

**Different perspectives on leadership  
in the New Zealand Public Sector:  
the curious case of Christine Rankin**

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## **DIFFERENT PERSPECTIVES ON LEADERSHIP IN THE NEW ZEALAND PUBLIC SECTOR: THE CURIOUS CASE OF CHRISTINE RANKIN**

### **ABSTRACT**

The controversy surrounding the style of leadership exercised by a leading public sector chief executive (CE) who has recently brought a legal action against the government is examined within the context of the evaluation of the “New Zealand model” that has occurred in the 1990s. A consequentialist logic is followed in the managerialist manuals that promote this style. Economic analysis that embodies the same logic can be applied to show that any *a priori* assessment should be more cautious. Rankin’s detractors have, however, applied a logic of appropriateness in castigating her style. One lesson to be drawn from her case is that public sector CEs should exercise an appreciative leadership that makes reasonable judgments in the face of conflict between these two logics. Another is that the politics-administration dichotomy can become unsustainable when issues of organizational culture and leadership become the subject of a secularized “culture war”.

### **INTRODUCTION**

Over the month of July 2001 the small nation of New Zealand has been gripped by the media frenzy that has surrounded the legal action Christine Rankin, the former Chief Executive (CE) of the Department of Work and Income (DWI), has brought against the government in the Employment Court. The substance of Rankin’s charge is that key ministers within the Labour-led Coalition Government, that was elected in 1999, exerted “political interference” that influenced the decision by the State Services Commissioner, Michael Wintringham, not to reappoint her when her contract expired in July 2001. Her lawyer, Michael Quigg, took the initial step of filing papers with the lower-level Employment Relations Authority on 10 April 2001 the day after the cabinet shuffled her position out of existence by merging the DWI’s 5000 employees with the 200-strong Ministry of Social Policy to form a new Ministry of Social Development. In a brief press statement made at this time, Rankin accused the Government of restructuring her department and disestablishing her job to limit damages she might be awarded by the Employment Court.

On 16 April 2001 the Employment Relations Authority (ERA) released its decision to send Rankin’s claim to the Employment Court. In the decision, ERA member Denis Asher said there were important questions of law to be tested. He said the case was of such urgency that it was in the public interest to remove it immediately to the Employment Court. The two questions of law he highlighted were the commissioner’s obligation to act independently and in good faith and whether Ms Rankin’s contract was of a fixed term.

At the time of writing, an Employment Court judge, Thomas Goddard, is still deliberating on the evidence. Huge public interest has been generated by some of its more sensational details, particularly the critical comments some ministers and civil servants admitted to have made about the propriety of the expensive and purportedly short and

low-cut dresses and large earrings Rankin had a propensity to wear. The more serious media discussion has, however, tended to maintain its focus on the questions of law the ERA highlighted in referring the case to the Employment Court. This is because they have important policy implications.

In the first place, the case can be regarded as a test of the Employment Relations Act that the new government introduced in 2000 to replace the Employment Contracts Act of 1991 (ECA). Its main intent was to promote "good faith bargaining" to soften the hard edges and redress the power asymmetries that had emerged in the workplace as a result of the rigorous contractualism institutionalized during the 1990s by the earlier legislation. It had been established that, under the ECA, employers were under no obligation to reappoint staff employed under fixed contract. But had this situation changed under the new regime of "good faith bargaining"? The government's opponents have relished the opportunity to highlight the way the Rankin case has challenged its own "good faith" in supposedly trying to influence the re-appointment of one of its key officials.

There is, however, a second and perhaps even more significant potential ramification of the case. The State Sector Act of 1988 (SSA) oversaw the dismantling of a traditional "Whitehall" system in New Zealand with the administration of government departments being shifted from "Permanent Secretaries" to "Chief Executives". Although these officials are employed on fixed term contracts they are not political appointees since the responsibility for their appointment and re-appointment resides with the State Services Commissioner, the head of the State Services Commission (SSC). Since the passage of the SSA and the Public Finance Act of 1989, this body has sought to develop its capacity to independently monitor the performance of CEs in terms of new accounting and budgeting systems that were set up to make them more directly accountable for the "outputs" they had contracted to deliver to their portfolio ministers. But how independent can this body be? What mechanisms are in place to protect it from being subject to the type of "undue political interference" that Rankin claims affected her re-appointment? And if the SSC cannot be insulated from political influence, is it possible that the "New Zealand model" of public management cannot be relied upon to sustain the classic politics-administration dichotomy in the manner its architects intended?

Throughout the 1990s there has been enormous overseas interest in the New Zealand model. Its architects have traveled the world extolling its virtues. It has been showcased at a number of international conferences. A steady stream of delegations have come to New Zealand to observe it in practice. (Schick, 1998). Will the Rankin case highlight one more area where its benefits might have been "oversold"?

