of options to consider. The knowledgeable Minister is more likely to make good decisions than the ignorant one. However, knowledge itself does not determine preferences. It can only inform them. Ultimately it will be the Minister's values combined with his or her assessment of the way events conflate which will conclude the choice he or she makes between competing sets of objectives:

> "Priorities amongst goals are largely set by Ministers in responding to departmental assessments of the future domestic and political environment and of the considerations affecting priorities. The shift, among the multiplicity of departmental objectives, to a higher priority for economic objectives is an example. This is an attitudinal rather than formalised weighting process."
>
> (Departmental Secretary, Memorandum, 26 May 1988)

Every good Minister has a programme of reform which he or she wishes to effect. But, in the political world, implementation is not simply an executive function. It certainly requires careful planning. But ministerial method consists also of negotiation, bargain, trade-off and artfulness. Political gamesmanship, of which these methods are the tools of trade, is played out in many different political arenas of which the parliamentary, party, policy, inter-organisational and administrative arenas are but some. Interests in each arena and between them need to be set against each other, weighed and assessed before departmental strategies and directions can firmly be established. Into this intensely political environment, corporate planning arrived seemingly in innocence:

> "There is a hell of a lot of tactics involved in some of these longer term objectives that a Minister might have: tactics about how to square off community interests, how to square it with colleagues etc. To have some sort of plan there that says I'm going to do x by y is slightly naive about the political process. Basically there is a certain naivete in the whole idea of corporate planning in government ...... It is rightly more difficult than the wide-eyed planners would think - that you can have some sort of totally rational process in government, you can't. Because government is populist. There are all sorts of trade-offs with what is possible."
>
> (Departmental Secretary)

Ministers live in an environment characterised not only by fickle and altering allegiances but also by constantly changing political, economic and social circumstances. However, ready adaptability to changing circumstances was not a hallmark of the corporate planning approach. It was a planning technique fitted for the long term. Ministers' political horizons were far more limited. It could assist with the planned and extended development of operational programmes such as the introduction of information technology. But in the shifting sands of politics and policy, its structured and somewhat cumbersome approach would often be found wanting:

> "The more the environment is changing and uncontrollable, however, the more the need for organisational flexibility. The more planning specifies the use of resources, the less room there is for experimentation or flexibility of response."
>
> (Departmental Secretary)
>
> "We are judged by criteria of rationality when dealing with uncertainty. It can't work that way."
>
> (First Assistant Secretary).

Governments change and so do Ministers. In each case, substantial policy and operational realignments are inevitable. The corporate planning cycle, unless limited specifically to areas of departmental activity characterised by substantial continuity, was often considered unwieldy, untimely and inappropriate:

> "We had a reasonably well developed plan for priorities over the next two or three years, prior to the last election. We then got a Minister, a very strong reforming Minister who wanted to think through the old verities ...He has a vision, but he knows there are many

steps to be gone through, that there is much art and artifice in getting there. To have it all laid down flatly in a plan would be precisely the wrong thing to do."

(Departmental Secretary)

Corporate planning presumed that Ministers would play the analytical game. But many officials were very sceptical about their willingness to do so. Formality, structure, direction and strategy were desirable in theory but when the Minister swept in with a new enthusiasm, corporate plans did not act as a constraint:-

"If during the year, the Minister wants a push on that but the Corporate Plan says we're going to do this and we've got a specific budget allocated towards it - what do you do then ? The answer is you bloody well do that! And don't give this crap about financial management improvement. This is something which often people in [the Department of] Finance don't understand."

(First Assistant Secretary)

Because the task of meshing corporate planning and political finesse proved difficult, departmental officials worked hard at accommodating the technique to its new environment. So, for example, in order to preserve a degree of political flexibility, the Department's mission statements tended to be couched in very general terms. Similarly, where politically sensitive policy changes were being considered, their import might be disguised:-

"We can't just continue with the old plan - a good example is x programme. [The Minister] wants while retaining x to have a pretty fundamental think about some things. Now the way we dealt with this in the plan was to talk about fine tuning - but that's not what it's all about. But to have put down what it was all about while it was still developing would have been a. inappropriate tactically and b. simply illogical."

(Departmental Deputy Secretary)

Steadily a division appeared between the public and private faces of the corporate planning process. This trend was first noted in the 1987 FMIP/Program Budgeting Study (Department of Finance, 1987, p.29). In the following years, the division widened to such an extent that, in late 1990, the interdepartmental Management Improvement Advisory Committee (MIAC) expressed deep concern to the Government's peak management advisory committee, the Management Advisory Board, that:

"the link is not being made between the objectives and the performance of ...programs and the government's purpose in being involved in a particular field. This is in no way intended to suggest that at senior levels there is not constant attention being given to the purposes of government. The concern is that the formal corporate processes which are being developed are not sufficiently driven by the Government's purpose. There is certainly a feeling on the part of many that a number of Ministers are not prepared to commit themselves in such areas as specifying objectives. There is at minumum a communication problem (which everyone agrees about) and it may be that formal corporate processes are adding to it."

(Management Improvement Advisory Committee, 1990, p.v)

After a survey conducted in several major departments MIAC discovered that departments had increasingly been focusing their formal planning processes on operational rather than strategic concerns. Further, planning proceeded principally in accordance with agencies' functional rather than purposive organisation. It had become short term rather than long term. The committee was quite unclear about how the practice of planning either derived from or meshed with Ministerial objectives and priorities.

MIAC also found that differences had emerged in the content and quality of information being utilised for internal management purposes and that provided for the purposes of external reporting. Objectives in corporate planning documents were found to be different from those contained in programme budgeting documents. Performance information in internal management documents differed from performance reported in external reporting documents. Internal departmental reviews, evaluations and market surveys were only fleetingly referred to in the explanatory notes prepared for Parliament. In short, a positive and truncated image of corporate planning was being presented to the Parliament and the public while the messy political realities were increasingly hidden from view.

3. Policy and Planning

Not only did a demarcation develop between operational planning and politics, but the technique also had little impact upon policy development. It was subsumed under and then simply reflected policy decisions made in other forums. It did not shape strategy but rather was shaped by it. Thus, for example, in the Department of Social Security, a comprehensive politically initiated and independent review of policy and programmes was conducted which in turn informed the corporate planning cycle:

> "The Social Security review has really been our external corporate plan because it has changed all our policies and changed the nature of the department. So, when we came to the end of last year we had massive information technology changes, industrial change, a lot of policy change and a few other changes here and there..."
>
> (Deputy Secretary)

Harris (1990, p.29) commented similarly that change in the Department of Foreign Affairs proceeded principally from a policy related external review of foreign representation rather from step-by-step decision-making sequences characteristic of corporate planning:

> "The Review of Australia's overseas representation, a large and detailed study completed in 1986, provided [clear understandings] in a way that helped in informing management, in giving departmental staff a unified view of the whole of the Department's activities, in having much of the general philosophy discussed widely in draft, thus creating a shared focus, and being subsequently easily available inside and outside the department."

For policy personnel the corporate planning process was perceived as being of distant relevance. It did not belong to or guide them except in the most general terms. It was sometimes useful to pull the plan from the shelf to get one's bearings. But in practical terms, this was an exercise which belonged firmly in the operational sphere:

> "It is not directed towards us but provides us with legitimacy because having structured it to take our work in particular directions, the work is given weight by being validated in the plan. But you would obtain different answers from those who run our computing divisions. It's the computing people who actually have a job to do in the sense of producing an end product who like regional office have got a job out of the corporate plan. What the documents do is set out a direction for them."
>
> (First Assistant Secretary)

Harris, a critic of corporate planning first inside and then, after his retirement, outside the Commonwealth public service believed that corporate planning, whilst providing some limited benefits for the efficiency of the service, had little to contribute ~~on~~ to the more important task of policy analysis:

> "The tendency has been for [corporate management techniques] to be most effective in dealing with how things can be done more cheaply. They have been less effective in showing how things can be done better and they can often be a barrier to looking systematically at whether things should be done at all."
>
> (Harris, 1990, p.28)

In the event, Harris's understanding of American experience with corporate planning, of which this quotation was an encapsulation, proved steadily more true of Australian experience. Corporate planning was not regarded as particularly helpful by Ministers, except perhaps in the context of public relations. Nor did policy officials find its rational, cyclical and structured techniques of particular assistance when devising solutions to complex policy problems. Where corporate planning did make its contribution, however, was in the administrative arena.

4. Planning for Management

Perhaps it had been unrealistic for the proponents of financial management improvement to assume that corporate planning would effect a revolution in the manner in which politics was conducted or in which policy was formulated. Its promise lay principally in improving the management of operations. In the managerial arena, Departments soon realised the technique could offer some tangible benefits.

> "We are using [the corporate plan] much more at the micro level now. It is OK when considering individual tasks that people are performing and placing them in the context of longer term objectives...but putting it together in a grand plan is something which is, really, inappropriate."
>
> (Departmental Secretary)

In this department, a major service provider, the problems of applying corporate planning in a political environment had been tackled by segmenting the planning process. The corporate plan's first tier consisted of an overview of departmental operations and directions and included a departmental mission statement couched in general terms. This general plan permitted considerable room for manoeuvre to accommodate political and policy change. The second-tier plan defined the department's programme structure and then, for each programme, produced a description of its objectives, goals and performance indicators. The third tier consisted of ancillary plans relating for example to program management and budgetary statements, equal employment opportunity, industrial democracy, information technology, fraud control, management improvement and evaluation. The more specific and tangible the task, the more likely it was that clear objectives could be formulated, targets set, performance measured and alternatives rationally considered. A disaggregated approach to planning was found to serve the needs of administrators far better than the original, more comprehensive method had done.

> "Corporate planning has had a positive impact on the department albeit in a sectional way such as information technology planning and so on. We have a fine national computer system which has come up through a corporate planning process...but corporate planning per se in terms of the overall directions of the department has not been a success."
>
> (Deputy Secretary)

Corporate planning generated not only operational benefits but also benefits relating to process. The iterative discussion which preceded it was perceived as very productive. In the departments studied, staff, no matter what their status, were presented with the opportunity to contribute to the formulation of sub-divisional and divisional goals and objectives. The invitation to participate was welcomed. Senior management became progressively more aware of the difficulties and concerns of their outposts. The outposts became more aware of executive strategy and its rationale:

> "Perhaps the greatest value of the plan lies in actually developing it. By that I mean the process we are going through of establishing program objectives and priorities requires the executive, policy developers and programme delivery staff all to focus on each programme. In turn, the process tends to achieve agreement on the real priorities and to identify those programmes which are harder to justify in the competition for scarce resources."
>
> (Minute from Departmental Secretary, 18 May 1988)

(v) Technical and Administrative Issues

The success of corporate planning was predicated on the development of certain technical capabilities. The most important of these were management information systems which would permit managers to assess their progress against their objectives and, as part of this, the development of performance indicators. In those departments where the technical capabilities lagged, so too did the technique they had to support:

> "Q. Again, I am a little surprised that a department like yours does not have a corporate plan.
>
> A. I do not think it is surprising. In many ways the key part of corporate planning, which is the development of performance indicators, is very much easier for departments and agencies whose major role is program delivery. I think it is fair to say...that in the areas of policy coordination, policy advice, it is very much more difficult to discover what are appropriate performance indicators, what are appropriate ways of evaluating our performance. I do not think it is surprising that we have been rather slower than some of the programme delivery departments in looking at ways of developing a corporate plan."
>
> (House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, Mr P.R.Shergold, Minutes of Evidence (unpublished), p.375)

The implementation of corporate planning also suffered from the fact some departments devoted too few resources to promote it. Although a process which required high level input, it was left mainly to middle and junior level officers, sometimes without any experience of the technique to develop it. These officers found it extremely difficult to engage the attention of their more senior and hard-pressed colleagues. When they did, they could offer few if any tangible benefits to encourage participation:

> "I don't think this place took it very seriously because the resources that were put into it were virtually nothing. I know this from personal experience. I regarded corporate planning as nothing more than a nuisance."
>
> (First Assistant Secretary)

To bridge the gap between corporate planners at the centre and programme managers at the periphery was one of the technique's major early assignments. In many departments, this, as Considine (1990, p.174) reports was an assignment rarely handled well. Initial material was voluminous and complex and, as a centrally dictated initiative, it was subject to resistance in the regions:

> "The material the department produced was very unhelpful. It didn't provide a framework for me to operate in. I didn't find it the least bit helpful. It was far too complex and detailed to be used by our people and they're the bread and butter of the place. The early days of corporate planning had little effect at all."
>
> (Regional Manager)

Corporate management was introduced as the first and leading component of FMIP in 1986. Its introduction coincided with a time of great flux in the Commonwealth public service. Following the adoption of reforms proposed in the Government's White Papers on public service and budget reform, the entire service was subjected to an intensive period of change. Amongst many other things, corporate planning and programme management and budgeting were to be implemented together. Of the two, PMB was accorded first priority since it formed part of broader budgetary changes, the implementation of which had been promised by the Hawke Government to the Parliament. Consequently, corporate planning was sidelined while PMB was first set in place:-

> "The focus in Finance and agencies was on achieving a proper programme structure. Some departments bunched activities together and called them programmes. Others simply renamed their existing divisions as programmes. But the main focus from 1984-1988 was on PMB. After 1988, Finance started asking questions not about programme structures but about whether programs should exist at all. This re focused attention on corporate planning."
>
> (Department of Finance, Assistant Secretary)

Then, in 1987, a second round of changes was introduced principal among which was the amalgamation of departments and their rebirth as super ministries. The nascent process of corporate planning which had been introduced in the then separated departments had to be completely transformed to meet the dictates of the new entities. This was not a simple transformation. It required the acquisition of new understandings and new agreements as to the purpose, structure and focus of the new mega-departments. The scale of change within departments and the priority accorded to restructuring meant that corporate planning was accorded a very low priority.

> "We've had so many changes in budget, information technology changes, public service changes, the policy changes, that they swamped it and this remains a risk with any strategic planning process."
>
> (Deputy Secretary)

Conclusion

In 1987, the FMIP/Program Budgeting study concluded that corporate planning had not yet become embedded in the practice of management or in the process of resource allocation. It constituted a separate exercise whose linkages to everyday administration had yet to be forged. The evaluator, however, remained optimistic that this embedding would occur (Department of Finance, 1987, pp.50-53). A study by two Public Service Commission personnel in 1988 concluded similarly that whilst goals, objectives and strategies had been defined in the departments which were surveyed, these had not necessarily been translated into operational plans and actions (Glasson and Goode, 1988, p.104). More recently, Considine (1990, p.174), concluded that corporate plans had simply fallen out to the edges of the bureaucratic system from where they had been unsuccessful in demonstrating any of the benefits claimed by their proponents. The evidence adduced in this survey tends also to the latter conclusion. Corporate planning floundered as a technique designed to enhance political and departmental strategy. Nevertheless, when applied to operational areas it ushered in tangible if limited benefits for Commonwealth public administration.

CHAPTER 6

DELEGATION AND EVALUATION IN AUSTRALIA

SECTION ONE: DELEGATING MANAGERIAL AUTHORITY

1. Introduction

It was in the budgetary arena much more than in the abstract realm of corporate planning that the new public management in Canberra took hold. Here, a quiet revolution took place (Walsh, 1990, p.41). Following from its White Paper on budget reform, the Government, through the Department of Finance, set in place the most comprehensive reforms to Canberra's budgetary and management framework since the Second World War. Of these, the FMIP was an important part. The underlying purpose of the reforms was to:

> "develop an attitude of mind in departmental managers at all levels so that they appreciate and accept a responsibility for pursuing cost-effective performance which constantly relates the development and operation of the services for which they are responsible...to the resources available and accordingly determine priorities and strategies for achieving those objectives."
>
> (Department of Finance, 1982, p.3)

There is a clear resonance here with the fundamental aims of the FMI. However, if the two managerial initiatives did not differ in concept, then their introduction certainly differed in nature. The well recognised themes of delegation and accountability were certainly present but in Australia they formed but one part of a much more complex and systematic drive to improve the management of government.

2. The Budgetary and Management Framework

The Government's budgetary and financial management reforms consisted of three strands which were introduced in sequence:

- An aggregate spending framework was established, the purpose of which was to ensure that overall expenditure would be attuned to the Government's economic policy needs and in particular to an environment of constraint.
- A new system of programme budgeting was set in place through which objectives for programmes could be set and programmes externally and internally assessed.
- Within this system of tight strategic controls, there would be the maximum possible delegation of financial and managerial authority, particularly with respect to running costs (see Barrett, 1988; Keating, 1988a, 1988b, 1988c, 1989, 1990; Keating and Holmes, 1990).

The new aggregate spending framework consisted of five interlocking elements. First, a new system of forward estimates was introduced. The estimates recorded the level of expenditure authorised by Cabinet for future years (based in some cases on necessary economic and other forecasting assumptions) but did not include any provision for new policies or discretionary changes to policy. As such they provided both the Government and the public with information on the level and composition of outlays that applied in the absence of policy or environmental changes. The estimates had been collected by the Department of Finance for many years but, as part of the new portfolio of reforms, they were made integral to the budget process through two major changes:

- the conversion of the estimates from bids by agencies to an authoritative baseline for budget deliberations and public reporting so that the starting point for the forthcoming budget would be year one of the previous estimates; and
- the publication of the estimates and of any deviation between a forward estimate and the budget year to which it eventually related as part of the budget papers.

The responsibility for determining the estimates was transferred from departments themselves to the Department of Finance. The estimates were formulated within the Department of Finance, communicated to departments and changed only in response to savings, new policy decisions endorsed by the Cabinet and changes to economic and other relevant parameters. Therefore, under the new system, Cabinet was required to pay far greater attention to the specification of out-year funding levels for programmes and to be much more conscious of and accountable for decisions to vary the estimates which had been published.

Second, portfolio budgeting was introduced. Portfolio budgeting was a generic term used to describe a range of budgeting strategies that gave greater emphasis to the role of individual Ministers in identifying their priorities and allocating the resources at their disposal (Walsh, 1990, p.46). The strategies included the setting by Cabinet of portfolio expenditure targets which Ministers were expected to meet and the requirement by Cabinet for a proposing Minister to identify offsetting savings where new expenditure was proposed. However, once having set aggregate resource targets and specified requisite savings, Cabinet, and the Department of Finance on its behalf, would leave individual Ministers and departments to devise the methods of achieving them. In contrast to the situation in Britain, therefore, a form of block budgeting applied from the outset.

Third, the Department of Finance introduced a comprehensive running costs system (see Rothman and Thornton, 1990). The running costs system was the leading edge of the drive to devolution of managerial responsibility. Prior to its introduction, salaries and administrative expenses were funded separately. For administrative expenses, budgeting and appropriation was by individual item such as travel, furniture and fittings, postage and telephones. Hence, budgets were based on the detailed examination of the level of administrative inputs. Similarly, the allocation of staff was the subject of detailed numerical control. Staffing was not considered as just one major variable within total running costs. By contrast, under the new system running costs constituted a single consolidated appropriation. Consequently, managers of departments and agencies were given significantly increased flexibility to apply their resources in the manner they believed most effective.

Fourth, the aggregate control of running costs was complemented and made more stringent by the application of an efficiency dividend. The Government assumed that there existed scope for the improvement of public sector efficiency and determined, in consequence, that an annual dividend of 1¼ per cent of running costs should be returned to the budget by all agencies. In addition, it offered departments an additional incentive to save. Where savings over and above the efficiency savings were achieved, these could be kept by departments and reallocated as they saw fit.

Fifth, both delegation and evaluation were effected within the framework of programme management and budgeting (PMB). The purpose of PMB was to focus managerial attention on the purposes of departmental programmes and the cost-effective achievement of their outcome (Shand, 1987, p.2; Barrett. 1988, p.55; Walsh, 1989, p.44; Keating and Holmes, 1990, pp.173-176). By contrast, line item budgeting, which PMB was designed to complement, focused principally on financial inputs and the maintenance of financial probity (see generally Knight and Wiltshire, 1977, pp.83-112). PMB sought a change in emphasis from accounting for stewardship to an active concern with the achievement of results (Holmes, 1990, pp.44-47). Under PMB, a programme structure was established in each department and the objectives of each departmental programme were defined. For budgetary purposes, all departmental expenditures were attributed to particular programmes and hence related to the achievement of specified outputs or outcomes. For each programme, measures of performance were determined. Programmes were then subjected to regular monitoring and evaluation to assess the extent to which their objectives had been met.

3. The Framework's Facilitation of Delegation

Between them, these measures removed many rules and procedures which had formerly stood in the way of the delegation of managerial authority. The imposition of tight expenditure control through forward estimates provided a reasonable guarantee that the effect of delegation would not be to encourage a break-out in public expenditure:

> "One of the factors explaining our success has been that we've abolished anything like the PESC system and replaced it with forward estimates. Forward estimates aren't allowed to be revised by departments. We control the forward estimates... Cabinet approves the rules which we then adjust in line with economic indicators. We don't have any bids to assess. Unless Cabinet updates its policy, we just update the estimates. It gets rid of the upward creep so characteristic of the UK system."
>
> (Departmental Secretary)

Portfolio budgeting reduced the necessity for senior economic Ministers to involve themselves in the details of departmental expenditure in individual departments. They were freed to enhance their role in the determination of the Government's broader priorities and fiscal strategies. The role of the Department of Finance also changed. It became involved in the reallocation of departmental funds only where these had cross- portfolio significance, where they involved major issues of policy and where there were other decisions which were likely to impact on the medium to longer term resource usage of the portfolio (Barrett, 1988, p.52).

Similarly, the new running costs system produced a major change in the relationship between the Department of Finance and other departments. Previously the Department had been involved in detailed inquiries into the minutiae of agency operations in order to find minor savings. It was also involved in protracted negotiation about additional allocations. Following the introduction of the new system, departmental managers had much greater autonomy in the allocation of running costs within aggregate parameters. They were, therefore, freed to concentrate on programme performance. The Department of Finance in turn could expend greater effort in promoting and contributing to programme evaluation (Rothman and Thornton, 1990, p.94).

The aggregate spending framework was ambitious and quickly implemented. It placed a cap on expenditure while at the same time encouraging the development of a more devolved and flexible managerial environment. In comparison with Britain, the pace and scale of change was substantial. There are three factors in particular which explain why this was possible. First, the style of the Prime Minister himself was decentralist rather than centralist. Under his predecessor, the powers of the Department of Prime Minister and Cabinet had accumulated significantly. Mr Hawke was for more inclined to entrust primary responsibility for portfolio management to his Ministers (Thompson, 1988, p.222-224). Consequently, an acceptance of portfolio budgeting came more easily to him:

> "The philosophy of devolution, to give Ministers more autonomy suited the Hawke style. When he arrived he broke down the Department of Prime Minister and Cabinet, which under Fraser had become a mini-government in itself, and left Ministers in charge of their portfolios. This reinforced the move to devolution and a whole range of other measures including portfolio budgeting."
>
> (Deputy Secretary)

Second, the structural division which had earlier taken place between the Treasury and the Department of Finance permitted the latter a freer hand in developing public sector management reform. Set loose from the constant emphasis on macro-economic management, it was able to embrace micro-economic reform in the public sector more readily:

> "In 1976, the decision was taken to split the Finance department from the Treasury. I wonder whether our public management reforms would have been anywhere near as successful had that decision not been taken. I think that the Secretary of the Treasury is inevitably going to be concerned with macro-economic management...he will not have the time or enthusiasm to be directly associated with public sector management. We [the Department of Finance] were the controllers and yet our concern wasn't purely the control of public expenditure. We were concerned about the effectiveness of public management. Whereas my impression is that faced with a choice between the efficiency of the public sector and the level of public expenditure, the UK Treasury will tend to side with the reduction of levels of taxation, the levels of borrowing etc."
>
> (Departmental Secretary)

Thirdly, the public service reforms generally, and delegation in particular, had the support of a strong, capable and committed Minister of Finance, a Minister willing where necessary to break old moulds in the pursuit of enhanced governmental effectiveness. One of these was the conundrum which beset all attempts at delegation - that central agencies were unwilling to cede control unless departments could demonstrate that they could utilise delegated authority effectively. At the same time, departments could not demonstrate their capacity without first having been ceded a measure of control. In Canberra, this logjam was resolved in favour of delegation directly as the result of Ministerial intervention:

> "We cut through that, and that was due to two people, John Dawkins and me. Dawkins was a doer. There was considerable opposition and talk about how you can't devolve authority until you can prove that they can do it or you've got accountability mechanisms in place but

> I said that if we don't do it we'll never succeed. So we did it. We pay a price for that - the implication that we have thrown some accountability mechanisms out the door - but in time we'll have much better accountability arrangements.
>
> (First Assistant Secretary)

The signs then were promising. All the structural preconditions for the delegation of authority were there. Inside the bureaucratic system, however, much had still to be learnt. Progress, although steady, turned out still to be slower than might have been expected. As in Britain, this was particularly the case in the delegation of authority within departments themselves.

