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## **Perspectives on cutback management in public organisations : what public managers do**

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### **Citation**

Schmidt, J. E. T. (2020, January 30). *Perspectives on cutback management in public organisations : what public managers do*. Retrieved from <https://hdl.handle.net/1887/83488>

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**Author:** Schmidt, J.E.T.

**Title:** Perspectives on cutback management in public organisations : what public managers do

**Issue Date:** 2020-01-30

Thesis



# Perspectives on cutback management in public organisations

*What public managers  
do when they cut*

Eduard Schmidt



Perspectives  
on cutback  
management  
in public  
organisations

*What public  
managers do*

ISBN: 978-94-6361-385-9

Cover & Layout: Optima Grafische Communicatie, Rotterdam, The Netherlands

Printing: Optima Grafische Communicatie, Rotterdam, The Netherlands

Photo of the author by Studio Arash

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**Perspectives on cutback management in public organisations**  
What public managers do

Proefschrift

ter verkrijging van  
de graad van Doctor aan de Universiteit Leiden,  
op gezag van Rector Magnificus prof.mr. C.J.J.M. Stolker,  
volgens besluit van het College voor Promoties  
te verdedigen op donderdag 30 januari 2020  
klokke 16:15 uur

door  
Johann Eduard Theodor Schmidt  
geboren te Nieuwegein  
in 1989

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This dissertation was funded by the Dutch Organization for Scientific Research (NWO). Research Talent Grant project 'Explaining cutback management strategies in public sector organisations: change leadership in times of crisis' (project number 406-13-041)



## ACKNOWLEDGEMENTS

How can you give a proper acknowledgement to all who contributed to the process of writing this dissertation in just 400 words? Certainly not by wasting the first 39 words on questioning the purpose of limiting the acknowledgement section. So here we go!

First, I want to thank my supervisors, Sandra Groeneveld and Steven Van de Walle. From the moment that we started writing a grant application, I knew I was in good hands. Sandra, you have been a true inspiration to me. Thank you for your ongoing support, guidance, and encouragement on both a professional and personal level. I feel privileged to continue working together! Steven, thank you for your advice on this project and showing me how to finalize a paper. I enjoyed working more closely together for a couple of months in Leuven, and I genuinely appreciate all the times you came to The Hague to discuss my dissertation.

I would also like to thank the members of the Doctorate Committee and the opposition committee for evaluating my dissertation and discussing my research during my defense.

Second, many (former) colleagues contributed to this dissertation. Sometimes by reviewing work and improving papers, sometimes by having a beer or coffee. Wout/Pannema, Joris, Petra, Tanachia, Nadine, Mark, Linda, Jeroen, Ben, Jelmer, Johan, Natascha, Maarja, Fia, Alicia, Vincent, Dimiter, Caspar, Bert and many more, thank you for your help during the process. It is a prerogative to be surrounded by so many great colleagues!

A special thanks, to my paranymphs Machiel and Daniëlle. Daniëlle, I genuinely enjoy all our coffees and wines, discussing yet another new food trend. We still need to go on a trip to the Champagne region! Machiel, thank you for the discussions and laughs about work, football, politics, or whatever. I hope we continue to do so! Special thanks also to my officemates Marieke and Bernard, who tolerate my inspirational posters, terrible jokes, and cluttered desk.

Third, thanks to everyone in my *jaarclub*, *de leukste mensen*, *Blikverruimers*, *PNN*, and the *LSVb*. You have proved to be excellent (and much needed) distractions from my PhD.

Last but certainly not least, I thank my parents, my brothers and of course Lieselotte and Daniël. Dear Lotte, there is nothing in this world that makes me happier than being a family together with you and Daniël. Thank you for all your support and for being there.

With gratitude,

Eduard Schmidt

Utrecht, January 2020



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# Chapter 1



Introducing a managerial perspective on  
cutback management





## CHAPTER 1 - INTRODUCING A MANAGERIAL PERSPECTIVE ON CUTBACK MANAGEMENT

*March 22<sup>nd</sup>, 2013 was an important day for prison directors in the Netherlands. On this day, prison directors throughout the country were expecting an important call from the Custodial Institutions Agency (DJI), the executive agency in charge of the penitentiary system. The call announced to prison directors whether their prison would remain open or would have to close because of substantial cutbacks imposed on this sector. Prison directors were briefed that, immediately following the call, they had to hold a meeting with all personnel to announce what the political principals had decided for their prison. Prison directors having to deliver bad news were confronted with angry but most of all with insecure and sad employees to whom they had to admit that they had not been involved in any of the decision-making regarding this matter. Prison directors, in this sense, were stuck in the middle between different actors with different interests. Personnel urged them to fight the decisions to ensure that they could keep their jobs. Political actors demanded that the cutbacks be realised, and without any loss of service quality. External actors, such as mayors and labour unions, voiced their concerns on the effects of cutbacks on regional employment, personnel safety and safety for society as a whole. Moreover, there were other public managers, working at the Ministry of Safety and Justice or at the DJI agency, who discussed with prison directors how to implement cutbacks. At the intersection of all these different actors, with their different objectives, prison directors had to find ways to manage the cutbacks.*

### 1.1 THE IMPORTANT ROLE OF PUBLIC MANAGERS DURING CUTBACKS

Prison directors are far from the only group of public managers in recent years who have had to manage cutbacks targeted at their organisation, just as the Netherlands was far from the only country to impose cutbacks within government (Kickert and Randma-Liiv, 2015). 2008 marked the start of the biggest financial crisis since the 1930s (Armingeon, 2012). A banking crisis, followed by an economic crisis, left governments around the world facing decreasing tax revenues, rising public spending and increasing public debt (Kickert, 2015). As a result, public managers in many different countries, sectors and positions were confronted with cutbacks targeted at their organisations. Further, even before the large cutbacks as a consequence of the financial crisis, many public organisations had been being confronted with cutbacks in their operational expenditure for decades. While cutbacks are an important empirical phenomenon, to date public management research has only paid limited attention to the topic. In particular, managerial behaviour within cutback management processes has been overlooked by scholars for years (Schmidt, Groeneveld, and Van de Walle, 2017).

Especially when cutbacks are targeted at operational expenditure, i.e., the costs of running the government or an organisation, the role of public managers is highly important. Public managers occupy a pivotal position within public organisations at the centre of networks of information, resource flows and personal loyalty (Rainey, 2009). As illustrated in the introductory story, public managers find themselves at the intersection of both internal and external actors and must therefore interact with many different stakeholders, including their subordinates, political superiors, managerial counterparts and external actors, when managing cutbacks. As the demands for high-quality public services are ever-present, and public organisations cannot easily choose to stop their services (Andrews, Boyne, and Walker, 2012), strategies to implement cutbacks in operational expenditure often involve large-scale organisational changes that are likely to impact public employees (Esteve, Schuster, Albareda, and Losada, 2017) organisational structures (Van der Voet and Van de Walle, 2018) and ways of working. At the same time, money to lubricate such changes is generally lacking when facing financial constraints (Pollitt, 2010) and the motivation to adapt is generally lower when changes are motivated by budgetary pressure (Wright, Christensen, and Isett, 2013). On top of this, cutbacks have the potential to affect employee wellbeing (Conway, Kiefer, Hartley, and Briner, 2014; Kiefer, Hartley, Conway, and Briner, 2015). In these difficult circumstances, public managers are the ones responsible for managing cutbacks.

While the role of public managers in managing cutbacks is thus highly relevant, recent research on cutbacks has almost entirely focussed on the macro-level, with publications on fiscal consolidation, welfare state reforms and government decision-making (e.g. Di Mascio and Natalini, 2015; Di Mascio, Galli, Natalini, Ongaro, and Stolfi, 2017; Kickert, 2015; Kickert and Randma-Liiv, 2015; Ladi, 2013; Randma-Liiv and Kickert, 2017). Research on cutback management that focuses on the behaviour of public managers at the organisational level is still lacking (Schmidt et al., 2017). In response, the main aim of this dissertation is to explore and understand managerial behaviour during cutbacks and, in this sense, contribute to the literature on cutback management. The main research question is therefore formulated as:

*“How do public managers in Dutch government manage cutbacks targeted at their organisation?”*

To increase our understanding of managerial behaviour during cutbacks, we argue that we need to focus on the various actors that public managers interact with during cutback management. We do so by taking different theoretical perspectives that shed some light on those different interfaces to empirically analyse managerial behaviour. We thus apply different public management theories to instances where public managers have been confronted with cutbacks targeted at their organisation. In this way, we add to our understanding of managerial behaviour during cutbacks which, as explained earlier, has to date been mostly concerned with cutback management issues on the macro-level. Theory applications usually have the rather narrow ambition of applying theory to an empirical case or phenomenon to explain what is going on and to interpret the case in light of the

theory. Given that we know relatively little about cutback management, such an approach can be an important starting point in meeting our exploratory aims (Toshkov, 2017).

At the same time, answering the research question may also help to specify and elaborate on the theories that will be applied in this dissertation (Ashworth, McDermott, and Currie, 2018) by providing insight into the conditions and mechanisms through which cutbacks shape managerial behaviour. By trying to specify and elaborate on these theoretical perspectives for the specific context of cutbacks, we aim to contribute to extending the theoretical perspectives that are applied in this dissertation. While managerial behaviour has been studied in relationship to organisational change (Van der Voet, Kuipers, and Groeneveld, 2015), performance management (Andrews and Boyne, 2010; Favero, Andersen, Meier, O'Toole, and Winter, 2018), environmental turbulence (Meier and O'Toole, 2009; Van den Bekerom, Torenvlied, and Akkerman, 2016) and innovation (Berry, 1994; Ricard, Klijn, Lewis, and Ysa, 2017), such studies often pay limited, if any, attention to the role of cutbacks. This is disappointing, precisely because cutbacks can have a profound impact on performance and innovation, and on organisations at large. Studies on the aforementioned themes thus largely ignore cutbacks as a contingency factor to take into account when explaining managerial behaviour. One could, for example, imagine that a context of scarcity impacts the prevalence and relevance of particular theoretical concepts. One of the contributions that this dissertation makes is determining whether this is indeed the case and, if so, what this implies for public management theories. By treating cutbacks as a context variable, we also try to embed cutback management in a broader public management framework.

The remainder of this chapter has four distinct sections. First, Section 1.2 provides an overview of cutback management research to advance our argument as to why taking a managerial perspective on cutback management is both academically and practically relevant. Section 1.3 will then provide more in-depth arguments for our managerial focus and, more importantly, will outline the core assumptions of this dissertation about public managers and the tradition within which this dissertation can be positioned. Building on our managerial perspective as explained in Section 1.3, Section 1.4 will elaborate further on the various theoretical perspectives that are used in the empirical chapters of this dissertation. This section starts with an introduction to the different case studies that have been performed, including the theoretical perspective that is used to analyse managerial behaviour during cutbacks, and a short outline of the research design of these separate studies. This chapter ends with a brief explanation of the structure of the dissertation in Section 1.5.

## 1.2 WHAT WE KNOW ABOUT CUTBACK MANAGEMENT AND WHAT IS UNKNOWN<sup>1</sup>

Cutback management has been on and off the research agenda of public administration and public management scholars, to a large extent mirroring the actual ups and downs of national economies (Pollitt and Bouckaert, 2011). Within cutback management research, three streams of literature can be distinguished (Cepiku and Sauvignon, 2012; Raudla, Savi, and Randma-Liiv, 2015a): (1) cutback management from a public administration perspective, starting with the work of Levine (1978) and focusing on the content of cuts; (2) contemporary public administration literature on managing austerity, where the attention is on strategies to manage cutbacks and the effects of cutbacks on employees; and (3) generic literature on organisational decline (e.g., Cameron, Whetten, and Kim, 1987; Weitzel and Jonsson, 1989; Whetten, 1987).