In addressing this second issue, this article will focus on the way the dispute between Rankin and her adversaries seems to centre on different understandings of the "leadership" it is appropriate for the CE of a public organization to supply. The first section will place the formation of Work and Income New Zealand (WINZ) in 1998 under Rankin's management within the context of the efforts various New Zealand governments made in the 1990s to address the areas of "unfinished business" that remained after the radical reform of the public sector in the 1980s. The next section will then argue that the style of leadership that Rankin sought to exercise in order to shape the culture at WINZ is one that is promoted in literature management consultants draw on in advising CEs how to transform the culture of their organizations. It is therefore justified in terms of a "logic of consequentiality". The third section will then consider whether

economic theories that embody the same logic, and have shaped the contractualist approach associated with the New Zealand model, are capable of being modified to provide a framework for the *a priori* evaluation of Rankin's style of charismatic leadership. In the fourth section the "judgment-making" dimension of leadership will be considered. This dimension can be distinguished from its "social influence" or motivational dimension. It will be argued that this dimension of a CE's leadership can be evaluated in terms of this person's ability to make "reasonable judgments" that reflect an appreciation of the different perspectives that arise when there is the type of conflict between a logic of consequentiality and logic of appropriateness that characterizes the political controversy over Rankin's style. The paper concludes by discussing the implications of this analysis for the Rankin case, in particular, and the politics-administration dichotomy, in general.

## THE CONTEXT OF THE RANKIN CASE

The Labour Government that held office in New Zealand between 1984 and 1990 sought to address a number of structural economic problems through radical economic policy reform (Evans, et. al. 1986; Kelsey, 1995; Easton, 1997; Wallis, 1997; Wallis and Dollery, 1999). A prominent place on their reform agenda was given to the structural imbalances that had emerged between the trajectory of public demand for services provided by the state and its capacity to finance them in a politically and economically sustainable manner. This structural imbalance gave rise to a variety of symptoms of "government overload" not the least of which was the build-up of official debt in relation to GDP. Moreover, it was being exacerbated by the "megatrend" toward "globalization" and "customization". New Zealand's burgeoning debt was threatening its access to highly integrated global financial markets and limiting the macroeconomic policy options of its governments in this context. At the same time, the users of public services were becoming increasingly less tolerant of the standardized services traditionally provided by government departments. They were demanding from these departments services with the same qualities of flexibility and customization that were being provided by private companies that had withstood the rigours of international competition.

New Zealand was of course not alone in this predicament. There was thus considerable overseas interest in the radical wave of public sector reform and restructuring its government set in motion through the State Owned Enterprises (SOE) Act of 1986, the State Sector Act (SSA) of 1988 and the Public Finance Act (PFA) of 1989. The central purpose of these reforms was to address the structural fiscal problem by restructuring government so that it could focus on its "core business". The SOE Act sought to do this by splitting the "commercial" from the "non-commercial" activities of government departments and requiring the SOEs that were established to engage in the former activities to do so on a "commercial", profit-making basis subject to a regulatory framework that sought to place them on a "level playing field" with their private sector counterparts. These SOEs were then downsized and restructured by the "change agents" appointed to manage them so that many could a process of privatization could be set in motion in the late 1980s . The SSA and PFA restructured the "core public sector" by separating policy advice from regulation and funding from provision and making the CEs of the new government departments that emerged from this process contractually accountable to single "principals" (such as portfolio ministers) for specified "outputs" while, at the same time, giving them discretion over "inputs" so that would be able to further restructure their own organizations to achieve greater efficiency.

A framework had thus been established within which the National Government that succeeded Labour in 1990 could strive to turn around the expenditure side of New Zealand's fiscal problems. It did this through a "decrementalist" policy of funding cuts that placed the CEs of government departments under relentless pressure to seek efficiency gains in the provision of their "outputs". The new government also sought to reduce its social welfare spending by promoting principles of "personal responsibility" and tightening income assistance to the unemployed and domestic purposes beneficiaries "and other 'undeserving', or only partly deserving or unconvincingly deserving poor" (James, 1998, p.3).

These policies of expenditure restraint combined with the tax revenues generated by the strong recovery New Zealand experienced between 1991 and 1995 to cause budget surpluses to emerge by the end of this period that could be used to retire and reduce the risks associated with its official debt. Moreover, the Fiscal Responsibility Act of 1994 sought to commit future governments to the principles of fiscal "prudence" that had led to this turnaround by making any deviation from them more "transparent" and thereby subject to the discipline of international capital flight.

Two items of unfinished business nevertheless remained on National's public sector reform agenda. In the first place, there was a concern that a short term focus by government departments on the efficiency with which they provided specified outputs to specified principals may diminish the longer term co-ordinative and strategic capacity of government. To address this problem the National government developed a policy-making framework whereby it formulated nine "strategic result areas" (SRAs) that transcended departmental outputs. The outcomes or "key result areas" (KRAs) that it sought departments to achieve within a three year period were then derived from these overarching SRAs.

