The Disillusion of Organisational Effectiveness and Performance: Making of a Polytechnic Giant

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ABSTRACT

This article dissects the performance and approaches taken by the recently created large public sector entity, the New Zealand Institute of Skills and Technology (NZIST), which prophesied an efficient and effective vocational education sector in New Zealand. Information about NZIST's performance, since its inception, has been limited to 'leaks' through the news media, Official Information Act requests, redacted government documents, or its annual reports. Utilising the available sources as 'data corpus', this study employs the critical lenses of legitimacy, and stakeholder theories, and established management concepts to compare NZIST's performance between 2020 and 2023 with its aspired objectives. In pursuit towards the objectives of efficiency and effectiveness through a network structure, the findings reveal that the suitability of the network structure posed a challenge as NZIST purged the existing social connectedness in the sector; while its financial performance is worse, social outcomes are not necessarily different from the pre-reform figures. Despite the significant influx of government funding and redundancies, savings evaporated due to the expansion in the upper echelons and their remuneration, challenging the legitimacy of practices when the organisation was bleeding.

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INTRODUCTION

In the last almost five years, New Zealand public sector has, again, experienced significant reforms. This time, however, a significant paradigmatic shift towards centralisation is observed (Brettkelly, 2022). The shift has been significant in health, water resources, and the education sector. The health sector has seen the disestablishment of 20 district health boards to be morphed into 'Te Whatu Ora – Health New Zealand'; water assets, previously controlled by 67 local councils, were consolidated into four regional water resource management entities – 'the three waters reform'; and the unification of more than 16 polytechnics and nine vocational education entities via 'reforms of vocational education' (RoVE).

New Zealand was considered a 'social laboratory' (Phillips, 2012) (and the term has re-surfaced recently). The notion of experimentation has stronger foundations in education sector reforms dating back to the Native Schools Act 1867 to provide vocational education to indigenous Maori population; and later establishing a system of free education through the Education Act 1877. Education reforms particularly in the last four decades, resulting in radical policy changes (Strathdee, 2011), have continued through both centre left and conservative ruling ideologies (Scott et al., 2021). Fiske and Ladd (2000, p. 309) note that 'rarely has any country engaged in such a sustained and far-reaching overhaul of its education system.'

The applied reforms influencing organisational practices, however, seem to operate in circles. New Zealand was also at the forefront of implementing new public management (NPM) based practices (Norman & Gregory, 2003) that borrowed business sector ideas of efficiency, commercialisation, performance evaluation and accounting (Tourish et al., 2017). NPM based reforms envisioned to spur productivity by moving away from then centralised systems (Clark, 2001) to the individual entities that will be held accountable for their performance (Ghauri & Adler, 2024). However, studies in public governance (Hood, 2005), accountability and performance management (De Waele et al., 2021) allow to deduce that practices, now, are again heading in the direction where it all started – the pursuit for efficiency and effectiveness. The recent wave of reforms was rather more focused on vertically centralised accountability relationships (Yui, 2022) — a move away from a key concept of decentralisation adopted since 1980s (Smoke,

2015). The focus of this paper is on radical experimentation of the unification of New Zealand's polytechnic and vocational education (hereafter VE) sector through RoVE.

The organisation that replaced the preceding 16 polytechnics and nine industry training organisations (ITOs) birthed as Te Pūkenga or New Zealand Institute of Skills and Technology (hereafter NZIST). As part of the legitimisation of this entity with almost 13,000 staff and 260,000 students, the New Zealand government enacted the Education and Training Act 2020. While the government has been eyeing the VE sector reforms since 2018, the premises, surfacing in 2019, stemmed from the beliefs that many of the existing polytechnics: a) are poorly managed, b) are inefficient, c) are fiercely competing with each other that is unhealthy for the sector, d) do not serve what the students are seeking, and e) are unable to meet skills shortage of the country[1]. These premises were reiterated by the government in the 'letter of expectations' to the chair of the NZIST board (Hipkins, 2020b). This paper analyses the extent of achievement for the stated underpinning reasons since the inception of NZIST.

Organisational behaviours are constrained by social and economic conditions, norms and values of the context. An organisation therefore, cannot operate without legitimisation of its behaviours, outputs and utilisation of resources (Dowling & Pfeffer, 1975). The actions taken by the organisation convince the stakeholders to provide a license to operate in the context (Deegan, 2019). Managers in the organisation are thus bestowed with the responsibility of 'doing the right things' and 'doing things right' (Drucker, 1963, p. 1). When it is argued that an organisation is poorly managed, it infers that either the organisation is not going in the desired direction of achieving its goals (the effectiveness problem) or it is draining resources resulting in a dent in the financial bottom line (the efficiency problem). The efficiency problem, reducing the economy (Mintzberg, 1982), further leads to the effectiveness problem. In order to be efficient, therefore, an organisation has to be simultaneously effective. However, organisations that utilise public money, effectiveness overrides efficiency as the focus needs to be on achieving the outcomes (often confused with outputs) (Colvard, 2001). Apart from the erroneous assumption of competition being unproductive resulting in poor management (discussed

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1   As cited by the then Minister of Education and later the Prime Minister, Chris Hipkins, during his public consultation visit to Otago Polytechnic in 2019.

later), the key underpinning reasons to enact NZIST, relate to effectiveness and efficiency – core of the management philosophy.