6. Delegation from the Department of Finance to Departments

The Department of Finance committed itself to a very significant delegation of financial authority from the centre. This it believed was both an essential precondition and necessary incentive for better financial management in departments. Within the aggregate expenditure totals set, departments would have discretion with respect to the allocation of their resources. In return they would be expected to demonstrate yearly improvements in financial performance:

> "Perhaps the most important issue raised is when is it allowable for Finance to investigate (intrude) and what should be left to departmental prerogative. I take the view that requests for additional funds whether for new policy or for existing programmes should always be open to Finance investigation as they cannot be considered solely on the grounds of efficiency, effectiveness, appropriateness but must be weighed against other portfolio's requests for funding. On the other hand, it would usually be the individual department's prerogative to rearrange its internal priorities within a fixed level of funding. My officers will respect that prerogative where agencies live within their assigned aggregates. Governments may, however, also wish to consider substantial proposals for proposed departmental allocations which:
>
> * imply increased expenditure in the out years, and
> * involve across portfolio issues.
>
> The success of these arrangement will rely heavily on a mutual understanding between Finance and program departments."
>
> (Keating, 1988a, p.79)

New mutual understandings were critical. In the Department of Finance a transfer of emphasis from control to audit was required. In departments, a transfer of emphasis from resource administration to programme management was needed. Each required new conceptualisations, commitments and skills. Yet most of the changes would have to be effected by those practised in and wedded to old ways of doing things. Not surprisingly, therefore, resistance was experienced as new systems and new ways of relating took hold.

(i) General perspectives

In the Department of Finance itself the delegation of financial authority to departments did not proceed without incident. It was achieved only after those in favour of devolution and those opposing it had engaged in protracted and bitter debate:

> "I have to say to you that there was a lot of resistance within the Department - there were genuinely two camps here. One of my colleagues and I were at different ends of the spectrum. He firmly believed you had to put up and shut up. You, the departments, must go out and do these management things and then we will give you the autonomy. But we believed that what we had to do was give them the freedom and then take it back if the experiment did not work. There was of course a risk. Once you give it away, it's not all that easy to get it back."
>
> (Deputy Secretary)

This conflict was not resolved by agreement but by the exercise of power. In the end, both the Minister and the Secretary supported devolution. The Minister's role has already been referred to. It was complemented by that of the newly appointed Departmental Secretary:

> "We had drive from the top of course. There is no question that the majority of supply division people were of the same mind, i.e. controllers, and might still be close to it if you scratch them but the point was that you had the Secretary of the Department standing up and saying that delegation had to go ahead."
>
> (Finance First Assistant Secretary)

Despite the existence of strong executive leadership and direction, pockets of resistance within the Department of Finance still remained. Resource management divisions fully supported devolution. However, others in supply divisions were very much more reticent:

> "Finance self-satisfaction is so much rhetoric. My perception is that it has worked reasonably but not nearly as well as they would tell you. They will also tell you there is a huge cultural problem in Finance. There remain a large number of people in that place who cannot resist tallying the minor figures. They say the delegation camp has won. I dispute that. The line divisions are fine but the supply divisions have much more difficulty with this concept ...they understand that if they let go of some of their material, they lose their empire...if they take a broad interest in the portfolio and nothing more, then what is their job?"
>
> (Departmental First Assistant Secretary).

As delegation bit, some officials in the Department appeared not to have a clear picture of what their new role should entail. In consequence, departments reported that, if anything, supply division officials began to increase their scrutiny of internal departmental management rather than focusing on audit, review and the special case:

> "central co-ordinating agencies have undergone considerable cultural change and reshaping of traditional roles with the introduction of system changes such as one-line appropriations. But, for example, the supply divisions of the Department of Finance are still seeking an interventionist role in the management of departments as substitution for earlier roles."
>
> (Bedlington, 1989a, p.80)

Adherence to the new principles in supply divisions in particular was patchy. Some officials embraced the new philosophy, others were less certain about its merits. Not all supply division officials could be tarred with the traditionalist brush. For some, hands-off supervision was both reasonable and justified:-

> "From a personal point of view I'd be quite happy to leave DITAC [the Department of Industry, Technology and Commerce] to run its own ship and these minor matters we sometimes get involved with I'd prefer us not to get involved with..what we come back to is what is the department's role, what are its objectives... if their achievement means spending more money in a particular area I would be happy to support that...but you need to go through an evaluation phase first."
>
> (Supply Division official)

For others, however, intensive scrutiny would always be necessary:

> "A. If the department is running in an efficient manner then we can make the judgement that we can take our hands off.
> Q. What will persuade you of that?
> A. Nothing! [laughter]."
>
> (Supply Division official)

Despite these differences, the fact remained that the Department of Finance did withdraw to a very considerable extent from detailed intervention in departmental affairs. Without exception, departmental officials welcomed the change (Taylor, 1988, p.83). Departments had greatly increased financial flexibility and relished the opportunities which that flexibility offered. Not everything was running smoothly. It could not be expected to do so. But the trend was definitely a positive one. The running costs system in particular was the subject of departmental approbation. The flexibilities it provided changed the nature of Finance-department relationships and provided individual managers with the scope to exercise their authority. The time saved both by Finance and departments when controls were loosened, freed each side to concentrate more intensely on audit and management respectively:

> "The Department of Finance's devolution process was one that I think was welcomed by departments; it was easy to implement...if there are any problems it would be in the area of classification of positions...Finance has been concerned, I know about the growth in average salaries

within the service...but in terms of actually managing the agency we have a lot less controls and a lot more freedom and a lot less time wasted on talking to the central agencies."

(House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, V.McMahon, Department of Immigration, Local Government and Ethnic Affairs, Minutes of Evidence, unpublished, p.60)

(ii) Portfolio Budgeting

Running costs, over which departments were given substantially greater control, constituted approximately 10 per cent of departmental budgets. The remainder was allocated to programmes. Portfolio budgeting was designed to give departments much greater flexibility to manage their financial affairs. In the event, however, there were a number of factors which impeded the achievement of this aim (see also Walsh, 1989, pp. 46-47).

While running cost allocations were left largely to departments to dispense, new policy proposals were still vetted for their accuracy, out-turn implications, cross-portfolio implications and economic impact. Further, because in accordance with Expenditure Review Committee guidelines new policy proposals had to be matched by equivalent savings, departmental savings proposals too were scrutinised to determine whether they were of equivalent value and whether greater reductions could achieved. The hunt for savings became especially intense when departments argued that matching was either not possible or not desirable. The continuing degree of Finance involvement caused some dissatisfaction:

"We don't have true portfolio and programme budgeting. We still have for perfectly legitimate macro reasons, the Department of Finance coming up with savings options and the Minister not being able to run portfolio budgets properly... it is better than it was but it is still not entirely the case that Ministers are told here is an envelope of dollars - you run away and tell us how you want to do it. They are still vetted individually for new policy, savings are looked at separately, only when savings are achieved are they allowed to put forward new policy...It's the same old stuff."

(Departmental Secretary)

Similarly, in demand-driven programmes, the advantages of hands- off programme management were largely theoretical. An agreement by the DOF to let departments manage as long as their expenditures were within a predetermined range had little applicability where, BECAUSE OF ~~due to~~ increased take-up, departmental expenditure exceeded estimated bounds. Then, departments were forced to return to the centre for additional allocations opening themselves, as a result, to renewed DOF scrutiny:

> "So they always churn over our bids in the way that they did before. Assessments are not made about the costs and benefits of the programme but rather at the edges and as long as the focus remains there, then the bigger questions about overall allocations and the effectiveness of overall programmes takes a back seat. There has been a major difference in relation to running costs but ...on the programme side, things remain much as they were."
> (Policy First Assistant Secretary)

Parliamentary rules regarding the appropriation of expenditure required departments to report in considerable detail and in standard form about the nature and pattern of their expenditure. They also required the strict segregation of programme expenditure from administrative expenditure. As a result the capacity of departments to combine and reallocate their resources in this respect was limited:

> "We are still bound by quasi constitutional arrangements around appropriation bills and all of that...we are limited by the fact that Parliament and estimates committees in particular still show a great fascination for detail. Therefore, we have to keep separate running costs items and we can't integrate our running costs with our programme expenditure. These are unnecessary and irritating constraints."
> (Deputy Secretary)

(iii) Efficiency Savings

For departments, the efficiency dividend was a sugar-coated but nevertheless bitter pill. Each department was required to render to the Treasury an efficiency saving of 3.75 per cent of running costs over three years. This was a significant cut in expenditure Yet, it was a dividend shrewdly constructed to provide departments with a number of benefits to offset their pain. Where departments achieved the requisite savings, the Department of Finance agreed not to examine departmental budgets in pursuit of additional administrative savings. The dividend would suffice. Hence, the specific savings target provided departments with a clear indication of the real level of funding for running costs which, barring major workload changes, they could expect. This in turn facilitated medium-term planning (Keating, 1988a, p.74).

As a mixed blessing, the efficiency dividend received a mixed reception. No one liked the pain it inflicted but many, particularly at senior management level were willing to concede its necessity:

> "I accept the efficiency dividend. It's not particularly harsh. We have to identify our own particular savings against it...What's one and a quarter per cent. We have seventeen to eighteen thousand staff at the moment and in that it's not much. We have a lot of people out in the

> field worried about resources but even there is a change in culture where people are trying to achieve the organisation's broad objectives and in that there are efficiencies to be made..."
>
> (Deputy Secretary).

Further down the line, operational managers regarded the dividend quite differently. For them, it constituted a cut pure and simple. They argued that if the dividend had represented genuine expenditure reductions in response to greater efficiency, savings would presumably have been targeted in particular areas of a department where the efficiency had been achieved. However, most departments had simply imposed the dividend as an across-the-board charge. Whether or not greater efficiency had been achieved, therefore, every departmental division suffered the pain of running costs reductions. Programme managers regarded this as unfair and also expressed concern that the savings required would result in the reduction of client services. Others, for example in the union movement, pointed to the contradiction between the FMIP's devolutionary philosophy and the imposition of centrally dictated reductions in expenditure. At the same time that the Department of Finance encouraged managers to make better use of their existing resources, they argued, it reduced their capacity to do so by insisting that savings must be made and returned to Treasury coffers:

> "We do see...in practice, the contradiction between the ideology of devolution of financial decision making and the practice of government decision making which has tended to further centralise decision making. We point out in particular that the 1.25 per cent efficiency dividend sits very strangely with the financial management improvement program which looks to effect genuine efficiencies and reform at the micro level."
>
> (House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, D.Bunn, Public Sector Union, Minutes of Evidence, unpublished, p.277)

7. From the Centre to the Periphery of Departments

Just as authority was transferred from the Department of Finance to departments, so too it was expected that a similar transfer of authority would occur within departments themselves. Somewhat surprisingly, however, progress in this regard was patchy. Central finance divisions, enjoying the greater freedom to manage which had been accorded them, appeared either less able or less willing than their counterparts in the Department of Finance to push responsibility out to field managers themselves.

The Department of Finance's intentions with respect to intra-departmental devolution were spelt out in the following terms:

"Individual program managers are (or should be) entrusted with a set of resources (that is a budget) by the central office of the department in return for which they are expected to deliver an identifiable quality and quantity of service, that is, they are held accountable for performance. The implications of this are twofold:
- First, the program manager must have adequate autonomy to use the resources allocated to achieve the specified goals and
- Second, any variation in available resources during the budget period may have an impact on the quality and quantity of service which the program manager is able to deliver, and this must be allowed for in evaluating his or her performance."

(Keating, 1988b, p.86)

Four years after the FMIP had been established, the Department of Finance itself reported that progress had been slower than it had anticipated (Department of Finance, 1990, p.58). In a survey of delegation within departments, it found on the credit side that resource management in Commonwealth agencies had been substantially decentralised from Canberra to State and regional levels. However, on the debit side, the survey reported that very limited decentralisation had taken place in policy areas and policy departments. Further, whilst managerial responsibility had been devolved, managerial authority had not proceeded in parallel.

Taking the credit side first, in departments with regional service delivery networks, the decentralisation of authority from Canberra to States and regions appeared to proceed rapidly (Commonwealth of Australia, 1991d). In the Department of Social Security, for example, decentralisation and devolution proceeded hand in hand:-

"We have devolved, as far as possible, functions and responsibilities and delegations to those area offices so that they, in many instances, have virtually the same responsibilities as the State offices under the old arrangements. We have also gone a long way down the track of delegating responsibility not only for decisions under the Social Security Act, but also under the Public Service Act, the Audit Act and Finance Regulations, to regional offices."

(Deputy Secretary).

This pattern was repeated in a number of other service delivery organisations (see, for example, O'Connor, 1989; Australian Taxation Office, 1989; Bedlington 1989a, 1989b; Bashford, 1990).

In head office too, life for programme managers changed significantly. Greater flexibility in the application of running costs was clearly evident everywhere and most programme managers reported that, following from the devolution of authority from the Department of Finance to departments, they too had been assigned more significant responsibilities in the management of their staff and administrative resources:

"In terms of how I use my budget...I am by and large entirely free and know so. That's very different from what it was only five or six years ago when you could not create a position without an elaborate procedure. I can open and shut positions, hire at any level and the only control is in the amount that I spend - although the department does keep an eye on average staffing levels."
(Departmental First Assistant Secretary).

Programme managers generally were enthusiastic about the new discretions which they could exercise. Yet for many life had not changed significantly as a result of receiving them. The reason was obvious. Programme activity remained largely constant. Once set in place, the resources required to administer programmes varied little. Unless new initiatives were funded or cuts were imposed, change occurred only at the margin. The scope for entrepreneurial management was small yet not insignificant:

"When I get an administrative costs budget I can spend it on whatever the needs of the division are. But there is not a lot of discretion because the needs define themselves. I have to fit within the overall budget but within that it is broadly my decision. But in fact there isn't much flexibility because of the static demand. But it's there, and I have to make judgements."
(Departmental First Assistant Secretary)

Despite these apparent successes, several problems were also encountered. The major ones were the following:

~~(i) The surrender of authority from Corporate Services Divisions~~

Officials in the Department of Finance were somewhat dismayed that delegation had not proceeded as effectively within departments as it had done from the centre of government to departments. The Deputy Secretary of the Department observed that his own department had substantially increased the capacity of departments to choose the best mix of resources to achieve specified programme objectives. Despite this, the further delegation of these flexibilities had not proceeded in parallel or at a comparable pace in departments themselves. Corporate services divisions had assumed the mantle of central agencies but not delegated further. Not only this, but in departments there was still a lack of appreciation of the fact that resource issues should no longer be the sole or principal responsibility of such divisions (Barrett, 1988, p.53). In its survey, the Department had suggested a number of reasons why intra-departmental devolution had proceeded so slowly. Senior management had not thought through clearly an appropriate structure for devolved decision making. Managerial attitudes had proven a stumbling block. Financial management information systems had not come on stream quickly enough (Department of Finance, 1990, pp.58-59). Each of these was relevant. But there were other, more fundamental, explanations.

The Deputy Secretary's dismay was mirrored in the attitude of programme managers who had been promised much greater authority but who, several years later, were still waiting to assume it:

> "Central office hasn't been first cab off the rank. There is a reluctance to hand money out to people who are by and large not professional managers. Part of it also has to do with the fact that they have much larger fish to fry - negotiating with DOF regarding delegations, balancing accounts etc. But there are still many decisions I want to deal with but I can't."
>
> (Departmental First Assistant Secretary)

Certainly, managers had greater flexibility with respect to the management of their running costs. But there remained major areas of authority in relation to which devolution had made little progress. Accommodation, the employment of consultants and purchasing were three of many examples which were cited frequently:

> "There are still some considerable inflexibilities in terms of how we operate in relation to the Australian Property Group; Australian Construction Service; issues of recruitment, where we are tied to using the Department of Employment to recruit people; the user charging issue of being tied to people who are not necessarily delivering the service at the price that we could get elsewhere."
>
> (House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, J.Bedlington, Department of Community Services and Health, Minutes of Evidence, unpublished, p.159).

However, if officials in corporate service divisions were reluctant to divest themselves of controls, then their reluctance was matched by that of a not insignificant proportion of programme managers to assume the new responsibilities they were offered. Their reservations sprang from several sources. First, they experienced practical difficulties associated with the transition. New responsibilities meant additional work. But no additional resources were allocated to undertake it. Managers were given budgets and asked to comply with their terms. But budgetary responsibility did not proceed hand in hand with budgetary authority. Professional officers objected to the imposition of managerial responsibilities. Their job was to provide advice based on their professional knowledge, skill and ability. The management of resources was properly a job for someone else. Many managers schooled in traditional methods of management and control were personally reluctant to embrace their new identities as 'risk takers'. As they saw it, their task was the provision of a quality service albeit with due regard to cost (see similarly Pearce, 1989a). The new managerial culture simply did not suit them:-

> "The change from the i-dotting, t-crossing manager, concerned more with keeping out of trouble, to the outcome seeking, risk taking, efficiency conscious manager prepared to tolerate an occasional mistake in the interest of high achievement, requires a huge change in attitude. Some managers have been more successful in

this adjustment than others, and some Departments have had greater drive towards achieving it than others. Devolution may well have been deferred or avoided because managers have not felt prepared to let go the reins."
(Bedlington, 1989a, p.81).

Finally, management information systems had not yet become sufficiently sophisticated to permit either line managers or corporate service divisions to monitor and assess their managerial performance. Better information about costs and outputs was the necessary precondition of delegating more authority to managers (Keating, 1988b, p.85). Inevitably, however, the new systems took considerable time to develop. Managers had to know how they were performing and be given information to support their future planning. In the absence of relevant management information, these requirements could only partially be fulfilled:

"It is interesting that, in the early stages, our branch for example, went out and put the pressure on managers and said, 'Okay, here is the new set of rules, you need to play by them.' But it was not long before the pressure was rebounding back on to my branch...in saying, 'Okay, if we are playing by these rules, then we want the exact information by which we can go.' We have found it very hard to deliver. So as far as I am concerned the urgency within our organisation and probably within many government departments is to adopt reasonably sophisticated accounting and other resource systems which can provide the management information at a reasonable cost."
(House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, V.McMahon, Department of Immigration, Local Government and Ethnic Affairs, Minutes of Evidence, unpublished, p.60.)

8. Summary

In Australia, the Department of Finance led by example in promoting the delegation of managerial responsibility. It introduced a new forward estimates system which, by changing the rules of the budgetary game, established a firm basis upon which delegation could proceed. Then, with the establishment of portfolio budgeting and a new running costs system, it delegated substantial numbers of its own financial controls to departments. Departments clearly appreciated the new financial flexibility which these measures accorded them. They were, however, much slower in pursuing delegation themselves. Within departments, central finance divisions were generally reluctant to cede their new authority to operational managers. Their reluctance was matched by that of some programme managers who, both for personal and technical reasons were unwilling to embrace the new financial regime.

SECTION 2: THE MONITORING OF MANAGERIAL PERFORMANCE

> "I was speaking to one department head who said to me in all seriousness, Jack, if you can't count it, it doesn't count."
>
> (Jack Waterford, Deputy Editor, Canberra Times)

1. Introduction

Following their systematic approach to the task of change, Australia's management reformers, having set planning and budgeting structures in place, turned their attention to the concluding elements of the planning cycle - monitoring and evaluation. Their initial emphasis was on monitoring and their means, performance indication. Later their attention turned to evaluation where, as in Britain, a new emphasis was placed upon assessing the effectiveness of government programmes. The push for evaluation had only just begun at the time the evidence for this survey was collected. Consequently, the focus of this section will be on performance assessment.

Performance assessment was developed under the umbrella of Program Management and Budgeting (PMB). PMB required each department and agency to specify the objectives of its programmes, to develop programme structures which related objectives and expenditure and to report to Parliament on the performance of each programme against its objectives. Parliamentary reporting was at the heart of the new system for, in a significant departure from traditional notions of ministerial responsibility, it was in Parliament that the 'new managers', would be held to account for their activities.

To assist Parliament in its role as performance auditor, two important changes in budgetary documentation were introduced. First, a new budget paper was commenced (Budget Paper No. 3 - Portfolio Program Estimates) This document presented budget estimates on a programme basis and reconciled the estimates with the appropriation and outlays presentations contained in Budget Paper No. 1. Next, the format of portfolio explanatory notes was changed. Previously explanatory notes had been focused almost entirely on inputs. In particular they provided brief information on variations in expenditure and reported in detail on administrative and salary expenditure. Following the introduction of PMB, however, the format of the notes was changed so that inputs could be related to programme performance and intended programme outcomes. On this basis, an assessment of the efficiency and effectiveness of each programme could be made. In the explanatory notes departments were required to specify performance measures, preferably in quantitative form, for each programme and to report, in quantitative terms, on the progress each year in the achievement of their programmatic objectives.

The explanatory notes were the foundation for scrutiny of budgetary estimates and performance by the Estimates committees of the Senate. Following the change in format and approach, Senate Estimates committees began to show an increasing interest in performance and the definition of objectives (Baume, 1990; Cook, 1990). The more intensive scrutiny of departmental performance in this external forum subsequently provided an important impetus for the adoption of new management techniques within departments themselves.

The altered framework for reporting on government performance resulted very quickly in a substantial increase in the size and quality of information provided to the Parliament. And yet, the result with respect to the development of effective performance indicators was disappointing (Department of Finance, 1988, p.57; Barrett, 1988, p.55; Keating, 1988a, p.78). Methodological, organisational and political difficulties combined to lessen their usefulness both for the purposes of internal and external accountability. In Australia, as in Britain, considerable difficulty was experienced in choosing and using quantitative measures with which to monitor the effectiveness of governmental action (see generally Klein, 1982; Pollitt, 1986a, 1986b, 1986c, 1989; Flynn et al., 1988; Carter, 1988, 1991).

2. Methodology

Ideally, performance indicators should permit managers to relate inputs to outputs, thereby measuring programme efficiency and outputs to outcomes thereby measuring programme effectiveness.
In Canberra, the principal preoccupation of senior administrators was with the latter relationship. How, they asked, could the effectiveness of government programmes be measured ? Officials noted that several difficulties existed in doing so. Many governmental purposes, they believed, were of their nature incapable of reduction to quantitative terms. Programmes designed to change community attitudes and behaviour provided the quintessential examples. Government could set in place a comprehensive array of measures designed to increase community awareness of a particular social issue, the programme's underlying purpose being to influence attitudes and standards of behaviour. But without experimental and control groups, the measurement of attitudinal change presented formidable difficulties:

> "Then there is the technical question of how one measures effectiveness in a society that, quite rightly, does not allow us to engage in controlled experiments. The best example is in our health prevention area, where we are

> trying to change public behaviour in relation to public and personal health. We have a national campaign against drug abuse but how can we measure whether our campaign is actually working ? This is not an avoidance of the issue - we'd love to know how it's working. But it's a bugger to do because we're not going to isolate one part of the community and say we're not going to let you be exposed to the campaign so that we can see what would have happened otherwise."
>
> (Departmental Secretary)

Next, even if a particular governmental purpose was capable of concrete and quantitative definition, how, officials asked, could the impact of a specific programme upon the achievement of that purpose be isolated from other factors also having an effect ? If, for example, the objective of a subsidy programme to industry was to achieve a certain and increasing level of import replacement, how could the effect of the subsidies per se be isolated from broader national and international economic measures and trends which also influenced the competitiveness and attractiveness of Australian-made products ?

The third problem was the difficulty of designing measures which would reflect accurately the achievement of a particular outcome. If, for example, the objective of a social security benefit programme was the alleviation of poverty, would it be sufficient to judge its success to observe that benefits paid had risen to a level equal to a pre-determined poverty line. ~~Quite~~ Apart from the fact that poverty line figures fail to take into account the particular and differing circumstances of individuals and families, such a measure itself presumes that the alleviation of poverty can be achieved by monetary means alone. However, were poverty to be defined in relative rather than absolute terms, the accuracy and relevance of monetarily founded measures would immediately be called into question:

> "What about trying to define the requisite amount to live on. How is this to be calculated ? If the rate of pension is going up against average weekly earnings, prices etc. then that is something - but you haven't got a starting point. So all you can say is that it is better or worse than it was. So you move to the Henderson Poverty Line. Then you're in the business of looking for something that will give you an answer - but you will never find it because performance indicators should not be used to give you an answer, but simply to point you in a particular direction."
>
> (Assistant Secretary).

The example is also illustrative of a further problem. The accurate assessment of outcomes presumes a consensus about a programme's purpose. But this consensus may from the outset be questionable. Thus, for example, a Labor government with a structural perspective on poverty might define the purpose of its income maintenance programmes as poverty's reduction. On the other hand a Conservative government, with an individualistic perspective on poverty, may define the purpose of its portfolio of social security measures as being the setting of income support at a level which will encourage recipients to seek work. The performance measures one adopts to assess the success of identical programmes may, therefore, differ according to the objectives assigned to them:

> "As soon as you start thinking about why a programme is there, you get a cacophony of different views. It is very convenient for the purposes of assessment and evaluation to have well known and publicly articulated objectives - but these are fiendishly difficult to arrive at."
>
> (Assistant Secretary).