In an evaluation of the New Zealand model of public management that was commissioned by the SSC, Allan Schick (1996) welcomed this refinement but still observed a prevailing "checklist mentality" produced by the "hard-edged contractualism" of a system that sought to "make managers accountable for outputs" rather than simply "free to manage". He recommended that the system be made more flexible to strike a balance between the role of ministers as "purchaser" and "owner" so that they would "forbear from demanding so much by way of outputs and from pushing the purchase price down so far as to jeopardize the department's long-term capacity to perform" (1996, p.43). He also called for the cultivation at the top levels of the public service of a "responsibility" that could be distinguished from "strict accountability". Significantly, he suggested that the performance of CEs should be evaluated not just in terms of the efficiency of their management but the quality of their "leadership", arguing that "the most valuable asset that chief executives bring to their relationship with Ministers is not compliance but judgment and leadership" (p.87). We will explore this concept of leadership and the implications it has for the Rankin case more fully in a later section.

A second area of concern for the National government was the situation of "welfare dependence" associated with the persistence of historically high levels of long term unemployment after the 1991-5 recovery. This led it to search for ways to provide "active (but still restrained) encouragement and assistance to beneficiaries to get work skills, get the work habit and get work" (James, 1998, p.3). The formation of a coalition government between National and the "New Zealand First Party" after the 1996 election (which was the first to be conducted under the new mixed member proportional representation- MMP- system) did, however, open a "window of opportunity" for a particular "policy entrepreneur" to contribute a "pet proposal" (Kingdon, 1984) to this quest.

Through the twists and turns of his political career Peter McCardle had shown a remarkable commitment to a "community wage" scheme. The high ranking he achieved on the New Zealand First Party list enabled him to secure one of the Cabinet posts this party was offered by National in their post-election coalition deal. The proposal could then be refined to the point where the Cabinet allowed him, as Minister of Employment, to launch the scheme in April 1998. This involved the government making an

undertaking to provide job-seekers with a community wage (a single income support payment incorporating all existing unemployment benefits) in return for participating in training, part-time community work, or other activities where provided. McCardle hailed the scheme as "a new direction for job seekers". It was not just to be about consolidating the unemployment benefit into what was essentially a "community work for dole" scheme. It was also to be "about changing attitudes toward towards the unemployed. It will help keep job seekers connected to the workplace and community, to maintain their motivation, and prevent loss of confidence, skills and self-esteem" (McCardle, 1998, p.1). Quite clearly it required a change in the structure and culture of government departments so that "front line staff" could focus on providing the type of individualized case management this new direction demanded.

This process of structural and cultural change was set in motion in October 1998 when the government announced the amalgamation of two government departments- Income Support Service and the New Zealand Employment Service - into "Work and Income New Zealand" (WINZ). The official appointed to be CE of this new organization clearly faced a major task. This person would have to oversee the integration and provide a unifying focus to two established organizations that had developed quite distinct cultures "the one internally focussed, the other externally; the one process driven, the other relationship driven; the one stressing uniformity and consistency, the other more free-wheeling and diverse" (The Hunn Report, 2000).

The appointed CE, Christine Rankin, certainly broke the mould of the stereotypical senior civil servant. In 1978, she became a temporary clerk at the Department of Social Welfare after being a 24-year-old solo mother on the Domestic Purposes Benefit. By 1987 she was appointed director of the Grey Lynn district. Five years later she was appointed to be manager of the northern region of the Income Support Service by its new CE, George Hickton, who became something of a mentor for her and encouraged her in her advocacy of "a management style where image and identity matter" (Espiner, 2001). By 1997, she was general manager of this agency and was in the prime position to offered the post of CE of WINZ when it was formed in 1998. Reflecting on her rapid advance through the ranks she has been cited as saying:

. . . From the time I started to work in that place people thought I was different and I got encouraged to be different. I was being promoted when men were mostly being promoted and I was being promoted fast. It was taking them 25 years to get to jobs I was getting to in three or four years . . . but I've always been able to get results because of the passion I feel about what I do (Espiner, 2001).

She clearly saw her role as being to supply leadership to the new organization. But what was her understanding of "leadership"?

## **A MANAGERIALIST UNDERSTANDING OF LEADERSHIP**

During her tenure at WINZ Rankin's detractors would, from time to time, draw attention to her "excessive" reliance on management consultants rather than in-house staff. It is perhaps not too far-fetched to suggest that her understanding of "how to" shape the culture of an organization through leadership would have its roots in the "managerialist" literature private sector consultants typically draw from in advising their clients how to effect organizational change. Hood (1991) has characterized "managerialism" as a

doctrine that emphasizes a generic view of a "professional management" that is "portable", "paramount", "discretionary", "central", and "indispensable". Where managerialists speak of leadership they typically conceive it as a higher order or value-added dimension of management. Many even go so far as to claim that "the problem with organizations is that they are overmanaged and underled". Examples of books in the managerialist genre that make this claim include Bennis and Nanus (1985), Peters and Austin (1985), Tichy and Devanna (1986), Conger (1989) and, of course, with special relevance to public organizations, Osborn and Gaebler (1992).