The Case of 'Reforms of Vocational Education' (RoVE)

In 2019, the Ministry of Education (hereafter MOE) released a business case that detailed four mutually exclusive options to consolidate the VE sector. The business case stated: option C "*Create an NZIST with a head office that has a stronger degree of control over its operations but still with a substantive regional presence and delegations*", and option D "*Create a heavily consolidated NZIST where most activities are performed centrally*". The business case noted, "*Option C is the preferred target end-state because it best balances the main trade-offs of implementation costs and risks and delivery of the reform objectives*"[2]; further noting that the reforms will result in the growth of qualification '*completion rates*', an *addition of 40,000 students by 2030, and the estimated "economic benefit" to be 'at least $1.22 billion*'[3] (TEC, 2019).

Despite many experts and professionals' cautions and warnings against the merger and the creation of a centralised entity (Houlahan, 2019), and despite the Minister's acknowledgement of 'serious underfunding' to the sector, the political ego for such creation prevailed (ODT, 2022). Established with the aim of efficiency, NZIST's deficit grew from $47 million in 2020 to NZ$105 million in 2022 (Te-Pukenga, 2020, 2023a) when it was seeking a further cash injection of $422 million and 487 additional redundancies until 2026 (Kenny, 2022). This performance resulted in a demand for an apology from the Minister for wrecking the sector that was 'not broken' (ODT, 2022) and a formal complaint against the NZIST CEO for stating "*the brutal reality*" of up to 1,000 redundancies during a media interview (Kenny, 2023b).

The information about the achievement of its aspirations, emerged so far, has come primarily through: media interviews with NZIST, government and former polytechnics' executives, media leaks, Official Information Act (OIA) requests, and a few of the government and NZIST reports. However,

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2   The other two options were: Option A: NZIST with a small, thin head office that focuses on managing the performance of its subsidiary ITPs; Option B: Similar to option A except with fewer regional operations and centralised programme design.

3   All dollar amounts in the paper are New Zealand Dollars.

to date, any critical evaluation of RoVE is yet to be seen in the literature. The failure to study RoVE and NZIST's performance can be attributed to limited access to its performance information and staff concerns about retribution cannot be overruled as NZIST's last CEO[4] cautioned all staff for "*confidentiality*" (Kenny, 2023a) and even to avoid the use of words such as 'merger', and 'mega polytechnic' (Wilkins, 2023). The triviality given to the existing staff among the reality of redundancies, job insecurity, and their voices being unheard, especially in the process of the 'Proposed Operating Model' (Te-Pukenga, 2021b), could have contributed to the staff's withdrawal (TEC, 2022). The dissonance felt by the staff was also revealed by a leaked internal staff satisfaction survey showing one-third of the staff seeing no future at the organisation (RNZ, 2023b) with a respondent noting "*I have been in education for over 25 years and this is the first time I have felt the need to get out*".

The case of consolidation of VE sector entities, unlike other mergers, is unique because these organisations were shifting from self-contained public entities to a centralised publicly controlled entity. Tsoukas and Papoulias (2005) term such as a 'third-order change'; a move changing the core identity of the organisation to become part of a broader political system — a 'state-political firm'. This article critically evaluates the approaches taken by NZIST to dismantle the existing structures and processes, and challenges its actions through the lenses of stakeholder and legitimacy theory, and performance management concepts while mapping with the reality of events. The remainder of the paper argues for the cyclic relationship of effectiveness and efficiency and how effectiveness and efficiency lead and follow each other. In doing so, the paper draws attention by deducing how approaches by NZIST have led to effectiveness and efficiency problems that will have long term implications for the country's VE sector.

THEORETICAL BACKGROUND

Organisations as institutional structures of production (Coase, 2005), purposely group individuals to exert a collaborative effort for a common purpose (Ouchi, 1980). Since individuals seldom have a common purpose,

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4   Prior to the decision of RoVE rollback, NZIST had two CEOs since its inception; the first CEO was appointed in 2020 and resigned in mid 2022; the latest CEO took over the charge and received redundancy after 18 months in job in December 2023.

Ménard (2011) argues that the coordination and allocation of resources depend upon the organisational structure. This infers that organisational objectives and the related processes and activities are interwoven with the group(s) of individuals (Adler, 2022). Since employees can affect or are affected by the pursuit towards the objectives, they are a key stakeholder in the organisation (Freeman, 2010). The stakeholder that the organisation 'needs in order to exist' (Dunham et al., 2006, p. 25), who will perform the activities that create value and will be affected by their own management's decisions. Parmar et al. (2010) contend that it is, therefore, the responsibility of organisational executives to manage value creation relationships inside the organisation to ensure optimum value creation for the external stakeholders.