The first of these literature streams includes cutback management research from the late 1970s and early 1980s. In the wake of the crises of the 1970s, cutback management slowly climbed the research agenda. The work of Charles Levine in 1978 on organisational decline and cutback management is seen as the starting point of this line of cutback management research. Before the work of Levine, organisational studies primarily concentrated on organisational growth, rather than decline. Further, decline was seen as no more than a temporary slowdown in relentless organisational growth. Scholars such as Levine (1978, 1984), Behn (1980) and Brewer (1978) argued that managers should pay more attention to decline and proposed reactive strategies for dealing with decline (Cepiku and Sauvignon, 2012). Within this line of research, the content of cutbacks was central: what, when and where to cut (Scorsone and Plerhoples, 2010). Although Levine (1978) stressed that “*government organisations are neither immortal nor unshrinkable*,” it is often unclear within this stream of literature whether cutbacks are seen as permanent or as short-term responses to temporary austerity (Scorsone and Plerhoples, 2010). According to Raudla et al. (2015a), cutback management in the 1970s and 1980s emphasised the rhetoric of using private sector instruments within a public setting, which was later translated into the New Public Management (NPM) movement. Although research on cutback management flourished during the crises of the 1970s and 1980s, reaching its peak in the early 1980s, it then disappeared from the main stage when another period of economic growth ensued (Bozeman, 2010; Pandey, 2010).

The crisis that erupted in 2008 renewed interest in cutback management and marks the start of the second related literature stream: contemporary public administration literature on managing austerity. This line of research tends to focus on dealing with cutbacks on a more general level, for example by focusing on fiscal consolidation measures at the national level (Di Mascio and Natalini, 2015; Kickert, 2012; Kickert and Randma-Liiv, 2015; Troupin, Steen, and Stroobants, 2015; Wilks,

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<sup>1</sup> This section is part of Schmidt, J.E.T., Groeneveld, S.M. and Van de Walle, S. (2017). *A change management perspective on public sector cutback management: towards a framework of analysis*. Public Management Review, 19, 1538–1555.

2010) rather than looking at how cutbacks are managed at the organisational level (Pollitt, 2015). Nevertheless, a few recent articles focus on cutbacks at the organisational level by considering the impact of cuts on employees (Kiefer et al., 2015) and how public managers may mitigate the adverse consequences of cutbacks (Van der Voet and Vermeeren, 2016). Whereas the first literature stream on cutback management started with rather conceptual work on cutback management strategies (e.g., Levine, 1978), the renewed interest in cutback management led to more empirical papers on this topic, albeit often without considering a managerial perspective.

Cepiku and Sauvignon (2011) identified a third literature stream that can be linked to cutback management: generic management literature on organisational decline (Cameron, Kim, and Whetten, 1987; Cameron, Whetten and Kim, 1987; Whetten, 1987; Whetten, 1980). This literature stream focuses on decline as part of the organisational lifecycle. That this stream sees decline as an inevitable aspect of organisational life could explain why this stream has continued even when decline is replaced by growth (Bozeman, 2010). A downside for public management scholars is that this generic literature stream does not pay specific attention to the public sector, which makes insights from publications problematic regarding their applicability and hence explanatory power for public organisations (Boyne, 2006).

All three literature streams on cutback management research have provided useful insights into cutback management. Nevertheless, there are two related limitations with the literature on cutback management. The first problem, as explained in the introduction of this chapter, is that cutback management scholars have only to a very limited extent paid attention to managerial behaviour during cutbacks. Within the introduction, we already indicated that most research on cutback management focusses on the macro-level, while there are many arguments as to why research with a more managerial focus could contribute to our understanding of cutback management. A second and related problem is that the theoretical contributions of cutback management scholarship have been limited, and theoretical frameworks or a theory for cutback management are non-existent. The consequence of both these problems is that we need to draw on different perspectives to understand cutback management by public managers.

The question that remains is what theories can be used to explain managerial behaviour during cutbacks. To answer this question, it is important to first say a bit more on the theoretical assumptions of managerial behaviour that underlie the arguments developed in this dissertation.

### **1.3 STUDYING PUBLIC MANAGERS DURING CUTBACKS**

Within this dissertation, public managers are the central actors. Public managers occupy a mid-level position in the government administration and have a supervisory role over employees, while being subordinate to political superiors. Within public administration and public management research, public managers have been approached from different theoretical points of view. The most

classical view on public managers is a Weberian view in which public managers<sup>2</sup> are no more than the policy executives of the ruling politicians. In Weber's view, bureaucracy is an administrative system in which trained professionals being subservient to political superiors work according to fixed rules. The work of public managers in this view is characterised by professionalism, neutrality, public interest, procedural safeguarding and the acceptance of subordination (Meyer, Egger-Peitler, Höllerer, and Hammerschmid, 2014). From this perspective, a public manager is a "*neutral expert civil servant who competently translates political goals into action*" (Derlien, 2003: p. 420 in: Meyer et al., 2014: p. 2013). While Weber saw bureaucracy as a necessary aspect of modernity, his perception of public managers as neutral rule-obeying professionals has been challenged by scholars from public administration, as well as by organisational theorists, sociologists and economists.

One potent and influential critique of the Weberian model was developed by the economist William Niskanen. Niskanen (1971) proposed a budget-maximising thesis in which public managers do not serve politicians (the Weberian view of public managers) but rather serve themselves. Public choice scholars such as Niskanen argue that individuals within government have their own utility function. According to Niskanen, budget maximisation is a way for public managers to increase income, prestige and power. The work of Niskanen fits in the tradition of public-choice scholars who view government growth as not so much a response to prior budget allocations but as a function of bureaucratic self-interest.

Studies testing Niskanen's premises have provided mixed results (Rainey, 2009) and various aspects of the budget-maximising model have been questioned. First, the assumption that self-interest is at the core of public managers' work motivation has been empirically challenged, with a wide range of studies showing that public managers generally have high levels of Public Service Motivation (PSM), meaning that contributing to public service and society at large is at the core of their motivation (Andersen, Jorgensen, Kjeldsen, Pedersen, and Vrangbaek, 2013; Kjeldsen, 2012; Taylor and Taylor, 2015; Vandenabeele, 2008a, 2008b). While not disputing that budget is required to make a societal impact, Moynihan (2013) found that higher levels of PSM did not lead public managers to advocate for a significantly higher budget. Furthermore, while higher budgets have been linked to higher prestige, it has been questioned to what extent budget-maximisation would lead to personal benefits for bureaucrats given that public sector salaries are often fixed (Moynihan and Andrews, 2010). Finally, the theory has been critiqued for its assumption "*that political principals would passively accept bureaucratic recommendations*" (Moynihan, 2013: p. 181), not in the least because political officials may also have a strong self-interest in trying to maximise their budgets (Moynihan and Andrews, 2010), as this may help strengthen policy areas that are a political priority.

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2 Weber does not specifically focus on public managers, nor does he make a distinction between those in a managerial as against executive function. Rather, his work was focussed on all bureaucrats working in public organisations

Criticism of the maximising budget model prompted Dunleavy (1991) to develop a response: the bureau-shaping model. One of Dunleavy's arguments was that increased budgets would go along with increased responsibility, something public managers would want to minimise. Within his perspective, public managers are still seen as actors that try to maximise personal utilities when making decisions but, rather than a focus on pecuniary incentives, rational public managers will use bureau-shaping strategies in order to bring *"their agency into line with an ideal configuration conferring high status and agreeable work tasks"* (Dunleavy, 1991: p. 209). Dunleavy's work thus weakens the emphasis on budget maximisation and seems to create a model that fits better, at least with non-US bureaucracies. Rather than a complete rejection of Niskanen's budget-maximising bureaucrat, Dunleavy's model is a logical extension of this model. Niskanen and Dunleavy both argue that managers will act in self-interested ways, but the utilities that public managers aim to maximise are different in the two approaches. A further similarity in both approaches to managerial behaviour is that the utilities are fixed. In other words, whatever the context happens to be, a public manager will aim to maximise the same utility.

Cutbacks provide a context in which both models are problematic. During government growth *"many can have a little more without any necessarily having less"* (Dunsire and Hood, 1989: p. 42). In times of cutbacks, however, one person's growth furthers another's decline. Scarce resources make maximising budgets or bureaus a rather difficult exercise as the resources available are diminishing. In such circumstances, as Lambright (1998) argued, public managers generally have three options: they can choose to either implement cutbacks, fight them or use a combination of the two. Based on the models of Niskanen and Dunleavy, fighting cutbacks would be the most rational behaviour. An argument in both Dunleavy's and Niskanen's works is that public managers will try to maximise bureaus or budgets because this will increase their reputation and status, and the prestige of their function. Cutting back on budgets or bureaus would harm these aspects, and thereby decrease job satisfaction. However, various authors have contested this claim. Sigelman (1986), for one, argued that gaining a reputation as a budget-cutter may sometimes be more helpful in securing promotion than a reputation as a budget-maximiser. Dunsire (1991) argued that, in particular, governments including more conservative parties, committed to cutting spending on the state itself, will reward budget-minimising public managers. That cutbacks are not always perceived as something negative is shown by Van Der Voet and Van de Walle (2018) who found little direct effect of cutbacks on the job satisfaction of public managers. Overall, the relationship between increasing budget and bureaucratic careers is weak at best (Young, 1991). This further justifies the claim that implementing cutbacks can be a rational, self-interested choice for public managers, in contrast to the assumption in Dunleavy's and Niskanen's models. Another reason why public managers may want to implement cutbacks is that this gives them an opportunity to reform or change the organisation. In contrast, offering fierce resistance to cutbacks may result in being excluded from the decision-making about cutback-related changes whereas being involved in the cutback management process provides an opportunity to still shape the bureaucracy.

The observant reader will have already seen that having to manage cutbacks may bring public managers to aim for very different utilities: as we briefly discussed, both defending the organisation against cutbacks as well as trying to implement these. These two seemingly incompatible goals thus provide new questions about managerial behaviour. Within this dissertation, rather than focusing on specific utilities that managers might aim to maximise, we see managers as rational, adaptive actors who may have different goals depending on the actors they interact with. From this perspective, managerial actions are understood as being strategic and goal-oriented (Kuipers et al., 2014) but, at the same time, the goals of their actions may differ in different situations. We will thus build on the premise that managerial behaviour during cutbacks is both rational and context dependent.