Leadership is, however, a multi-faceted and complex phenomenon. It is the subject of a long tradition of academic inquiry that spans both the Humanities and Social Sciences with particular attention being given to this phenomenon within the disciplines of philosophy, politics, anthropology, psychology, sociology and history (Bass, 1990). However, the managerialist leadership manuals used, and in many cases written, by consultants usually highlight a particular aspect of leadership in their first definitional chapters. Bryman (1986) has pointed out that there are as many definitions as there are theories of leadership. In explaining "the difference between leadership and management" manual writers will typically conceive leadership as a distinctive type of social influence relationship. To lead is to influence, to guide, to engage a following within an organization and build their commitment to realize a particular vision. According to Tichy and Devanna (1986, p.5), leadership involves pulling an organization into the future "by creating a positive view of what the organization can become and simultaneously providing emotional support for individuals during the transition process."

For CEs to exercise leadership in this way, they must attempt to influence the intrinsic and not just the extrinsic motivation of actual and potential followers within their organizations. Apparently they can do this through a range of behaviours that focus the attention of the organization's members on a compelling vision of what the organization can become. By repeatedly signaling through rhetoric (and other non-verbal means) that their own attention is focussed on advancing a quest toward the realization of such a vision, leaders can, it seems, induce followers to strive in the same direction. Bennis and Nanus (1985, p.28) observe that:

. . . Leaders' visions are compelling and pull people toward them. Intensity coupled with commitment is magnetic. And these intense personalities do not have to coerce people to pay attention; they are so intent on what they are doing that, like a child, completely absorbed with creating a sandbox they draw others in.

The attention signals of a "charismatic leader" with this engaging quality must comprise a large proportion of the signals they communicate since, as Peters and Austin (1985, p.270) note, "its a matter of the quantity of attention paid to the matter at hand rather than the quality, odd as that statement may sound."

Nevertheless, as Conger (1989) has cautioned, this type of charismatic signaling can only have an impact on the intrinsic motivation of followers when their values and beliefs are broadly aligned with those of the leader and when they either identify with, or aspire to become like, this person. The leader will then be able to strengthen their motivation through processes of "internalization" that amplify values and beliefs shared with followers and "identification" when they engage in behaviors that reinforce and strengthen the sense of personal identification and loyalty that followers place in them. However, while the application of such processes by a "charismatic" leader such as



Rankin may strengthen the cohesion of her own following within the organization, they may also exacerbate controversy between this group and those stakeholders who hold conflicting values and beliefs about organizational goals and leadership style.

Moreover, the “media costs” of building a cohesive following through charismatic signaling may not be insignificant. This was certainly the case at WINZ. In the first year after its formation, its budget allocated, *inter alia*, "\$1 million for 'rebranding', \$80000 for staff 'roadshows', \$1 million for refitting offices, \$79000 for a corporate wardrobe" (Roughan, 2001). The "roadshows" were essentially training events in which Rankin played a starring role as she focused attention of staff on an organizational vision and challenged them to commit themselves to strive toward its realization. At one of the conferences of WINZ senior managers, Rankin herself was lowered onto the conference floor wearing a sliver suit and performing a 'Power in the Profession' dance while a background screen showed pictures of Ghandi, Martin Luther King and Christine Rankin. This performance followed the screening of a video that showed her as a figure being lowered from a helicopter onto a deck of a sinking ship in order to save it.

Such reports created a huge political furore. The (then) opposition parties highlighted these events as symptomatic of a culture of “waste and extravagance” that had developed within the public service. However, it was the news that \$165000 had been spent in chartering aircraft to fly staff to a training event at Wairakei that precipitated three official inquiries. Rankin claimed that an employee had misled her over aspects of this affair and launched an internal investigation within WINZ. The Auditor General was called in but found no evidence of financial impropriety. The State Services Commissioner examined Rankin's leadership in the light of this incident and found both a lack of financial discipline and a "clear understanding in the department as to what is acceptable expenditure of public money". He subsequently withheld an annual performance bonus from Rankin as a clear indication that he was holding her accountable for these deficiencies. Despite publicly expressing her acceptance of this sanction, Rankin sought to defend her organization's vision and the style of leadership through which she sought to realize it. She made the following personal statement:

. . . Our focus is, and always will be, on helping a significant number of New Zealanders evaluate their lives and the ways in which they support themselves. We are here to help our customers take better control of their destinies and fulfil the potential they each have. We are not a bunch of form fillers. Winz staff must be trained to deliver the right advice, to offer the appropriate support and to make every endeavour to find suitable employment for everyone who seeks it. If we're to succeed at this, Winz staff need a huge degree of skill and commitment - in order not only to understand the complexities of a vast system but also to work with every person as an individual, with individual needs, to find an individual solution. I am confident that every member of the Winz staff shares this vision. My job is to provide the leadership that establishes the framework within which we make it a reality (Rankin, 1999).