By contrast with outcomes and outputs, respondents believed that there was little inherent difficulty in measuring inputs such as staffing or administrative costs. The only problem here was cost attribution. Cost-attribution difficulties occurred when one organisational unit played a role in the production of two or more significantly different types of output. This was particularly so where there were specific staff (or other resources) within the unit who were capable of contributing to more than one output. In part these difficulties reflected the costs of reliably controlling and monitoring the way in which shared resources were used. In practice, however, the cost of establishing a recording system which provided reliable information of this kind was often considered excessive in relation to the benefits to be derived from doing so.

3. Organisation

At senior management level, there was considerable support for the idea that governmental effectiveness and efficiency should constantly be monitored. This was blended in the eyes of the new managers with considerable pride in the degree of progress which had been made in providing to the Parliament a comprehensive range of performance measures. Certainly, the quality of managerial information flowing to the Parliament had improved substantially since the format and content of the Budget papers and explanatory notes had been revised. Methodological difficulties were recognised but, at the same time, there was a strong feeling amongst senior officials that the process of conceptualising departmental activities in programme terms and thinking through the manner in which performance could be assessed had been very beneficial.

> "I think we have a good story to tell. It is fair to say that we have had enormous difficulty until recently in getting the issue of performance indication right. Originally we were very input oriented. But last year we sat down and rewrote the programme structure. The rewrite enabled us to revise the performance indicators. After that they made much more sense."
>
> (First Assistant Secretary)

However, the vast majority of indicators still represented intermediate rather than final measures of programme effectiveness:

> "It is possible to measure performance in some areas, particularly in operations. But we are still mainly stuck to process-oriented measures rather than output or outcome oriented ones."
>
> (Departmental Secretary)

This was a source both of frustration and contention. The frustration was experienced amongst those, particularly in central finance divisions, who wished to push the performance indication movement further but who were slowed in doing so by the methodological problems already described. For them, the solution to the difficulties posed lay in the development of greater methodological expertise, the use of trial and error to refine existing measures and the more effective harnessing and utilisation of supporting systems for data collection and analysis.

By contrast, programme managers were the principal critics of performance assessment. Their criticism took a number of forms. They criticised the quantitative bias of the performance indicator movement. To reduce the complex functions of management in which they were involved to a series of loosely connected quantitative measures was to over-simplify their tasks:

> "Finance tends to be too oriented to numbers...I think there is a tendency to concentrate on numbers - they are easy to get hold of and easy to use. Whereas things which require judgement and therefore which you have doubts about, the intuitive things, tend to be discounted."
>
> (First Assistant Secretary)

These competing perceptions on the appropriateness of quantification illustrated a deeper argument. To be effective, performance indicators had to convey information about the variables to which they related, that is, input, output or outcome and the interaction between them. To be genuine indicators, however, they needed also to say something about the quantum of output-achievement or about the degree of efficiency, timeliness or some other relevant measure of quality. This meant that performance indicators had to have a measurable specificity about them. However, managers reacting against the drive for quantification stressed performance indicators' weakness in capturing the complexities of managerial decision making and the danger of goal displacement (Uhr, 1989, p.157; Nethercote, 1989, p.364; Considine, 1990, pp.175-176):

> "There are many examples of resource allocation being based on indicators unrelated to outcomes sought. This is not necessarily a problem but it becomes one when the basis of allocation gives the wrong signals to those responsible for client impacts - e.g. allocation based on numbers of clients where there is significant discretion in relation to service priorities. Similarly

> there are examples of regions being given quotas to meet, based on national data, without regard to the opportunities and needs that exist within that region."
> (Management Improvement Advisory Committee, 1990, p.vi)

Given these concerns, the critics proposed instead or in addition, the development of narrative indicators i.e. indicators which consisted of a descriptive assessment of a programme's performance in its various facets without reference to any numerical element. Narrative assessment, however, was also prone to methodological deficits not least among which was the absence of any objective benchmarks against which claims about efficiency and effectiveness could be assessed. Thus, the Department of Finance responded coolly to the suggestion that client surveys might constitute a promising surrogate performance measure:

> "We do not consider client views should be themselves regarded as actual measures of performance. However, we believe that such views have an important place in information upon which judgements about performance should be made and that interpretation of those views should be undertaken with care."
> (House of Representatives Standing Committee on Finance and Public Administration, 1989, FMIP Report, Memorandum from Department of Finance, p.S265)

Programme managers frequently criticised the manner in which performance indicators were developed. Although departmental practice varied, indicators were normally chosen centrally rather than at programme level. It was common service divisions that had the responsibility, time, capacity and expertise to engage in indicator formulation that took the lead. This caused difficulties with programme managers who felt that the new techniques were being imposed without adequate consultation with them and by 'number-crunching technocrats' who knew little of managerial realities:

> "I think that encapsulates one of the problems that departments have had in the sense that if they have tried to impose performance indicators from the central offices and the managers do not feel that they have had any say in those performance indicators, but they are being held accountable, then clearly they do not own them and clearly it can very quickly become a paper exercise where you just simply get the information out that will meet that performance indicator. Whether the performance indicator is regarded as being satisfactory by the individual programme manager, what it actually tells you about how accountably or how effectively the programme is being implemented is not quite clear."
> (First Assistant Secretary)

It was in this area, the use of performance indicators to assess and improve internal management, that the most significant organisational difficulties arose. PMB had done much to improve the quality of information going to Parliament and hence to increase external accountability. The same information, however, had not proven nearly as useful in setting managerial direction internally. The Management Improvement Advisory Committee's report made the point forcefully (Management Improvement Advisory Committee, 1990). The report, based on a survey of progress with performance measurement and evaluation in nine departments, noted that it was difficult to develop case studies which showed clear links between outcome- oriented performance information and decision-making within organisations. However, even recognising this difficulty, its conclusions made depressing reading:

> "Of particular concern to [the Management Improvement Advisory Committee] is the lack of evidence of a link between performance being reported externally and performance information influencing internal decision making. For most managers, reporting externally appears not to be seen as an important element of the management cycle."
> (Management Improvement Advisory Committee, 1990, p.ii)

Why should this have been the case ? The evidence already discussed provides an initial explanation. Where performance measures had been imposed by the centre rather than devised in consultation with programme management, there had been a natural reluctance to utilise them. Given that indicators were successful principally in determining the efficiency of operations rather than their effectiveness, managers found them of only limited assistance in making hard managerial choices such as whether more or less should be spent on their programmes. Where they were used, indicators remained an aid to judgement rather than supplanting it:

> "It is a bit like pressing the button on a computer. You still have to have your paper and pencil calculation in hand and then you press. If the information the computer provides is in accord with the paper sums, then you act on it. But if it is not, then you act on your original assessment."
> (Deputy Secretary)

There was a more fundamental reason still. Performance measures can serve a number of different purposes. They may assist external scrutineers better to draw programme managers to account. They may provide those formulating government budgets with hard edged performance information to assist with the allocation of resources. They can also be used to provide guidance to senior managers about how units under their control have performed in a delegated managerial environment (Pollitt, 1986a, p.163; Walsh, 1989, p.48). It will not often be the case, however, that a single set of indicators can perform all these functions simultaneously. Hence, MIAC found that performance measures generally had been designed with an eye to satisfying the needs of Parliament. This orientation had not necessarily been compatible with the development of indicators which managers themselves might have found most useful:

> "performance information is often being developed for reporting purposes only, and not for management purposes (...external reporting documents still rarely discuss results effectively - the listing of performance indicators is pervasive)."
>
> (Management Improvement Advisory Committee, 1990, p.v)

Similarly, the report discovered that a cleavage had emerged between operational objectives enunciated in corporate plans and budgetary related objectives set forth in the explanatory notes. Performance indicators developed for the latter, however, did not relate closely to those developed for the former.

3. The Politics of Measurement.

The politics of performance measurement added a third dimension to the story of their introduction. Politicians and senior administrators were pushed and pulled in ~~quite~~ different directions as the performance indicator movement gained ground.
On the positive side, the presentation of budgetary papers to Parliament in programme form and the clear specification of performance targets significantly enhanced the role and influence of Senate Estimates committees. Previously confined to microscopic curiosity about departmental inputs, the committees' role and influence expanded substantially once they were provided with budgetary papers enabling them to come to terms with programme outputs and outcomes.

> "The estimates are now in program form. No longer do I have to sit and listen to ridiculous questions about paper clips or tea ladies. Now - at least in theory - we get budget information in budget, program and sub-program form.
>
> (Baume, 1990, p.103)

The vigorous questioning of departments about their estimates and the measures proposed to assess them also had a very positive on management reform in departments. It was a rare but clear example of parliamentary accountability at work.

> "If you look at the debates that have taken place at Senate Estimates Committee, you will find that they have pushed us very hard to do it. The whole branch that I am responsible for was created as a result of the Department being beaten up at Senate Estimates Committee by Peter Baume."
>
> (First Assistant Secretary)

On the other hand, both performance measurement and evaluation had their political pitfalls (see Flynn et al., 1988, p.36). The constant monitoring of programme performance against measurable benchmarks and the publication of the results held out the possibility that ineffective performance might provide the launching pad for political criticism. For this reason some Ministers were distinctly cautious about indicator development.

> "There are difficulties politically in facing up to some of the questions that have to be asked. That's always a trick...a programme may be the baby of one particular minister - do they really want to be told three years down the track that it ain't working ? Some of them do because they genuinely want to improve things. Others don't want to know."
>
> (Departmental Secretary)

As a result of the political pitfalls, careful consideration was given to the formulation of key indicators of performance. In areas of particular sensitivity, indicators which provided less contentious results were chosen over those more accurate but more sensitive:

> "In the main, indicators do faithfully reflect what we try to do. But one that is different and stands out at policy level is where we were going to use pension and benefit payments compared to household disposable income per capita. That might yield some controversial results so we decided instead to use average weekly earnings. We need to try and minimise that sort of thing."
>
> (First Assistant Secretary).

There was an inevitable element of political compromise. Indicators could not, for all their veneer of objectivity and for all the talk of the new accountability be permitted to prejudice the Minister's position.

PART II :

ANALYSIS

CHAPTER 7

FRAMEWORK FOR ANALYSIS

The aim of this chapter is to establish a framework for the analysis of administrative reform. The framework has two purposes. First, it creates a means through which existing literature in the field can be surveyed and systematised. Then, in the next chapter, it provides the mould into which the substance of this survey's findings can be poured. The chapter is heuristic in nature. That is, it derives from and utilises the author's own experience of the administrative world, and that of others as expressed through their writing, to develop a working understanding of administrative reform. This working understanding is then complemented and sharpened in Chapter 8 where a comparison is made between the experience of implementing the FMI and the FMIP respectively.

Administrative reform, then, may be considered as having four discrete but interconnected aspects. These are its environment, content, strategy and dynamics (see similarly Ashford, 1980, Part 2; Pettigrew, 1985, p.439; Pettigrew, McKee and Ferlie, 1988, p.300). The relationship between these aspects may be represented diagrammatically in the following way:

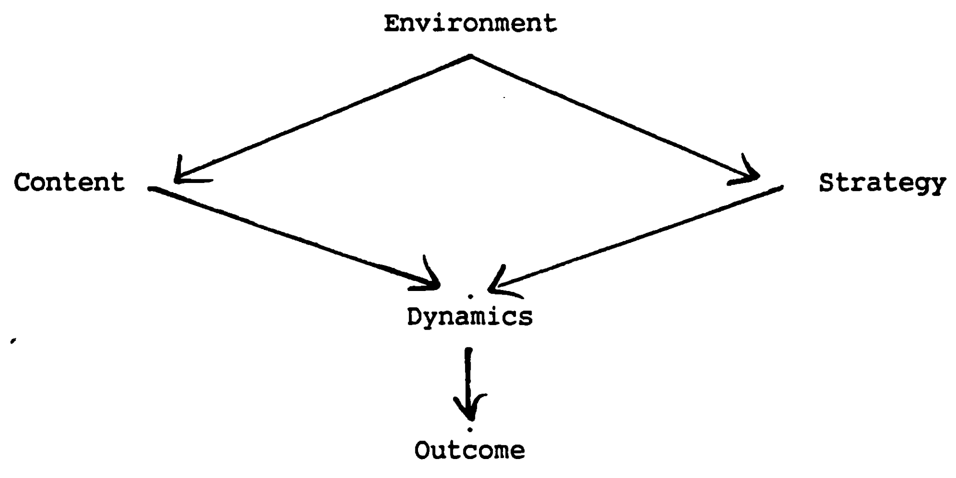

Figure 2 : The Framework of Reform

As a general rule, it is alterations in the environment of the administration that provide the initial stimulus for reform. These changes then translate into specific reform proposals. Once introduced, the internal dynamics of the administration will determine what becomes of the reforms. The way these dynamics are crystallised depends on the content of the reforms proposed and the strategy employed to effect them. Each of these component elements will now be elaborated upon.

1. Environment

For the purposes of this analysis, the environment within which administrative reform takes place is considered as being comprised of four overlapping arenas, the economic, social, political and administrative (see to similar effect Caiden, 1969, p.164; Leemans, 1976a, p.15; Self, 1978, p.313; Self, 1985, Ch.2; Guy Peters, 1988, pp.40-41). Each is now briefly considered.

(i) The Economic Arena

Economic conditions exercise a formidable influence on administrative reform. They loom large in considering the role which the state should play in the economy. When the economy is buoyant, public attitudes to an expansion in the government's role are more likely to be favourable. Conversely, when economic conditions are poor or unstable, adverse attitudes can be predicted. In an expansionary period, the government's revenue is likely to increase, permitting it to accrue additional functions and establish new organs through which to conduct them. During economic contraction, governmental activity will be cut back and its agencies will be dispersed or disbanded (Aucoin, 1981, p.23). Economic circumstances influence the structure and composition of the civil service. In recession, for instance, there is pressure to reorganise the service to enhance financial control and alter patterns of recruitment to attract members with financial experience (Argyriades, 1986, p.16). The priority which the government accords to efficiency or effectiveness may also be altered. During economic contraction, a premium is placed on the efficient delivery of public services. During expansion, effectiveness becomes the more potent consideration (Corbett, 1990, p.295). Contraction, not expansion, appears to provide the more forceful impetus for administrative reorganisation. Government acts more decisively when the costs of inaction are high than when they can be spread or disguised during economic and public sector growth (Keeling, 1972, p.81; Chapman and Greenaway, 1980, p.212).

(ii) The Social Arena

The administration's values can be expected, to a greater or lesser extent, to reflect those of society. Changes in society's values will be reflected in new administrative forms and procedures. There are a number of different ways in which this might occur. A change in the intellectual climate may generate new views about how public administration should be conducted (Savage, 1971, pp.50-52; Chapman and Greenaway, 1980, p.194; Spann, 1980, p.13; Davis, 1989, pp.173-176). Important social changes will also be reflected in changes to the composition and functioning of the civil service.

Thus, for example, the altered status of women and the increasing respect paid to the position of minorities have altered patterns of civil service recruitment and promotion (Corbett, 1990, p.296). The advent of new technologies too may have a substantial effect on existing patterns of organisation and management (see Booth and Smith, 1984). Shifts in social attitudes can be expected to result in alterations to government policy. These alterations in turn engender changes in administrative machinery and practice (Wilenski, 1988, p.213). Social changes can make a difference to public attitudes to ~~the~~ GOVERNMENT per se. When the power of the bureaucracy is under attack, for example, one can anticipate that mechanisms to draw it to account will emerge high on the reformist agenda.

(iii) The Political Arena

Politics acts as the principal conductor through which wider social trends are transformed into agendas for administrative innovation. Political parties assume power with a pre-determined attitude to the civil service and sometimes, although not frequently, with a well formulated blueprint for administrative transformation (Chapman and Greenaway, 1980, p.203). The attitudes of the government will, at least in part, take their bearings from wider economic and social trends (Wilenski, 1988, p.213) Similarly, individual ministers not infrequently enter office with a penchant for taking on 'the bureaucracy'. Parliament too may prove a potent source of pressure and ideas (see generally St. John-Stevas, 1982; Uhr, 1982).

However, politics may not always prove the most reliable of transmitters. Government, although recognising the need for administrative reform, may choose not to effect it. Thus, reforms made necessary by economic change might be seen as transgressing political values which the government holds dear. The government may conclude that the complexity and cost associated with developing new systems would, in the short term, outweigh the benefits of proceeding with them. Should the opposition have suggested the need for reform, a government may, for tactical reasons, be reluctant to introduce it. The government's response might also be diversionary. The more intractable the policy problems it faces, the more attractive it becomes for it to introduce administrative reform in order to be seen to be doing something (March and Olsen, 1989, p.90). Reforms which break up the administration create the opportunity for government to shift blame from itself on to others (Heffron, 1989, pp.70-71). Alternatively, existing programmes may be recombined and repackaged as new initiatives.

(iv) The Administrative Arena

The administration may itself introduce structural and procedural change. Whilst not directly responsive to environmental and electoral pressures in the same way as the government is, the administration too receives contextual messages of many different and subtle kinds (Pitt and Smith, 1981, Ch.2; Rose, 1987, pp.211-217). Several means exist to translate these into action. New leaders at the top of the service who want to make their mark may choose administrative reform as one means of doing so. From time to time, significant individuals emerge to change the face of existing administrative arrangements (see Spann and Curnow, 1975, pp.365-406; Chapman and Greenaway, 1980, pp.219-220). Industrial relations has also played its part in engendering reform (Bancroft, 1981, p.143; Bancroft, 1983, p.20). Managerial methods which prove successful in one agency may quickly spread by example to others.

However, all agencies, and particularly very large ones such as the civil service, exhibit considerable inertia. Therefore, it is less likely that an administration will act to reform itself than that reform will be externally imposed (Downs, 1967, p.197). The civil service can, however, move quite rapidly to adjust or block such reform. For example, it may put forward counter-proposals or reinterpret a new government's intentions in a way more acceptable to itself. It may emphasise the human costs or practical difficulties associated with the government's proposals. It may say it is acting in accordance with the government's will but in practice do very little. It may delay implementation or oppose it outright (see generally Kellner and Crowther Hunt, 1980, Ch.4; Ponting, 1986, Ch.7; Hennessy, 1990, pp.199-206). By the time these and other strategems have been exhausted, the initial signal transmitted from the environment may have become very weak indeed.

It is relatively easy to describe the arenas of which the administrative environment is comprised. It is much more difficult to predict the influence that pressures which emanate from them will have in engendering administrative innovation. Three additional problems should be noted in this regard. The environment, like the administration, is not a single entity. So, for example, while the administration generally might experience pressure to introduce affirmative action programmes in response to altered social attitudes, individual agencies with conservative constituencies may actively resist the trend. Second, it cannot be assumed that contextual pressures themselves will operate in the same direction. They may conflict (see Child, 1984, pp.225-229). Third, and similarly, it is readily assumed that administrative reform is a matter of perfecting the administration to meet environmental requirements. However, it may equally be the case that the environment itself is imperfect, placing quite contradictory demands on the administration and rendering the notion of administrative improvement problematic (Offe, 1985, p.303).

(v) Conclusion

In short, ideas, currents and conditions present in the environment will exercise an important influence on the management and organisation of government. However, the extent to which they do so appears likely to be dependent on:

a. the consistency and simultaneity of environmental messages;
b. a perception by the political or administrative leadership that an existing state of administrative affairs is out of kilter with the environment;
c. the leadership's willingness and ability to act on this perception;
d. the consonance of the leadership's response.
e. the strategies used to advance the reform.

These last two considerations are dealt with in more detail in the two following sections.

2. Content

Clearly, the nature and content of a reform programme will be a salient factor in determining its acceptability. The closer the match between the content of reforms and the normative traditions of the target institution, the more likely it is that reform will be incorporated. Similarly, the closer the match between the content of reforms and the dominant values of the wider society, the more likely it is that reform will succeed (Spann, 1979, p.484; Olsen, 1991, p.132). Before examining these two propositions , however, I look briefly at the different forms which administrative innovation might assume.

(i) Strands in administrative reform

There have been many attempts to disentangle the various strands of administrative reform (see for example Caiden, 1969, p.35; Leemans, 1976a, p.29; Dror, 1976, p.129; Hahn Been Lee, 1976, p.118; Spann, 1979, p.493; Emy and Hughes, 1988, p.350). Wilenski's, however, appears the most attractive (Wilenski, 1986, p.169). He defines three discrete aims for administrative reform. The first is the search for a more equitable administration. An equitable administration is one which is just and fair in dealing with its own employees and applicants for employment, and with individual citizens and groups relying on the services it provides. The second objective is for a more democratic administration. A democratic administration is one in which ministers make decisions on policy and resource allocation as the elected representatives of the people and in which the bureaucracy responds openly and flexibly to public influence and public scrutiny. The third is the search for a more efficient administration. An efficient administration is one which is able to meet the needs of modern government effectively and creatively with as little waste and misuse of resources as is possible. By focusing on the aims of reform, this typology makes explicit the values which underlie each reform agenda. At the same time, it recognises that reform may also be the product of distinct and sometimes competing environmental pressures. So, social, political and administrative forces may be seen as driving the equitable, democratic and efficiency agendas respectively (Self, 1978, p.313).

To emphasise values is important since it makes clear the fact that the pursuit of one reform agenda may conflict with another. For example, those who pursue the efficiency agenda may argue that reforms concerned with equity, whilst effective in achieving their stated objectives, are too expensive to be supported. Those concerned with equity, on the other hand, may contend that efficiency reforms, whilst important in themselves, can have the effect of discriminating against the disadvantaged and may involve the imposition of conservative and authoritarian managerial styles (Wilenski, 1986, pp.162-164; Yeatman, 1987, pp.358-359). The three agendas for reform need not always be in conflict. Increasing the openness of the bureaucracy, for example by introducing freedom of information legislation, may also enhance the efficiency with which it operates (Bell and Watchirs, 1988, pp.300-302; Zifcak, 1986, p.316). Nevertheless, the conflicts can clearly be such as to place considerable strain on reformist endeavours (see Bryson, 1986).

(ii) Reforms, institutions and society

When administrative reform is introduced it is likely to be interpreted according to the dominant frame of thought present in a governmental system and through its associated structures, systems and relationships of power. This frame of thought will be informed by a set of values and attitudes developed and refined over a considerable period of time. Reforms proceeding from a different frame of reference and embodying a different value stance are likely to be firmly resisted, not least because their acceptance would, necessarily, involve a realignment of existing patterns of authority.

The British administrative system, for example, has been characterised by 'the belief that administration is an essentially practical activity to be learnt chiefly by experience and best carried out within a framework of conventions of behaviour rather than of formal rules' (Johnson, 1976, p.294). One consequence of this belief has been the absence in Britain of a fully developed system of administrative law. This is in stark contrast to the extensive codification of administrative practice in many European countries and in Australia. Another consequence has been the remarkable capacity of Whitehall to reinterpret and subtly revise administrative reform proposals in accordance with its current perceptions of what is practicable and tolerable (see Kellner and Crowther Hunt, 1980, Ch.4).

There are other aspects of the 'Whitehall view' with which administrative reformers have also had to contend. There has been considerable scepticism regarding the efficacy of organisational restructuring; a pervasive belief that reforms are likely to fail; and a studied refusal to take long term planning seriously. The Financial Management Initiative posed a significant challenge to these orthodoxies. Therefore, its success depended not only on substantial political backing but also on the achievement of a major shift in managerial culture (Metcalfe and Richards, 1984a, p.448).

A similar situation exists with respect to the congruence of reform proposals with norms and standards prevalent in the society at large. Governmental institutions throw considerable light on the values of the society in which they exist, since they are not neutral machines but exhibit continuing relationships which have a normative content (Johnson, 1975, p.158). Hence, reform proposals which are inconsistent with or precede changes in society's values may founder.

In the early 1970s, for example, British governments were reluctant to embrace market solutions to their economic problems. This reluctance was reflected in the administration where the maintenance of centralised control of public expenditure and the presence of a highly centralised administrative structure was indicative of its dislike of conflict, diversity and inequalities of treatment and opportunity. Given this cluster of values, the attempt to introduce into government, managerial techniques fashioned in private business was unlikely to succeed (Johnson, 1976, p.295). By the end of the decade, the tide had begun to turn. The existence of heavy resource constraints together with an emerging social preference for the private provision of public services had stimulated, within the public sector, a new search for efficient and cost-effective methods of delivering governmental services (Johnson, 1983, p.177). By the mid 1980s, the crisis of confidence in the capacity of government to deal effectively with adverse economic circumstances had resulted in a widespread reaction against the extension of governmental activity. Within government, the faith in institutional engineering which had characterised the Fulton era had been replaced by a far narrower concentration on making the most efficient use of the limited resources available. In this the importation of private sector management techniques was playing an important part (Johnson, 1985, p.424).