## 1.4 FOUR PERSPECTIVES ON CUTBACK MANAGEMENT

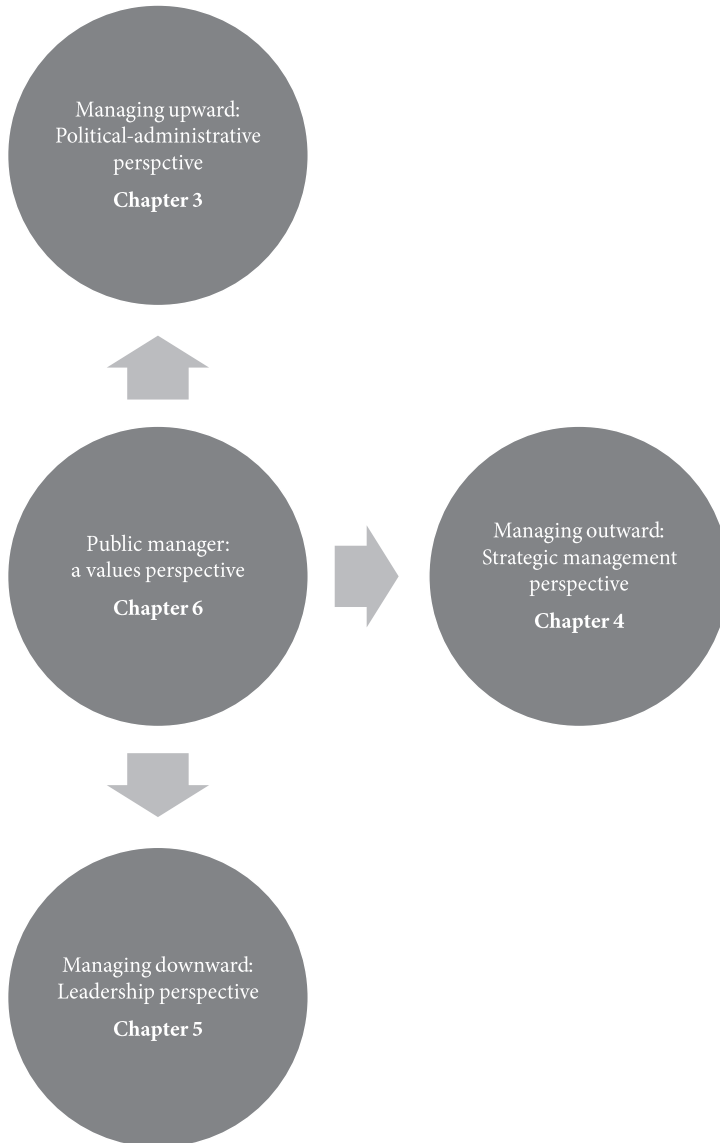
Each of the separate empirical chapters will make use of a different theoretical perspective that might help explain managerial behaviour during cutbacks. These different theories are all grounded in the assumption that managerial action is strategic and goal-oriented. The overarching idea behind using different perspectives is that public managers have to deal with different stakeholders during cutbacks. It is posited that interactions with different actors cannot be understood by a single theoretical perspective since most theories only illuminate a particular aspect of managerial behaviour. Therefore, using multiple, complementary, theoretical perspectives can help shed light more fully on the role and behaviour of public managers. We use the heuristic of Moore (1995) who argues that public managers have to manage upward, outward and downward to create public value. This characterisation of managerial behaviour should be seen as a *“shorthand expression of a much longer and more complex set of managerial functions and efforts”* (O’Toole, Meier, and Nicholson-Crotty, 2005: p. 48). Moore (1995) did not offer much detail on what managing upward, downward and outward entailed, rather using it as a reminder that public managers have different managerial orientations and need to take different stakeholders and their considerations into account. Given that the work of Moore (1995) does not provide us with a theoretical perspective to work with, we have opted for different theoretical perspectives to provide insight into what managing upward, downward and outward may entail during cutbacks. Figure 1.1 shows the perspectives that are used in the different empirical studies. We now discuss all these theoretical perspectives, in particular how they fit the assumption of intentional and strategic managerial behaviour.

Managing upwards is analysed by adopting a political-administrative perspective. Public managers and political superiors need to work together in public organisations and, especially in times of crisis such as cutbacks, cooperation between both actors is seen as crucial (Lodge and Wegrich, 2012). The answer to the question as to *what* public organisations cut back, and *how* cutbacks are implemented, depends on what public managers and political superiors decide. In other words, to manage cutbacks, public managers are forced to interact with their political superiors. As both public managers and political superiors can be expected to have certain preferences (Hood and



Lodge, 2006), we can expect them to negotiate over *what* and *how* to cut back spending. The Public Service Bargain (PSB) perspective can help analyse this negotiation. From such a perspective, the strategic choices that public managers and political superiors make in the inducements they give, and the rewards they receive, lead to a certain outcome (Salomonsen and Knudsen, 2011). By using a PSB perspective to analyse managing upwards, we can reveal how the strategic interaction between public managers and political superiors affects cutback management processes.

**FIGURE 1.1** *Perspectives used in different empirical studies*



Next to political superiors, public managers can be confronted with a wide range of stakeholders within the external environment of their organisation (Raudla et al., 2015). Managing outwards is thus seen as a public manager's interactions with external stakeholders. Labour unions, interest groups, private organisations and citizens are just some of the stakeholders that may try to influence decision-making regarding cutbacks. Public managers may use either an open or a closed cutback management strategy (Van der Voet, 2018). An open strategy involves public managers in actively trying to engage external actors in the cutback management process, whereas a closed process means that public managers try to keep external actors out of the loop. A strategic management perspective can help make sense of *why* public managers choose to engage, or not, with such external stakeholders (Boyne and Walker, 2004). More specifically, whether public managers choose to interact with such actors depends on their strategic stance. Some public managers may find that interacting with external stakeholders is helpful in the cutback management process, and therefore choose to actively engage with them. Such behaviour can be seen as 'prospecting'. In a different approach, other public managers may deliberately choose not to engage with external stakeholders, and to focus on their internal organisation. Taking this strategic stance to external stakeholders, can be defined as 'defending'. Public managers may also choose to take a more reactive strategic stance and wait until they receive instructions on whether or not to interact with external stakeholders.

Managing downwards refers to the interactions between public managers and their subordinates. Cutbacks often result in cutback-related changes that have profound impacts on public organisations and their employees (Kiefer et al., 2014). It is in such difficult circumstances that leadership behaviour is often most visibly observed ('t Hart and Uhr, 2008). Different leadership styles and theories (transformational leadership, change leadership and crisis leadership) can help in analysing the leadership behaviour that public managers intend to show when confronted with cutbacks. Assuming that public managers' behaviour is ultimately aimed at realising organisational goals, their leadership behaviour will be focused on making cutback-related changes work. The leadership theories will help to illuminate different aspects of what such leadership behaviours will look like, and to understand why public managers engage in such behaviours.

Finally, public managers may also bring their own values and beliefs into decision-making processes regarding cutbacks. The decision as to which cutback management strategy to use to implement cutbacks, such as between proportional and targeted cuts, can be seen as a decision where different values are at stake. Following from the core assumption of this dissertation that a public manager's behaviour is intentional and strategic, the values that are important to public managers will be incorporated in their choice for a particular cutback management strategy. Alongside the perspectives that help us understand how public managers' interactions with other actors shape their managerial behaviour during cutbacks, this perspective adds a manager-centred inward focus.

Overall, by combining these different perspectives connected to divergent orientations in the behaviour of public managers and their decision-making during cutbacks, we hope to explore the full range of managerial behaviours during cutbacks, and to understand why public managers behave in a particular way when confronted with cutbacks.

## 1.5 STRUCTURE AND OUTLINE OF DISSERTATION

The overarching research question of this dissertation will be answered by focusing on public managers themselves, and on their interactions with other stakeholders. Chapters 3, 4 and 5 all deal with one type of interaction (managing upward, outward, or downward) and Chapter 6 will focus on public managers themselves, and more specifically the role their values play.

Before the empirical components of this dissertation are presented, Chapter 2 first describes the research context of the case studies, and puts cutbacks within the Dutch government in the broader context of cutbacks within Europe in the last decade. By explaining how Dutch central government has been confronted with cutbacks between 2012 and 2017 (the time span of this study), Chapter 2 sets the stage for the empirical chapters that follow. The chapter also explains the institutional context in which public managers work within the Dutch central government, and in addition explain their formal roles and responsibilities. Following this, the study's design is introduced and methodological considerations elaborated upon, including the use of elite interviews.

Chapter 3 is the first empirical chapter and focusses on the interaction between public managers and their political superiors. Within this chapter, the focus is on how this interaction affects both the process and the content of cutback management. We examine the interactions of public managers of an executive agency and prison directors with political principals and analyse what role these interactions played in determining *what* and *how* to cut back. The aim of this chapter is to understand how political-administrative interactions affect cutback management by public managers, and to see how interactions between political superiors and public managers develop during cutbacks.

Chapter 4 focusses on the interactions of public managers with their external environment. Within this chapter, the focus is on whether public managers engage with external actors during cutbacks and, if so, why. We draw on the classical framework by Miles and Snow (1978) who differentiate between different strategic orientations that public managers might have towards their environment. In this chapter, we specifically focus on external interactions and ask the questions *whether, how and why public managers take a specific strategic stance towards their external environment during cutbacks?* We study three different organisational units from the same organisation. Interviews with 28 respondents from these organisational units help to understand whether, how and why public managers engage with their external environment during cutbacks, if a closed or open cutback management strategy is adopted and what form interactions with external stakeholders take. Furthermore, we aim to extend theory development in strategic management by examining what drives public managers to take a particular strategic stance towards their external environment when resources are under pressure.

Chapter 5 focusses on the role of the leadership style of public managers when needing to implement cutback-related changes. Drawing on the literature on transformational leadership, change leadership and crisis leadership, this chapter aims to explain the leadership behaviour of public managers during cutbacks. This is achieved by focussing on the implementation of cutback-related

changes, and thus the main focus is on the interactions of public managers with their employees who are confronted with cutbacks. For this study, over 50 interviews were conducted with public managers from three different organisations. The results contribute to our understanding of leadership behaviour during cutbacks, and therefore will be of interest to scholars of both leadership and cutback management.

The final empirical chapter of this dissertation, Chapter 6, focusses on public managers themselves, rather than on their interactions with other actors. The goal of this chapter is to explain why public managers opt for proportional or targeted cutback management strategies, and does so by focussing on the underlying value structures of public managers. Here, we draw on Hood's (1991) framework of lambda, sigma and theta values. The chapter therefore asks: *how do values manifest themselves in cutback decision-making?* The study is based on 26 in-depth interviews with public managers from the three highest echelons within the Dutch central government. This study contributes to our understanding of how the values that public managers themselves find important are manifested in their decision-making. In so doing, we aim to contribute to cutback management studies, and to studies on decision-making and values, by identifying which values are relevant in the particular decision-making context of cutbacks.

Chapter 7 is the conclusion of this dissertation and summarises the main findings of the various empirical chapters. Furthermore, the theoretical implications of this study are discussed: for public management scholarship in general, and cutback management scholarship in particular. After reflecting on the limitations of this dissertations and outlining avenues for further research, this dissertation ends with some practical implications.





# Chapter 2



## **Research setting, design, and methods**

Studying cutbacks and top civil servants in  
Dutch central government





## **CHAPTER 2 – RESEARCH SETTING, DESIGN AND METHODS: STUDYING CUTBACKS AND TOP CIVIL SERVANTS IN DUTCH CENTRAL GOVERNMENT**

There are two important reasons to situate the study of managerial behaviour during cutbacks in a Dutch public sector context. First of all, public managers in the Netherlands were confronted with substantial cutbacks in recent years. As we will shortly outline, cutbacks in the Dutch government can be considered as an intermediate position in between countries that were hit hardest by cutbacks (mostly southern European countries, and Ireland) and countries that did not feel the need to cut back substantially (mostly northern European countries). The second reason for study cutback management in the Dutch context is that public managers in the Dutch government provide an interesting group of actors to focus on, as they have considerable autonomy in managing cutbacks within their department.

In order to set the stage for the empirical chapters of this dissertation, this chapter fulfils three different goals. First, this chapter outlines to what extent public managers were confronted with cutbacks by sketching the broader context of cutbacks in Europe to place cutbacks in Dutch government into perspective. Second, this chapter outlines what the political-administrative and civil service context within the Dutch government looks like, in order to describe what tasks and responsibilities are commonly associated with being a public manager within the Dutch government. Third, this chapter describes the research design and data collection methods of this study by describing what cases (within the overall context of cutback on Dutch government) have been studied in-depth and with what methods, with particular attention to elite interviewing.

### **2.1 INTRODUCTION: CRISIS IN EUROPE**

The global financial crisis from 2008 onwards brought public finances all over the world under enormous pressure (Kickert and Randma-Liiv, 2015). It all started as a banking crisis with the collapse or near collapse of banks in different countries (such as Lehman Brothers in the United States, Icesave in Iceland, Northern Rock in the UK and ABN Amro in the Netherlands). A total collapse of the financial sector was averted by governments rescuing banks or providing support measures, yet the economic damage caused was significant (Kickert, 2012b). The banking crisis turned into an economic crisis when economic growth turned into decline and unemployment rose rapidly throughout the OECD region (Lodge and Hood, 2012). Governments in different countries responded similarly with measures to stimulate economic growth (Kickert and Randma-Liiv, 2015). While the bank rescue missions of governments already resulted in growing public debt, the costs of the economic recovery packages made debts even rise to near post-war levels (Posner and Blöndal, 2012). The combination of increasing public debt on the one hand and decreasing tax revenues on the other resulted in substantial budgetary deficits. Between 2007 (the year before the

crisis) and 2010, budget deficits in the OECD countries rose from an average 1.2% of the Gross Domestic Product (GDP) to as much as 8% of the GDP. Within the European Monetary Union, budget deficits should not exceed 3% of the GDP. From 2010 onwards, countries throughout the world were thus not only in an economic crisis, but also in a fiscal crisis. The fiscal crisis was the start of an era of reform and cutbacks throughout the European continent (Kickert and Randma-Liiv, 2015).