I would suggest that she was basically trying to rationalize her leadership style in terms of the same consequentialist logic that is found in managerialist leadership manuals. In terms of this logic, the allocation of resources to the type of training events she staged is not necessarily “wasteful”. It may be a type of “investment” in building a following within the organization that would direct its attention, energy and effort toward the realization of a shared vision.

Managerialism has, however, not been the only source of influence on the New Zealand model of public management. As Hood (1991), Boston (1996) and Schick (1996) have pointed out the New Zealand model can be distinguished from the varieties of "New Public Management" adopted in other English-speaking nations by a "contractualism" that reflects the predominant influence of specific economic theories rather than managerialism. What contribution, if any, then can these economic theories make to the consequentialist logic that Rankin argued should be applied in evaluating her leadership?

This may seem like a somewhat "offbeat" question since there is no developed literature on leadership within mainstream economics. It would seem that the traditional reluctance of economists to study the social influence aspect of leadership may have been based on the perception that, in seeking to influence followers, leaders are trying to change their preferences. The study of leadership would therefore seem to be out of bounds to the majority of economists who subscribe to the convention that economic analysis should either (i) take the preferences of individuals as given and not look inside the "black box" within which they are formed and transformed; or (ii) assume that they are stable and explain apparent preference change in terms of adjustments in the shadow prices of inputs in household production functions (Stigler and Becker, 1977).

Mark Casson (1991) has, however, developed a model of leadership that dovetails nicely with the agency theoretic approach that, along with public choice theory and the "new institutional economics", shaped the formulation of the contractualist model of public management applied in New Zealand. The question of whether it provides an adequate framework for analyzing the impact of the type of charismatic leadership exercised by a CE like Rankin on the unmonitored effort of her staff must now be considered.

## **ECONOMIC ANALYSES OF THE IMPACT OF LEADERSHIP ON UNMONITORED EFFORT**

Casson would conceive the central task of a CE such as Rankin as being to "manipulate" through rhetoric the guilt followers experience when they flout the group norms that govern the unmonitored levels of effort they supply. This presumes that a following with established norms has already been formed within the organization. In a sense then, this model seeks to examine the economic rationale for making an investment in the type of charismatic activities that Rankin would argue as being necessary to build a following within an organization.

Casson suggests that the utility functions of followers will include emotional components, the parameters of which are susceptible to moral manipulation by the leader. Specifically, the guilt a follower associates with failing to comply with the group norm will be affected by a combination of his or her innate moral sensitivity and the "intensity of manipulation" applied by the leader. It follows that even if the disutility of effort supplies followers an incentive to break the group norm against shirking, this person will still comply with it if the disutility of guilt exceeds disutility of effort.

Casson proposes that there will exist a threshold intensity of manipulation, below which even the most susceptible follower does not experience sufficient guilt to make

keeping the commitment worthwhile. He suggests, though, that once this threshold is passed, the benefits of raising the intensity of manipulation will be subject to diminishing marginal returns since its impact will be felt more and more by committed followers who have already decided to comply with the group norm and less and less by the remainder of relatively insensitive "hard cases".

There will be fixed and variable costs to raising the intensity of manipulation. These will depend on both the charisma of the CE and the cost of charismatic signaling. The CE will seek to learn the shape and position of both the marginal cost and the declining marginal benefit function so that they can approximate the optimal intensity of manipulation where marginal benefit equals marginal cost.

A CE's decision to forego the monitoring of agent effort decisions and apply this optimal intensity of manipulation can then be assessed in terms of the agency costs saved through exercising charismatic leadership. Casson follows Jensen and Meckling (1976) in arguing that these agency costs include both the negotiating, monitoring and bonding costs involved in establishing agreements between the principal (the CE) and the agents within an organization and the residual losses that arise from the "X-inefficiency" or "discretionary slack" (Leibenstein, 1978) that remains uncorrected by these agreements.

I would suggest that while Casson's model provides a useful framework that is congruent with agency theoretic understandings of public management, it may overstate the net benefits of exercising charismatic leadership. In the first place, if there is a "culture clash" within an organization (Raelin, 1986), the leader's charismatic signaling may generate resentment within individuals who continue to align themselves with the values and beliefs of a rival "resistant" culture. Not only will more monitoring of their effort decisions be required but the agency costs associated with such monitoring will probably increase. This suggests that the positive impact of charismatic leadership on the unmonitored effort of the leader's followers should be compared with its negative impact on "resistors".

The exercise of charismatic leadership by a CE may therefore have perverse consequences where the leader is only able to develop a following in the top layers of a public organization and encounters resistance from "street level bureaucrats" (Lipsky, 1973). Easton (1997) drew this lesson from his observations of the demoralizing effect the imposition of a managerialist top layer had on health professionals in public hospitals (or "Crown Health Enterprises as they were then called) after the New Zealand model was applied to the management of the public health sector in 1993. The appointment of Rankin as CE of WINZ when she had the reputation of being a charismatic leader may be seen as somewhat risky, particularly since the merging of two distinct organizational cultures (Hunn, 2000) increased the likelihood that such a leader could precipitate a counterproductive "culture clash".