3. Strategy

The degree to which administrative reform is successful is dependent also on the effectiveness of strategies used to achieve it. The greater the depth of thought given to implementation strategy, the more likely it is that reforms will take root (Wilenski, 1986, pp.178-179). There are three different approaches which can be utilised to achieve planned change in organisations. These are the empirical-rational, normative-educative and power-coercive approaches (Chin and Benne, 1985, p.23). The empirical-rational approach assumes that organisational actors can be persuaded to change by evidence and argument. The normative-educative approach assumes that organisational actors can be encouraged to change by altering their values, attitudes and ways of relating. The power-coercive approach presumes that change will best be effected through the enforcement of compliance. Further, the choice of strategy will also vary with the scale of the changes proposed. Reforms may be either incremental or comprehensive (Dror, 1982, p.135). In matrix form the choice of appropriate strategies may be illustrated as follows:

	Incremental	Comprehensive
Rational	Diagnosis and Prescription eg Research Evaluation Problem Solving	Utopianism and Blueprint Development eg Strategic Planning
Normative	Growth and Education eg T-groups Training Staff Exchange	Reward and Review eg Merit Pay Senior Exec Service
Coercive	Coalition Development eg Contractual apptm/t Information Control	Structural Alteration eg Machinery of Gov/t Change Legislative Change Administrative Decree

Table 1 : Reform Strategies

The normative-educative approach to change is essentially collaborative in nature. The rational-empirical approach may be either collaborative or confrontational. The power-coercive approach is almost by definition conflictual. Whether a collaborative or confrontational strategy for reform is appropriate depends in turn on the extent of the administrative difficulties which need to be overcome, the time available to implement reform, the institutional capabilities of the administrative system and the system's cultural expectations (See, similarly, Leemans, 1976a, pp.52-56; Cohen, 1976, pp.175-181; Dunphy and Stace, 1988, pp.326-327; Heffron, 1989, pp.158-159; Prasser, 1990, pp.189-191).

Where reformers observe a significant gap between an existing and desired state of administrative affairs a confrontational strategy may be the most appropriate one. Thus, for example, radical shocks to public administration such as those delivered by the Thatcher Government might be considered appropriate given that the historical inefficiency of the administrative system is substantial (March and Olsen, 1989, p.106). However, where all that is required is an incremental adjustment to existing structures and functions, a collaborative strategy is more likely to be suitable (cf. Cohen, 1976, pp.178). The time available to effect reform will also play a part in determining strategy. Collaborative strategies require considerable time to permit adequate planning, consultation and learning to take place. Coercive strategies require less time but may engender more forceful resistance (Leemans, 1976a, p.55).

The choice between collaborative and confrontational strategies depends too on the relationships of power that exist within the target administrative system. Where there are differing views about the way to proceed and no one party has a monopoly of relevant knowledge or power, it will be more appropriate to enter into collaborative action with a view to establishing consensus. In Nordic countries, for example, ministers and ministerial departments were in competition for influence with powerful statutory corporations. They were, therefore, in a weaker position than the Thatcher Government, with its more centralised administration, to direct reform from the centre. Hence a collaborative rather than conflictual strategy was chosen (March and Olsen, 1989, pp.109-110; Olsen, 1991, p.140).

Finally, it appears to be better if the strategy chosen conforms to the norms and traditions of the system under review. In some governmental systems a pattern of co-operation, compromise and trust may be well established. In others, sudden and forceful interventions may be customary. For example, an attempt to produce change through political confrontation and comprehensive structural reform would have violated Nordic traditions of proceeding through the attainment of shared understandings and the mobilisation of widespread commitment. By contrast, there has been in Britain a tradition of confrontation, forged through bitter debates about nationalisation and denationalisation. This paved the way for Thatcherite assaults on the public sector and the promotion of policies such as privatisation (March and Olsen, 1989, p.107; cf. Chapman, 1982, pp.67-68).

4. Dynamics

The dynamics of administrative reform may be considered at two different and successive levels. The first is systemic. There are certain characteristics of the administration as a system which may enhance its receptiveness to reform. Others may hinder it. The second is interactional. The success or failure of reform is critically dependent on the outcome of the contest between competing actors in the administrative arena. Each of these levels is now considered in turn.

(i) The Systemic Level

In recent years, private sector management literature has exhibited a fascination with determining precisely which characteristics of a company promote innovation and therefore provide it with a competitive edge (see for example Porter, 1980; Peters and Waterman, 1982; Goldsmith and Clutterbuck, 1984; Peters and Austin, 1985). In one of the more interesting and sophisticated analyses, Kanter proposes that there exists a contrast between integrative and segmental organisational structures (Kanter, 1983, p.27). Integrative organisational systems, which Kanter regards positively, foster innovation by treating problems as wholes, by encouraging the exchange of ideas as information across organisational boundaries, by reducing vertical and hierarchical division and by considering multiple perspectives in making organisational decisions. Segmental organisations, by contrast, compartmentalise problems and activities, are finely divided by levels and functions, treat information as owned rather than shared and take decisions on the basis of specialism and expertise. Segmentalism detracts from change by discouraging organisational actors from seeing problems, and, if they are seen, from communicating their perception. Integrative structures, on the other hand, foster a unity of vision and hence increase insight and create the preconditions for action.

In the public sector, the application of such analyses is somewhat more difficult. This is principally because there is no ready criterion such as profitability to determine relative degrees of success as between departments and because government as a whole constitutes a monopoly. Certainly, no neat polar categorisation such as Kanter's has yet emerged. Nevertheless, there do appear to be a number of criteria against which an administrative organisation's receptivity to innovation and change may be assessed. These taken together bear a distinct resemblance to several of the factors which she has outlined.

Hence, administrative systems which operate formally may be less receptive to reform than those which operate informally. So, for example, an administrative system which is tightly constrained by its constitution and rules may be less open to reform than one where the legal framework is less strictly defined. Similarly, a strictly hierarchical system is less likely to be receptive to change than one which is structured collegially (Thompson, 1969, p.75; March and Olsen, 1989, p.111).

Administrative systems whose boundaries are permeable are more likely to be receptive to reform than those whose perimeters are impenetrable (Thompson, 1967, p.76; Leemans, 1976a, p.20; Hahn Been Lee, 1976, p.118). Permeability in this context refers to the ease of information flow between the administrative system and its environment through, for example, freedom of information legislation and to the movement of people through external recruitment.

Administrative systems in which power is concentrated are more likely to have reform implemented successfully than those in which power is dispersed (Thompson, 1967, p.72; Caiden, 1982, p.86). Goodsell, for example, contrasts statist governmental systems with liberal systems (Goodsell, 1990, p.341). The statist system, in which power is centralised and the civil service organised coherently, can take decisive action. The liberal system, in which power is fragmented and pluralism dominant, is by contrast likely to generate considerable resistance to programmes of change (see also Pollitt, 1990, p.36). Paradoxically, however, it is systems characterised by diversity and disaggregation which are more likely than centralised ones to generate innovative ideas (Downs, 1967, p.202; Caiden, 1969, p.181).

Administrative systems which are highly professionalised are likely to generate change to a greater extent than those in which the role of the professional is not so clearly valued (Thompson, 1969, p.69; Leemans, 1976a, p.21). Changes in professional knowledge, attitudes and values are likely to be reflected in organisational design and management. By contrast, where an administration is composed of personnel wedded only to the ethos of a particular organisation and having no evident external reference points, a potent source of creative tension may be removed. For similar reasons, an administration which is representative of the composition of the wider society may be more open to reform than one which is dominated by a narrow elite.

Finally, administrative systems which are large and complex appear less likely to embrace change than those which are small and more flexible (Downs, 1967, p.196).

(ii) The Interactional Level

A systemic analysis of administrative reform can take the argument only so far. Systems limit and constrain. However, they do not determine. Ultimately, it is the participants in the administrative process who, within established limits, settle the course of reform. Reform is the product of myriad choices taken individually and collectively. Choice in turn, creates the conditions for institutional politics since different segments of the administration can and will make different decisions about the way in which reform should proceed. March and Olsen have aptly described the interior of the administration as an 'ecology of games' (March and Olsen, 1989, p.80). In the remainder of this section, the nature of these games is explored in more detail.

The fate of any reform proposal may usefully be considered along three axes. These are the political, administrative and technical axes. The political axis embraces the interaction between politicians and administrators. The administrative axis covers the interaction between different segments of the administration. The technical axis refers to the interrelationship between administrators and the technical skills and resources at their disposal. Each of these is now considered in turn.

a. The Political Axis

Perhaps the most critical interaction affecting administrative reform is that between politicians and administrators. Formally, the interaction presents no difficulty. The task of the politician is to frame reforms and the task of the administrator is to execute them. However, in practice, the roles of the two overlap on a spectrum of activity ranging from political leadership at one end to administrative performance at the other (see Dunsire, 1973, p.158; Brown and Steel, 1979, p.126; Spann, 1979, p.265; Grattan and Weller, 1981, pp.51ff; Dearlove, 1986, pp.120-123; Guy Peters, 1987, pp.258-265; Chapman, 1990, p.203; Thompson, 1990, p.43). This overlap, combined with the fact that politicians and administrators bring different and sometimes competing perspectives to governmental administration, sets the stage for conflicts of interest surrounding administrative reform.

There are three typical forms of interaction between politicians and administrators which have a particular bearing on administrative reform. Each of these derives from the different styles and perspectives the two parties bring to their working relationship (see Self, 1978, p.153). The first interaction is that of brokerage and planning. The modus operandi of politicians is to strike bargains and negotiate compromises between a wide diversity of pressure groups in the political community. Policies, then, are the product of the conciliation and arbitration of competing interests and values. However, for administrators, policy development is more akin to planning. Administrators are far more likely than politicians to have a predilection for orderly preference setting. So, administrative reforms aimed at tightening the parameters of policy development and enhancing the role of rational planning can meet with resistance from politicians who may view such attempts as encroaching upon their capacity to broker solutions in the political arena (Self, 1978, p.157).

The second interaction is that between political discrimination and administrative impartiality. Politicians have a natural tendency to reward their supporters and punish their opponents, to induce potential voters and discard those whose support is no longer necessary. This tendency to favouritism may be set against the learned propensity of administrators to adjudicate competing claims objectively. So, for example, administrative reforms which aim to ensure fair and impartial staff selection may be diluted by ministers wishing to enhance their ability to promote loyal supporters.

Third, tension may be experienced between the politician's concern to exercise political control and the administrator's desire to rationalise management by delegating authority. Ministerial responsibility acts as a powerful incentive to centralise managerial authority. The dictates of administrative efficiency, however, may point to the necessity to devolve and decentralise administrative responsibility. Thus, administrative reforms which expand the parameters of administrative discretion may engender considerable opposition from politicians fearful that an erosion of control may leave them vulnerable to political criticism (Johnson, 1976, p.292).

In addition to these interactional considerations there are a number of other practical differences between the two groups which are of considerable importance. Ministers and officials bring different spans of attention to administrative reform. Ministerial turnover tends to be high. The tenure of officials is of much greater duration. Governments change relatively frequently. Officials stay in a position to serve governments of whatever complexion. Consequently, the desire of politicians to achieve quick results may conflict with the wish of administrators to proceed in a more measured fashion. The passing of time presents officials with considerable opportunity to dilute politically inspired programmes of reform and to delay their execution (Kellner and Crowther Hunt, 1980, p.66).

Politicians and administrators have differing resources and skills with which to attempt reform. Ministers' time is at a premium, given their multiple commitments to ministry, parliament, party and constituency (Grattan and Weller, 1981, p.137). Officials, while also taxed, concentrate their attention in only one or perhaps two of these arenas. Ministerial staffs are small. The departments they administer can be very large indeed. Their different access to resources means inevitably that officials are at an advantage in pursuing the detail of reform (Wilenski, 1986, p.260). This gap is widened by the fact that generally officials possess greater administrative expertise than their ministers. The more technical are the reforms proposed, the more likely it is that officials will exercise greater influence with respect to them (Guy Peters, 1987, p.269).

The political axis, then, provides fertile ground for contest both with respect to the substance and execution of administrative reform. Depending on the degree of conflict which is generated, reform may proceed speedily or tardily, be pure or diluted, produce substantial change or have only marginal impact. However, despite the inevitability of conflict there are several factors in the political arena which are likely to provide it with considerable impetus.

(i) Reform proceeds best where there is strong political interest in and commitment to it (Chapman and Greenaway, 1980, p.204; Gray and Jenkins, 1982, p.446; Wilenski 1986, p.176; Hertig, 1986, p.56; Prasser, 1990, p.188; Mascarenhas, 1990, pp.319-320). In this, the role of the Prime Minister appears to be pivotal (Pollitt, 1983, p.143; Aucoin, 1988). Committed ministers may also have a significant impact (Likierman, 1982, p.141; Nethercote, 1984b, pp. 22-23). Without sustained political interest, administrative reforms quickly lose their relevance and may be subjected more easily to delay and diffraction (Greenaway, 1984, p.5; Kellner and Crowther Hunt, 1980, p.77).

(ii) Reform will proceed more effectively where there is an identity of view between ministers and civil servants (Smith and Stanyer, 1976, p.255; Chapman and Greenaway, 1980, p.184; Greenaway, 1984, p.13; Mascarenhas, 1990, p.321). Equally, the course of reform will be smoother where government and administration have developed an effective rapport (Johnson, 1976, p.291).

(iii) Reforms are more likely to be successful where a government remains in power for a considerable time (Caiden, 1969, p.161). A longer time horizon expands political attention, redresses the temporal imbalance between officials and their ministers and creates the conditions for steady and staged implementation (Wilenski, 1986, p.178).

(iv) Reform will be better received if there is strong parliamentary support for it (Chapman and Greenaway, 1980, p.202). Parliamentary support strengthens the hand of ministers in their discussions with civil servants. Bipartisan support is particularly helpful (Thompson, 1988, p.221). An active system of parliamentary sub-committees can also provide substantial impetus to reformist activity (Norton, 1981, pp.130ff; Evans, 1982, p.78).

b. The Administrative Axis

Just as there are differences in approach and orientation between politicians and administrators, so, institutional cleavages may readily be discerned in the administration. Divisions may appear along functional, organisational or professional lines. Each of these is now dealt with in turn.

Within modern government, three models of administration live in uneasy co-existence. These are the legal bureaucratic model, whose focus is upon the correct application of pre-existing rules; the functional model which concentrates on the achievement of tangible results; and the political model whose purpose is to mobilise political consensus (Offe, 1985, pp.300- 303, 308). These models are each associated with particular functions. These are administration, management and diplomacy respectively. Hence, administration is concerned with decision- making in accordance with law, rules and prescriptions. Management is concerned with the efficient use of resources in pursuit of organisational objectives. Diplomacy involves the development of policy and the management of the political process (see to similar effect Keeling, 1972, Ch.2; Rosenbloom, 1986, p.13; Chapman, 1990, p.204; Halligan and Power, 1990, p.279).

The importance of this functional distinction lies in the fact that officials engaged primarily in one or other of these activities are likely to view administrative reform through different spectacles.

Their attitude to it will depend both on the nature of the reform and its impact on their particular sphere of influence. However, because the values and attitudes informing each sphere are different, an attempt to apply precepts relevant to one across the boundaries of the others may be greeted with considerable scepticism, if not outright opposition. For example, in management, a high premium is placed on the formulation of clear, explicit and achievable objectives. In diplomacy, objectives tend, for good reason, to be specified generally and are complemented by a number of short-term and often tacit tactical aims. In administration, great weight is placed on procedural regularity and the avoidance of error. In management, a willingness to experiment and to take calculated risks is an essential attribute. In diplomacy, the capacity to respond flexibly to changing circumstances is essential. In administration, conformity and consistency is more highly valued than discretion. The reforms in this study are heavily managerial in orientation. As we shall see, their application in the non-managerial spheres was subject to concerted criticism.

Differences in perspective may also appear on structural lines. The dominant influence on structure is function. Therefore, it has generally been the case that senior, middle and junior officials have operated predominantly in the diplomatic, administrative and managerial arenas respectively (Keeling, 1972, p.109). However, administrative organisation may also vary according to the geographical area covered, the technical processes undertaken or the client group or constituency served. Self, 1978, p.55; Pusey, 1991, pp.76-77). For example, reforms formulated in central office may be considered by regional staff as giving insufficient weight to the special circumstances of locality-based administration. Technical experts may consider administrative reform developed for general departmental consumption as having little relevance to their specialist activities. Where an agency has been 'captured' by its client group and the impact of reform upon that group is adverse, the agency can be expected to oppose reform vigorously.

Different professional groupings inhabiting the administrative arena may also adopt opposing attitudes to reform. Thus, for example, lawyers and economists may bring competing ethical considerations to bear on the resolution of administrative questions. To lawyers, procedural fairness is a primary value. Economists, however, may regard the intangible benefits of fair dealing as far outweighed by its measurable cost (Bayne, 1988, p.40; Allars, 1991, pp.59-60). Conflict may occur between professional and organisational loyalties. Reforms which extend hierarchical control, for example, may conflict with a professional officer's lateral commitment to professional ethics (Curnow, 1975, p.42). Friction can also occur between generalist and specialist administrators. Reforms which advance the influence of the specialist, for example, may conflict with the generalist's belief that only a broad and professionally uncluttered background fits an official to sift and evaluate competing arguments with appropriate detachment (see Crisp, 1975, p.353; Judge, 1981, p.12).

Nevertheless, despite the many disputes which may arise within the administration when reform is introduced, there do appear to be a number of circumstances which, if present, are influential in its promotion. The principal among them are the following:

(i) Strong and effective leadership will have the effect of welding a strong coalition behind reform proposals (Hetherington, 1975, p.398; Chapman and Greenaway, 1980, p.217; Cohen, 1982, p.172; Greenaway, 1984, p.12; Nethercote, 1984b, p. 22). Similarly, the recruitment of sympathetic officials into senior positions will have a positive impact on the implementation of change (Chapman and Greenaway, 1980, p.199; Wilenski, 1986, p.181).

(ii) Reform initiatives which are not adequately staffed and funded may wither on the vine. Officials are unlikely to embrace them enthusiastically if they compete for resources with existing activities (Wilenski, 1986, p.177).

(iii) The aims of reformers will be advanced if the responsibility for reform is located within a new bureaucratic agency (Wilenski, 1986, p.180). Particularly where the agency has the ear of the Prime Minister it can wield considerable persuasive authority in relation to other departments and ensure that the goals of reform are pursued consistently over time (Beesley, 1983).

(iv) Reform is more likely to be successful where its implementation is staged. Too many initiatives introduced simultaneously are likely to generate cynicism and fatigue (Lafromboise, 1971).

c. The Technical Axis

Finally, appropriate skills, methods and techniques must be available if administrative innovation is to proceed. A number of alternative situations may be usefully considered in this regard.

(i) Administrative reforms may require technical capabilities which are not yet in existence. So, for example, the development of the Financial Management Initiative in Whitehall is reported to have been delayed by an absence of qualified accountants (Gray, Jenkins, Flynn and Rutherford, 1991, p.54).

(ii) Technical capabilities may exist but not be used. For instance, if the introduction of new technologies is considered too complex, too costly, or organisationally too disruptive their incorporation may be deferred or shelved altogether (see O'Higgins, 1984; Margetts, 1991). For instance, the introduction of new technology into both the British and Australian departments of social security was considerably delayed by industrial disruption.

(iii) Third, new techniques might be introduced but their methodology may prove deficient. The introduction of PAR, for example, was hampered by the fact that no effective methodology for the conduct of its policy analysis had then been perfected (Gray and Jenkins, 1982, pp.443-444).

(iv) New technologies may be utilised but their incorporation may be slowed due to their incompatibility with organisational culture. Computerised communication, for example, may undermine well established hierarchical relationships in the civil service. If it did so, its introduction would be resisted and plans for reform which depended on its existence may be upset (Campbell, 1984, p.83).

Conclusion

In this chapter I have examined the process of administrative reform. In doing so, I have developed a framework for understanding its character and dynamics. The framework is a product both of my own administrative experience and of a comprehensive examination of the relevant literature. In the next chapter, I explore its relevance and utility by relating it to the implementation of the FMI and the FMIP.

CHAPTER 8

ADMINISTRATIVE REFORM IN PRACTICE

One of the key objectives of this study was to determine and analyse those factors which are influential in affecting the course of administrative reform. The comparison undertaken in this chapter is designed to meet that aim. Thus far, two separate stories have been told. In one the development, demise and metamorphosis of Whitehall's Financial Management Initiative has been traced. In the other, the birth and evolution of Canberra's FMIP has unfolded. Here, the two stories will be combined with a view to identifying more clearly the similarities and differences between them. From this comparison, a clearer understanding of the factors which promote and retard administrative reform will emerge. In order to link theory and practice, the discussion follows closely the framework for the analysis of administrative reform developed in the previous chapter. In this way, the conclusions of this research can be added to and integrated with the existing stock of knowledge outlined there in order to provide a more complete picture of administrative reform's characteristics and exigencies.

1. The Environment for Reform

> "I believe it is probably true that fortune is the arbiter of half the things we do, leaving the other half or so to be controlled by ourselves."
>
> \- Machiavelli, The Prince

Fortune, in the form of largely uncontrollable shifts in the environment within which a government operates, plays an influential part in creating the impetus for administrative innovation. In the framework, this administrative environment was defined as being comprised of four interlocking arenas - the economic, social, political and administrative. Conceptually these arenas are easily separated. In practice it is far more difficult to determine the role and influence which the pressures emanating from each, and the interaction between them, have in generating the momentum for reform. Given this qualification, there is, nevertheless, a number of general observations which can properly be made regarding the impact of these contextual forces upon the development of the FMI and the FMIP respectively. The main ones are as follows.

The international recession was clearly of major significance in shaping the administrative reform programmes of the 1980s. The recession drove both British and Australian governments to reduce the rate of growth in public expenditure and to make heavy cuts in many areas of governmental activity. The governmental machine did not escape this more general trend. Both the Thatcher and Hawke governments introduced cash-limited expenditure, reduced the number of civil servants, and attached new and more stringent conditions to public sector employment. Whitehall and Canberra then found themselves caught between public pressure to maintain, if not increase, existing services and governmental pressure to achieve ever greater economies. This circle could be squared only if the machine itself could be made more efficient and effective. It followed logically that the principal thrust of administrative reform in succeeding years would be towards the improvement of managerial performance.

The reform agenda was also fashioned by significant shifts in social and economic thinking. In Britain, the Keynesian welfare state consensus was superseded during the 1970s and early 1980s by a neo-liberal, monetarist alternative at the heart of which was a deep and abiding suspicion of government. New right think tanks proliferated espousing the view that too much government was bad because it prejudiced individual freedom, crowded out private enterprise and fostered bureaucratic gigantism and inertia. Bureaucrats themselves were held responsible for the excessive growth of government and had, therefore, to be tamed. To do so, it was essential to apply the successful precepts of business management to governmental activity. Both the FMI and the Next Steps drew much of their inspiration from this conviction. In Australia, the picture was similar although the advance of 'new right' thinking there was less relentless. Rapid economic decline propelled the Australian Government to look with increasing urgency for new economic solutions. As it embraced the monetarist alternative, so also its views of its own role were transformed. Its faith in the market increased and confidence in state intervention declined correspondingly. Economic rationalism, the Australian variant of new right thinking, stepped into the space vacated by welfare statism. Encapsulated within it were a clutch of managerial ideas designed to make the public sector more rational and more efficient.

The new economic imperatives and social ideas were reflected in political platforms. Both the Hawke and Thatcher governments placed bureaucratic reform high in their priorities. The Thatcher administration, consistent with its concern to reduce the size of the public sector and expand the scope for private economic initiative, went to the people with a popular manifesto commitment to cut bureaucracy and root out waste and mismanagement. The Hawke Government developed a somewhat more sophisticated agenda mixing democratic, egalitarian and efficiency reforms. This was a more liberal programme but its purpose, no less than that of the Thatcher

Government, was to transform the manner in which government was run.

Within the two administrations, the pressure for change was also felt acutely. Here, the principal motivator for reform was poverty. The decline in revenues and public expenditure translated not only into cuts in programmes but also into cuts in staff and other administrative costs. Officials were forced to accept, in a way they had not previously done, that resources were scarce and were likely to remain so. Instead of assuming that new initiatives would be funded from steady, incremental increases in their budgets, officials had either to shelve such plans or trade off some part of their existing operations in order to finance their new projects. They also recognised that the impact of the cuts could be mitigated if existing resources were utilised more effectively. Hence, there appeared to be a greater openness in the administration to managerial reorganisation.