Moreover, organisations utilise resources that exist in a social system (Parsons, 1965); legitimacy is thus essential not only for the organisation's right to exist but also for its survival to continue to utilise resources and achieve its objectives (Dowling & Pfeffer, 1975). The essence of the legitimacy of organisational actions is to maintain or obtain stakeholders' endorsement (Adler et al., 2018). Deegan (2019) argues that managers can manipulate resources to legitimise their actions that may be underpinned by their self-interests and intention to achieve profitability objectives. Studies in organisational analysis are thus suggested to explicate how executives and their decisions influence organisational processes that determine its financial survival, structure, systems, culture, and motivation (Yukl, 2008).

In 2020, one of the key tasks assigned to the NZIST was to "*reorganise current institute of technology and polytechnic (ITP) and industry training organisation (ITO) legacy organisations, to bring them into a single institution, and to govern and manage them … leverage other extensive expertise that already exists within NZIST* (Hipkins, 2020a) *while "All stakeholders need to be valued, trusted and included in decision making"* (Hipkins, 2020b). Since different stakeholders hold varying power and influence in or on an organisation (Dill, 1975), power and legitimacy will determine how much attention management will give to certain stakeholders (Mitchell et al., 1997). Greenley and Foxall (1997) deduce that an organisation's attitudes towards both employees and competitors will eventually show the orientation towards its customers. Utilising the above theoretical lenses, this study therefore attempts to create linkages between the purpose(s) NZIST assigned to achieve, what was done to achieve the

objectives, and based on its performance what can be plausibly the trajectory of its performance.

METHODOLOGY

Organisational performance is a by-product of social relations that serve to legitimise the actions and the existence of an entity (Neimark & Tinker, 1986). Events in social systems are thus not detached instances (Harré & Madden, 1975) and are generated under certain conditions. Studies in organisations therefore not only need to explain the events but also the 'causal powers' that possess the capabilities to generate events (Tsoukas, 2003). Since powers residing in real domain generate events in actual domain (Bhaskar, 1978), Tsoukas argues, the need is to capture attribution of powers to objects and the patterns captured via events.

An inquiry utilising inductive logic to holistically describe events that occur in a real-life context (Rist, 1982) where the subjectivity of the researcher provides the means of knowing through multiple perspectives (Smith, 1982), is a case study (Merriam, 1985). This study utilised the data available through media interviews with NZIST, government and former polytechnics' executives, media leaks, OIA requests, and governmental and NZIST reports. The approach of utilising multiple data sources as 'data corpus' (Braun & Clarke, 2006) is consistent with prior studies utilising similar sources to investigate a phenomenon in a context. Deegan (2019) finds a dearth of studies that investigate how managers attempt to legitimise their actions and the structures with continued access to the needed resources. Since reality is created by organisational actors and contextual elements, such an approach allowed to comprehend how management accounting, control and change processes shaped events (Parker, 2012). Retrieving and comparing data from multiple sources (Miles & Huberman, 1984) not only provided a deeper understanding of the investigated events (Jentoft & Olsen, 2017) but also strengthened the credibility of the study through data triangulation (Golafshani, 2003). In qualitative investigations however, Parker (2012) argues, the strict quantitative notions of validity are not relevant; an investigation of a phenomenon is authentic if the research question is credible, data and emerging interpretations are convincing, the findings make sense to the reader, and offer opportunity for dialogue and

improvement in practice. Building on Donaldson and Preston (1995), this study employed: descriptive (what managers do), instrumental (plausible outcomes of specific managerial actions), and normative (what managers should do) lenses to evaluate the approaches taken by NZIST to achieve the aspired objectives.

FINDINGS AND DISCUSSION

Based on the aforementioned arguments data sources and analytical lenses, the following sections will analyse NZIST's performance between its inception and 2023 while comparing it with its aspired objectives.

Organisational Effectiveness

Organisational theory suggests that in order to achieve the long term goals, the organisation looks at its differentiating capabilities or competencies, its culture, systems and structure to decide the path to pursue in achieving its long term goals – which theorists and practitioners term as strategy (Martin, 2023). Organisational strategy, thus attempts to gain an advantageous position to outperform the competitors (Porter, 1996). This requires an organisation not only to carefully select the future direction to win via its competencies but also to specify the mechanisms and systems — expressing how the strategy will be achieved (Kaplan & Norton, 2000). Creating linkages between the long-term goals and everyday tasks enables a unified direction in the organisation. Adler (2022) and Ouchi (1980) contend that organisational structure, processes and systems are pivotal in creating such convergence.

By establishing NZIST through RoVE, the government set the expectation to create a "… *new operating model … towards new systems which need to be flexible, cost effective and adaptable*" (Hipkins, 2020b). Some of the initial tasks NZIST, therefore, embarked was a scurry of structural changes even prior to setting the direction or purpose for this complex organisation. While the vision was specified in 2020 as a "*national network of regionally accessible vocational education and training, which is responsive to the needs of all regions of New Zealand, their learners, industries, employers, and communities*" (Hipkins, 2020b), it was not till

mid-2022, the future directions of NZIST were made public (Te-Pukenga, 2023b).