Secondly, charismatic leadership may not just affect the willingness but also the capacity to supply effort of an organizations members. The members of WINZ were primarily engaged in what Wilson (1989) called "coping activities". Their capacity to perform these activities will be affected by the reserves of emotional energy they draw on to perform them. A gradual depletion of these reserves is likely to occur unless their interactions with the leader and her followers take the form of what Collins (1993) called "successful interaction rituals" (IRs).

In his theory of “emotional energy as the common denominator in rational social action” Collins proposed that high observable levels of emotional energy or “passion” can be both a product of, and a resource that can be invested in IRs. This "emotional energy" will reach its peak at the climax of a "successful" IR in which the participating group's focus of attention and common emotional mood go through a short term cycle of increase and mutual stimulation until a point of emotional satiation is reached. The interaction will leave each participant with an "energetic afterglow" that "gradually decreases over time" so that individuals have an incentive to reinvest their emotional energy in subsequent interactions. It may therefore accumulate across IRs so that "an individual may build up a long-term fund of confidence and enthusiasm” by repeated participation in successful IRs (p.212).

By building a following within an organization, a charismatic CE may establish the context and satisfy the conditions that Collins (1993) deems to be necessary for successful IRs. In the first place a “threshold of boundedness” may be passed within such a following. The leader and followers can be conceived placing their hope in the same vision. In an adaptation of the propositions Jon Elster made in his survey article “The Emotions and Economic Theory” (1998), Wallis and Dollery (1999) have argued that the impact of an emotion such as hope on behaviour can be analysed by treating it as a particular type of action tendency engendered by antecedent beliefs and the investment of emotional energy.

The action tendency produced by hope is a readiness to keep striving, together with those who share the same hope, to advance a particular quest in the face of the discomfort or disappointment experienced over the course of this quest. This action tendency is likely to be triggered by the beliefs that the advancement of the quest is "neither impossible nor inevitable" and that it is "worthwhile" or "important" in the sense that it is worthy of pursuit in a special way incommensurable with other goals. These beliefs must, in turn, be expressed with a high and observable level of “emotional energy” or “passion” that can either draw people toward, or repel them away from, interactions in which it is generated by participants. The cultivation of this passion within a following thus establishes a threshold of boundedness since its members will be expected to identify themselves as “followers” by expressing a passion for advancing the leader's quest. A person who does not have this passion will find it hard to "keep up an act", continuously "fooling" other members about their lack of passionate intensity and even if they succeed in this falsifying strategy, they will derive no satisfaction from a sense of belonging to this group.

Secondly, a charismatic leader can only ensure that the “thresholds of density” required to generate successful IRs are passed if her following penetrates every level of the organization so that all interacting followers are close enough to one another for a sufficient period of time to be moved by one another’s passion. No CE of a large organization such as WINZ can be expected to interact directly with every member. Thresholds of density may still, however, be passed if the CE can rely on trusted followers to “reproduce” their charismatic signaling at every level of the organization. The dissemination of charismatic leadership can under these conditions energize a following and replenish the emotional energy they draw on as they engage in coping activities.

A major claim Rankin made in her own defence was that her leadership had this energizing impact on her rank and file. There may, however, be negative consequences

to the cultivation of a passionate following. Passion can boost one's energy to cope. It can also cloud judgment.

This latter perspective on passion does, of course, have a long history. It is interesting that while contemporary economic thought largely ignores the influence of passion on human behaviour, the "father" of modern economics, Adam Smith, shared with most other Enlightenment thinkers, an intense concern with the distorting effect the passions could have on the human capacity to make rational judgements. This concern was highlighted in *The Theory of Moral Sentiments* in which Smith held the cardinal virtue to be "self-command" - the capacity to make a reflective and calculated assessment of one's interest without yielding to "the Passions which take their origin from the body" or those "which take their origin from a particular turn of habit of the imagination". As Da Fonseca (1991) has pointed out, Smith's stress on self-command springs from the associated view that through the "passions of the imagination", in particular, an "agent's subrational dispositions and motivations" can "powerfully affect his thinking processes and behaviour" (p. 93).

This concern with the potentially distorting effects of passion is reflected in Hunn's (2000) evaluation of the culture at WINZ. He was struck by the "can-do mentality" that characterized the approach Rankin and her followers took to problem solving. He acknowledged that this mentality has its "upside" reflected in "the drive to achieve and to overcome major obstacles". In this regard, he suggests credit should be given to Rankin and the culture she cultivated since "it took well-developed organizational skills and highly focused managers to put in place the full structural integration model and to implement 'work first' and the 'community wage' within WINZ's first eighteen months."

Hunn does, however, suggest that there may be a number of problems with this culture. In the first place there is "the danger of overconfidence". This may have been reflected in the way WINZ sought to take on the administration of student loans and allowances in 2000 despite having failed to develop an adequate capacity to perform this function.