Kickert, Randma-Liiv and Savi (2015) differentiated between five different clusters of European countries in how governments dealt with the fiscal crisis. The first cluster consists just of Norway, as this is generally seen as the only country that was left untouched by the crisis. The second cluster involves countries that needed help from international organisations (such as the IMF and the European Central Bank): Iceland, Ireland, Italy and Spain. Generally, cutbacks have hit these countries hardest, and financial bailouts led to externally imposed reforms (Di Mascio and Natalini, 2015; Di Mascio and Natalini, 2013). The third clusters consist of governments that implemented moderate amounts of cutbacks. Within this cluster, cutbacks were necessary, yet the magnitude and impact of cutbacks were less compared to the previous cluster. Countries such as Germany, Belgium, France, Slovenia and The Netherlands belong to this group (Kickert, 2012b; Overmans and Timm-Arnold, 2016; Troupin et al., 2015). The fourth cluster only involves the Baltic states Lithuania and Estonia, who were quick to announce severe cutbacks after the start of the crisis in 2008 and afterwards, did not need help of external partners, contrary to the countries in the second cluster (Nakrosis, Vilpisauskas, and Kuokstis, 2015; Savi and Randma-Liiv, 2015). The last cluster is again an outlier: United Kingdom. Based on electoral prospects, the government first refused substantial cutbacks. After a new government was installed, unprecedented cutbacks were proposed and implemented (Barbera, Jones, Korac, Saliterer, and Steccolini, 2017; Leslie and Canwell, 2010).

While the crisis boosted cutbacks in government to unprecedented levels, cutbacks have been a permanent feature for many European public administrations for much longer. From cutbacks at the end of the 1970s onward, governments throughout the world have searched for ways to make public service better, more efficient, and above all, cheaper. The financial crisis of the 1970s combined with a growing belief that the western welfare state *“had become unaffordable, ineffective and overly constraining on employers and citizens”* (Pollitt and Bouckaert, 2011: p. 6) gave way for New Public Management (NPM) reforms. As Raudla, Savi and Randma-Liiv (2013) note: *“cutback management in the 1970s and 1980s clearly emphasised the rhetoric which was later translated into the main slogans of NPM”* (p. 37). The idea behind NPM was that private sector instruments were applicable and needed in the public sector, to work toward a smaller and more efficient government and a solution to continuing budgetary deficits. More recently, NPM ideas and instruments have come under increasing scrutiny and are sometimes considered inappropriate in a public context (Van de Walle and Groeneveld, 2011). Furthermore, evidence of actual efficiency gains of NPM is patchy and incomplete at best (Hood and Dixon, 2015; Pollitt and Bouckaert, 2011). Lastly, the scale and magnitude of cutbacks that were required as a result of the 2008 crises made NPM reforms unsuitable (Hood and Dixon, 2013).

In short, the financial crisis of 2008 onward put government budgets throughout the world under enormous pressure. Increasing criticism from both practitioners and scholars of NPM forced public managers to find new strategies and tactics to deal with cutbacks (Van de Walle and Groeneveld, 2011), making cutback management an increasingly important topic. For public management scholars, the substantial cutbacks on public organisations provided an opportunity to learn more about managerial behaviour in a highly turbulent and complex environment. As Barnard argued in 1938 in his classical work on the functions of the executive: *“studying organisational problems in stable environments is important but trivial in comparison with understanding how organisations adapt to turbulent environment that not only threatens the organisation’s growth, but also portends its decline”* (Barnard, 1938 in: Jimenez, 2018: p. 592).

## 2.2 CUTBACKS IN DUTCH CENTRAL GOVERNMENT

Just as with other countries in Europe, cutbacks have been an almost permanent reality for public managers in The Netherlands for the last two decades. Different treaties within the European Monetary Union (EMU) state that sanctions follow if the national budget deficits exceed three per cent of the Gross National Product (GNP) (Kickert et al., 2015). The Dutch government, traditionally praised for its adherence to such treaties, was a far stretch from this three per cent norm at the beginning of 2012. The Netherlands Institute for Economic Policy Analysis (CPB) expected that the budget deficit would have been 4.6 per cent of the GNP (CPB, 2012) if no cuts were made. It was, therefore, no surprise that the financial crisis and related austerity measures were one of the major themes in the Dutch elections of September 2012.

Late 2012, the newly installed liberal/social democratic coalition government announced 28 billion euros in cutbacks at the presentation of their coalition agreement. These cutbacks can be divided into three categories (Raudla et al., 2015): cutbacks on (1) operational measures, (2) program measures, and (3) capital expenditures. Operational expenditures mostly consist of personnel and non-personnel costs, the costs of running government organisations. Program measures can be defined as the service provisions of public organisations towards citizens. These can take many different forms, such as entitlements (for example unemployment benefits) but also service hours for public organisations. Capital expenditures, lastly, are the investments that the government makes, for example, for new projects or maintenance of capital. Cutbacks, in this regard, usually entails postponing or cancelling new projects. As explained in the previous chapter, the focus in this dissertation is on the first category, operational expenditure. Operational expenditure refers to all costs related to ‘running the government’. The most important costs for the government, as these often make up for the largest share of operational expenditure, are housing costs and personnel costs. Operational expenditure does not include costs such as welfare state expenses. While operational costs include the cost of having an employee who engages with citizens on the phone, operational expenditures do not include the subsidies or welfare provisions that citizens receive

from the government. At the same time, as governments are often asked to do more with less, cutbacks in operational expenditure often lead to cutback-related change. Cutbacks to particular policy programs do not necessarily lead to such changes. Within the 28 billion euros of cutbacks, 1.1 billion euros (9% of the total budget for central government) was reserved for cutbacks to central government: ministries and executive agencies.

What is important here is that the cutbacks of 2012 were far from the first for Dutch central government. Before the 2012 cutbacks, all cabinets from 2002 onwards proposed cuts for the Dutch government, either in financial terms (i.e., cutting a specific percentage of the budget) or specifically aimed at decreasing the number of civil servants. For many public organisations, the cutbacks proposed in 2012 came on top of earlier cutbacks, thus making the challenge of cutback management even harder. Table 2.1 shows an overview of cutbacks of the last 15 years since the euro came into existence.

**TABLE 2.1** *Cutbacks in Dutch central Government (2002 – 2017)*

Time	Cabinet	Magnitude of cutbacks
2002 – 2003	Balkenende I – Christian Democratic Party (CDA), Right-wing populist party (LPF), Conservative Liberals (VVD)	330 million euros
2003 – 2006	Balkenende II – CDA, VVD, Progressive Liberals (D66)	Around 300 million euros
2007 – 2010	Balkenende IV – CDA, Social-Democrats (PvdA), Social Christian Party (CU)	750 million euros
2010 – 2012	Rutte I – VVD, CDA	1,79 billion euros
2012 – 2017	Rutte II – VVD, PvdA	1.1 billion euros

The 2012 coalition government decided to differentiate between ministries as to the magnitude of cutbacks that had to be implemented, meaning that ministries were assigned cutbacks of either 4.4, 8.9, or 13.3 per cent of their budget. However, these cutbacks came on top of cutbacks from earlier coalition governments, which means that in reality, many ministries had to implement cutbacks of up to 25% of their budget. To make the challenge even bigger, the coalition agreement already stated that some organisational units within ministries were exempted from cutbacks implying that the manoeuvring space for public managers was further reduced. Most notably, the national police (which was in the middle of a major reorganisation) was exempted from cutbacks at the Ministry of Safety and Justice, meaning that public managers were not allowed to cut back on this part of the organisation. Table 2.2 shows the differentiation between different ministries.

While the coalition agreement did state which organisational units were exempted from cutbacks, there was no pre-defined differentiation *within* ministries on how to divide cutbacks into the remaining organisational units. Executive agencies, parts of the ministry that are responsible for the execution of public tasks (such as the tax collection agency of the custodial institutions agency) were also not explicitly mentioned within the coalition agreement, meaning that the extent to which they would need to cut back, would be determined within the ministry. This means that public managers, especially in the highest echelons of government, had substantial autonomy to make decisions about how to implement cutback-related change.

**TABLE 2.2** *Percentage of cutbacks on operational expenditure, per ministry (2012 – 2018)*

Percentage of cutbacks per year			Ministries
2016	2017	2018	
1.6%	3.6%	4.4%	General Affairs, Finance, Social Affairs, Health
3.2%	7.3%	8.9%	Safety and Justice, Defense, Economic Affairs, Infrastructure and the Environment
4.8%	10.9%	13.3%	Foreign Affairs, Interior Affairs and Kingdom Relations, Education, Culture, and Science

Based on a series of semi-structured interviews with public managers from all ministries (resulting in the empirical work of chapter 6) and an analysis of budget proposals by the Dutch government, we identified different cases that were potentially interesting and suitable for the purpose of this dissertation. Based on the aims of the different empirical chapters, we selected different cases to study in-depth. These cases include both ministries as well as executive agencies.

### 2.3 THE POSITION AND ROLE OF PUBLIC MANAGERS WITHIN THE DUTCH GOVERNMENT

The term public manager can be used for a wide variety of actors. Within this dissertation, we focus on those public managers that can be regarded as top civil servants. While the specific group targeted as respondent differs per case study, all respondents hold or held positions that are among the top-four highest ranks within the government. This means that the interviewees within the different case studies all hold influential positions within government and can be regarded as administrative elites (Raadschelders and Meer, 2014). The highest civil service level is that of the secretary-general (SG), followed by the director-general (DG), director, and head of department. Politically, ministries are led by a minister, most of the times accompanied by a junior minister. While political superiors are ultimately responsible in Parliament for what happens within their ministry (see, for the role of the Parliament, Duisenberg, 2016), the responsibility for the administrative apparatus lies with the top civil servants.

Within Dutch ministries, top civil servants were traditionally the first advisor to the political superiors and responsible for the coordination and integration of ministerial policy. Much changed with the introduction of NPM after the crises of the 1980s. Central to NPM reforms in governments around the world was the idea that government could and should be run as a business (Osborne and Gaebler, 1992). NPM also affected what role was expected from top civil servants. Top executives were no longer policy experts but had to become managing directors (Colebatch, Hoppe and Noordegraaf, 2010). No longer would managers devote the majority of their time to giving policy advice, but they would be working on more general issues such as reaching targets, personnel management, and organisational development. In all, the NPM reforms in the Dutch government aimed at creating a more professional managerial model of public sector leadership (Steen and Van

der Meer, 2007). These reforms also led to a hybrid public-service bargain (Hood and Lodge, 2006) in which Dutch top civil servants have considerable autonomy over the internal organisation and thus also have the responsibility for cutbacks. Chapter 3 outlines the public-service bargain (PSB) between top civil servants and political superiors in the Netherlands further.

To promote management development, to diminish the partition between the different ministries (Steen and Van der Meer, 2007) and to promote mobility, a Senior Public Service System was installed, including the formation of the Senior Public Service (SPS), the 'Algemene Bestuursdienst' (ABD). Whereas the first plans for an SPS were already proposed at the beginning of the 1980s, it took until 1994 before it was established (Raadschelders and Van der Meer, 2014). A commission advised the cabinet Kok I (1994-1998) to create the ABD. According to this commission, the ABD would ensure that civil servants would no longer owe allegiance to just one department or ministry, but to the complete civil service. The ABD became the employer of top civil servants and would be involved in the selection process of filling vacancies of top civil servants. Similar reforms of the senior civil service during the 1990s can be observed in many European countries Raadschelders, Toonen, and van der Meer, 2007).