However, in stating the future strategy, NZIST's webpages, for example, stated the vision as "*learning with purpose, creating our futures",* which appears to be a student's perspective rather than the organisation's visible future. Moreover, *"using the collective knowledge and experience across Te Pūkenga to deliver high-quality learning throughout the country, reflecting the needs of our communities at a local level*" (Te-Pukenga, 2023b), again appears to be an operation oriented statement. The statements in the vision appear to be fairly general as almost every organisation decides to deliver its offerings after a needs analysis in a specific target market. The strategy page further notes, "*An organisation of size and scale of Te Pūkenga is guided by many strategies, objectives, drivers and plans"… "our path is uncharted, our network is large and geographically dispersed".* The statements lack precision since organisations larger than NZIST in diverse geographical areas do operate in New Zealand, for example, in the fast moving consumer goods (FMCG) sector, Woolworths and Foodstuffs; Fonterra in the dairy industry; Xero in the information technology sector; and in the healthcare sector Fisher & Paykel Healthcare; to name a few. Not only have these organisations operated in diverse geographical locations within New Zealand and across other countries but with a fairly large market capitalisation. Nonetheless, the size and geographical spread of the organisation cannot be used as an excuse for not having a strategy. The Auditor General (2023) also raised similar concerns about the direction of this entity, the unique benefits this organisation will bring, and what eventually this organisation intends to achieve.

Since the strategy of an organisation is a key factor in determining its intended objectives and defining performance, NZIST's strategy, interestingly, adhered to the political regime's ambitions noting, "*Our outcomes are aligned to the requirements of the Charter and the Minister's Letter of Expectations and keep us focused on what's important in the long-term"* (Te-Pukenga, 2022a, p. 6). This direction raises the question: what if the Minister made false positive assumptions and should the organisation's strategy change if the Minister changes? Because strategy is a long term path of growth, making frequent changes can be a costly exercise. Based on the aforementioned evidence from NZIST, two questions can arise here. Firstly,

should an organisation decide about the structure first or design its strategy first? Since the creation of NZIST is the result of an amalgamation, it may have killed the competition. The second question asks, without competition is there a need for strategy?

Organisational Structure, Strategy and Effectiveness

A decision about whether to structure first or design its strategy first is not a kind of 'chicken or an egg' problem. Strategy is developed on the basis of the organisation's core competencies (Porter, 1996)—the elements the organisation can leverage to create value. As organisations become complex, simple decisions cannot be achieved due to the challenges of cooperation and equitable negotiations between individuals (Ouchi, 1980). This requires a firm to be arranged to reduce the resources consumed in performing repeated activities for creating, producing and distributing goods and services—the transaction costs (Coase, 2005). To minimise such costs by promoting coordination among activities, managers institute levers of influence (Adler, 2022) such as systems, processes and structure. While management control embodies systems and processes (e.g., budgets) to influence employees' activities and behaviours to implement organisation's strategies (Anthony et al., 1992), structure focuses on authority and grouping of individuals.

The structure of an organisation is the 'sum of the total ways in which it divides its labour into distinct tasks and then achieves coordination among them' (Mintzberg, 1989, p. 2) 'for optimum productive efficiency' (Peters, 1979), and to weave individuals into an accountability framework through arrangements of authority and control (Adler, 2022). An organisation's strategy therefore must fit with the structure and vice versa (Chandler, 1969). In public organisations, challenges to collaboration are exacerbated because of: a) the extent of complexity in structure, b) imperfect understanding of tasks-results relationships, and c) opacity in measurement of the underlying performance measures (Ouchi, 1980). Due to the differences in these elements among organisations, the design of management control becomes a significant challenge for managers. The availability of various management control frameworks from scholars (e.g., Simons, 1995, Hofstede, 1981, Ouchi, 1980, Merchant, 1982, Adler, 2011) highlight the importance of context specificity even within organisational functions, accentuating 'one size does not fit all'.

The Education and Training Act, enacted to implement RoVE and create NZIST, bestowed the Minister discretion to "…*specify administrative regions of government with which Te Pūkenga … must make arrangements to operate effectively"* (2020, s317). In setting the expectations, the Minister noted *"A cornerstone of the reform is the design and implementation of NZIST's longer-term operating model … I expect to see a nationwide … an integrated network … by the end of the transition period, December 2022."* (Hipkins, 2020b).

Studies note distinct features of networks to be: the nodes (the units) and the links (interactions between the units) (Boccaletti et al., 2006) with diminished boundaries between units in an effort to be transparent to the stakeholders (Hatch & Cunliffe, 2013). Networks, as cluster of firms, advocate vertical disintegration by promoting flatter structure to improve horizontal communication and by utilising social mechanisms of control (Miles & Snow, 1986). Powell (1990) contends that gains in networks can only be made by pooling resources and sharing costs and benefits where each party must forgo their interests.