The most significant thing about these contextual influences was the degree of consistency between them. As we observed in the previous chapter, it cannot always be assumed that contextual pressures will operate in the same direction. Where they pull against each other, the content of administrative reform may be considered problematic and its progress may be retarded. Britain and Australia, for example, had experienced recessions in the past. Yet previous economic downturns had not been sufficient, in and of themselves, to generate the momentum required for wholesale administrative change (see for example Fry, 1981, Ch.10). However, in the early 1980s, the economic recession coincided with sympathetic alterations in the intellectual climate and with the rise of governments of conspicuous strength and determination. This created an environment in which there was general agreement as to the direction of reform and in which the forces propelling it were very strong indeed (see similarly Pollitt, 1986a, pp.158-159; 1986b, pp.318-319).

In the present case, the impetus was such that, despite the differing political complexions of Hawke and Thatcher governments, the content of their administrative reform programmes tended, over time, to converge. The Thatcher Government was ideologically committed to recasting the civil service in the image of the private sector. Its focus was on the achievement of economy and to a lesser extent efficiency. The Hawke Government rejected the private sector analogy and yet was equally committed to improving public sector effectiveness not only by making it more efficient but also by ensuring that it was more equitable and democratic. Nevertheless, as economic conditions deteriorated sharply in Australia and economic rationalism assumed a new dominance in the intellectual sphere, the democratic and equity agendas were progressively eclipsed. The

Government, like its British counterpart, placed a new and vigorous emphasis on the attainment of managerial efficiency and the importation of private sector management techniques became more prevalent. Political differences, it seemed, counted for little in the context of economic and social changes of very considerable magnitude.

However, one important difference relating to the method of introducing the programme should be noted. In Britain, the FMI was an initiative developed principally within the administration to temper the excesses of the Thatcherite zeal to tame public bureaucracy. It was the administration's means of replacing indiscriminate attack with more considered intervention. The FMI provided a framework within which more rational decisions to economise could be made. As such it was essentially defensive in nature. By contrast, in Australia it was the Cabinet, at least in early years, which drove the public sector reforms. It wished to replace the pathologies of the existing bureaucratic system with what it saw as a fairer and more rational means of conducting the business of government. The broader reform programme, then, was shaped primarily by politicians and their political advisers rather than by administrators themselves.

In summary, formidable economic and social forces coalesced and exerted considerable pressure to change the administrations in Whitehall and Canberra. Responding to these pressures, the Thatcher and Hawke governments embarked on ambitious programmes of reform, designed to attune their administrations to their new and straitened circumstances. It was a task which the two Prime Ministers pursued with considerable vigour albeit from opposite political standpoints. Despite this, the differences between the two governments' approaches were, in time, outweighed by their similarities in an environment which was powerfully conducive to managerial innovation.

2. The Content of Reform

> "I also believe that the one who adapts his policy to the times prospers, and likewise that the one whose policy clashes with the demands of the times does not."
>
> \- Machiavelli, The Prince

Given the magnitude of the changes contemplated by government, one might have expected that, within the administration, there would have been major conflicts of principle and philosophy surrounding them. It was interesting, however, that neither in Canberra nor Whitehall could arguments about fundamentals be heard except at the margin. In Australia, for example, the core debates between bureaucratic reformers and their critics occurred principally in the pages of journals of public administration. There leading academics critical of the new corporate management framework were relentless in their criticism of Canberra's economic rationalist leadership. It responded in kind (see for instance Considine, 1988, 1990; Paterson, 1988; Keating, 1989; Nethercote, 1989). But, in bureaucratic offices, arguments with respect to managerial reform were conducted at a far more pragmatic level. There was in fact little disagreement in either country that managerial reform was necessary. The debate, where it occurred, was not about its appropriateness but about its form and the limits of its applicability. Why was the content of the two management reform programmes accepted so readily? A number of explanations may be advanced.

Administrators in both Whitehall and Canberra were made more amenable to managerial reform by the familiarity of its prescriptions. In neither country was accountable management a new concept. It had been tried previously in Britain with limited but nonetheless perceptible success. Its repackaging in the Thatcher era came as no surprise. Similarly, in Australia, both the Coombs and Reid reports had advanced the merits of the idea. Similarly, the Department of Finance had for some years been advancing the case for it. In short, Whitehall and Canberra were both familiar with the managerialists' prescriptions for administrative reform. This familiarisation paved the way for their introduction in the 1980s and lessened the intensity of the internal debate which then ensued.

In Canberra, the incorporation of the new reforms was, in addition, facilitated by the fact that its senior officials seemed less sceptical both about their content and their chances of success. During the 1980s the senior ranks of the Canberra bureaucracy had been peopled increasingly by officials with economics and business administration qualifications. Fiscal restraint and managerial improvement were the bread and butter of their professional backgrounds. Britain's senior ranks by contrast remained occupied principally by generalist administrators. Among these officials there was a deeply inculcated mistrust of specialists and specialities. In the early part of the decade at least, a condescending if not dismissive attitude to management and service delivery was still prevalent. Therefore it was only to be expected that, in the first instance, the FMIP would fall on more fertile ground in Canberra than in Whitehall.

The Australian situation also differed in another important way. The Australian public service reform programme was a comprehensive one. Under Peter Wilenski's guidance, the programme had been designed not only to improve managerial efficiency but also to increase the responsiveness of the administration to political demands and to make its working conditions better and fairer. Because of this, its announcement was generally welcomed by civil servants in Canberra. It was considered a thoughtful response to the issues at hand. Senior officials recognised that the reforms would involve some painful readjustment. The pain, however, was mixed with gain, making the total portfolio generally acceptable. In Britain, the civil service felt itself immediately under attack. Reforms such as the FMI were commonly interpreted in that light and hence the resistance to their introduction was somewhat greater.

However, in both countries the acceptance of managerial reform was encouraged by its congruence with trends in wider society (see Chapman, 1988, pp.178-80). There had been a substantial transformation in the climate of public opinion in the 1980s. Now, it was smaller rather than larger government which was favoured. 'Bureaucracy' loomed large as a problem to be solved. In the new entrepreneurial world, critics constantly contrasted public sector inefficiency with private sector initiative. Politicians and administrators responded to this climate. They melded well established administrative formulae with business management techniques and applied the hybrid to administrations which, by virtue of their appreciation of these trends, were already keenly aware that some action had to be taken not only to improve their efficiency but also their standing.

The content of administrative reforms, then, influences their acceptability in two different ways. The more that reforms are congruent with the norms of the target administration, the more likely it is that they will be welcomed. In Australia, civil service reorganisation was greeted more favourably than in Britain because many senior civil servants had professional backgrounds inclining them to favour the changes and because the changes offered them tangible rewards. The acceptability of reforms is also enhanced where their content is congruent with wider social trends. In both countries, managerialism was more favourably received because it was consistent with the perception in the wider community that government was a problem in urgent need of a solution.

3. The Strategy of Reform

> "One man proceeds with circumspection, another impetuously; one uses violence, another stratagem....and yet everyone, for all this diversity of method can reach his objective ...This results from nothing else except the extent to which their methods are or are not suited to the nature of the times."
>
> \- Machiavelli, The Prince

In very broad terms, the strategies adopted to implement administrative reforms may be classed either as collaborative or conflictual. The Thatcher Government's approach was unwaveringly conflictual. No quarter was given in her drive to bring the public sector to heel. Prime Minister Hawke, by contrast, was a consensus politician. Reared in industrial relations, he sought actively to achieve negotiated agreements when matters were in dispute. Where collaboration was possible, it was the method he preferred. The Australian public service reform programme was the product of extensive consultation and analysis and, as such, capitalised upon a mood for change within the administration itself. Consequently, the FMIP, as a component of that programme, was generally better received than its British counterpart. The FMI, by contrast, was seen by many civil servants simply as a more sophisticated method of dressing up Mrs Thatcher's desire to make wholesale cuts in public expenditure. Hence, its acceptance was retarded.

However, as the necessity for reform became more urgent in Australia, collaboration gave way to coercion. When economic conditions worsened towards the end of Hawke's second term, the Government decided that time was at a premium and broke with the consensual mould. The legislative measures it introduced in late 1986 were harsh and met stiff resistance from the union movement. Its dramatic Bastille Day departmental reorganisation was announced three days after the 1987 election with virtually no prior consultation. From this point relations between the Government and the public service became more strained. However, the pace of reform increased considerably.

A preference for conflictual over collaborative strategies was just one of the important strategic differences which emerged between the two administrations. There are two others which should be noted since they each had an important bearing on the progress of the FMI and the FMIP respectively. The Australian case clearly demonstrated the importance which attaches to having supportive and consistent leadership. The top officials in the Department of Finance remained in place throughout the first five years of the FMIP's life. The Secretary and Deputy Secretary were its most articulate advocates. Just as importantly, the Resource Management and Improvement Branch in the Department, the branch responsible for taking the programme to the field, had the same leadership through these years. Its head emphasised continuously that he was there 'for the long haul' and after seven years he had made a very substantial contribution to the FMIP's progress.

In Whitehall the situation was ~~quite~~ different. There, the leadership of the Treasury, the MPO and the Financial Management Unit changed frequently. The Treasury Deputy Secretary responsible for public expenditure policy and management reform was replaced one year after the FMI began. The Second Permanent Secretary of the MPO left at about the same stage to be replaced by an official whose attitude to managerial improvement was ambivalent. The FMU was phased out to be replaced by the JMU. The JMU was later re-incorporated into the Treasury. These constant changes diminished departmental confidence in central leadership and, at the centre itself, detracted from the adoption and presentation of a clear and unambiguous position towards the managerial changes. By contrast it was interesting to observe that, with the Next Steps, a project manager of high status was appointed, a project manager who was granted an indefinite term of office and who had a wide brief to bring about the more radical management changes embraced by that programme.

The civil service leadership in Australia was also more willing than its Whitehall counterpart to take risks in pursuing reform. In the event, these risks yielded greater rewards. With respect to delegation, for example, the Ministry of Finance led the reform process by delegating many of its important input controls. It was willing to risk short-term losses in the form of expenditure overruns in order to obtain long-term gains in budgetary and managerial effectiveness. Its attitude established the essential preconditions for further managerial delegation within departments. Further, as it became apparent that many departments were less willing to follow its lead by transfering financial authority from their centre to operational managers, the Ministry publicly criticised this inaction. In Britain, by contrast, the Treasury was, during the FMI years, very cautious in its attitude to the delegation of financial controls. Its consistent position was that departments would need first to demonstrate the viability of their new managerial arrangements and their supporting financial information systems before any wholesale transfer of controls could be contemplated. Consequently, the progress of delegation slowed and departmental confidence in Treasury's bona fides all but evaporated. Only with the Next Steps, which itself involved considerable risk, was serious interest in the prospects for delegation revived.

4. The Dynamics of Reform

> "It should be borne in mind that there is nothing more difficult to handle, more doubtful of success, and more dangerous to carry through than initiating changes in a state's constitution. The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new. Their support is lukewarm partly from fear of their adversaries and partly because men are generally incredulous, never really trusting new things unless they have tested them by experience. In

> consequence, whenever those who oppose the changes can do so, they attack vigorously, and the defence made by others is weak. So both the innovator and his friends come to grief."
>
> - Machiavelli, The Prince

(i) The Interactional Level

In the last chapter, I proposed that the success or failure of any particular administrative reform is critically dependent on the outcome of interactions between competing actors in the administrative arena. These interactions generally take place along three different axes, the political, the administrative and the technical. Each axis is now examined with particular reference to the dynamics surrounding the implementation of the FMI and the FMIP.

a. The Political Axis

The interaction between politicians and administrators played a central part determining the fate of the two management reform programmes. Both ministers and civil servants regarded management reform as important. Both agreed that planning, budgeting and evaluating needed urgent attention. However, in the process of realising their aims, administrators and politicians brought ~~quite~~ different perspectives and interests to bear. Where these conflicted, the process of reform became significantly more difficult. In Chapter 8, I identified three forms of interaction between ministers and administrators which bear directly on administrative reform. In this study two of these, the contrast between brokerage and planning and control and delegation, assumed particular significance.

Ministers in both countries differed from officials in that their instinctive preference was to negotiate rather than design solutions to governmental problems. For this reason, managerial changes designed to make governmental decision-making more rational gained little currency with Ministers whose mode of operation tended to be pragmatic, tactical and opportunistic. For example, in Australia, Ministers exhibited little enthusiasm for corporate planning. Corporate planning depended on the clear delineation of objectives against which performance could be assessed. Officials observed, however, that Ministers were reluctant to specify their objectives clearly. Corporate planning depended on a rational ordering of preferences. Ministers rarely ranked their priorities in this way. Corporate planning worked in the long term. Ministers, officials remarked ruefully, operated within a much more limited time horizon. Similarly in Britain, top management systems, where they were utilised at all, were seldom employed by Ministers to make their planning and budgeting decisions more rational. Much to the chagrin of officials the systems did, however, provide Ministers with information on the basis of which to launch sporadic forays into the administrative arena, searching for cuts or questioning the justification for activities which struck them as curious or unnecessary. This unsystematic intervention, which was perfectly understandable in political terms, was not at all in accord with the administrators' aim of engaging Ministers in a more considered process of deploying staff and allocating resources.

Similarly, reforms designed to make managerial performance transparent created further difficulties for Ministers who, whilst willing to take credit for success, were less prepared to accept criticism for failure and who, at all times, wished to preserve maximum freedom of manoeuvre. When this study was conducted, both performance measurement and programme evaluation were at an early stage of development. Nevertheless, senior officials were already acutely aware of Ministerial sensitivity in relation to them. In Australia, for example, where evaluation and performance assessment were heavily promoted by the central departments, officials hoped that Ministers would be sufficiently relaxed to accept occasional failure as the price of more general success. There was, nevertheless, considerable nervousness about Ministerial reaction and some adjustment made to measures chosen and terms of reference set to cater for Ministerial sensitivity.

Next, Ministers wished to hold a tight rein on departmental activity. In contrast, management reformers advocated the widespread delegation of managerial authority. The formal responsibility of Ministers to account to Parliament for each and every action of their administration was reflected in their preference for concentrating decision making at the apex of departments. It was also reflected in the assertion of their right to involve themselves in matters of administration whenever political circumstances dictated that they should do so. For example, under the FMI, officials always perceived delegation as contingent upon Ministerial intervention. They were acutely aware that their best carefully crafted plans could quickly be laid to waste by the next parliamentary question, the next Ombudsman's inquiry or the next funding imperative. Their response to delegation was tempered by these realities. Further, Treasury officials took advantage of this situation to cloak their financial reservations about delegation in the guise of a concern with ministerial responsibility. They argued that extensive central controls were still required to ensure that the Minister's position was protected. The cause of delegation was considerably advanced with the creation of agencies under the Next Steps. Nevertheless, the tension between ministerial control and administrative rationalisation remained. Officials were concerned that as agencies failed to reach the performance targets set in their framework agreements, Ministers might choose to abandon their arm's length relationship with agencies and intervene from the centre to rectify their managerial defects. Should they do this, the managerial rationale for agencies would soon be undermined.

Ministers and officials, then, brought different operational styles to bear upon administrative reform. They also differed in the degree of attention they could devote to it. With certain notable exceptions, Ministers were generally uninterested in the process, beyond setting the parameters within which it would proceed. Officials were much more closely involved although their interest too varied directly with the proximity of their connection to operational management. There were several practical impediments which stood in the path of greater ministerial engagement. Few Ministers entered office with managerial qualifications or experience. Officials mentioned frequently that Ministers felt themselves unsuited to assume managerial responsibilities. In both countries there was a high rate of ministerial turnover. This meant that Ministers had little time to familiarise themselves with departmental operations. Officials often remarked that Ministers' extensive commitments to Parliament, party and constituency constrained their willingness and ability to accord management a higher priority.

Consequently, administrative reform was left largely in the hands of officials. This did not matter where particular innovations involved no assumption that Ministers would be involved. However, with reforms such as top management systems, the engagement of ministerial attention was a necessary precondition for success. There, the unwillingness or inability of Ministers to allocate sufficient time detracted considerably from the systems' effectiveness. More generally, it was apparent that some degree of ministerial interest in management reform was required even if only to call officials to account for its progress. When even this was lacking, the interest of officials waned correspondingly.

Each of the preceding factors acted as a constraint on the progress of the FMI and the FMIP. Nevertheless, during the study period managerialism made considerable advances in both Whitehall and Canberra. In the political arena there were a number of pressures which serve to explain why this was so. The first, and perhaps the most important one, was that the political will to achieve managerial change in both countries was considerable. The interest and commitment of the two Prime Ministers was particularly significant. Mrs Thatcher was aggressive in her pursuit of greater administrative efficiency and called her senior officials to account with respect to it. Mr Hawke, even though more consensual in style, was nevertheless actively involved in the search for better government and was prepared to embrace and insist on radical change where he was persuaded of its necessity. The role of individual ministers was also of considerable importance. For example, Michael Heseltine made the case for and introduced MINIS in Whitehall. His seemingly unquenchable interest in managerial issues was reflected in the progress which managerial initiatives made in the departments for which he was responsible. Similarly, John Dawkins, as Minister for Finance in Australia, pushed the FMIP very strongly and broke down many obstacles in its path. The converse was also true. In those departments where Ministers were ~~quite~~ uninterested in managerial improvement, the progress of reform tended to be slow.

Both governments were considerably assisted in their prosecution of reform by the fact that each remained in office for a decade. The Thatcher and Hawke governments commenced the process of reform early in their terms. They then pressed and renewed it consistently. The length of both governments' tenure provided administrators with little prospect that their opposition to reform might be rewarded when a new government of different political complexion was elected. More importantly, long terms of office created the conditions in which not only structural but also attitudinal change could commence. Administrators believed that over a period of ten or more years under governments committed to administrative innovation, a new generation of managerially-oriented administrators would emerge whose influence and actions would, in turn, be felt for many more years to come.

Political will and extended tenure were clear advantages which the British and Australian governments possessed in common in pursuing their programmes of administrative improvement. There were also, however, important contrasts between their experience. These revealed two other factors in the political arena which were also influential facilitating managerial innovation. In Australia, the development of a strong coalition between political and bureaucratic leaders was a decisive factor in the promotion of administrative reform. Through a series of key appointments, the Hawke Government did much to ensure that the momentum for change would run strongly from the outset. The appointment of John Dawkins, Peter Wilenski and Michael Keating to influential positions was particularly critical in this regard. Each had a clear vision about how the business of government should be conducted. Each was fully committed to implementing that vision. The creation of the Senior Executive Service gave the Government additional flexibility to appoint managerially minded executives. Several senior Ministers had been closely involved in drafting administrative reform proposals while in opposition. They too were then in a position to press forward with managerial reform in their own departments. The Thatcher Government, by contrast, was limited in its capacity to promote sympathetic administrators to propel the changes it desired. Consequently, it was much slower to generate the coalition necessary to generate a comparable momentum for change.

The interest and involvement of the Parliament was also an important factor in encouraging administrative reorganisation. In Britain, the FMI was subjected to parliamentary inquiry only once in its first five years of operation. The Next Steps provoked four inquiries in its first three years. Those in Whitehall were clear that the pressure which was brought to bear by parliamentary scrutiny of the Next Steps acted to speed and cement its progress. By contrast, the FMI's advance was made considerably weaker for the lack of it. Similarly, in Australia, the Senate Estimates Committees played their part in advancing managerial reform. With the advent of programme budgeting the committees had been able to question departmental officers not only about their expenditure but also about their performance. They took to this role with considerable enthusiasm. Through intensive, public questioning they placed strong pressure on departments to proceed with reform and improve the quality of their administration.

In summary, ministers and administrators brought different, perspectives, styles and capacities to the task of administrative reform. These, in turn, generated conflicts between the two parties which retarded the progress of both the FMI and the FMIP. Even so, managerial reform made significant progress. In this, political will, extended tenure, effective coalition building and parliamentary support played a critical part.

b. The Administrative Axis

By attempting to change the rules in accordance with which public administration was conducted, the FMI and the FMIP set their respective administrations alight with competitions for power and influence. In both Canberra and Whitehall the character of these intra-bureaucratic contests was remarkably similar. ~~In~~ Chapter 8, ~~I~~ suggested that cleavages within the administration may emerge on structural, functional and professional lines. In examining the experience of the FMI and the FMIP it was the first two of these divisions which were most clearly displayed. Each is now considered in turn.

Structurally, the major conflict which became apparent in both Whitehall and Canberra was that between the Treasury and spending departments. In relation to the FMI, this particularly bitter manifestation of inter departmental competition grew from and intensified further many decades of antagonism between the two parties. Even before the ink on the FMI's charter had dried the different sides had formulated competing views of its fundamental purposes. For Treasury, the FMI was principally a mechanism of financial control. For departments it was an opportunity better to marshal, manage and perhaps expand their resources. This perceptual cleavage was reflected clearly in the many arguments that broke out between the Treasury and departments regarding the nature, purpose, extent and limits of managerial delegation. The continuing failure to resolve these arguments impeded the initiative's progress to such an extent that only much more radical, structural intervention, in the form of the Next Steps, could rekindle civil service interest in the possibilities for managerial change.

In Australia, by contrast, the Department of Finance broke the traditional pattern of relationships by itself acting as the engine of financial delegation. It led by example, introducing portfolio budgeting and a new running costs system each of which effected a substantial decrease in its control of departmental inputs. The quid pro quo was that departments were required to play a much larger role in monitoring their own performance by establishing performance indicators and engaging in regular programme evaluation. They were also required to expose their results to external scrutiny to a much greater extent than they had previously done. However, despite the clear leadership which the Department had exercised, the longstanding suspicions which had formerly existed between centre and periphery nevertheless persisted. So, departmental officials were quick to observe and complain that Finance supply division officials, many of whom were still locked into traditional methods of control, acted in a manner which contradicted the intentions of the department's leadership. While delegation made clear advances in relation to running costs, centre and periphery still contended in much the same way over programme expenditure. Portfolio budgeting was only partly implemented. Operational officials argued strongly that there was an inherent contradiction between the imposition by Finance of across-the-board efficiency savings and the creation of greater budgetary flexibility.

An almost identical structural divide opened up within departments. In both Whitehall and Canberra, the resistance of central finance divisions to ceding financial and establishments control to operational managers was often intense. Central finance managers were reluctant to delegate their decision- making authority until operational managers had demonstrated their capacity to manage their resources responsibly. However, operational managers found it difficult to exhibit this capacity until they were provided with the authority to do so. Similarly, while there was a general willingness, particularly in Australia, to provide managers with greater power to transfer funds between expenditure heads, considerably greater resistance was experienced with respect to the delegation of more important resourcing functions. For example, central finance managers argued that their accumulated expertise was still necessary if activities such as recruitment, accommodation and purchasing were to be performed effectively.

Functionally, the principal cleavage which emerged was that between officials engaged in policy and management respectively. In both Whitehall and Canberra these very different disciplines proved to be difficult and ultimately incompatible bedfellows. In Whitehall, for example, policy officials resisted what they perceived as the application of simplistic managerial formulae to the complex tasks of policy development and analysis. Their work, essentially diplomatic in nature, did not bend easily to the objectives-targets- performance model of analysis which was so central to the managerial approach. Objectives, policy officials argued, were inherently difficult to define since they changed constantly in response to political and social circumstances. Evaluation was problematic since so many factors intervened between a policy's introduction and the outcomes which ensued. Above all, policy development was regarded not by the officials engaged in it as a rational process. Rationality, however, was at the heart of the new managerialist push. In the event, management reformers succeeded in subjecting the productivity of policy divisions and the efficiency of programme delivery to greater scrutiny. But their impact on the way in which policy was formulated, synthesised and assessed remained negligible.

In summary, differences in perspective and competitions for influence emerged quickly and forcefully amongst major bureaucratic groupings in Whitehall and Canberra. The splits which occurred were similar in both countries. In neither was reform simply imposed. Rather its progress depended upon the arduous and patient negotiation of differences between all parties affected by it. The constant bargaining did not engender stagnation. The two management reform programmes made clear gains in both countries. The gains, however, were considerably greater in the Australian case. Several reasons may be advanced to explain this.

In Australia, the introduction of the FMIP was facilitated by the fact that, in general, the senior management of the public service was committed to it. Three factors in particular had combined to produce this result. First, the Hawke Government had, very early in its term, appointed to senior positions individuals, both from within and outside the civil service, with a clear and public commitment to managerial reorganisation.