Civil servants in the three highest echelons, thus SGs, DGs, and directors are recruited, selected and employed by the SPS. Heads of department can be accepted for the candidate program of the ABD, preparing them for a function as top civil servants. Members of the ABD are required to change jobs every five years to increase mobility. Contrary to the situation before the introduction of NPM, it is no longer natural to serve within one ministry for years. The idea was that this would improve mobility but also professionalism. Managers in this system were expected to have more general managerial skills because they have to function in different contexts, sectors, and within different organisations. Currently, all civil servants in the three highest wage levels are part of the ABD. This means that all SGs, DGs, and directors are members of the ABD. Heads of department commonly participate in the so-called 'candidate programme' of the ABD, which means that they are prepared for a job as a top civil servant.

Within a ministry, the SG is "*the [first] advisor to the minister and is responsible for the coordination and integration of ministry policy*" (Lemstra, 1993: p. 261). Whereas the DGs are the head of a specific directorate, the SGs are responsible for the general management of the ministry. This includes integration between policy areas (Lemstra, 1993). The specific parts of a ministry where the responsibility of a DG lies is often a specific policy area, but it can also be a specific agency. An example is the DG for the Custodial Institutions Agency, who is the director of an agency but falls within the jurisdiction of a ministry. Beneath the level of the DGs is, as mentioned, a level of directors who are in charge of a directorate. Directors can be appointed to a more specific domain within a directorate-general. An example is a director of higher education, within the directorate-general of Higher Education, Vocational Education, Science, and Emancipation, within the Ministry of Education, Culture, and Sciences. Heads of department are commonly deputy-directors and daily supervisors over a larger department within a certain directorate.

Each ministry is headed by a Top Management Team (TMT), which includes the SG (who is the chairman of this team), DGs and sometimes the DGs from (larger) executive agencies. Whether DGs of executive agencies are members of these TMTs, differs per ministry. The TMT is in charge of all operational affairs, meaning that decisions regarding cutbacks are usually made in their meetings. Important to note is that for these management teams, the magnitude of cutbacks is pre-defined. The decisions that TMTs make regarding cutbacks are therefore concerning the content of cutbacks (what is cut back) and the process (how to implement cutback-related change). This also includes decision-making that concerns questions on how to divide cutbacks over the organisation. While TMTs commonly set the framework for the sum of cutbacks that should be realised per organisational unit and the process through which this should take place, directors and heads of department can have a large degree of autonomy regarding the implementation process of cutbacks. Again, how this is typically arranged is different across ministries.

## 2.4 RESEARCH DESIGN: STUDYING CUTBACKS WITHIN GOVERNMENT

To study managerial behaviour during cutbacks, we conducted different types of qualitative (case) studies on cutback-related changes within Dutch public organisations. The chapters 3, 4 and 5 are all case studies in which cutback-related changes in one or more public organisations are central, while chapter 6 is a qualitative study in which public managers from all over Dutch government have been interviewed. In all chapters, public managers are the central actors.

There are two main reasons why this dissertation mainly draws upon different case studies and why this is an appropriate research design. First of all, the nature of this dissertation is exploratory (Gerring and Cojocaru, 2016). As explained in chapter one, this dissertation aims to increase our understanding of managerial behaviour during cutbacks, which have mostly been neglected in cutback management literature so far. This also means that there are no ready-made hypotheses or expectations that can be tested (Seawright and Gerring, 2008). Rather, we have to develop an understanding of what public managers actually do during cutbacks ourselves. To answer questions of *how* public managers' act during cutbacks, and *why* they do so, qualitative case studies are a particularly useful way to go around. By doing an in-depth investigation of phenomena in a real-life context (Yin, 2009), we explore the previously neglected phenomenon of managerial behaviour during cutbacks.

Second, qualitative case studies can be helpful for the purpose of theory development (Toshkov, 2016), in this case, by elaborating and specifying public management theories (Ashworth et al., 2018). As explained in chapter 1, this dissertation does not only contribute to cutback management research but also aims for theoretical development. The theoretical perspectives used in this dissertation are not only applied in order to explain managerial behaviour during cutbacks, but the insights of the case studies are also used to develop propositions about what managerial behaviour

looks like during cutbacks. Rather than arguing whether a particular theory 'holds' in the specific context of cutbacks, qualitative research helps us to generate a rich, detailed, and contextualised account on managerial behaviour during cutbacks. The empirical study on leadership behaviour in chapter 5, for example, concludes with a list of propositions on what leadership behaviour may be observed during cutbacks. The theory guided the empirical analysis of the cases, while the observations from the case study were used to propose refinements to the theory, to be tested in other cases and contexts. This way, the propositions can add to our understanding of what leadership looks like during cutbacks and how it is different in this specific context. While especially the literature on leadership is said to be in need of a better contextual understanding (Bryman, Stephens, and Campo, 1996; Ospina, 2017; Porter and McLaughlin, 2006), we aim to contribute similarly to the literature on public service bargains (PSBs) in chapter 3, the literature on strategic management in chapter 4, and the literature on public values in chapter 6. For all empirical studies in this dissertation, theoretical generalisation, rather than empirical generalisation, is the aim.

### **Criteria for case selection**

A case, in this study, consists of cutback related changes within a particular organisation or organisational-unit (that is: a particular part of the organisation). As can be seen from the introduction of this chapter on cutbacks in Europe and the Netherlands, cutbacks and cutback-related changes can vary greatly. The percentage of the budget that needs to be cut can be higher or lower, cutbacks can be more politically salient in one situation compared to another, and the planning (when cutbacks need to be realised) will be different for different organisations. Consequently, the content of cutback-related changes (*what* the cutback-related changes entail), process (*how* cutbacks are being implemented within the organisation) and outcomes (*the results* of cutback-related changes for the organisation and its employees) will be different, in different cases. The question then is: how to select an appropriate case to study?

First, it is important to decide which cases can be considered as a case. Within this dissertation, some demarcations have been made to limit the number of potential cases. First, this study limits itself to the central government in the Netherlands, consisting of ministries (mostly oriented towards policy-making) and executive agencies (mostly tasked with policy execution). Within the field of cutback management, most studies focus on local government (see, for example, Barbera, Guarini, and Steccolini, 2016; Barbera et al., 2017; Overmans and Timm-Arnold, 2016; Scorsone and Plerhopes, 2010). This means that how central governments are tasked with managing cutbacks has been subject to limited empirical research. Furthermore, cutbacks on central government are interesting and important to study, as such organisations have (also compared to local government) even fewer possibilities to increase income (Pandey, 2008). As central governments are often tasked with 'doing more with less', cutbacks are likely to result in cutback-related organisational changes and in addition to that ask substantial efforts from public managers.

Another demarcation is the emphasis on operational expenditure, rather than other types of expenditure. This means that cases in which certain policy programmes are cut (for example, par-



ticular welfare arrangements), are not taken into account. The reason to do so is that such cutbacks do not necessarily lead to cutback-related changes within the organisation, while cutbacks on operational expenditure necessitate public managers to think about and act upon organisational consequences.

## Case selection

Before doing the case studies, a qualitative, exploratory study, in which at least one public manager from each Dutch ministry was interviewed. These interviews were used to gain insight in how public managers were confronted with cutbacks in recent years, what factors affected cutback management, and to learn more about concrete cases of cutback-related changes within many different organisations. In total, 27 interviews resulted in a wide range of possible cases to study. From this list, we selected three different cases. These cases are concrete cutback-related change programs which were implemented around the same time but in different organisations. As the main aim of this dissertation is to explore managerial behaviour during cutbacks, we selected cases differing in the magnitude of cutbacks that had to be implemented, and in addition to that, different cutback-related changes. The aim of selecting these cases was not to compare across cases but rather, to explore different situations in which public managers had to realise cutbacks and cutback-related changes. This strategy means that we purposefully selected cases relevant to the research objectives of the four different studies. For example, to observe how political-administrative interactions develop during cutbacks, and what this means for the cutback management process, it is important to select a case in which political principals and public managers need to interact with each other. A more pragmatic reason for selecting particular cases was access concerning data collection efforts. Some cases met our criteria for case selection but were not easily accessible (or denied access) and therefore, unfit for this dissertation.

## Selected cases

The first case that was selected is cutback-related changes in the Dutch penitentiary sector. The penitentiary sector was confronted with cutbacks of over 30% of the budget, resulting in thousands of layoffs among personnel. The substantial impact of cutbacks in this area made the case highly politically salient. Therefore, public managers in this case were not only confronted with leadership issues in how to implement cutbacks but also with how to deal with both political superiors and a wide range of actors in the outside world. Therefore, we selected this case for studying managing upward, outward and downward. To study this case, interviews were conducted with public managers in the highest three echelons (SG, DG and director) working in three different but related organisations: within the Ministry of Justice and Safety, within the executive agency in charge of policy execution, and with prison directors from local prisons. Respondents were purposefully invited, based on their specific role in the cutback management process. The interviews were used for chapter 3 and chapter 4. The interviews with public managers at the executive agency and prison directors are, together with the respondents from case 2 and 3, used for chapter 5. In total, 31

interviews were done for this case study, including 27 interviews with public managers and 4 other informants. Furthermore, 4 focus groups were held with other informants.

The second case that was selected involves cutback-related changes at one of the ministries in the Netherlands. This ministry was confronted with 13,3% cutbacks on its operational budget and therefore in the highest category of cutbacks. The organisation mainly realised cutbacks through implementing flexible working arrangements for all employees, thus substantially cutting back on housing expenses. By doing so, layoffs were avoided. Yet, the case is an example of cutback-related changes that many ministries had to implement, and which require a substantial change in daily practices within the organisation. Therefore, we expected that managing downwards would be an important orientation for public managers in this case. All public managers in the highest four echelons (SG, DG, Director and Head of Department) were invited for an interview. Twenty-eight public managers were interviewed for this study, next to 7 other informants, and the results are used for chapter 5.

The third case that was selected involves cutback-related changes at another ministry. This ministry was among those ministries that only had to cut back 4,4% of its budget and was thus relatively little harmed by cutbacks on its operational expenditure. They did so by implementing proportional cutbacks within the organisation, thus trying to make efficiency gains and cutting back on slack. We used this case to study managing downward. Within this ministry, we interviewed six public managers in the two highest echelons (SG and DG). The results of this study are used in chapter 5.

For all three cases, additional interviews or focus groups were done with policy advisors, political actors and 'general' employees. These interviews helped in gaining a better understanding of the context of specific cutback-related changes. Documents (both internal and public documents) were also used to increase our knowledge of what the cutback-related changes entailed, and how cutbacks were implemented. Generally, desk-research and interviews with policy advisors were used to prepare for interviews with public managers. Some public managers in the organisations as mentioned above were interviewed twice, for example, once in the exploratory phase, and once concerning a specific case. The appendix shows an anonymised overview of the respondents that were interviewed for this dissertation, per case. Table 2.3 shows an overview of the various data sources and what data sources have been used in what chapters.

**TABLE 2.3** *Data sources*

Data Source	Number	Chapter
Interviews with public managers	88 Interviews	3 - 6
Interviews with other informants	11 interviews	3, 4 & 5
Focus groups	4 focus groups	3
Policy and Parliamentary documents	183 documents	3, 4 & 5
Newspapers articles	107 Newspaper articles	4

The interviews from the first case, which have been used in chapters 4, 5 and 6, included questions on the different actors that these public managers engaged with: political superiors, employees

and external actors. While chapters 4, 5 and 6 thus use data from the same respondents, different parts of the interviews have been used for the different chapters.

All three cases that were used represent different types of cutback-related changes that public organisations in the Netherlands had to deal with in recent years. As the type of cutback-related changes differs greatly, we did not aim to compare the different organisations to each other. The cases differ too much on many different variables that doing comparative case studies would risk that we are comparing apples and oranges. Rather, we selected cases with a different type of cutback-related change to make sure that we have a wide range of different cutback management processes to explore how public managers manage cutbacks targeted at their organisation.