The proposed 'operating model', released in late 2021 (Te-Pukenga, 2021a), however, showed a visual similar to a wheel (see Appendix A) rather than a network as suggested by scholars. The model showed 'regional presence' at the centre of the structure while other functions linked to the centre – highlighting the extent of centralisation. Additionally, the spokes of the wheel displayed a grouping of discipline based categories as well as support functions tasked to "*enable the information that flows between them to enable quality, certainty, and consistency across the network*". The outer sphere highlighted the strategic functions of the entity. However, with an emphasis on a "*head office that has a stronger control over operations"* (TEC, 2019), do give an impression of NZIST's extent of centralisation and a complex organisation. The model destined to be the "…*end state view and there will be a number of transitional points required to get to this position*", pointed further structural changes. Peters warns that organisations that intend to move to a product plus regional structure are likely to heighten the extent of conflicts among product 'owners' and regional 'rulers'— exacerbating the 'battle of memos', escalating fortification, and bureaucracy — declining performance (1979, p. 3).

Since networks pivot to connectedness (Laumann et al., 1978), structural equivalence (White et al., 1976), increased interaction, clarity in roles, and increased information sharing (Owen-Smith & Powell, 2008), the suitability of such framework becomes a broader challenge as the subsequent analyses will suggest that, with frequent outflow of employees and removal of top management of previous polytechnics, NZIST may have disbanded the skills and clarity that existed within the sector. While the proposed structure document, MOE and NZIST reports utilised social phrases and the rhetoric of '*strong network',* it was unclear, even to the management, where an employee or an academic was positioned in the structure. Kaplan and Norton (2008) note that an organisation may have the best strategic intentions but if managers cannot translate the initiatives 'it will get nowhere'.

Competition, Strategy and Effectiveness

One of the concerns in RoVE "*that need to be addressed'* was *'counter-productive system-driven competition"* (MOE, 2018). In justifying competition to be counterproductive, MOE noted: "*TEOs' [tertiary education organisations] revenue streams are tied to enrolments, and enrolments are tied to the business cycle. In a weaker economy, where fewer jobs are available, more people enrol in tertiary education at providers … When employment improves, more people receive training in work (via ITOs), and provider enrolments drop"* (MOE, 2018). Such inferences to competition are misleading because: a) these ignore the significant body of knowledge that concludes otherwise, as well as the fact that New Zealand governments of both ruling ideologies for three decades aggressively promoted the idea of competition and performance based funding; b) the assumed association of high/low enrolments with competition and performance of polytechnics may not be valid; and: c) polytechnics, differ not only in their locations but also in terms of the offered programmes, for example half of the polytechnics did not offer accounting programmes or Open Polytechnic had an entirely different model of distant learning. The intra-polytechnic competition existed primarily for international students and, for the most part, in the Auckland region as many polytechnics' subsidiaries or partnerships operated only in this region.

It can be reasonably argued that the consolidation of the sector may have inhibited the intra-polytechnic competition; in such an instance, why need an explicit strategy? In the absence of a strategy, organisations have to compete on some features to attract customers. In the absence of a strategy, firms must compete on the basis of operational excellence (Porter, 2008). Porter argues that if all the products are similar then the competing organisations will have similar returns or profits. The need to generate more revenues and profits can trigger price wars between the rivals bringing the prices and profitability down if the practices do not change. Organisations thus need a strategy in addition to operational excellence. In the case of NZIST, the amalgamation of the entire sector may aspire for no competition. Porter argues that operating in an environment devoid of competition is a self-inflicting wound for the organisation because: a) it results in mediocrity and decreases the quality of practices and innovation; and b) competition provides knowledge to the customers and the alternatives available to them (Hayek, 1948). The absence of alternatives corners the customers leaving them without a choice resulting in a backlash for the organisation. The New Zealand Treasury notes that "*state intervention which does not permit significant consumer choice is liable to create rational ignorance ... knowledge has a cost so when there is little or no choice, it is rational to have little or no knowledge*" (1987, p. 132). To be a leader in the sector therefore, an organisation, such as NZIST, will have to either keep its products differentiated, at a low cost or increase entry barriers into the sector so that new players cannot enter. While some of the regulatory entry barriers would be beyond the control of NZIST (despite its governmental lobbying powers), the option of offering a low cost product does not seem to be a viable option with its already snowballing deficits. Private tertiary establishments (PTEs), on the other hand, with their flexibility, will have a significant advantage in the sector who cannot only offer differentiated products but also at low cost. This deduction can be corroborated by data from MOE (2023) that show a 15.5% decline in comparison to 2020 in the number of international students' enrolments nationally; the decline in NZIST based entities is 38.7% whereas the decline for the same period for PTEs is 22.8%. The trend suggests this perhaps may take away a significant portion of the international students from NZIST – adding to financial difficulties of NZIST.

The assumption that the creation of this large entity has killed or will kill the competition and thus does not need to have a long term direction is a fallacy. Competition allows salient market features to emerge (Hayek, 1948) to extend the 'productivity frontier', with the addition of newer techniques, tools and measures — benefiting the customers (Porter, 1996).