Secondly, within the Senior Executive Service, the officials favoured for promotion were those with a professional background either in economics or business management. Thirdly, these factors were combined with what appeared to be a natural, generational shift in power and influence at senior executive level. The mandarins who had dominated Canberra for several decades retired, making way for the promotion of a new, much younger breed of managerial technocrats. In Britain none of these factors was present to a significant degree. Over time, the Government appointed permanent secretaries with an active rather than detached attitude to their responsibilities. But, except in an advisory capacity, no outside appointments were made to senior ranks. Further, it was not seen as desirable to appoint to top positions officials with specialist qualifications. Authority remained firmly in the hands of generalist administrators. There was some evidence of a generational shift as the graduate trainees of the Fulton era attained administrative maturity. However, because, on average, officials in Britain received promotions much later in their careers than did their Australian counterparts, its influence was yet to be fully experienced. In Australia, the Government's reforms produced an influential cadre of senior officials who shared in large measure the values and aspirations of managerialism and who were committed to act upon them. In Whitehall, there was sympathy for the cause but commitment was still another matter. Only with the appointment of agency chief executives after public advertisement did this appear likely to change.

The progress of the FMIP was facilitated considerably by the division of authority which had earlier taken place between the Treasury, which bore overall responsibility for economic policy and the Department of Finance, whose brief was to allocate and control public expenditure. This separation permitted the department to pursue management reform more or less free of the strictures imposed by the Treasury's proper and traditional concentration on macro-economic management. Consequently, it was much more able than its British counterpart to concentrate on pursuing managerial reform for its own sake rather than seeing it always in the context of and as a further means of reducing the burden of taxation. The Department of Finance was not a new agency in the sense that Wilenski (1986, p.180) conceived it. This was to its advantage. Its new leadership was able to use existing powers and patterns of relating to prosecute reform in a way no new agency could have done.

By restructuring the rules of budgetary negotiation, the department set in place an essential precondition for the fulfilment of the

FMIP's objectives. It established a new system of forward estimates. The estimates would no longer be arrived at after bitter haggling between Finance and departments. Rather, the Cabinet established the rules according to which estimates would be determined and the department automatically updated them in accordance with those rules. The estimates represented an authoritative baseline for budget deliberations. They removed from the field the possibility that the delegation of managerial authority would result in ever greater demands for increased public expenditure.
A similar restructuring may now take place in Britain. The creation of Next Steps agencies requires that planning and budgeting methods be overhauled. The Treasury has already imposed tight constraints on agency bidding. In this new financial environment, delegation may well be more successful.

In Whitehall, the development of the FMI was clearly hampered by the perception that it lacked relevance. The ready acceptance of top management systems, for example, was substantially prejudiced by the fact that they paralleled rather than enhanced existing resource allocation mechanisms. Lacking the cutting edge which direct resource implications would have given them, they were quickly relegated to secondary status as officials soon found that their interests in protecting or advancing their budgetary positions were not significantly influenced by the new and time-consuming techniques. Similarly, in Australia, corporate planning was marginalised, finding a permanent home neither in facilitating policy development nor in establishing new foundations for budgetary negotiation. By contrast, however, Australia's programme budgeting system supplemented the existing system of line item budgeting. Programme budget statements were presented to Parliament and formed the basis for intensive scrutiny and questioning by Senate Estimates committees. Programme budgeting locked into the existing machinery for expenditure control. In so doing, it assumed immediate import.

In summary, the introduction of the FMI and the FMIP opened up structural and functional conflicts in Whitehall and Canberra. These significantly retarded the progress of the two initiatives. Nevertheless, particularly in Australia, there were a number of factors in the administrative arena which served to advance the progress of reform. The support of the senior civil service, the division of authority between the Treasury and the Department of Finance, the restructuring of the rules of budgetary negotiation and the locking of new reforms into existing financial machinery each made a major contribution in this regard.

c. The Technical Axis

Neither the FMI nor the FMIP was hampered significantly in its development by technical difficulties. The technical resources for their successful execution were generally present. Some, however, required refinement and others could profitably have been provided in greater measure. Although not, by comparison with political and administrative factors, playing a major role in determining the course of the two reform programmes, there were a number of technical issues which had an effect on the manner in which the programmes developed. These are now briefly considered.

Senior officials both in Whitehall and Canberra made it clear that neither the FMI nor the FMIP could have proceeded with nearly the same degree of facility in the absence of computerisation. The opportunities provided by information technology and the revolution in communications had provided dramatic new opportunities to deliver public services differently (Butler, 1990, p.10). In management, it was computerisation alone which permitted the development of the complex, disaggregated management and financial information systems which underpinned the delegation of managerial authority. In Britain the implementation of the Fulton reforms had been significantly retarded because the implementation of accountable management had relied for its success on the utilisation of much slower and more cumbersome paper-based management information systems. By contrast, the new data processing technology provided operational managers of the 1980s with the means to take charge of and monitor the resources at their disposal.

The successful prosecution of both programmes depended not only on the presence of appropriate technology but also on the effective design of management information systems. Both in Britain and Australia, the lack of appropriately designed and tested management information systems constituted a significant impediment to the effective delegation of managerial authority. As these systems became more sophisticated, delegation could proceed more effectively. This was one area in which the FMI made significant advances. Although it was widely argued that the FMI had become bogged down in a morass of system development, respondents in this survey conceded that without the FMI's intensive concentration on the development of new management and financial information systems, one essential bridge to the Next Steps may not have been built.

Finally, where the methodology associated with particular innovations was complex, its ready acceptance and utilisation was made considerably more difficult. In Canberra and Whitehall performance indication presented administrators with substantial practical and conceptual problems. Substantial progress was made with process-related indicators but it was an altogether more difficult task to measure programme outcomes. This was because it was rarely, if ever, that a direct and uncontaminated link could be made between specific governmental interventions and subsequent alterations in economic or social behaviour. The resolution of methodological problems surrounding performance indication consumed a great deal of time and generated intense disagreement. This was particularly the case where officials responsible for advancing performance indication were reluctant to acknowledge the technical limitations of their craft. Their lack of flexibility on this issue had the effect of prejudicing a wider acceptance within the administration of the need to monitor performance.

(ii) The Institutional Level

The interactions which have been considered thus far do much to illuminate the dynamics of administrative reform. However, the analysis would be incomplete without a consideration of the systemic constraints within which these interactions took place. For it is only one part of the story, although a critical one, to assert that the FMIP took hold more rapidly than the FMI because particular individuals and groups acted and interacted in the way that they did. Their behaviour, in turn, was framed and moulded by the structures and systems of which the actors were part. During the present study it became evident that institutional conditions in Canberra permitted considerably more freedom of manoeuvre to Australian administrators than was available to officials in Whitehall. The chapter concludes, therefore, with a discussion of three systemic differences which appeared to be of particular importance in this regard.

a. Ministerial Responsibility and Control

In Australia, the doctrine of ministerial responsibility exercises a less forceful influence on the activity of politicians and administrators than it does in Britain (see Emy, 1976, p.34; Emy, 1978, pp.246-249; Self, 1978, p.321; Finn, 1990, pp.46-48; Kellow, 1990, pp.73-74). There are several factors which contribute to this difference. Australia has a well developed tradition of conducting government business through statutory corporations. This has produced a general acceptance of the principle that officials as well as ministers may be held accountable for the actions of government (Wettenhall, 1990, p.7). Australian government is federal rather than unitary in character. Responsibility for its conduct is divided between the Commonwealth and six State governments. Further, many governmental functions are undertaken jointly by the Commonwealth and the States. Consequently, the responsibility of ministers for the outcomes of policy is often blurred. This makes it more difficult for the Parliament to hold them to account for their actions. In Australia, ministers are bound much more tightly to party than Parliament. A minister whose standing with party or even party faction is high therefore has little to fear from parliamentary sanction. Moreover, party discipline is more easily exercised in Canberra's relatively small legislature than it can be at Westminster.

Ministerial control over departments is also weaker in Australia (Butler, 1973, Ch.4). Australian geography militates against effective ministerial supervision. With vast distances to cover between Canberra and their electorates, ministers spend only a small proportion of their time in their departmental offices. Rarely resident in Canberra, their time is even further curtailed by their extensive parliamentary and party commitments (Royal Commission on Australian Government Administration, 1976, p.60; Grattan and Weller, 1981, Ch.3). Therefore, the task of running departments falls more heavily upon the shoulders of the departmental secretary.

The relative weakness of ministerial responsibility and control had three important consequences for the managerial reforms considered here. First, Ministers were rarely, if ever, involved in the execution of management reform in their departments. Their participation was neither expected nor invited. The very considerable effort which went into involving Ministers in management in Whitehall was hardly present in Canberra. Secondly, the latitude thereby afforded to officials permitted them considerable autonomy in determining the direction which reform would take. Consequently, delegation was pursued with considerable enthusiasm. The fact that it might conflict with traditional canons of ministerial responsibility was seldom discussed. Where it was, the reformers argued that it was the convention and not the reforms which should be forced to adapt (Holmes, 1989, pp.45-46; Management Improvement Advisory Committee, 1990, p.2). Thirdly, because in Australia a more relaxed attitude was taken to the prospect of parliamentary sanction, the margin for error available to officials appeared to be greater. Consequently, managerial reform in Canberra could be approached somewhat more boldly than the more cautious atmosphere of Whitehall would allow.

b. Federal Government

In Australia's federal system the range of responsibilities exercised by Canberra's officials is limited. Most service delivery operations, and hence the most employment and managerially intensive activities, are administered not by the Commonwealth but by the

States. The federal bureaucracy consists, in essence, of a cluster of policy-oriented departments whose functions, if not their fields, are broadly similar. Further, given the isolated position and isolative atmosphere of the federal capital, relationships between senior officials are very close. Everyone knows what everyone else is doing. The two factors together produce a unity of purpose, activity and attitude which is far less attainable in Whitehall where the functions of government are diverse and its officials numerous.

These differences too had important implications for the management of change. Canberra's smaller size meant that the enterprise of reform, although still difficult, was made considerably more manageable. The consistency between departmental functions allowed similar approaches to reform to be adopted. The integration between networks of officials and their commonality of view meant that reforms, once accepted, would quickly gain ground.

c. Openness

Britain's administration is widely perceived as a closed one. Until the middle of the 1970s, government in Canberra was similarly regarded. In 1976, however, the Fraser Government in Australia introduced a comprehensive new system of administrative law. A new position of Ombudsman was created, judicial review of administrative action was made more accessible, an administrative appeals tribunal was established to review decisions of governmental officials on their merits and freedom of information legislation was enacted. These measures have subsequently played a very important role in opening the Commonwealth Government to wider scrutiny (see, for example, Griffiths, 1985; Pearce, 1989b).

Not long before, a strong system of Senate investigatory committees had been established. These legislative and general purpose committees examined Government policy and performance in eight broad subject areas. The committees were given wide powers to call evidence, publicise their findings extensively and provide a significant forum for public participation in the legislative process. The investigatory committees were complemented by Senate Estimates committees which, during the 1980s were accorded ample power to examine departmental officials about their managerial performance. Strengthening parliamentary review did much to expose the workings of government to a wider audience.

New managerial reforms in the 1980s added to this trend. Documentation on the performance of departmental programmes was substantially enhanced with the introduction of programme budgeting. Annual reporting requirements were altered to provide parliament and the public with much more information on departmental structures, functions, procedures, and personnel. Most importantly, personnel practices were changed, encouraging the frequent exchange of officials between private and public sectors and establishing competitive recruitment. Under the Hawke Government the boundaries of the Commonwealth bureaucracy became much more permeable.

The openness created by these measures then acted to facilitate the introduction and acceptance of new administrative reforms. For example, the new administrative law did much to challenge discriminatory practices in government. This in turn paved the way for the introduction of equal opportunity and affirmative action programmes under the Hawke administration. These legal reforms also accustomed both officials and the public to the notion that permanent officers as well as ministers could and should be held publicly accountable for their actions. One important argument against the delegation of managerial authority was thereby removed (Thompson, 1988, p.222). The requirement that Government agencies report in detail to Parliament on their performance enhanced its role in the review of governmental activity. This, in turn, placed pressure on officials to demonstrate yearly improvements in the effectiveness of their management. Officials in Canberra thought it only natural to carry the debate about administrative reform into the wider community. By doing so, they created a broader public expectation that the administration would change. Finally, as noted previously, the personnel reforms that were introduced were enormously influential in creating a senior civil service that was committed to managerial change. In Whitehall, none of these factors was present to nearly the same degree.

Both Britain and Australia have Westminster systems of government. In saying this, however, one should not ignore the fact that there are many subtle differences in the way in which they are structured and run. In the present study, it was apparent that institutional arrangements as well as political and administrative interactions had an important bearing on the outcomes of administrative reform. Canberra's administration was characterised by greater flexibility, cohesion and openness than its Whitehall counterpart. In Kanter's (1983) terms, it was closer to the integrative rather than the segmental end of the organisational spectrum. As such, it provided a setting which, to a greater extent than in Whitehall, was conducive to managerial innovation.

Summary and Conclusion

In this chapter, the major findings of this comparative study have been presented. They may, in conclusion, be summarised as follows.

1. The general deterioration in economic conditions, combined with significant changes in social and economic thinking, provided the British and Australian managerial reforms of the 1980s with very considerable momentum.

2. This momentum was such that, despite their differing political complexions, the Thatcher and Hawke governments pursued administrative reform agendas which, in very many respects, were similar.

3. The content of the two reform programmes was familiar and broadly consistent with larger shifts in social values. Because of this, the natural resistance of the administration to managerial innovation was weakened.

4. The introduction of the FMIP was facilitated by the fact that the Hawke Government adopted a collaborative rather than conflictual approach to civil service reform. In addition, Canberra's bureaucrats were more willing than their counterparts in Whitehall to take risks. This yielded them greater rewards.

5. In both countries a clear and persistent determination by the Prime Minister to change the face of the administration acted as a powerful incentive to innovation.

6. In practice, however, significant attitudinal differences emerged between Ministers and senior officials with respect to the managerial reforms which had been proposed. Consequently, in both countries, the attempt to make Ministers more managerially minded floundered and fell.

7. In Australia, the commitment to reform demonstrated by the administrative leadership contrasted markedly with the more diffident attitude exhibited by senior officials in Whitehall. The fact that managerial reform was high on Canberra's bureaucratic agenda provided considerable encouragement for its development.

8. Even so, in both countries major cleavages within the administration were apparent. Principal among these was the division in attitude between Treasury and spending departments.
The Treasury in Britain acted in a fashion calculated to retard the managerial (as opposed to the control) objectives of the FMI.

However, Canberra's Department of Finance worked in advance of departments, thus engendering conflict when their performance fell short of its expectations.

9. The weakness of ministerial responsibility and control in Canberra relative to that in Whitehall meant that reforms whose purpose was to delegate managerial authority were more readily accommodated there than in Britain.

10. Finally, the openness and permeability of the Australian administrative system enhanced Canberra's propensity and capacity to change. In particular, the Hawke Government's importation and encouragement of a new cadre of economic and business oriented senior officials made a major difference to the progress of the reformist endeavour.

PART III

THEORETICAL CONSIDERATIONS

CHAPTER 9

ADMINISTRATIVE REFORM: SOME THEORETICAL CONSIDERATIONS

In this final chapter, I step back from the practice of administrative reform in order to develop a broader, more theoretical understanding of the phenomenon. In doing so, I offer three alternative models to explain it. These models are then related to the evidence obtained in this study. From this analysis, I draw a number of conclusions about how administrative reform might best be understood.

SECTION ONE: MODELS FOR REFORM

In this section, three different models of administrative reform are considered. In the first, organisational reform is perceived as the product of the purposeful intervention of organisational leaders. Second, organisational reform is seen as the product of political interaction between competing interest groups inhabiting the organisational terrain. Third, administrative reform is understood as the product of deep shifts in the substructure of organisational perception and interaction. Each of these alternatives is now examined in turn.

1. Model One - Purposeful Intervention

The first model of administrative reform is derived from decision-making theory. Taking its bearings from the work of Simon (1976), the model is synoptic. Simon proposes that an effective decision-maker determines his or her objectives, lists the alternative strategies of achieving the objectives, determines the consequences which flow from each of the strategies, compares the different sets of consequences and then chooses the most effective strategy (Simon, 1976, p.67). By analogy, administrative leaders who wish to effect change in their organisations will adopt a rational and staged process of execution. They will recognise the need for change, diagnose the problem, examine the alternatives, develop a strategy and then implement it (see, for example, Glueck, 1980, pp.55-57; Dessler, 1986, p.445). Change is composed of specific, identifiable interventions. It proceeds in logical and sequential stages. It presumes that leaders propose and that subordinates execute. The whole organisation is seen as a unit and it is only the leader, representing the organisation as a whole, whose behaviour requires consideration. Individual processes of choice and change are projected on to the organisation (March and Simon, 1958, pp.137-142). Implementation proceeds from top to bottom and from centre to periphery (Schon, 1971, p.135). Reform is not negotiated but managed.

Applied more specifically to administrative reform, this rational model accords the government primacy in the task of reform. The political leadership determines what is desired, analyses the methods available to it, selects the most appropriate combination of reforms to achieve the objective and implements them. In this task, the administration occupies a subordinate position. Its role is instrumental. It exists to effect the administrative changes the government desires. Changes in administrative apparatus and operation follow from changes in political leadership. Administrative leaders advise but it is Cabinet's or a minister's task to decide. In the process of administrative reorganisation, the government is sovereign (Olsen, 1988, p.239; March and Olsen, 1989, p.113).

Within organisational theory, the purposeful actor model has been under sustained attack. There are several grounds on which it may justifiably be criticised. Rationality, critics argue, is not complete but is bounded. It is constrained by imperfect information, competing organisational loyalties and unconscious skills, habits and reflexes which determine more or less automatically the leadership's performance and decisions (Cyert and March, 1963, pp.114-127; Allison, 1971, pp.72-88). Nor is rationality unitary. An organisation, which is composed of differing political coalitions, can generate competing rationalities each of which is the product of the perspective of its proponents (Allison, 1971, pp.162-180; Ham and Hill, 1984, pp.77-79). Leaders' goals may be mixed or ambiguous and for good reason (Baier, March and Saetren, 1988, pp.160-161). Therefore, both the goals and instruments of change may conflict. Further, the model presumes a unidirectional relationship between the agents of change and their organisation. In practice, however, leaders' goals change in the course of introducing deliberate innovation, or in the course of normal institutional drift. The actions they take affect the preferences which spawned them. New intentions are discovered as experience demonstrates the truth or falsehood of their initial premises (March and Olsen, 1989, p.66).

In the face of these criticisms, many writers have retreated from this model (see Bryman, 1983, pp.391-395). However, it is by no means dead. It re-emerges from time to time in new and more sophisticated guises. Thus, for example, in a study of nine large private companies, Quinn detected a method of strategic activity which he described as 'logical incrementalism' (Quinn, 1989, p.20; Quinn, 1990, p.96). Logical incrementalism is manifested in a purposive but evolutionary process of organisational development.

Strategy is formed by managers who, while ensuring that the core of their business is strong, engage constantly in small scale experimentation to advance their knowledge. Perpetually scanning the organisational environment, these executives garner ideas for experimentation which is then conducted on a small scale. Each successful outcome adds to the store of the organisation's strategic knowledge and suggests further areas of experimental activity consistent with overall organisational objectives. Where there is conflict, it is contained at the margin. The gradualism of incremental adaptation provides ample scope for organisational learning and mutes criticism by permitting executives to point to successful demonstration results. Executives, then, muddle through but with a purpose.

2. Model Two - Institutional Negotiation

If the model of purposeful intervention represents a somewhat idealised conception of choice and change then the second model, that of institutional negotiation, is decidedly practical in bent. Just as Simon's synoptic conception of decision making made way for the development of Lindblom's pragmatic alternative (see Lindblom, 1965, 1973), so the theories of rationally planned and executed change opened the door for the development of new, more political, understandings of organisational dynamics. In Model 2, organisations are considered as coalitions of participants whose values and goals often conflict. The minimum common ground of agreement, organisational goals, are the result of intensive processes of bargaining and negotiation. These processes do not cease as soon as the coalition is formed and goals are established. They operate continuously, moderating strategy and mediating conflict which itself is endemic (Cyert and March, 1963, p.43). Change, then, is the product of negotiation and bargaining between competing institutional interests.

Two concepts are central to understanding the institutional framework. The first is power. Model 2 presumes that organisational actors achieve their objectives through the exercise of power (Dalton, 1959, pp.263-264). However, they exercise power only in relation to the pursuit of collective objectives. The organisation therefore sets the framework within which relations of power develop (Crozier, 1964, pp.163-164). So, whereas rational planning is informed implicitly by a search for efficiency, the institutional model is informed by the search, within certain organisational parameters, for negotiated and binding agreements between competing interests. The second concept is perception. It is assumed that the different actors and interests in the organisational arena will perceive organisational goals, tasks and processes differently. Each will act more or less rationally on the basis of their perceptions. However, because organisational actors construct their realities differently it is inevitable that conflict will occur. Organisational change then is the product of confrontation between competing rationalities employed by organisational actors each using the sources of power which are available to them (see generally Pfeffer, 1981; Lee and Lawrence, 1988).

'Garbage can' theorists lie at the far end of this spectrum. According to these theorists, the explicit choices of actors and the consequent coherence of choices are often lost in contextually dependent flows of problems, solutions, people and choices. Solutions are linked to problems and decision-makers to choices not by force of logic but by their simultaneity. Problems are worked upon in the context of some choice, but choices are made only when the shifting combinations of problems, solutions and decision-makers happen to make action possible (Cohen, March and Olsen, 1988, pp.296-299). Administrative reorganisations are similarly characterised. They too are a 'garbage can' consisting of contextually specific combinations of people, choice opportunities, problems and solutions. Their course is determined less by the content of reform proposals themselves, or the effort put into their execution, than by the happenstance of political attention, the configuration of relevant interests and the idiosyncratic resolution of competing definitions of the problem situation. Because of the problematic nature of change, attempts at comprehensive reform are likely to fail. However, changes engendered by less visible and more partial means may prove more durable (March and Olsen, 1989, p.94).

Model 2 conceptualises change not in analytical but in process terms. The organisation is a structured arena of competition between organisational actors. Each actor, or interest of which the actor is a part, construes the organisation differently and uses the various sources of power available to them to advance their understandings and their interests. Each actor behaves 'rationally' in the sense that they act more or less logically to advance their cause. But because these rationalities conflict, the outcome of change is uncertain. Change, if and when it occurs, is likely to be the product of incremental advance engendered by persistent and difficult negotiation between competing actors. Purposive action, of the kind envisaged in Model 1, occurs only where the organisation's dominant coalition is in a position to enforce its vision upon those with whom it is in conflict. Rationality, if the term is to be used, is best understood in retrospective rather than prospective terms. It can explain, with the benefit of hindsight, what has happened but does not provide a ready methodology for planning and action.

Model 2 significantly advances our understanding of organisational realities. However, it too has its limitations. By focusing on the interminable bargaining between organisational sub groups it fails satisfactorily to explain why and how major reforms do sometimes occur. It concentrates almost exclusively on the internal dynamics of change, giving too little weight to the role which external contingencies may play in provoking and maintaining the pressure for reform. The model dwells on relations of power within the organisation but does not sufficiently take account of structures and rules as constraints on such relations and as factors predisposing it to stasis or change. It proposes that power and perception are crucial elements in the process of change but does not explain how shifts in power or perception might occur.

3. Model Three: Appreciative Shift

The third model of organisational reform proceeds on the assumption that enduring organisational change is the product of collective organisational learning (see Cyert and March, 1963, pp.123-125; Schon, 1971, p.109; Crozier and Friedberg, 1980, p.221; Starbuck, Greve and Hedberg, 1991, p.785). Reform takes root only where an organisation has developed and incorporated new collective capacities for knowing, communicating, relating and acting. The appreciative model introduces into the discussion a third conception of rationality. The rational model previously discussed postulates an analytical rationality. The institutional approach proposes an a posteriori and incremental rationality. The appreciative model by contrast introduces a rationality founded in individual and collective intuition, interpretation and action (see, more generally, Fay, 1975, pp.70-92; Harmon and Mayer, 1986, pp.282-316).

On this view, the coherence an individual accords to an organisation depends primarily on his or her intuitive understanding of it. An organisation is comprehended not primarily through reason, logic and analysis but rather through the appreciation of form, pattern and synthesis (Vickers, 1983, pp.36ff). The individual, in knowing a situation and making judgements about action, proceeds largely on the basis of a series of learned and tacit norms (Polanyi, 1967, pp.1-25). The norms are sensed negatively rather than positively. They are appreciated only where elements in the decision-making environment are experienced as misfit. Fit, in this context, is neither positively known nor derivable. It is constituted in the individual's appreciative system by the absence of misfit. The individual's appreciative system is developed through experience and in particular through experience gleaned from human communication. It is composed of sets of cognitive schemata which structure the individual's perception of a situation and the meaning and value he/she accords to it (Vickers, 1983, p.67).

Elaborating this theme in the managerial context, Schon, following a study of several professions, proposed that professionals engage constantly in a process of reflection in action (Schon, 1983, pp.49ff). They frame their reality, act on the basis of their framing, alter the situation which has been framed and are transformed by their apprehensions of the changes they have wrought. They engage constantly in dialectical inquiry with the situation of which they are part.