Secondly, "Can-do" has also "left the impression with others that WINZ is insufficiently analytical when it is faced with problems and that it tends to say 'just leave it with us and we'll get it done our way.'"

The third problem identified by Hunn is somewhat paradoxical. While his observations are consistent with our view that a charismatic leadership style can boost the emotional reserves of followers to the degree that many express a "can-do" mentality in their coping activities, he also notes "the danger that staff will be put under such pressure that demotivation will lead to an inability to cope". I would submit that this paradox can be resolved once it is recognized that successful IRs only occur within a following and that there may be some members of the organization who, while not being actively resistant to its leadership, may simply not share the leader's hopes to a degree that allows their energy to be regenerated in their interactions with the leader and her followers. The charismatic signaling that occurs in these actions may simply be received as "one more source of pressure to cope with". It may therefore contribute to the generation of stress that actually diminishes the capacity of such non-followers to cope.

The consequentialist logic that is contained in both managerialist and economic approaches may thus take us quite far in the evaluation of charismatic leadership.

Certainly it can identify enough shortcomings as well as potential benefits to this style of leadership to suggest that the appointment to CE of a public organization of a charismatic leader such as Rankin should be undertaken with caution. It is nevertheless fundamentally different to the “logic of appropriateness” that gave rise to the most severe criticisms of her leadership style. The application of this logic to an evaluation of public sector leadership must now be considered.

### **APPRECIATIVE LEADERSHIP**

The huge public backlash to Christine Rankin’s leadership style was mainly driven by a logic of appropriateness rather than consequentiality. A particularly succinct expression of this logic was given in the aftermath of the “Wairakei incident” by Steven Maharey who was at the time the Labour spokesman on employment. Maharey is quoted by Small (1999) as stating quite simply that “Winz deals with the most vulnerable New Zealanders and its all-glitz style is inappropriate.” A similar public reaction occurred during the same year to the “glitzy” leadership style of John Hart, the coach of New Zealand’s rugby union team, in the aftermath of its failed World Cup campaign. The public backlash to both Rankin and Hart were symptomatic of a widespread public disenchantment with the process Easton (1997) described as “the commercialisation of New Zealand” – the spread of a managerialist culture to non-market areas that had previously been shaped by more traditional values and styles of leadership.

The controversy Rankin’s leadership style provoked was a particularly stark indicator of just how difficult it had become in the late 1990s to sustain the politics-administration dichotomy the New Zealand model sought to institutionalize. This difficulty was to some extent specific to WINZ since in the words of Hunn (2000) “the department was not set up, as most are, to provide people and processes to implement whatever policies are directed to it: in this instance the department was the policy”. More generally, the WINZ controversy occurred in a milieu in which issues relating to leadership style and organizational culture had become sharply politicized in the sense contained in Barber’s (1984) understanding of politicization. According to this writer a situation can be said to be politicized on occasions where a “reasonable” judgment must be made “in the face of *conflict* despite *the absence of an independent ground*” (p.122 - original emphasis).

Even if the prevailing leadership style and culture at WINZ could be justified in terms of the consequentialist logic found in managerialism and economic theory, it could still be deemed to be inappropriate. As March and Olsen (1989, p.23) a logic of appropriateness can be distinguished from a logic of consequentiality in that it is associated with “obligatory action” rather than “anticipatory choice”. Where conflict prevails since neither the logic of consequentiality nor appropriateness provides an independent ground, a different understanding and practice of leadership to that advanced in standard managerialist manuals may be required.

In terms of this understanding the primary concern of leadership is with making reasonable judgments about the direction of an organization’s development rather than building a following within an organization. To some extent this understanding is reflected in “interpretive” studies of leadership that depict leaders as making these judgments through their involvement in the multi-dimensional processes of social

interaction through which acceptable meanings of issues, events and actions are created and sustained (Pondy, 1978; Smith and Peterson, 1988; Kay, 1996).

Two features of this interpretive understanding of leadership would seem to be pertinent. Firstly it emphasizes that leadership is "not always a uni-directional, downward influencing process, contrary to the dominant image in much writing of the chief executive as the single leader influencing subordinate followers" (Kay, 1996, p.140). If the politics-administration dichotomy cannot be sustained - if "operational issues" come to be politicized - then, at the very least, the organizational leadership of a public agency such as WINZ would have to be collectively supplied by the minister and the CE. The relationship between them would have to be based on a "relational contract" based on mutual trust rather than an "arms-length" contract based on the tight specification of outputs.