The last empirical study of this dissertation, chapter 6, is the only chapter that does not use a case study design. For this chapter, we analysed the 26 interviews that were done in preparation for the case selection process. In chapter 6, a more elaborate description of the respondents and the methods of this study will be given.

In order to increase the transparency of the research methods used (cf. Aguinis and Solarino, 2019), we describe the procedure through which respondents were invited, how interviews were recorded and how data was stored. For all four empirical chapters, the same procedures were used to invite respondents, record the interviews, and store the data. First, all respondents were invited by the author of this dissertation. Respondents who were invited to participate in one of the studies for this dissertation received a similar e-mail and the same attachment explaining the general purpose of the research project. When respondents did not react in two weeks, they received a follow-up e-mail again, including the attachment explaining the research project. At the start of the interviews, all respondents were asked their permission to record the interview. The respondents were promised anonymity, with only members of the research team (PhD-Candidate, supervisors and student-assistants) having access to the data and transcripts.

Furthermore, respondents were explained that the transcripts of the interviews needed to be stored ten years on university servers. With two exceptions, all respondents agreed to be recorded. Three interviewees were interviewed by phone; all other respondents were interviewed in person. Respondents could name the place for the interview, resulting in almost every interview being held in the office of the respondent. Two interviews were conducted within the university, one interview was held in a restaurant, and one interview was conducted at the respondent's home.

## 2.5 INTERVIEWING GOVERNMENT ELITES

The previous section described how different cases were selected and why a case study design fits the research aims of this dissertation. As this dissertation mainly draws on interviews with public managers, it is important to describe in some more detail what this looked like and pay particular attention to the potential and pitfalls of interviewing administrative elites. Although there is no clear-cut definition of what exactly constitutes as elite, common features of definitions of elites

include aspects such as power and influence (Harvey, 2011; Liu, 2018; Richards, 1996), suggesting that elites have the potential to substantially influence government policy and organisational practices. This means that elites usually occupy a special position within government with considerable autonomy and, therewith, power and influence. As described in the previous section, public managers in the highest tiers in Dutch government find themselves in such a position. Therefore, the respondents of our studies can be regarded as elites (Raadschelders and Van der Meer, 2014).

There are several reasons why interviewing and studying elites is relevant in the context of cut-back management. First of all, elite interviews may help in interpreting policy processes, reports and reforms, and may help to sketch the context in which such changes evolve. Elites can be seen as privileged witnesses of such reforms. During cutbacks, it is common that decision-making is centralised and centres around the political and administrative elites. Therefore, elites can be expected to know more about how decisions have been made compared to the outsiders of such processes. Second, elite interviews give insight into the mindset and behaviour of those actors that play an important role in *“shaping the society in which we live”* (Richards, 1996: p. 200). Not only are government elites’ witnesses of reforms, they often play an active role in shaping these reforms. As explained in the discussion on the position of public managers in the Dutch government, especially cutbacks on operational expenditure are a core domain of the public manager, rather than political actors. Therefore, they have considerable autonomy in shaping the reforms as they deem good. This means that insight into the mindset and behaviour of these actors can tell us more about the rationale behind certain decisions. The third advantage of studying elites is that elites can help to establish networks and provide access to other respondents and to internal documents, which would otherwise not have been available for research. For this dissertation, 86 public managers from the highest tiers of government were interviewed. With the help of some respondents, internal documents have been made available for research purposes, and site visits to locations of interest were made possible.

The most common way of studying elites is by doing interviews. There is a wide range of studies that consider elite interviewing as a specific type of interviews (Aberbach and Rockman, 2002; Goldstein, 2002; Harvey, 2010, 2011; Liu, 2018; Mason-Bish, 2019; Richards, 1996). That elite interviewing is considered different than ‘regular’ interviews, is due to the particular nature of the respondents of elite interviews, which poses challenges to the research process.

First of all, studying elites can be difficult because access to respondents might be limited. For example, elites can use their position to protect themselves from intrusion, which is seen as a reason that elite studies are relatively rare (Harvey, 2010). Furthermore, time constraints are one of the aspects that make it hard to gain a representative sample of elites. For this dissertation, generalisation is not the aim. We, therefore, do not approach our sample of respondents as quantitative researchers would. Yet, also qualitative researchers should take a close look at their sample of respondents. Non-random error can be caused by a variety of factors, including measurement error and non-response.

With regard to the latter, a systematic error can be the result of high numbers of non-respondents. Goldstein (2002) argues that it is important that we should not focus too much on the total number of (non-)respondents, rather, we should ask ourselves whether those who refused to be interviewed or could not be contacted have different characteristics than those who did participate in the research process. Within this study, we used purposeful sampling to invite public managers to participate in this research project. Lists of respondents were made by doing desk-research on the case at hand, for example by reading policy documents, parliamentary debates and reading media coverage on the topic, and by therewith looking for respondents who played an important part in the cutback management process. For each case study, a first choice and second choice respondent were selected which shared (as much as possible) the same characteristics with regard to their position (i.e. both being a director-general), gender (i.e. both being female) and organisation or organisational unit within the same organisation (i.e. both being confronted with cutbacks of a certain magnitude). By doing this, we hoped to ensure that the respondents included in the study were as similar as possible as that of respondents who did not participate. The second challenge of elite interviewing is that elites are more conscious about their self-interest. As Van der Wal (2013) puts it:

*“It would be naïve to act overly trusting towards individuals that are very well equipped to ‘spin’ facts and events, ‘play’ interviewers, and dominate and take over conversations entirely. In fact: They would never have become government elites had they not developed such skills.”* (Van der Wal, 2013: p. 6).

By being defensive, elites can hinder the researcher in getting their questions answered. Furthermore, elites are very well able to shape the interviews as they want. This means that they are very well equipped to steer the interview in a direction that they want, thus compromising the validity of the empirical material. It is difficult to deal with such issues, especially because different scholars’ advice to use open-ended questions for elite interviewing, as *“elites especially, but other highly educated people as well, do not like being put in the straightjacket of close-ended questions.”* (Aberbach and Rockman, 2002: p. 674). Such open-ended questions make it much easier for respondents to circle around the question and talk about other things than those the researcher wants to discuss. In the studies for this dissertation, preparation was a key aspect of making sure that respondents could not get away easily with circling around the question. Preparation in this sense was analysing (public) documents about the particular cases, doing interviews with policy advisors or otherwise involved actors, and properly checking the background of the respondent. Furthermore, all respondents were promised confidential handling of the data. Lastly, interviews were structured in such a way that easy and unthreatening questions (for example, questions about the job of the respondent) were asked first to bond with the respondent. Also, respondents were first prompted in giving a more chronological overview of the particular case of cutbacks, followed by questions about (aspects of) managerial behaviour. Such an order of questions is in line with

advice from Richards (1996), who suggests that uneasy questions can best be questioned after the interviewer build some rapport with the interviewee. We also followed the advice of Berry (2002) to circle back to (rephrased) questions which were previously left unanswered by the respondents and used rephrased questions on the same topic.

A third challenge of doing elite interviews is reflexivity of elite respondents. Elites can be highly reflective of their actions within interviews, meaning that they do not only answer questions but immediately start to analyse their behaviour. In some cases, interviewees are unclear whether they answer questions with their behaviour in mind, or whether they are making more general statements about the topics at hand. When questions are answered differently, this poses challenges to the reliability of the data. Therefore, in the interviews for this dissertation, whenever respondents were making more general claims about cutback management (for example by describing cutbacks within the government as a whole, rather than within their department), follow-up questions were used to dig deeper into the experiences from respondents themselves. In general, the interviews were more like conversations rather than just firing interview questions upon the respondents. Such a style of interviewing gives maximal flexibility, and by using a topic list, still helps the researcher to get the answers to all questions (Berry, 2002).

The different empirical chapters of this book are also designed as stand-alone publications. For this reason, the empirical studies in this dissertation use different case study designs and draw upon different samples of elites. Therefore, we explain how respondents were selected, who was interviewed, what interview strategy was used, and how data was coded and analysed in the different empirical chapters.







# Chapter 3



## **Managing upward**

A political-administrative perspective

## CHAPTER 3 – MANAGING UPWARD: A POLITICAL-ADMINISTRATIVE PERSPECTIVE<sup>3</sup>

### ABSTRACT

Public managers need to interact with their political principals when managing cutbacks. However, research on cutback management did not put much emphasis on this interaction. We analyse how the interaction between public managers and political principals develop during cutbacks, and how this affects cutback management. We analyse these interactions between political principals and public managers as a Public Service Bargain (PSB). This study employs an in-depth qualitative case study on recent cutbacks in the Dutch penitentiary system. The results show that cutbacks put the interaction between public managers and political principals under pressure. As political principals feel that public managers' loyalty towards them is violated, they centralise decision-making. Consequently, public managers were withheld responsibility for cutback management. Strong resistance to cutbacks from public managers and subsequent political uproar leads to both actors having to find a new balance in the bargain. Furthermore, it leads to changes in both the content (what is cutback back) and the process (how are cutback decided upon and implemented) of cutback management. The first conclusion of this study and our contribution to the cutback management literature is that if we want to understand the work and behaviour of public managers during cutbacks, we cannot neglect the political context public managers work in. Second, we contribute to the literature on PSBs, as we conclude that cutbacks, even if they do not impact the institutional, formal part of the bargain, have the potential to affect PSBs and thus, the interactions between public managers and political principals.

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3 This chapter is published as Schmidt, J.E.T. (2019). The role of Public Service Bargains in cutback management: Insights in reforms in the Dutch penitentiary sector in *Public Policy & Administration*.

### 3.1 INTRODUCTION

The financial crisis that erupted in 2008 forced many governments throughout the world to implement cutbacks. Financial decline may transform organisations to political arenas (Mintzberg, 1985) where public managers and political principals face the difficult task of finding ways to manage cutbacks, especially since public organisations cannot easily choose to stop their services (Levine, 1979) and demands for high-quality public service remain ever-present. Research on cutback management shows that cutbacks often leads to centralised decision-making (Raudla, Randma-Liiv, Douglas, and Savi, 2015), with only the key political and administrative leaders (i.e. public managers) involved.

Cutback management research acknowledges that the interaction between public managers and political principals is important to understand cutback management (Cepiku, Mussari, and Giordano, 2016; Kickert and Randma-Liiv, 2017). Both public managers and political superiors can be assumed to be strategic and goal oriented actors (Kuipers et al., 2014) whose strategic interaction can influence cutback management and each actor's role within such processes. So far, cutback management research taking the political-administrative context into account tends to focus on issues such as fiscal consolidation at the macro-level, rather than addressing the managerial challenges that come with cutbacks (Schmidt et al., 2017). This study, therefore, asks a twofold question: *how does the strategic interaction between political principals and public managers develop during cutbacks, and how does this affect the cutback management process?* This study's first and primary aim is to contribute to cutback management by studying how the interaction between political principals and public managers affects cutback management.

We analyse the strategic interactions between political principals and public managers as a Public Service Bargain (PSB). PSBs refer to "*explicit or implicit agreements between public servants -the civil or uniformed services of the state- and those they serve*" (Hood and Lodge, 2006: p. 6) and capture the formal and informal relationship between public managers and political principals. Changes in bargains can be the result of changes in the environment (Salomonsen and Knudsen, 2011). Especially crises, such as cutbacks, represent "*the hour of the executive*" (Lodge and Wegrich, 2012, p. 2) and have a strong potential to affect PSBs. Next to contributing to cutback management, our second aim is to contribute to theory development on PSBs by giving insight into how PSBs develop in the context of cutbacks.