> "A manager approaches a circumstance with a set of tacit criteria which are activated when some specific action is found to be inconsistent with one of them. A particular action arises from the interplay between these tacit norms, these 'oughts', and critical reactions to them given the context within which the manager takes himself/herself to be called upon to perform. Action may conform to the norm or go beyond it and, in so doing, contribute to its development or demise."
>
> (Mangham and Pye, 1991, pp.24-25)

Managers, then, constitute a special case of the professional in reflective conversation with his or her environment (Schon, 1983, p.242; Mangham and Pye, 1991, pp.20-26). This is because the organisation of which they are a part constitutes both the object of their inquiry and their forum for action. The organisation is a store of collectively accumulated knowledge. This knowledge is not only factual in nature but consists of ideology, myth, symbol, story and patterns of behaviour. It is made manifest in the organisation's goals, structures, rules, procedures, technologies, history and methods of interaction. Thus, when managers face new and problematic situations they draw both on personal and organisational knowledge to found their appreciations and interventions. In comprehending the consequences of their actions they act as the vehicle both for individual and collective learning. From this learning new organisational appreciations and syntheses emerge.

The extent to which an organisation changes in response to new learning depends on its structure and patterns of behaviour. As the work of Burns and Stalker (1961) and more recently Kanter (1983) suggests, some structures and behavioural patterns facilitate reflection and adaptation more than others. These structures and patterns may be considered as the organisation's learning system. The character of the learning system in turn influences strongly the scope and direction of the manager's reflection in action.

These observations, which proceed from the individual to the collective, mesh well with analyses of organisational culture which operate in the opposite direction. Schein, for example, proposes that the term culture -

> "should be reserved for the deeper level of basic assumptions and beliefs that are shared by members of an organisation, that operate unconsciously, and that define in a basic 'taken for granted' fashion an organisation's view of itself and its environment. These assumptions and beliefs are learned responses to a group's problems of survival in its external environment and its problems of internal integration. They come to be taken for granted because they solve those problems repeatedly and reliably."
>
> (Schein, 1985, p.6)

Similarly, Handy proposes that organisational culture consists of sets of implicit norms and values which are in turn reflected in different structures and differing interactional systems. Organisations differ in their atmosphere, modus operandi, enthusiasm, degrees of individual freedom and choice of personality. Each of these is an aspect of the organisation's particular culture (Handy, 1985a, p.196; Handy 1985b, pp.9-14). In the administrative context, Metcalfe and Richards propose that culture consists of an amalgam of 'taken for granted' attitudes, values, beliefs and assumptions held by civil servants about their role and responsibilities (Metcalfe and Richards, 1984a, p.442; Metcalfe and Richards, 1987a, pp.15-16). They argue that to be successful, administrative reform requires not only 'political clout but cultural change'. For this, changes in civil servants' capacities, commitments and understandings are essential prerequisites.

Cultural analysis has been important in demonstrating that the ability of individual organisational actors to experiment and to learn will always be constrained by their membership of the organisation and by the constraints and 'rationality' of that organisation's learned responses to problematic situations. Individuals accept and internalise the cultural traits, attitudes, norms and characteristic values of the organisation they have entered. This subsequently determines their perceptions of reality and even their emotional reactions to it thus guiding their choice of objectives and their means of action.

Like the vast body of precedent in law, with the myriad stories it contains, the culture of the organisation, with its edifice of accumulated experience, acts as a powerful force for integration and stasis. This presents a problem for any theory of change since significant reform must first overcome the 'dynamic conservatism' inherent in the organisation and embedded in its culture. How then might change occur?

Borrowing from the philosophy of science, one may invoke the idea of paradigm shift to explain dramatic changes in the organisational ground (Kuhn, 1971, pp.43-51). Although culture, in the sense that Schein describes, exercises a powerful influence on the perceptions and behaviour of organisational actors, it does not determine them. Each actor brings to the organisation his/her own appreciative system which accords, to a greater or lesser extent, with that of the system of which they are part. But each actor still possesses some degree of freedom. In responding to his/her situation, several choices are always possible. The choice among them will depend on individual reason, capacity, and resources. A creative tension is established between individual and organisational appreciation (Kaufman, 1971, pp.42-44; Schon, 1971, p.159).

Normally this tension is contained by the self-perpetuating qualities inherent in organisational precedent, experience and patterns of mutual expectation. However, the exclusion by the existing culture of divergent modes of reasoning and behaviour nevertheless result in the establishment of oppositional organisational sub-cultures in pockets of the organisation least satisfied with accepted attitudes, analyses and methods. By making different choices in their sphere of operation, these sub-cultures contribute to incremental advance. In provoking the development of different individual schemata and organisational response systems, they pave the way for more radical re- interpretations. These, however, do not occur except in response to crisis (Crozier, 1964, pp.195-198). In organisations crises will occur when the organisation's learned responses to its problems of survival are no longer adequate to deal with substantial shifts in its extra organisational context. The changes may be in the organisation's physical, institutional, technical, social or intellectual environment. Whichever is the case, crisis provokes an instantaneous demand for new theory.

Competing appreciative systems, whether developed within or outside the organisation then clamour for attention. Dissenting views and individuals act as the vanguard for reform and reintegration. Eventually the old paradigm is displaced, whether due to externally driven crises, shifts in leadership or the superior explanatory properties of the new appreciative systems themselves (Brunsson, 1985, pp.180-181). The newly dominant paradigm then spawns major changes to the organisation's methods of reasoning, relating, communicating and acting which are more consonant with its external environment.

The evolutionary/revolutionary cycle is consistent with the finding in a number of recent private sector studies that corporate strategy and change proceed not in incremental and linear fashion but according to a pattern of stability followed by rupture (see, for example, Mintzberg and Waters, 1982, pp.491-499; Pettigrew, 1985, pp.445-449; Johnson, 1987, pp.248- 265; Tushman, Newman and Romanelli, 1991, p.783; Starbuck, Greve and Hedberg, 1991, p.786). Schon (1971, p.115) argues similarly that change in the public sector results from the replacement of one set of 'ideas in good currency' with another. In this context, single programmes of administrative reform are seen as having importance not because of their content or because of the specific structural and procedural changes they effect but rather because, by moving and shaking existing structures, they create new opportunities for collective learning and hence enduring change to occur (Kaufman, 1971, p.55; March and Olsen, 1989, p.94).

Despite its intellectual elegance and intuitive appeal, this third model also leaves room for criticism. By relying so heavily on external motivators for change, it underplays the role which key actors and factions in organisations can play in effecting reform. By focusing so strongly on the explanatory power of new systems of thought, it accords too little attention to the power of institutions to suppress them. By concentrating exclusively on appreciation, it presumes that structures will fall in the face of new insights. In practice their replacement may be considerably more difficult.

4. Summary and Conclusion

Each of the models of change described proceeds from a particular conception of rational behaviour. In the first, synoptic rationality is dominant. In the second, an institutional logic is present. In the third, it is an appreciative perspective which commands attention. The synoptic view assumes that an organisation acts as one in setting the course for change. The institutional view sees the organisation as an aggregation of interests not all of which are in harmony. The appreciative perspective regards the organisation as a cultural construct built from the normative, cognitive and behavioural experience of its members.

From these competing conceptions flow different conclusions as to the nature of reform. On a synoptic view, reform is seen as measured, if lengthy, transition from one organisational form to another. The institutional view, by contrast, regards reform as the product of negotiation and conflict between competing actors with different reform agendas and differential sources of power to utilise in their pursuit. The appreciative view understands reform as the acquisition of new interpretations and capacities.

In each model, the method of achieving reform is distinct. Under the synoptic model, leadership imposes reform on the organisation. In the institutional model, reform proceeds through a pluralist process of bargaining. In the appreciative framework, reform is effected through individual and organisational learning. In the remainder of the chapter, the evidence garnered in this study will be examined further with a view to exploring the applicability of the three models which have now been outlined.

SECTION TWO: REFLECTIONS ON PRACTICE

1. Model One - Purposeful Intervention

Both the Thatcher and Hawke governments entered office with bold plans to change the face of public administration. The British Government was bent on recasting its civil service in the image of the private sector. The Australian Government's first priority was to make the administration significantly more responsive to political direction. Possessing considerable political determination and public support, each was in a commanding position from which to introduce its reform programmes and in this they met with some immediate successes. Both governments were able to cut public expenditure, to insist that new methods be adopted to control it, to reorganise the machinery of government, to reduce public service numbers, to insist that wage demands be moderated and to demand that management in the civil service be made more efficient. In Australia, the Government widened further the sphere in which it could take autonomous action by setting the key elements of its reform programme in legislation.

However, the two governments' successes tended to be complete only in those spheres in which they had the authority and capacity to act alone. Once having formulated their programmes and established certain basic preconditions for their introduction, each government's scope for autonomous action during implementation was diminished. Given their other pressing demands, the time, attention and skill which Ministers could devote to administrative reform was limited. The resources available to Ministers to supervise and pursue the details of implementation were dwarfed by those contained in the administration. Consequently, having mapped the parameters of reform, each government had to leave it to the administration to interpret, carry and resource the process of execution. From that moment, the responsibility for implementation became a joint one.

In Model 1 terms this would not have mattered if the administration had acted as the faithful instrument of government policy or if the interests of government and administration had coincided. Neither in Britain nor in Australia did these presumptions necessarily hold true. In Britain the civil service at all levels was demoralised by and reacted adversely to the government's belligerent and belittling attacks. Greater harmony existed between the two parties in Canberra. Nevertheless, one explicit objective of the Australian government's reform programmes was to reduce the power of the civil service and augment the power of the ministry. This the civil service could confidently be expected to resist.

More relevantly, both governments intended that the civil service should be made more efficient. However many different meanings could be attributed to this goal. In Whitehall, to take the clearest example, efficiency for the Government meant that the public sector should operate more economically and be run more like business. For many in the civil service, however, the business analogy was inappropriate. The pursuit of efficiency there might with equal force be defined as enhancing the machine's capacity to respond to shifts in the political and policy environment or, at the other end of the spectrum, ensuring the provision of high quality service. Similarly, depending on the interpretation placed on efficiency, different means might readily be adopted to achieve it. Taking Britain again, the Government never seriously considered measures to improve Whitehall's analytical capabilities. The administration, in its turn, was diffident about managerial improvement.

As soon, then, as responsibility for administrative reform was shared, cracks began to appear as both politicians and administrators sought to impress their stamp upon it. Deeper within the bureaucracy, many more divisions soon emerged as reform moved from the level of principle to practice. The administration was not characterised by unity of purpose nor did it possess the unitary and tightly disciplined organisation necessary for it to effect change in the way Model 1 suggests. By contrast, the contested nature of reform was immediately suggestive of the second model proposed.

2. Model Two - Institutional Negotiation

The competitions for influence which were observed in Whitehall and Canberra took place on both structural and functional lines. Government itself, and the departments of which it was constituted, was comprised of definable sub-units, each of which performed different but interrelated functions. In the political arena, the most significant divisions which emerged were between:

- the Government and the civil service; and
- individual ministers and their departmental officials.

In the administrative arena the most significant divisions occurred between:

- central finance departments and spending departments;
- central finance divisions and operating divisions;
- policy divisions and central finance divisions; and
- policy divisions and operating divisions.

The relationship between each set of parties had three important and characteristic aspects. First, each party interpreted organisational events from their particular perspective. These perspectives were fashioned, among other things, by the information at their disposal, their understanding of their role and their standing in the administration. Ministers, for example, saw the introduction of top management systems as a reform that offered them the prospect of obtaining a clear and comprehensive picture of their departments. Once having this picture, they were better placed to intervene in order to advance their political and policy agenda. Officials, on the other hand, considered the systems to be a means of obtaining a more considered allocation of departmental resources. Given appropriate information, they, together with Ministers, would be in a better position to set clear priorities and apply their resources consistently with them. Similarly, central finance departments viewed delegation primarily as a means of making managers at all levels much more conscious of the costs of their activities. Departmental officials, on the other hand, saw the process as the long overdue recognition of their right to manage their financial affairs more independently.

Second, the reforms threatened to upset the parties' traditional patterns of relating. Each had something to gain and each had something to lose from the changes which were proposed. Disputation therefore became inevitable. Hence, officials were concerned that top management systems, by providing the means through which Ministers could enter the management arena carried with it the danger that departmental administration might become more rather than less political. Equally, Ministers were concerned that the injection of rational management practice into the political arena might limit the room available for tactical manoeuvre. Similarly, if the departmental perspective on delegation prevailed, central finance departments stood to lose a measure of control over public expenditure. Equally, if the Treasury view prevailed, departments feared that they would be bound more closely, even though more subtly, to its yoke than they had been previously.

Third, and more generally, the interactions between the parties took place in an environment of severe resource constraint. The scarcity of resources intensified the competition for their control. Accordingly, both Ministers and officials were keen to exercise greater influence over the distribution of departmental funds. Each wished to ensure that new reforms, such as top management systems, gave them the maximum scope to do so. Similarly, central finance departments were extremely reluctant to countenance management reforms which would blunt their drive for expenditure reduction. Departments and agencies by contrast saw in the reforms an opportunity to mount a more effective case for increases in expenditure.

The existence of these preconditions set in train a complex and interrelated series of contests between the relevant parties. Each brought to bear what power it had to produce the outcome which it considered desirable. The degree of power which each party was able to exert in turn was affected by three critical factors - political legitimacy, financial authority and administrative indispensability (see Hickson and McCullough 1980, pp.41-55). For example, the two governments were able to insist that management reform be pursued because they had an electoral mandate to do so, because constitutionally they had the authority to so and because their parliaments encouraged them to do so. Each of these factors enhanced their legitimacy.

Central finance departments were able largely to dictate the manner in which financial reforms would be implemented because parliament placed upon them the responsibility for ensuring money was expended in terms it had approved, because it was their responsibility to ensure that public expenditure remained within predetermined parameters and because they had the constitutional and administrative authority to determine how far their own controls of financial management could be delegated. Policy divisions were able successfully to resist the incursions of management reformers because they acted as Ministers' gatekeepers. They were, therefore, in a strong position to argue that they should not be subjected to managerial techniques which they believed lessened their political responsiveness and value. Their indispensability, therefore, fortified their perspective.

It was because power could be harnessed more effectively by some parties than others that management reform moved forward rather than breaking apart. More particularly it was because there was a strong coincidence of interest between parliament, government and finance departments that the managerial movement proved forceful. The process of reform observed here did not resemble the model proposed by the 'garbage can' theorists. Rather the key actors' intentions and their power combined to give reform a positive momentum.

The model of institutional negotiation, then, does much to explain the course taken by the FMI and the FMIP respectively. However, it still concentrated too heavily on the machinations of competing actors. In doing so, it gives insufficient weight to the influence of ideas. This is considered in Model 3.

3. Model Three - Appreciative Shift.

The third model proposed that administrative reform is best understood as the outcome of changes in the way an organisation is appreciated. Lasting reform will, therefore, take place only where the participants in an organisation learn to reason, relate to and feel differently about it. Administrations are transformed only when the old stories through which they have understood the organisation are replaced with new ones which have greater predictive and explanatory power.

There is not space here either to define or examine in detail the competing and complex interpretations of public administration which have vied for attention in this last decade of reform. Nor would the methodology employed in this research have permitted it. For this, it would need to have been more ethnographic in nature. However, there have been three consistent themes which have coursed through this study. These can serve, at least in an introductory way, to illustrate the much deeper currents which, over many years, exerted a powerful influence upon attempts to alter the practice of management in government. The themes relate to three polarities: politics and management; efficiency and effectiveness; and control and delegation (see similarly Aucoin, 1990).

(i) Politics and Management

> "The other difficulty is politics. Clearly what we're on about is trying to make rational decisions and some politicians would prefer an approach to decision-making which reflects other criteria than rational ones. They would justify it by giving extra weight to particular values but often it's just alliances and allegiances - you couldn't say it reflected due process."
> (Departmental Secretary)

Whether explicitly or implicitly, the new managerialism sought to change political behaviour. The management reformers believed that if government were conducted more rationally and its organisation structured more systematically, the public interest would be far better served. This was not an argument which took hold among managerially minded administrators alone. It gained, in Australia, considerable credence among Ministers themselves - at least in the abstract.

The criticisms of political behaviour are well known and of long standing (see, for example, Heady, 1973, Ch.6; Grattan and Weller, 1981, Ch.4; Barnett, 1982, Ch.2; Ponting, 1986, Ch.2; Ponting, 1989, Ch.2). Politicians are notoriously ambitious. They frequently place the question of personal and political advantage above broader social considerations. They thrive on publicity. Important governmental policies which do not attract popular attention may therefore be neglected. Their time horizon is usually no longer than the next election. Decisions generating short-term benefits are preferred over those whose results may be more lasting but credit for which will be taken by the next government. They wish always to garner political support. Therefore, they tend to defer to the advances of powerful interests sometimes to the neglect of those more deserving. They are in competition not only with the opposition but with their Cabinet colleagues. Consequently, departmental interests may on occasions be harnessed in the service of some larger more Machiavellian agenda. The basic question asked by ministers is not 'what good will this do?' but 'how will this work to my political advantage?.'

By locking Ministers into a particular, more rational, method of arriving at their decisions, the management reformers clearly aspired to alter some of this behaviour. If only Ministers could be persuaded to set their objectives, rank their priorities, allocate resources accordingly, evaluate the effectiveness of their policies etc. surely government would become an altogether more scientific and less capricious exercise? The approach was not limited in its application to Ministers alone. Policy officials, and in this category most of the senior echelons of the civil service could be included, understood and constructed their work in similarly political terms. Their task was to protect and advance the Minister's interests. Nevertheless, managerialists asked, would not the quality of their advice also be enhanced if it were subjected to greater methodological rigour?

At issue here were two quite different ways of seeing the administrative world: the political and the scientific. The major impediment to the ascent of the managerial vision was the dominance of the political one - and of the administrative edifice which had grown to support it.

> "We had constructed a system in which advising Ministers in relation to policy, adapting policy, the business of politics, was actually setting the context for the running of departments. This created a serious systemic and cultural block."
>
> (Deputy Secretary)

The incompatibility between the two visions was clearly displayed in Whitehall and Canberra as Ministers acted with great persistence to defeat the expectations of their managerial minders. Politicians, despite the existence of the methodological constraints heaped upon them by corporate planning, programme budgeting, performance measurement etc., could not or would not act in rational fashion. Nor did they act like those models of enterprise, private sector executives. One Minister explained quite clearly why not:

> "The businessman is after 'market share' and 'bottom line' for his corporation. So are Ministers. But in our parliamentary form of Government...their 'market shares' are different. Both consist of votes to be garnered. Throughout most of the critiques of the way in which the Whitehall village is managed runs a strong vein of impatience with the propensity of Ministers to engage in pork barrel politics...But if ICI's share price were determined by the number of marginal constituencies in which the great corporation contrived to operate, its boardroom would be similarly motivated."
>
> (Bruce-Gardyne, 1986, p.235)

Beneath this exchange lay a much more fundamental and important clash of perspectives. For managerialists conceived of politics in essence as a process through which a succession of identifiable political goals were defined, pursued and attained. Assuming that government's objectives could be established and ranked, they argued, it ought to be possible to decide, according to pre-determined and rationally derived criteria, which of a number of alternative methods of achieving them would be most efficient. By making proper choices between means, the output and performance of government could be enhanced considerably.

However, it is equally possible to understand politics as the process through which society's governing norms, standards and relations are developed and sustained. On this view the purpose of administrative decision-making is not efficiently to produce tangible outputs in the form of benefits and services. Rather its aim is to regulate and maintain a dynamic balance between divergent and competing social forces and actors over time (Vickers, 1983, p.31 and see to similar effect Arendt, 1958, Ch.5; Habermas, 1971, Ch.5; Beiner, 1983, Ch.2; Offe, 1985, p.308). If politics is viewed in this way, a number of seemingly intractable difficulties which lay in the path of management reform become more readily explicable.

Management reformers proceeded as if government could be regarded as a unitary actor with coherent and stable preferences and objectives. In practice, however, a multitude of complex, value-laden and conflicting societal demands press in upon the administration generating within it an impressive but bewildering array of competing purposes incapable of easy reconciliation (Johnson, 1983, p.190;

Gregory, 1987, p.123; and see, more generally, Braybrooke and Lindblom, 1970, pp.225-244).

The application of 'rational' modes of analysis to administrative decision-making is plainly of assistance in determining which of a number of competing means is best suited to the achievement of agreed-upon ends. However, it cannot, as a number of perceptive administrators pointed out, provide guidance on which of many competing ends should be preferred (Crick, 1982, p.109; Dror, 1979, pp.270-274).

Even where the ends of political action can clearly be identified, the effect of pursuing them can rarely if ever be predicted with certainty. In conditions of environmental flux and change, of constantly altering patterns of social interaction, technique alone cannot guarantee the achievement of the outcomes which are desired. Judgements, however incomplete the information on which they are based, must be made about how the existing balance between society's interests should and will be altered as the result of governmental intervention. These, as policy officials averred, must also be capable of constant adjustment. In making them, political criteria such as justice and fairness may ultimately be a better guide to action than is rationality alone (Elster, 1991, pp.122ff).

Because politics consists of the regulation of social relationships, the criterion of efficiency cannot be the only one against which the effectiveness of government should be judged. Other procedural values such as impartiality, equity, and participation, which relate specifically to the quality of relating, need equally to be considered. The dictates of efficiency may lead to the supply of a handsome governmental product. But the efficient provision of governmental services is but one step along the road to achieving a more desirable social compact. If, then, this equilibrium is upset by the neglect of other ethical and procedural values, the broader purposes of governmental intervention may well be defeated.

In the final analysis, then, what Ministers and their policy officials had to decide was whether managerial prescriptions and methods told them more convincing and more functional stories about the process of governing than did their existing ones. At the time of writing there was little evidence, either in theory or practice, that they did. Consequently, in neither country did the managerial paradigm exercise a significant influence beyond the sphere of operational administration.

(ii) Efficiency and Effectiveness

> "The culture of this place is to get a job done. Management, efficiency - that's all very interesting, frightfully interesting but we're here to get a job done."
>
> (First Assistant Secretary)

A second perceptual dislocation could readily be observed between two broad classes of official. The first class assumed a generally positive stance towards governmental functions. They were confident that, given adequate resources, their departments could deliver services of both quality and social value. Their mission was to ensure that, as far as possible, departmental clients received what they deserved and were treated in a manner to which they were entitled. The second category took a generally negative attitude to the provision of government services. These, they believed, should have a residual rather than positive character. Their mission was to ensure that money was spent sparingly and with particular regard to the achievement of economy and efficiency.

This difference in perception was similar to that noted below between Treasury and departmental officials. But the divide was also apparent on other dimensions. Hence, those whose service careers had embraced not only contractionary but also expansionary years were more likely than newer officials to assume a positive stance towards government (see Pusey, 1991, pp.160-169). Officials whose professional and career backgrounds had in recent years been in economics or commerce were more likely than those with backgrounds in say health or welfare to adopt the first. The closer an official's work came to the point at which services were delivered, the more probable it was that issues of quality as well as quantity would assume much greater importance.

Mistrust between the two parties ran high. Management reformers were seen by those concerned with the delivery of programmes as being preoccupied with cutting costs and stripping programmes. With their exclusive concentration on efficiency they devalued the traditional canons of public service:

> "If the entire system of financial management is driven by a requirement to cut costs, reform will be unable to effectively perform the functions of improving equity, efficacy, effectiveness and productivity in public sector activity."
>
> (Labor Resource Centre, 1989, p.43)

By contrast, these same staff were seen by the new managerialists as insufficiently concerned with cost and motivated constantly by the desire to increase their expenditure not in response to need but rather to camouflage the defects in their managerial performance.

They were the budget maximising bureaucrats of the public choice textbooks.

This debate contained in microcosm many elements of arguments which were occurring in the wider community over the role which government should be expected to play in social and economic affairs. The new political establishment which ascended to power in the 1980s placed great emphasis on reducing public expenditure and increasing private enterprise. Civil servants, they argued, had possessed no incentive to be efficient; they could simply persuade their Minister that the Treasury's allocation had been insufficient. The delivery of services had also been deficient as senior civil servants had regarded the task of management as beneath them. All this would need to change. It was less not more services that were required and increased efficiency would make up the shortfall.

These competing visions waged war at macro and micro levels across the entire spectrum of public administration. Retiring public servants rebuked Thatcherism for its lack of concern with civil service ethics, morale and commitment to quality (Bancroft 1980, 1981). Junior officers let out heartfelt and bitter cries, where despite their best endeavours, there was no way in which their clients' needs could be met (see Bradshaw, 1982, p.112; McKnight, 1985, p.39). The two allied groups set obstacles in the path of managerialism not because they condoned inefficiency but because it seemed a distraction from more pressing, important and traditional demands. They also opposed it because, at a far deeper level, it represented a fundamental threat to their construction of their administrative world, their work and themselves (see in particular Metcalfe and Richards, 1987b, pp.71-72; and more generally Annan, 1990, Ch.26).