Betwixt Establishment and Disestablishment

At the end of 2023, the new Minister of Tertiary Education and Skills (former head of a polytechnic) communicated to the NZIST board "*It is no longer the Government's priority to have a centralised organisation for delivering vocational education and training*" (Simmonds, 2023a) — initiating the rollback of RoVE and disestablishment of NZIST. However, since its inception, few salient changes have been reported at NZIST. These included, but were not limited to, pooling of all the funding held by the previous polytechnics (Te-Pukenga, 2023a), the disappearance of strategic apex and middle management at subsidiaries, replacement of programmes offered by the polytechnics with NZIST's unified programmes, NZIST becoming a qualification awarding institution, and centralisation of many functions. By the end of 2023, a unique characteristic was the head office along with four regions — a structure that appeared to be the combination of the proposed options C and D. The following evaluation maps NZIST's performance for its objectives of efficiency and effectiveness between 2020 and 2023. Table 1 compares the financial performance of the entity.

Table 1: Sections of Income Statements of NZIST (Group)

	2020	2021	2022	2023
Revenues				
Government funding	67,603	699,468	795,241	858,249
Tuition fees and departmental revenue	215,731	364,100	342,315	373,061
Other revenue	79,056	107,044	114,492	140,353
Total revenue	362,390	1,170,612	1,252,048	1,371,663
Expenditures				
Employee expenses	505,550	694,231	800,710	839,318
Administration and other expenses	242,958	348,886	426,401	440,299
Total expenditure	836,591	1,162,351	1,356,313	1,409,527
Surplus(deficit)	(473,578)	7,623	(105,043)*	(37,3864)

Note: the expenditure section here excludes depreciation, amortisation and interest expense considering these to be irrelevant information and are assumed to incur whether or not NZIST existed. *Annual report 2023, released late August 2024, reported the restated figures for 2022; the misstated amounts of revenues and surplus(deficit) reported in 2022 were $1,276,739 and ($80,352) respectively, restated expenditures for 2022 also included $778 for 'Share of associate/joint venture'. All amounts in NZ$000s.
Data source: NZIST Annual Reports.

Table 1 shows that despite year on year increase in government funding, the increase in employee and administration expenditures negatively impacted the overall financial performance. Since efficiency measures provide quicker results (Kaplan & Norton, 2000), evidence from New Zealand suggests that managers, to reduce expenditures, tend to resort to redundancies (Macky, 2004). To gain insight, Table 2 shows the number of employees in NZIST during the analysis period. It is worth noting that in 2021, 1,600 staff from nine organisations 'Transitional Industry Training Organisations (TITOs) were merged in NZIST as a subsidiary 'Work Based Learning Limited' (Te-Pukenga, 2022b). While Table 2 suggests an almost 6% increase in an overall headcount, a significant decrease can be inferred in the original polytechnic staff (excluding TITOs).

Table 2: Staff (FTE) Count at NZIST

	2020	2021	2022	2023
Staff at subsidiaries	7,956	7,837	NA	NA
Staff at NZIST (parent)	13.5	181	NA	NA
Total	7,969.5	8,018	9,082	8,437

NA refers to not available.
Data source: NZIST Annual Reports.

There have been also reports that changes are taking a toll resulting in the staff leaving the sector as suggested by NZIST's staff satisfaction survey (RNZ, 2023b), and even by the current Minister (Simmonds, 2023b). Table 3 shows that during the period 835 employees received cessation payments to conclude their employment.

Table 3: Total Number of Cessation Payments to Staff

	2020	2021	2022	2023
Staff at subsidiaries	237	179	178	NA
Staff at NZIST	0	0	6	241
Payments made	$ 5,348,410	$ 5,701,252	$ 5,833,590	$ 10,052,722

NA refers to not available.
Data source: NZIST Annual Reports.

Additionally, NZIST CEO, in a radio interview in April 2023, highlighted that more than 1,000 or at least 200 roles could be lost in the new structure (RNZ, 2023a). In the newly announced structure, 950 roles were disestablished, 550 of which were made eligible to reapply for the new positions – fearing 400 more redundancies (Schwanecke, 2023). To

achieve the efficiency objective, these measures, meant that NZIST was on the road to significant savings. However, Table 4, detailing the staff that received salaries between $100,000 and $899,999, further shows that the number of staff in the top echelons multiplied from 3 FTE positions to 136, resulting in 'key management' expenditures to expand from $1.2 million in 2020 to $31.7 million in 2022.