A single case study of cutbacks at the Dutch Custodial Institutions Agency (DJI<sup>4</sup>) is used to capture the interconnectedness of the different concepts and to generate a rich and detailed study of the interface between politics and bureaucracy (Rubin and Baker, 2018). The case of DJI is an insightful case for studying political-administrative interactions, as public managers in this organisation were confronted with cutbacks of more than 25% of the budget. Cutting back on prisons is regarded

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4 Since the Dutch name of this organisation is DJI (Dienst Justitiële Inrichtingen) and this abbreviation is used in its English brochures, we will use this abbreviation rather than using CIA.

as a highly political issue in the Netherlands, because safety is high on the political agenda, and because prisons are major employers, especially in the periphery. In such a case, public managers and political principals need to act together during cutback management, thus making it a useful case to study political-administrative interactions during cutbacks. We focus on two strategic interactions: interactions of political principals with public managers working at DJI, and between political principals and prison directors, as both groups of public managers need to interact with political principals in the cutback management process.

## 3.2 CONCEPTUAL FRAMEWORK

### Public Service Bargains (PSBs)

Political-administrative relationships are considered a “*vital but delicate part of the fabric of government*” (‘t Hart and Wille, 2006: p. 143) and therefore regarded as one of the key themes of political science and public administration (Aberbach and Rockman, 1988, 2006; Svava, 2006). Within the literature, the conceptualisation of political-administrative relationships takes different forms and emphases (Peters, 2016), such as role divisions (Aberbach, Putnam, and Rockman, 1981), working relationships (‘t Hart and Wille, 2006), loyalties (De Graaf, 2011), and bargains (Bourgault and Van Dorpe, 2013; Hood, 2002; Hood and Lodge, 2006; Van der Meer, Van den Berg, and Dijkstra, 2013).

We follow Peters (2016) who argues that the strategic interactions between political principals and public managers are a “*complex political game balancing a number of objectives and utilizing a variety of resources for bargaining*” (Peters, 2016, p. 147). The bargain between public managers and political principals is a give-and-take relationship, where the actors have to find a balance between the inducements they receive in exchange for the contributions they deliver. The PSB, in this regard, functions as the “*terms of engagement between government bureaucrats and those whom they serve*” (Elston, 2017: p. 85) While the term PSB dates back to the work of Schaffer (1973), it gained increased attention from public administration scholars more recently after the development of the concept by Lodge and Hood (2006). The theoretical foundations of the PSB are found in a combination of institutional theory and social exchange theory (Hood and Lodge, 2006). As such, a PSB perspective combines the strength of a historical intuitionism with a strategic interaction perspective (Hood, 2000). From a historical institutional perspective, the PSB captures the rules and role expectations that develop in the environment (Salomonsen and Knudsen, 2011), which can be enacted in legislation and therefore constitutes the formal part of the bargain. From an exchange perspective, the PSB captures the motives and interests of different actors, related to the inducements they receive (March and Olson, 1983; Salomonsen and Knudsen, 2011). The inducements of political principals require a contribution from public managers (and vice versa) meaning that the two actors are dependent on each other to fulfill their inducements, thus having to find a balanced PSB (Elston, 2017). The exchange part of the bargain is often less explicit than the institutional aspects, and therefore seen as the informal part of the bargain.

PSBs can be divided into different (sub)categories, of which trustee-bargains and agency bargains are the two main groups. Within agency-type bargains, administrative actors are clear subordinates of the ruling political actors and act on their behalf. We speak of trustee-type bargains when administrative actors act independently of political actors. Within these broad categories, subcategories of bargains exist<sup>5</sup>.

## Dimensions of the PSB

Both trustee-type and agency-type bargains have three dimensions underlying the PSB, as identified by Hood and Lodge (2006): (1) rewards, (2) competency, and (3) loyalty and responsibility. How these dimensions manifest themselves depends on the type of bargain that is in place. In the next section, we elaborate on these dimensions, and conceptually explore how these may develop during cutbacks.

The rewards dimension of the PSB refers to the inducements public managers receive in return for their work (Hood and Lodge, 2006). For public managers, rewards can be monetary (for example pay and career opportunities) and enacted in performance agreements and legislation (Van der Meer et al., 2013), but may also refer to non-monetary aspects such as policy influence and prestige. Rewards can thus be explicit and implicit.

In exchange for rewards, public managers offer their competence to political principals. Competence can be conceptualised as the knowledge, skills, and abilities of public managers that political principals need to survive in office (Hansen and Salomonsen, 2011). Competency can be more technical or specialist but may also include the ability of public managers to help political principals navigate the political landscape.

The role of competence and rewards have been described in various studies on cutback management and, more broadly, crisis management. During cutbacks, competence of public managers can refer to mitigating adverse effects on employee wellbeing (Van der Voet and Vermeeren, 2017) or organisational performance (Park, 2019). To smooth the adverse effects that can accompany cutbacks, political principals have to rely on the leadership behaviour of their public managers. At the same time, if public managers are self-interested actors who want to maximise their influence and the prestige of their function or organisation, then cutting back one's organisation harms the non-monetary aspects of rewards (Raudla et al., 2015) and therefore, cooperating with cutbacks is doubtful. A counterargument to this idea of the budget-maximising public manager is that gaining a reputation as a budget-cutter rather than budget maximiser may be helpful in securing promotions (Sigelman, 1986). Another critique of the view of public managers as budget maximisers focuses on the core premise of self-interest as the core motivator of public managers. As political principals themselves may also have a strong self-interest in budget maximisation and strategic prioritisation of particular policy areas (Moynihan and Andrews, 2010), the view of political principals passively accepting public managers' advice on budgets is somewhat naive (Moynihan, 2013). In all, it can

<sup>5</sup> See Hood and Lodge (2006: p. 21) for a full overview of the different (sub)categories of PSBs.

be suggested that public managers and political principals will negotiate about where and what to cut back.

The third dimension, loyalty and responsibility, consists of both inducements and contributions. Hood and Lodge (2006) argue that public managers gain trust, responsibility and autonomy of their organisation if they give up personal freedom and the ability to act politically. Loyalty and responsibility can, therefore, be conceptualised as the working relationship between political principals and public managers (Elston, 2017), defining “*who is to be loyal to whom, and who is responsible for what*” (Steen and van der Meer, 2011: p. 223). This responsibility includes who is responsible for the day-to-day operations of the organisation, but also who is to blame in case of failure. Especially blame avoidance has received ample attention in the literature, because of its importance for democratic governance (Weaver, 1986). What blame avoidance behaviour public managers and political actors engage in, is likely to be shaped by contextual factors, though current understanding how such factors shape behaviour is limited (Hinterleitner, 2017).

Loyalty and responsibility are especially relevant in times of cutbacks, as cooperation between political and administrative actors is argued to be a critical factor in achieving cutback-related change (Kickert, 2014). Crisis management research also emphasises the importance of close cooperation between the two actors (Boin and ‘t Hart, 2003; Boin, ‘t Hart, McConnell, and Preston, 2010). There is, however, a mixed picture within the literature about who is responsible for cutbacks. Often, decision-making processes regarding cutbacks are centralised (Kickert, 2012; Savi and Randma-Liiv, 2015) in order to force rapid decision-making and to avoid a paradox of participation (Levine, 1979): a situation in which involving actors in the cutback management process leads to increased resistance from these actors to cutback decisions. Such centralized decision-making can centre around the political and administrative elites together, yet research also showed that in some cases of cutbacks, career civil servants were distanced from the process of decision-making, justified by arguments that public managers are part of the problem, precisely for being resistant to change (Peters and Pierre, 2004). In cases where responsibility for crisis management (i.e. cutbacks) is decentralised from political actors to public managers, the aim is commonly to avoid (or at least obscure) potential blame (Boin et al., 2010; Peters, Pierre, and Randma-Liiv, 2011; Posner and Blöndal, 2012).

In all, there are various ways in which the interaction between political principals and public managers can develop during cutbacks, which we analyse in the remaining of this study. Before going into the methods and findings of this study, we elaborate on the PSB as present in the Dutch political-administrative context.

### 3.3 RESEARCH SETTING

#### **PSB in the Dutch political-administrative context**

The Dutch PSB can be described as a hybrid PSB, with elements from both a consociational and a managerial bargain, falling under the umbrella of trustee-type bargains. Originally characterised

by a consociational bargain, elements of a managerial bargain were introduced in the Dutch system in the 1990s. Public managers in the highest echelons were no longer guaranteed career progression but had to apply for new positions at least every seven years. At the same time, public managers continued to be protected from dismissal for political reasons. Moreover, this development negatively affected the opportunities for political parties to exert influence on top civil service positions, as appointment powers were decentralized, and selection and assessment procedures professionalized (van Thiel, 2012). The reforms led to a more managerial role for public managers. Different authors concluded that trustee/consociational elements still exist in the Dutch bargain, which means that the Dutch PSB is best described as a hybrid (Bourgault and Van Dorpe, 2013; Steen and Van der Meer, 2011).

In terms of rewards, the Dutch PSB used to have a structured pattern of rewards, with a clear pattern of career progression (including progressive wage) based on seniority (Bourgault and Van Dorpe, 2013). The rise of managerial aspects in the bargain made such clear career progress less certain, shifting the rewards pattern to what Hood and Lodge (2006) call *noblesse oblige*. In this case, the rewards of being in high office are the ability to have policy influence and the prestige and power that come with such functions. These intangible rewards make up for limited (and maximised) tangible rewards in the Dutch PSB.

Competencies in the bargain mostly refer to managerial qualities, as public managers became professional managers rather than policy experts (Colebatch et al., 2010). In addition, in the Dutch PSB boundary spanning (Hood and Lodge, 2006) or the ability to move among and bring together different actors from within and outside government is an important competence.

Dutch civil servants are considered to be 'serial monogamists' when it comes to loyalty, meaning that their loyalty is not bound to one political actor but to successive ministers, from possibly different political parties (Hood and Lodge, 2006). While public managers in the Netherlands gained increased responsibility for their administrative apparatus in the last two decades as a result of reforms in the Senior Civil Service, they also got increased responsibility for mistakes (Hansen, Steen, and De Jong, 2013). At the same time, political principals continue to be bound by ministerial responsibility (Steen and van der Meer, 2011).

### **Cutbacks in the Dutch prison sector**

Between 2012 and 2017, DJI was confronted with different rounds of cutbacks. Most importantly, the Dutch coalition government forced cutbacks of 340 million euros on a yearly budget of 2 billion euros. These cutbacks came at a time when the organisation already had a negative exploitation result for three out of four previous years, meaning that they were already looking how they could make sure not to spend more than their budget allowed (Pollitt, 2008).

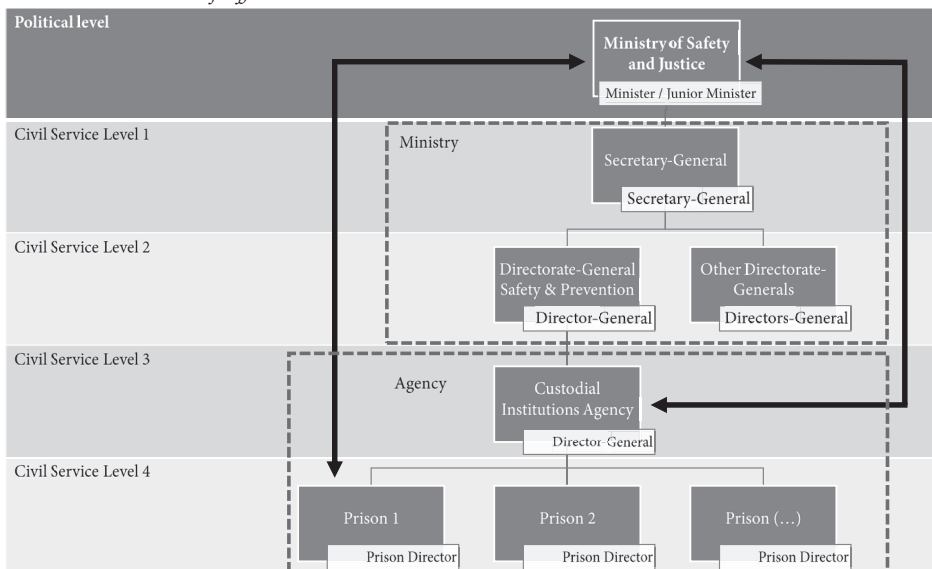
Furthermore, the organisation was not only confronted with a financial decline, but also with a decline in inmates which made closing prisons unavoidable. A decreasing number of inmates may legitimise cutting back on organisational expenses (as service levels are lowered). At the same time, however, DJI was forced to reduce operational expenditure across-the-board of the organisa-

tion, resulting in having to do less with much less (Van Dooren, Bouckaert, and Halligan, 2015). The cutbacks of 2012 were far from the first significant reforms within the Dutch prison sector. From the 1980s (the moment that DJI as an executive agency was created) onwards, the sector was consecutively targeted by budget cuts (in the late 1980s), major reforms to deal with cell shortages (from the late 1990s to the early 2000s) and considerable financial shortages from 2008 onwards.