(iii) Control and Delegation

> "Treasury is fascinating in all this because they never really trust departments to manage themselves or their budgets well. They are not in the business of devolving power over money and manpower to independent baronies. They may be keen on the figment of that but in reality they are not...They are not going to cease second guessing, they are not going to cease asking their idiotic questions, they will not cease to intervene when the Chief Secretary is pressing for overnight cuts in Cabinet - they won't shed the habits of a lifetime."
> (Peter Hennessy, personal interview)

Since Gladstone, the story of Treasury's role in relation to public expenditure had been one of a steady and powerful increase in control (Bridges, 1964, Ch.3; Roseveare, 1969, Ch.10; Drewry and Butcher, 1988, pp.39-41; Hennessy, 1990, pp.69-78). This trend towards the centralisation of financial control occurred no less in Australia than in Britain (Hawker, Smith and Weller, 1979, p.124; Whitwell, 1986, Ch.1). As the Treasury's control expanded, there developed also among officials a whole series of sympathetic attitudes and practices. There were two organising principles which guided Treasury officials' interpretation of their organisation and their role. In the interests of the taxpayer, the Treasury's prime function should be to save money not to spend it. To achieve this, it should be Treasury, with its broad perspective and formidable talent, which should itself act as the final arbiter of expenditure claims (Heclo and Wildavsky, 1981, pp.41-42).

H.M. Treasury's 'Public Expenditure Manual' encapsulates this world view (H.M. Treasury, 1983). The manual is given to each new Treasury recruit not only for the purpose of introducing them to Treasury and its functions but also to establish from the outset the attitudes which new officials are expected to adopt. Treasury control, it affirms, is better described as a 'complex of administrative practice - natural rather than planned, empiric rather than theoretical' (see too, Roseveare, 1969, p.288). Learning is by experience. The correct outlook is critical. That outlook consists primarily in understanding that spending departments will not necessarily have the same objectives as the Treasury. This is because the department and the Treasury represent different interests. The department's aim is to maximise its expenditure to get its job done. The Treasury, on the other hand, represents the force of restraint (see Young and Sloman, 1984, p.41).

The most obvious message which leaps from the manual's pages is that Treasury officials should be extremely reluctant to place their trust in departmental officials, even those of the financial variety. They should scrutinise everything and rely on nothing. For example, officials should never accept the argument that a proposal represents the only feasible course of action. It may be better to do nothing. They should not turn a blind eye to departmental mistakes. These should be corrected courteously and the goodwill added to the official's credit balance for future use. Officers should never give the impression that concessions are in their personal gift. Discussions should be conducted without prejudice to final decisions. Links should always be sought between the issue at hand and other areas of negotiation where difficulties are being experienced. Concessions in present negotiations may be obtained in return for benefits provided in others. A welter of similar advice confirms Treasury's reputation as the 'most political of departments:

> "Above all, never let your department believe that you may be a soft touch. Be firm, fair, and wherever you can, constructive."
>
> (H.M. Treasury, 1983, p.35)

The FMI, the FMIP and the Next Steps marked a very significant departure from Gladstonian values. By countenancing greater devolution of financial authority, they posed a fundamental challenge to existing practice and precedent. Should departments now be permitted to usurp Treasury's role as the guardian of taxpayers' interests? Should trust now replace mistrust as the essential operating principle? Should Treasury now be monitor rather than supervisor? The questions are somewhat extreme - although all were certainly asked. There had been, since Fulton, a widening recognition that more delegation from Treasury was desirable (Young and Sloman, 1984, p.52). Even so, the concerted nature of the devolutionary drive in the 1980s inevitably generated within the Treasury new and fundamental questions about whether and to what extent the traditional Treasury view could and ought to be sustained.

> "It's extraordinary the way in which we have very brilliantly since the year 1919 developed and constructed a centralised civil service based on a myriad of rules and procedures for managing people and systems which are laid down by the Treasury. Historically, I hold the same job as have many of my predecessors who ran what is called the establishments and organisation part of the Treasury. And from there flowed forth the rules and regulations which governed people's behaviour in all sorts of walks and fissures of life. From the north of Scotland to Cornwall, the civil service had books they looked up to see what the rules were, the rules invented by clever chaps here and it was all given...It was in 1919 that the committee I chair every month, which is that of all the chief personnel and establishments people was invented and I still chair it as my predecessor in 1919 did. This has been a process of socialisation for 70 years, encouraged by both world wars, which was bound at some stage to succumb to a gradual process of delegation and devolution...I believe this would have happened without the Next Steps initiative but the Next Steps has impelled it forward faster than it might otherwise have been pressed...We shall then go through that period and assessments will be made at some point in the future as to whether or not that has been effective. Still, I think we have to go through it and make it work."
>
> (Treasury Deputy Secretary)

The magnitude of the change involved in moving from a public expenditure system based on control to one founded on delegation was, as this official's response illustrates clearly, very great indeed. For change on this view was not as simple as the introduction of new systems. Nor, if the official's view is accepted, was the process concluded with the implementation of new programmes of reform. Instead, each reform programme itself formed part of and constituted one further step in a much wider intellectual, psychological and social re-appraisal of existing institutional arrangements. In the collective bureaucratic mind, then, new ways of seeing took much longer to take hold than did the individual reforms undertaken in their name (see Pollitt, 1984, p.4; Ponting, 1989, pp.13, 45).

Summary and Conclusion

The foregoing discussion should not lead the reader to the conclusion that any single model of administrative reform provides a completely satisfactory explanation of the interactions which have been observed. Rather, each can and has made its contribution to our understanding of the reform process. As with an onion, when each explanation is peeled away it reveals beneath yet deeper insights into how an administration is changed.

In short, successful reform requires one set of solutions to the problem of organisational survival to be replaced with another. For a new solution to develop there must first be a recognition that the existing solution is inadequate. This occurs when a new political or administrative leadership perceives that the current pattern of administration is no longer in fit with wider economic, social or technological trends. In response, the new leadership devises and introduces a programme of administrative reform which it believes will provide a more effective answer to the questions which have been posed by the alterations in its context (Model 1).

However, a simple instruction to change will not be sufficient to ensure a programme's acceptance. The programme must first be appropriate to the circumstances. Then a change in the balance of administrative power is required. The alternative programme must be advocated, officials must be persuaded to adopt it, and if persuasion is insufficient, advocates must possess sufficient power to ensure that it takes root (Model 2).

Yet not even when new structures and systems are in place will the task of reform be complete. New solutions will not be embedded until the administration's encompassing interpretative system is transformed. Only when administrators see things anew and learn to act in accordance with their insights can lasting change occur (Model 3).

Finally, I return to the fundamental question which prompted this research. That was 'why does administrative reform appear so often to fail?' The answer, I suggest, lies in the fact that organisations, like individuals, cling with great tenacity to the ideologies, myths, metaphors and symbols which give their existence its meaning. To the external observer it may be obvious that new organisational stories are required to post new directions. Inside the administration, however, many new proposals will come and go, many battles will be won and lost, and many painful reassessments will have to be made before a novel account achieves, however temporarily, its new pre-eminence:

> "It is a question of making conflicts more visible, of making them more essential than mere confrontations of interests or mere institutional immobility. Out of these conflicts, these contradictions, a new power relation must emerge, whose first, temporary expression will be a reform. If at the base there has not been the work of thought upon itself and if, in fact, modes of thought, that is to say modes of action, have not been altered, whatever the project for reform, we know that it will be swamped, digested by modes of behaviour and institutions that will always be the same."
>
> (Foucault, 1988, p.156)

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APPENDIX ONE

ACCESS AND METHOD

Introduction

Whitehall is well known for its inwardness and secrecy. Until recently, Canberra lagged little behind in this respect. Yet in order to complete this work it was imperative that I obtain access to key officials in both administrative capitals. This presented immediate and formidable problems. Very few academic researchers had been successful in obtaining the requisite degree of access. Even fewer had been successful in doing so in two different countries. These problems were magnified by the fact that simple interviewing, although most useful, would not provide the richness of experiential source material upon which participant observation normally relies. For this, an opportunity to work alongside the officials for a consistent period of time would be necessary. The fact that I was successful in this endeavour is attributable as much to good fortune as to good management. In the remainder of this appendix I describe first the way in which I tackled the problem of access. Then I outline the design of the research and the sources and methods I used in undertaking it.

1. Access

Before embarking upon this particular journey, I had attempted without success to pursue other lines of inquiry. These had met with several rejections. My concerted efforts to observe the processes of the Griffiths inquiry into the National Health Service was but one of these. As I reflected on this experience it seemed to me that the problems I was having related not only to the understandable desire of commissions of inquiry and other similar bodies to preserve their discretion and hence their room for manoeuvre but also to the method of my approach. Letters, however polite and detailed, followed by telephone calls, however tactful and persistent, did not seem to be sufficient to break down the initial barriers between researcher and subject. I was completely unknown. Without more, my subjects had no means of assessing what my agenda was and what my hidden agendas might be. The LSE letterhead and a detailed curriculum vitae seemingly did little to advance my cause.

I harked back then to my own experience as an administrator. When approached, I would certainly see researchers if their proposals held a high degree of interest for me. Otherwise I would generally be too busy unless either I knew them personally or they had been referred to me by my colleagues. It was from the notion of referral that almost everything else in this research was subsequently to flow.

Before the process of referral could occur initial contact had to be made. I had by this time resolved that, despite the very considerable difficulties I had encountered, I should aim to study the FMI. To do so, I would somehow have to meet its bureaucratic progenitors. So I joined the Royal Institute of Public Administration. I started attending conferences. I went to seminars given by officials at the LSE and elsewhere. I asked questions. I stayed for drinks. I put myself in the way of those who might be or become involved. Fortunately, after several months, this new approach bore fruit. I made a statement from the floor at a CIPFA conference on 'Management in Government' in which I was gently critical of some aspects of the paper which had just been delivered by Sir John Cassels, then head of the Management and Personnel Office. The statement was well received. I discussed it with Cassels afterwards. I told him I wanted to do research on the FMI. He appeared open to the suggestion and referred me to Sandy Russell, the Head of the Financial Management Unit. We discussed his work at length. We went to lunch. He felt his work was important, as it was. He was attracted to the prospect that someone would tell the story. After several weeks delay during which he cleared the matter with his superiors, he agreed to let me work with the Financial Management Unit. Several months of painstaking courtship had, therefore, borne fruit. At any point, Cassels or Russell could have said no. They did not. I was fortunate in striking two men who had sufficient confidence in what they were doing to believe that its worth was self-evident and that, ultimately, it would withstand intensive academic scrutiny.

From that point, referral became critical. From the time I entered Whitehall until the time I left it I never approached a person for information or interview without having first been introduced in person, by telephone or in writing by someone I already knew and with whom I had developed a positive relationship. This strategy yielded formidable results. No longer was I unknown and untried. I came with personal references. As my network of contacts expanded so also did my opportunities to pick and choose the particular officials I felt would be important to my work. Not everyone saw me. But a sufficient number did in a sufficient range of positions and departments to permit me to obtain a suitably comprehensive picture of the personalities and processes that I was studying.

I tackled the Australian end in precisely the same way. I met Malcolm Holmes, the official in charge of implementing the FMIP, over drinks at a conference in Melbourne. I had gone to the conference with this specific purpose in mind. He was anxious to learn about the FMI and very interested in my proposal to conduct a comparative study. The Australian officials were generally more open than those in Whitehall although, in the event, I could hardly complain about the latter. It was not long, therefore, before I obtained official approval to work for a time in the Resource Management and Improvement Branch of the Department of Finance in Canberra. From that point, once again, my network expanded rapidly.

In summary, I obtained access by working with and not against the grain of administrative functioning. Within the administration, networks of influence and friendship are all important. By tapping and utilising them I was able to succeed in my research purposes in a way which I do not think would have been possible had I adopted other, more formal, methods of approach.

2. Design

In order to make the comparison between Whitehall and Canberra effective, I sought to frame my experience of the two administrations in as similar a manner as possible. The specific points of similarity were as follows:

(i) In each administration I worked in the unit which bore principal responsibility for the carriage of reform. In Whitehall I was situated in the Treasury/MPO Financial Management Unit. In Canberra I was placed in the Resource Management and Advisory Branch of the Department of Finance. In both places I reported directly to the leader of the implementation team. In both I had my own desk and liberal access to all team members. I tried very hard to become one of them.

(ii) My research was conducted in comparable departments. Working with the implementation teams I was in a convenient position to extend my reach to the departments by which they were sponsored. Therefore, I focused considerable attention on the Treasury and the Department of Finance respectively. Beyond this, I felt it important to observe the progress of the reforms in departments having quite a different character. In Whitehall I chose the Department of Social Security and the Department of Industry as it then was. The first was a service delivery department. The second focused on the development of policy and the provision of targeted financial assistance. I replicated this in Canberra. There again I selected the Department of Social Security and the Department of Industry, Technology and Commerce. My interviews and contacts were not confined to these departments. I received co-operation and assistance from a number of officials in other departments with whom

I had made contact along the way. However, my primary focus was on these three departments and it was there that I conducted my study in depth.

(iii) Within departments I sought, as far as possible, to interview officials who occupied similar positions in the two countries. Thus, for example, in both countries I spoke with the Deputy Head of the Treasury, the principal finance officers of each of the four departments, the Director of the Social Security regional organisation, with the policy under secretary responsible for the automotive industry and so on. There were of course limits to the extent to which this could be done but I felt it important that I should try.

The major difference between the two case studies was the time that I was able to devote to them. My study of Whitehall was extensive. I was a member of the Financial Management Unit for almost six months. When I returned to examine the Next Steps, I conducted interviews over a further period of six weeks. In Canberra I was a member of the Resource Management and Improvement Branch for four weeks, returning to Canberra for another week to complete interviews with officials I had missed on the first occasion. I was, therefore, much more the participant observer in Britain than in Australia where the formal interview was my principal modus vivendi.

3. Sources

The sources of my information may broadly be classified into three - interviews, internal documentation and conferences and meetings. These categories, however, do not by any means capture the richness of experiences and the material in which I was immersed. Being part of the implementation teams meant that I was constantly discussing with members the issues and problems that they faced. Some of my most important insights were obtained not through formal interviews but over lunch, at the Christmas party, in a fleeting conversation in the corridor, on the way home on the Underground. Anecdotes, attitudes, personalities and competing administrative ideologies all informed my work and provided me with a 'feel' for events which then formed the basis for my more formal inquiries.

(i) Interviews

I conducted seventy-three formal interviews with sixty-three interviewees. Forty-one of the interviewees were in Whitehall and twenty-two in Canberra. All of the interviews were tape recorded. I recognised that if the interviews were taped there may be some lessening of candour. Nevertheless, as those who have undertaken such interviews will appreciate, it is extremely difficult to conduct an effective interview when one is at the same time attempting to write down the interviewees' answers in detail. Tape-recording also provided me with the opportunity to reflect at length on the responses I received. What was lost in candour might therefore be made up, at least in part, in accuracy and thoughtfulness.

The interviews were conducted on 'Chatham House' rules. That is, in return for providing me with their answers, I provided interviewees with an assurance that their remarks, while quotable, would not be attributed. This assurance was sufficient in each case to obtain their permission for the tape recorder to be used. Most interviewees appeared very frank in their responses. My impression was that the tape recorder did not, except in a very small number of cases, unduly inhibit the discussion.

I adopted a general interview guide approach to interviewing (Quinn Patton 1990 pp.283-284). That is, each interview followed a carefully sequenced format. Within that format, however, there was considerable scope to pursue lines of inquiry which seemed particularly interesting and relevant. As far as possible, I sought to get away from a formal, stilted question-and-answer mode and instead to substitute a more conversational and interactive style of relating. In summary the format which I adopted was as follows:

Introduction: This embraced an initial statement by me about who I was, what my study was, how and why I was undertaking it, what conditions with respect to confidentiality would apply.

Sequence: Next, I outlined the fields in which I had an interest and the sequence in which I would tackle those fields. Sometimes, interviewees had requested this information in advance. Where this request was made, I provided them with a brief written outline of the kinds of questions to which I expected an answer.

Role: Then I questioned the interviewee with respect to his/her interaction with the FMI. The purpose of this questioning was to determine how, precisely, the interviewee was affected by the initiative and to enable me to make a preliminary assessment of the person's stance in relation to it.

Substance: In the main part of the session I took the interviewee sequentially through the key components of the two initiatives. These were top management systems, delegated budgetary control and policy evaluation. My purpose was to obtain the person's view of the impact, progress and worth of each of the components. Then, in relation to each, I sought to establish the interviewees' opinion as to the key factors which favoured the reforms and those which acted as obstacles to them. An important part of this questioning was my attempt to ascertain the interviewee's sense of how the other parties involved perceived the reforms and how they acted in response to their perceptions. Finally, as it became clearer that successful reform involved appreciative as well as structural adjustment, I posed questions more directly on this subject.

Conclusion: Having completed this sequence, I invited interviewees to provide me with any additional observations or comments which they felt might be relevant. This general discussion often yielded useful insights. In elite interviewing, it is just as important, if not more so, to allow the subject to establish the parameters of inquiry as it is for the researcher to do so (Dexter, 1981, p.5). The concluding portion of the interview presented an opportunity for this process to occur.

(ii) File Material

In both capitals I was fortunate in obtaining access to a large part of the relevant documentary material. In Whitehall it was understood that I should not see files classified as Top Secret and Secret but, given that this was an administrative reform, few if any of these files existed. I was permitted to photocopy documents subject to clearing them in advance with the Directors of the Financial Management Unit and Resource Management and Improvement Branch respectively. Where permission was refused, I was generally able to take written notes. Because I was located in the implementation units, it was to their files that I principally referred. In departments, I requested access to documents where appropriate and my requests were usually met. However, I did not have the relatively free rein in departments that I did at the centre.

The central documentation was voluminous. Therefore, I had to be selective. I adopted the same approach to documents as I had in my interviews. That is, I focused on files which directly concerned the implementation of the three principal components of each programme of reform. I supplemented this with a search of the files that tracked the progress of the two initiatives more generally, which considered obstacles to progress and which set down plans about how their execution should proceed. Third, there were also files which contained the record of ministerial, top management and inter-departmental communications and meetings. These were of particular assistance since the deferential tone of correspondence at junior levels tended to give way to more robust commentary in senior echelons.

(iii) Meetings and Training Programmes

As part of the implementation team, I attended a wide range of meetings particularly in Whitehall. Generally, the meetings at which

I was present fell into three categories. First, there were meetings of the team and its working groups. Second, the teams met regularly with departmental representatives to discuss progress, to iron out difficulties and to plan for the future. Third, the teams organised regular education and training programmes for departmental officials. Attendance at these meetings allowed me to observe at first hand some of the interactions which my interviewees described. This gave the interactions an immediacy which was important in sharpening my perceptions of the politics of reform process.

The meetings also served a number of other very important functions. First, they were often addressed by very senior officials. By listening to them and observing their reactions to questioning, I was able to broaden my own appreciation of the way in which administrative reform was regarded at the top. I was also able to put faces on and ascribe personalities to a number of people who I knew, through the documentation, were playing an important part in charting the initiatives' course. Second, meeting breaks provided me with a host of opportunities to speak with people involved in the reforms. Thus, while my formal interviews numbered only seventy, these were supplemented in forums such as this by many hundreds of informal discussions. Third, meetings constituted the principal forum through which I could broaden my contact network. Many officials found themselves assailed at such meetings and were then prevailed upon to grant me a subsequent interview. I took notes of the proceedings of each meeting at the time and where my informal discussions disclosed some new material or insights I appended a brief record of them.

APPENDIX TWO

SCHEDULE OF INTERVIEWS

WHITEHALL

Interviewee	Date		Position
Eric Arnold	30 January	1984	Consultant, Peat Marwick
	15 November	1990	
Ann Bowtell	9 January	1991	Deputy Secretary, Department of Health
Ian Beesley	8 February	1984	Under Secretary, Efficiency Unit
Joyce Blow	1 February	1984	Under Secretary, Department of Industry
Chris Bond	3 February	1984	Assistant Secretary, Department of Industry
Patricia Brown	10 January	1984	Under Secretary, HM Treasury
	18 March	1985	
Eric Caines	26 January	1984	Under Secretary, Department of Health and Social Security
	20 March	1985	
Ann Chant	2 February	1984	Principal, Department of Health and Social Security
Kit Chivers	16 February	1984	Assistant Secretary, HM Treasury
	27 November	1990	
Norman Clarke	15 February	1984	Deputy Secretary, Department of Health and Social Security
Barry Collins	25 January	1984	Consultant, Peat Marwick
John Corneille	1 February	1984	Assistant Secretary, Department of Industry
Ron Cooper	16 February	1984	Deputy Secretary, Department of Industry
Ernest Dinn	9 February	1984	Principal, Department of Health and Social Security
Diana Goldsworthy	21 December	1990	Principal, Office of the Minister for the Civil Service
Peter Hennessy	17 February	1984	Journalist
Keith Holt	31 January	1984	Principal, Department of Industry
Geoffrey Hulme	15 February	1984	Under Secretary, Department of Health and Social Security

John Jones	9 February	1984	Assistant Secretary, Department of Health and Social Security
David Jamieson	19 November	1990	Principal, HM Treasury
Chris Joubert	20 January	1984	Assistant Secretary, Efficiency Unit
Peter Kemp	20 December	1990	Second Permanent Secretary, Office of the Minister for the Civil Service
Peter Le Cheminant	23 February	1984	Deputy Secretary, Management and Personnel Office
R. Mountfield	16 February	1984	Under Secretary, Department of Industry
John Mayne	22 November	1983	Deputy Secretary, Management and Personnel Office
	20 March	1985	
Nicholas Montague	20 November	1990	Deputy Secretary, Department of Social Security
Sir Geoffrey Otton	23 February	1984	Permanent Secretary, Department of Social Security
Hayden Phillips	4 May	1991	Deputy Secretary, HM Treasury
William Plowden	25 March	1985	Director General, RIPA
Sue Richards	21 November	1990	Author and Consultant
	3 May	1991	
Arthur Russell	3 February	1984	Under Secretary, Department of Industry
(Sandy) Russell	17 January	1984	Under Secretary, Management and Personnel Office
	28 November	1990	
Paul Rayner	27 November	1990	Under Secretary, HM Treasury
P. Regan	20 February	1984	Under Secretary, Department of Health and Social Security
R. Tilney	2 February	1984	Assistant Secretary, Department of Health and Social Security
Bill St. Clair	27 November	1990	Under Secretary, HM Treasury
David Smith	2 May	1991	Under Secretary, Department of Trade and Industry

R. W. Simpson	1 February	1984	Principal, Department of Industry
Richard Wilding	16 February	1984	Deputy Secretary, HM Treasury
Michael Whippman	10 February	1984	Assistant Secretary, Department of Health and Social Security
DHSS Local Office Managers	22 February	1984	Interviewed as a Group

CANBERRA

David Bassman	10 October	1990	Branch Manager, Department of Finance
Pat Barrett	26 September	1990	Deputy Secretary, Department of Finance
Andrew Bain	4 October	1990	First Assistant Secretary Department of Industry, Technology and Commerce (DITAC)
John Bowdler	24 September	1990	Deputy Secretary, Department of Social Security
	31 May	1991	
Glen Carlos	11 October	1990	Assistant Secretary, DITAC
Bruce Cutty	10 October	1990	Branch Head, Department of Finance
Owen Donald	3 October	1990	First Assistant Secretary Department of Social Security
Malcolm Farrow	4 October	1990	First Assistant Secretary DITAC
Stuart Hamilton	31 May	1991	Secretary, Department of Community Services and Health
Andrew Herscovic	24 September	1990	First Assistant Secretary Department of Social Security
Malcolm Holmes	17 September	1990	First Assistant Secretary Department of Finance
	12 October	1990	
Norman Holcroft	17 September	1990	Assistant Secretary, Department of Finance
Michael Keating	26 September	1990	Secretary, Department of Finance
Peter Kirby	11 June	1991	Deputy Secretary, Department of Employment, Education and Training
Phil Lansdowne	11 October	1990	Branch Head, DITAC
Peter McGuinness	4 October	1990	Branch Head, DITAC
John McMahon	15 November	1990	Regional Manager, Department of Social Security
Jim Moore	1 October	1990	Branch Head Department of Social Security

Rob Palfreyman	4 October	1990	First Assistant Secretary DITAC
David Rowlands	24 September	1990	Assistant Secretary, Department of Social Security
Jack Waterford	31 May	1991	Deputy Editor, The Canberra Times
Brian Wraith	24 September	1984	First Assistant Secretary Department of Social Security

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