Table 4: Number of Staff and the Extent of Their Earning

	2020	2021	2022	2023
Total staff	7,969.50	8,018	9,082	8,437
Staff receiving greater than $100,000 [a]	296	904	1,286	1,335
Staff receiving less than $100,000 [b]	7,673.50	7,114	7,796	7,102
NZIST key management members (FTE) (group) [c]	3 [d]	132	136	9
Remuneration to key management members [e]	$ 1,217	$ 27,832	$ 31,758	$ 4,814

Notes: a In 2021, Work Based Learning became a subsidiary in the NZIST structure; in 2021, there were 5 individuals in this category; in 2022 however, there were 226 individuals earning >$100,000. b Staff receiving less than $100,000 = Total staff – Staff receiving greater than $100,000. c Noted in the annual reports as 'Executive Leadership Team and Chief Executive'. d There were nine members in the senior management team. e amounts in NZ$000s.
Data source: NZIST Annual Reports.

Further to the previous analysis, Table 5 shows individuals receiving >$250,000 for the ranges disclosed by NZIST.

Table 5: Number of Staff Earning Greater than $250,000

	>$250,000	$330,000 – $339,999	$670,000 – $679,999	$860,000 –$869,999	$890,000 –$899,999	Total NZIST
2020		1				6
2021	18		1			26
2022	22			1		63
2023	35				1	NA

NA refers to not available.
Data source: NZIST Annual Reports.

While the total number of staff receiving >$250,000 increased every year, one position (likely the CEO) received a 165% increase when the organisation was bleeding. Tables 4 and 5 suggest that while polytechnics became thinner, NZIST's top echelons kept expanding – nullifying the objective of efficiency; and this continued until the political backlash in 2023 resulting in significant thinning of NZIST head office – apparent from the number of cessation payments in 2023 (Table 3). Media reports claimed that the last CEO changed six senior managers' contracts to enable them for redundancies (Gerritsen, 2024). Annual report 2023 validated such a claim

by stating "*five kaimahi [staff] were unable to find suitable redeployment opportunities and their redundancy was confirmed*" (Te-Pukenga, 2023a, p. 30). The aforementioned actions do challenge the legitimacy of managerial approaches in NZIST where efficiency was the key objective. Moreover, Table 6 captures the outcomes RoVE and NZIST aspired to achieve.

Table 6: Number of Students and Completions

Year	Students at Polytechnics	Trainees and Apprentices	Total number of students	Graduates	Completion rate (%)	Maori completion rate (%)
2020	153,900	—	153,900	36,300	79	69
2021	205,328	—	205,328	48,734	78	71
2022	130,771	140,222	270,993	47,195	77	70
2023	131,716	105,103	236,819	48,037	79	73

Data source: NZIST Annual Reports.

Table 6 shows that despite the inclusion of 'work based learning', enrolments in the sector declined while completion rates were similar across the periods – questioning the legitimacy of spending a huge amount of public funds to dismantle the entire sector rather than an approach to address the underlying issues.

Since the announcement of disestablishment, much has not changed; there has been a reiteration of the previous rhetoric of '*strong sector*', focus on *'efficiency'* and *'financial viability'* of the sector. A recent development in the sector has been the announcement of *"A redesigned Institute of Technology and Polytechnic network ... through a combination of stand-alone and federated ITPs"* (MOE, 2024) — the beginning of another experiment to redesign the sector.

CONCLUSION

Organisational effectiveness is reliant upon the long term aspirations, which enables the organisation to define its performance. An organisation's strategy, whether it be Porter's cost or differentiation, Mintzberg's local producer, Tom Peter's excellent execution, Lafely and Martin's playing to win, or Kim and Mauborgne's blue ocean strategy, organisational members must have a direction for what to achieve, the outputs (Kibblewhite, 2001). The structure of the organisation facilitates the 'people' to see what

they do, the accountabilities, and the obligation to explicate performance (Hatch & Cunliffe, 2013). The structure serves as a lever of organisational effectiveness and an essential competency (Adler, 2022), which Porter (1996) considers a critical systematic advantage that facilitates optimal use of resources and eliminate redundancies.

Despite the primary objective of New Zealand public entities 'to promote societal good rather than generate profit' (XRB, 2016, p. 4), the "… *expectation that NZIST generates savings and efficiencies across its network, such that it is self-funded from the beginning of 2023"* (Hipkins, 2020a), gives the impression that the underpinning rationale leant more towards efficiency, which results suggest to have rather taken a stronger blow. Findings suggest that if the objective was to achieve the social outcomes (effectiveness) then an approach of utilising the existing competencies would have been logical rather than purging the capabilities available in the sector.

In an effort to achieve efficiency, top managers tend to either dismantle existing processes or cut funding for such activities, misconstruing such to be cost consuming while eroding core competencies—negatively influencing effectiveness of the organisation (Prahalad & Hamel, 1990). While the exact figures are not shared, findings infer the number of employees leaving the sector. Expenditure cutting through redundancies is the most frequently employed measure to artificially achieve efficiency, which not only adversely affects morale but also results in productivity losses (Makawatsakul and Kleiner, 2003). This appears to be the case as noted by the staff satisfaction survey as well as NZIST's overall achievement (Table 6) — having implications.