Secondly, "interpretive" perspectives emphasize the appreciative skills that are required of those actors who are in a position to engage with and influence the "leadership process". These actors may have to make judgments. Leadership is after all as much about making judgments as it is about building a following as the oft-repeated slogan "management is about doing things right while leadership is about doing the right thing" seems to suggest. However, these judgments must leave other stakeholders with the impression that they have been made by a reasonable person. Barber (1984, p.127) has elaborated this "reasonableness" criteria as follows:

. . . The word reasonable bespeaks practicality. It suggests that persons in conflict have consented to resolve their differences in the absence of mediating common standards, to reformulate their problems in a way that encompasses their interests (newly and more broadly conceived) even while it represents the community at large in a new way. "Well, I guess that's reasonable," admits an adversary who has not gotten his way but has been neither coerced or cajoled into the agreement he has consented to. He is neither victor nor loser; rather he has reformulated his view of what constitutes his interests and can now "see" things in a new manner.

The CE of a public organization such as WINZ cannot leave their minister with a stable impression of reasonableness unless they have a willingness and capacity to appreciate the divergent perspectives different stakeholders might have on their judgments. Specifically, they would need to appreciate that their judgments can be evaluated according to a logic of both consequentiality and appropriateness. At the same time, the need to be appreciative does not absolve a CE from the responsibility of making certain judgments. In reporting the outcome of a series of interviews with CEs, Kay, (1996, p.138) made the following observation:

. . . One chief executive said, 'If you just listen, you are weak; if you just decide you are autocratic'. Another chief executive stated 'I had to say to them: I hear your judgment but I have to make judgments . . . I value your views and opinions but I have to make a judgment'. The leader(s) had to create meanings of the issues or events from their own and others multiple and often contradictory meanings. The paradox is that the act of creating meanings involves the act of discovering, and taking account of, the meanings others are giving to the event or issue; for leadership, it is argued, is not just creating an individual meaning but also creating meaning acceptable to others from this diversity. To create and

sustain social order requires acceptance of meaning by others. Thus the leader recognizes the tentativeness and contingency of her/his meaning, not only because it is a perspective but because it may not be a meaning acceptable to others.

I would propose that if a public sector CE is to sustain relational contracts with the "passing parade" of politicians who hold the ministerial positions above them and constructively contribute to the process of steering an organization in an environment that can, from time to time, become politically charged, they need to have highly developed skills of appreciative judgment-making. It would seem that this is what Schick (1996) was referring to when he argued that these CEs should exhibit judgment, responsibility and leadership rather than a "check-list mentality". The relevance of this proposition to the Rankin case and its implications for the New Zealand model of public management must now be considered by way of conclusion to this article.

## CONCLUSION

The Rankin case may be seen as a more secularized version of the type of "culture wars" that have been observed by commentators on the United States political scene. What makes it particularly interesting is that it has given rise to conflicting perspectives based on "two logics". On the one hand, Rankin and her supporters have insisted that she should always be evaluated according to a consequentialist logic. On the eve of her court case, her second-in-charge, national commissioner Ray Smith, released performance reports that showed WINZ went from failing to meet almost half its targets in 1998-1999, to meeting or exceeding all of them in the nine months to April 2001, under Ms Rankin's leadership. The reports show that in 1998-99, WINZ's first year, every region failed to reach the department's agreed targets of putting people into work, nationally by almost half. A breakdown shows that between June 1998 and July 1999, 8650 people were placed into "stable work", against a target of 14,000. "Stable work" figures refer to people on the unemployment register for at least six months, placed in part or full time work of at least 15 hours a week, lasting more than three months. The following year 13,537 were placed, slightly above target. By April 2001 16,725 people had been placed in "stable work", surpassing in 10 months the annual target of 13,800 by 21 per cent.

This paper has argued that Rankin and her supporters derived from managerialist literature on organizational leadership the view that the controversial aspects of her style were justifiable since they helped her achieve the organizational focus on a clear vision required to improve its performance in "key result areas". It also showed that an economic approach that embodied the same logic of consequentiality did not lend *a priori* support to this view although it could explain why her style may have contributed to the impressive results reported by Smith.

Her detractors were, however, never prepared to completely follow this logic. It is interesting that her *bete noir*, Steven Maharey, in his position as Minister of Social Services responded to the Smith report with a terse "no comment". Rankin's inability to appreciate the need to strike a reasonable balance between her consequentialist logic and the "Puritanical" logic of appropriateness being applied by her opponents led the State Services Commissioner, Michael Wintringham, to eventually question her judgment and leadership.



If it is accepted that the CE of a public organization should have the capacity to supply "appreciative leadership" and form a working relationship with the government of the day, then Wintringham's judgment to refrain from reappointing her might be seen as a reasonable one. Moreover, it seems that he formed this judgment responsibly and autonomously irrespective of whatever political interference he may have been subjected to. His decision does, however, highlight some of the limitations of the New Zealand model. Within the politically charged environment associated with a "culture war" where the leadership style and organizational culture of government departments come under intense public and media scrutiny, neither an independent commissioner nor a system that requires the tight specification of "outputs" and "key results areas" can sustain the politics-administration dichotomy. Perhaps New Zealand's quest to institutionalize the "classical" ideal of a separation between public policymaking and management may eventually be seen as an exercise in futility after all.

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