Since the purpose of organisational (re)structuring is strategically aligned focus across functions, prior to making structural changes, decision makers should seriously consider where the future functional walls will be as these do not disappear (Martin, 2021). With an amalgamation of networks and matrix structures, NZIST appears to be moving towards a rather fat organisational structure with significant visceral expansion, which may not necessarily be efficient. NZIST decision makers may have believed structure to be the answer. Public sector reorganisations, despite serious efforts, have been either 'substantial failures' (March & Olson, 1983) or did not result in performance improvement (Pollitt & Bouckaert, 2004). Despite the

RoVE business case noting the implemented options possessing "*High to Extreme" risk* (TEC, 2019), it is unclear why significant structural changes were pursued when the focus should have been on efficiencies rather than on effectiveness. Studies note New Zealand to have an 'addiction' (Norman & Gill, 2011) where the public sector faces 'endless restructuring' on ad hoc basis, without its alignment to the needs (Palmer & Butler, 2016). Yui (2022) notes a unique characteristic of the New Zealand legislature that bestows ministers the executive power to restructure — allowing to use such power for political reasons.

Findings point to the governance and leadership for its current state of affairs. While the letter of expectation gave specific directions, not to expand the head office (Hipkins, 2020a), an increase in the numbers of executives and their remuneration gives an insight into the legitimacy of the management's approaches to address the core issues. The previous CEO (Kenny, 2023c) and the Minister are however adamant in their sustained claim that NZIST was the best approach and "… *A lot got in the way of [the] reform process including the pandemic…"* (ODT, 2024).

If a person is able to achieve desirable outcomes successfully and efficiently, then, according to the Oxford Dictionary, a state of 'competence' has been attained. Despite good intentions, when managers make spontaneous and unrehearsed decisions without testing their assumptions, unintended consequences should not be a surprise. Chris Argyris called such situations 'skilled incompetence' (1986)—often the case when managers do not know what kind of organisation they want to become. Whether the instances in the case of NZIST are skilled incompetence or simply incompetence, readers must decide for themselves. Nonetheless, a mismatch between managerial technical skills and managerial competence is as costly as managerial incompetence. What might look green for the people sitting at the top has definitely not been a good omen for the common staff in the polytechnic sector – who currently suffer in a state of despair, anguish, and feel helpless to see all that they have built in their lifetimes disappeared within a short period. While the cost cutting continues, the consequences staff is bearing in this process of many of the pointless changes just reminds me of a saying back at my home country noted at the start of the paper.

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APPENDIX A
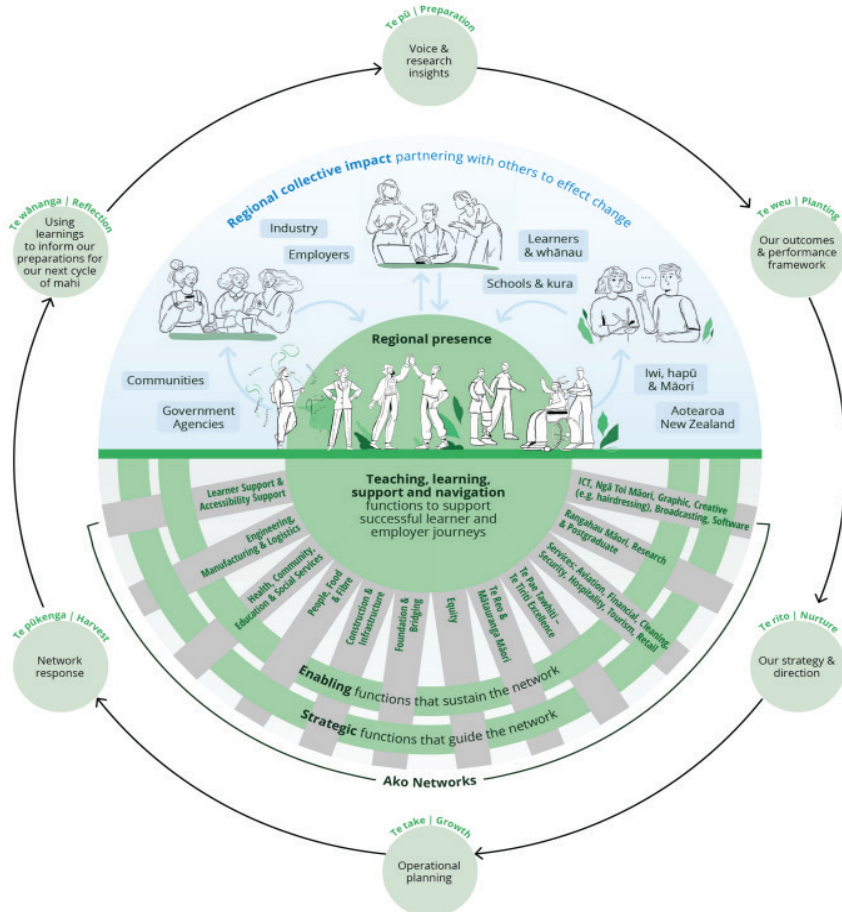
Source: Proposed Te Pūkenga Operating Model, 2021, p. 5