### Institutional setting

Institutionally, DJI is an executive agency of the Ministry of Safety and Justice, which means that the organisation is semi-autonomous having its own management board and budget, but still falling under full ministerial accountability (Yesilkagit and van Thiel, 2012). The management board of DJI consists of a general-director, deputy general-director, and directors each in charge of a specific policy domain: the juvenile penitentiary institutions, penitentiary institutions (PIs or prisons) and institutions for forensic care. As PIs are by far the biggest group of institutions that fall under the jurisdiction of DJI, they also had to make up for the most significant share of cutbacks and are the focus of this article. The minister of Safety and Justice is the ultimate authority concerning the activities of the DJI. Besides a minister of Justice, there was a politically appointed junior minister specifically in charge of DJI, among other responsibilities, between 2012 and 2017. Figure 3.1 gives an overview of the relevant actors.

**FIGURE 3.1** Overview of different actors



Historically, Dutch prison directors long maintained a high degree of independence and discretionary powers, sometimes described as being emperors of their kingdoms (Boin, 2001). Their independent position made prison directors able to resist reforms or, when reforms were



introduced, to keep control of their organisation. NPM-inspired reforms in the 1980s, aimed at increasing strategic control over prisons by executive political actors, resulted in the creation of DJI as an agency yet did little to enhance control over prison directors (Boin, James and Lodge, 2006). Instead, the DJI headquarters left day-to-day management of prisons in the hands of prison directors. Only after an institutional crisis in 2002 (the result of media and public scrutiny after a series of violent escapes and overall cell shortages), DJI was able to limit discretionary room of prison directors. While their powers have been curbed somewhat, prison directors still have a large degree of autonomy. This, among other things, makes that the relationship between DJI's headquarter in The Hague and the prison directors throughout the country can be strung, especially during reform episodes. This is important, as we know from historical institutionalism that reform history can shape current relationships and affect new reform episodes (Di Mascio, Natalini and Stolfi, 2013; Pollitt, 2008).

In this article, we focus on the PSB between the political principals and two groups of administrative actors: (1) public managers working at DJI headquarters (level 3) and (2) prison directors (level 4). Both groups are pivotal actors between subordinates (i.e., the prison directors, and their employees) and political principals (i.e., the minister and junior minister), and have considerable autonomy concerning the management of their organisation (van Thiel, 2012). This way, these actors are in a position with considerable power and influence, thus resembling the characteristics of administrative elites (Aberbach et al., 1981; Colebatch et al., 2010).

### 3.4 METHODS

This study adopts a single-case study design. Given the magnitude and political salience in the penitentiary sector, we consider this to be an extreme case. Extreme cases lend themselves particularly well for exploratory research (Gerring, 2009; Yin, 2009), and is likely to exhibit the key characteristics we are interested in (Rubin and Baker, 2018).<sup>6</sup>

The primary source of data were 26 elite-interviews with (former) public and political principals. Seven respondents worked as (deputy) prison directors, eight respondents were public managers at the Custodial Institutions Agency (DJI), eight actors were otherwise involved in the process of managing cutbacks (for example as policy advisor or as top civil servant at level 1 or 2 for the ministry), one political principal and two other political actors were interviewed. Each interview lasted about an hour and covered the process of managing cutbacks from the announcement,

<sup>6</sup> As this study is part of a larger research project on cutback management in public organisations in The Netherlands (see Schmidt, 2019), we conducted an extensive ex-ante analysis that helped in deciding which case to select for this study. The ex-ante analysis consisted of interviews with more than 20 top civil servants from different Dutch ministries, in order to gain insight in what cutback-related changes were being implemented in these organisations. These cases were then further studied by reading policy documents, budgetary reports and newspaper articles.

through decision-making, to implementation. The interviews were preceded and complemented by an analysis of policy and parliamentary documents, as second source of data (Patton, 2002) and used to select respondents for the study and for developing the topic list.

Interviewing elites comes with several challenges regarding validity and reliability (Berry, 2002; Aberbach and Rockman, 2002). First, access to elites for interviews on a highly sensitive topic can be difficult (Richards, 1996), though willingness to participate in this study was high as the political principal resigned just before the start of the data collection, and decision-making about the plans was finalised, thus making the topic somewhat less sensitive and making elites open to participating. Second, interviewing respondents about past events has the risk of ex-post rationalisation (Ospina, Esteve and Lee, 2018) and elites are well equipped to frame or spin interviews (Berry, 2002). We tried to overcome both points by starting each interview by letting all respondents explain how the process of cutback management evolved, and what their role was in this process. This way, respondents started by explaining *what* they did, instead of directly being asked *why* they behaved in a certain way. Furthermore, the analysis of policy and parliamentary documents helped in preparing the interviews and checking respondents' statements, thus serving as a data triangulation tool (Patton, 2002). Because of the sensitive subject of this study, all interviewees were promised confidentiality. Except for the interviews with the political principal and political actors<sup>7</sup>, all interviews were recorded and transcribed ad verbatim.

Interviews were analysed using Nvivo. All transcripts were coded, using two different strategies. First, text fragments were assigned more general codes, based on the literature. In the second round of coding, these coding-containers split into more specific segments. In this round of coding, for example, fragments which were previously coded as PSB were given a code reflecting a dimension of the PSB.

The second part of the analysis was the reconstruction of the process in the right temporal order, to grasp the role of political-administrative interactions in different stages of the process of managing cutbacks. Respondents were classified according to their role in the process and their position within the organisation to allow for in-depth and contextual understanding of the empirical material. This way, we were able to distinguish how actors in different positions experienced the cutback management process, thus also differentiating between public managers within DJI and the public managers working as prison director,

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<sup>7</sup> Because cutbacks within prisons are considered a politically sensitive topic, the interviews with political principals have not been recorded in order to increase the chances of them giving important information they would otherwise not give. Furthermore, two interviewees (both from the ministry of Safety and Justice) did not allow the interview to be recorded. The interviews helped in shedding a light on the process of cutback management, yet there were no transcripts to be analysed and thus these interviewees are not listed as respondents to the study.

### 3.5 FINDINGS

To give a structured account of the cutback management process, the results of this study are presented in chronological order. The process is divided into four phases differentiated by important developments that changed the interactions between political principals and administrative actors, and the dynamics of the cutback management process. For clarity, we use the term public manager for those public managers working at DJI, and the term prison director for public managers working in prisons.

#### **Phase 1: October 29<sup>th</sup>, 2012 – November 21<sup>st</sup>, 2012: The PSB in place**

The process of managing cutbacks started in fall 2012 after the installation of a new Dutch government consisting of the conservative liberals and the social-democratic party. Shortly after the presentation of the coalition agreement it became clear for many public organisations that they needed to cut back on operational expenses. Among them was the Ministry of Safety and Justice and its agencies, such as DJI. As one of the respondents described, cutbacks were far from new for the organisation:

*“We had a number of different Cabinets throughout the years. With each change of Cabinet, one thing is for sure: it results in new budget cuts for the whole civil service, so including our organisation.” (Public Manager DJI)*

Policy documents show that the total amount of cutbacks that DJI was confronted with was the sum of cutbacks as imposed by government (this accounts for most of the amount) combined with previous financial shortages and a lower budget for operational expenditures because of a decreasing number of inmates. According to respondents, it is common practice that the Cabinet's decision on which public organisations to cut back spending, is made without (much) participation of public managers. This was also the case for public managers at DJI who did not have any say in the first decision to cut back on the prison sector, as made in the coalition agreement. DJI was quick to look for options to cut back 17% of its budget. The political principals tasked the responsibility for drafting potential ways what to cut back to the public managers working at DJI. This responsibility included a mandate for both the content (*what to cut back*) as well as the process of cutbacks (*how to implement cutbacks*). Concerning the content, interviewees mention that it was clear from the beginning that closing prisons (and in addition to that, laying off personnel) would inevitably be part of the plans, due to the amount of cutbacks that needed to be realised:

*“(...) eighty per cent of our budget consists of personnel expenses. So, if you want to cut back on penitentiary institutions, really implement substantive cutbacks, then you are quickly forced to look at personnel.” (Prison director)*

Public managers working within the financial department of DJI were strongly represented in this process, drafting scenarios on how to realise cutbacks. Public managers of DJI also chose to involve prison directors and personnel representatives. As one of the public managers from DJI mentioned after being asked to what extent there was participation in decision-making:

*“The junior minister surely does not know what to cut back. However, some measures might be highly political (...), and therefore, such measures can be shot down immediately.” (Public manager DJI)*

The rationale behind involving prison directors and personnel representatives was that people from within “the field” would better be able to come up with scenarios on what to cut back. This relates to the competency dimension of the PSB, as public managers’ knowhow was needed to develop scenarios of potential cutbacks. While political principals thus delegated the responsibility of drafting plans about what to cut back to public managers and prison directors, political principals have the authority to choose what to include in their proposals to Parliament, who have the final say. As one of the respondents explained:

*“There are a number of options: we can close prisons, we can fire people, that is related. We can also choose to cut back on forensic care. In the end, you make some scenarios with different options to choose from. Then it goes like: ‘These are the options, I am not going to choose, that is not my responsibility.’ (...) You thus prepare political choices.” (Public manager DJI)*

The quote shows that blame shifting by means of shifting responsibility from political principals to public managers was not seen as a goal of delegating the responsibility for managing cutbacks, as the final decision would still be made by the political principals.

All in all, within the first phase of the process, administrative actors (public managers and prison directors) were made responsible by political principals for developing scenarios on *what* to cut back, while political principals kept the final say. From the PSB perspective, we can interpret this as the bargain being in place, as responsibility for internal management affairs is delegated from political principals to administrative actors. While this last group acknowledges that ultimately, formal authority lies with their political superiors, public managers contribute by sharing their knowledge and expertise (hence their competency) to draft plans for their political superiors on how to deal with cutbacks. Although respondents do not make clear whether being involved in the process of drafting plans to cut back would be beneficial for themselves or (in the case of prison directors) for their institution, influence within such delicate processes might be considered a reward.

## **Phase 2: November 21<sup>st</sup>, 2012 – March 22<sup>nd</sup>, 2013: Loyalty from public managers to political principals breached**

A critical moment in the way that the interaction between political principals and public managers developed was November 21<sup>st</sup>. This day, television program Nieuwsuur broadcasted news that twenty-six prisons (almost half of the total number of prisons) would close in the plans of the junior minister. This news was, according to respondents from both political and administrative background, leaked to the press by actors from within DJI and the prisons.

While the political principals did not confirm these plans at the time (arguing that “*many scenarios are still being considered*”), the process changed drastically. The political principals decided that only a limited number of public managers from DJI continued to be involved in the preparation of the plans. Respondents asserted that a breach of trust between the different actors, was central to this decision:

*“And the junior minister did not trust DJI either, as information was leaked to the press multiple times while only a limited number of people was aware of that information.” (Public manager DJI)*

One of the goals of centralising decision-making was, from the political principal's point of view, to get a better grip on the development of the plans. Also, by centralising decision-making, political principals tried to reduce uncertainty within prisons about whether they would be closed or not, as the final decision on which prisons would close had not yet been made. The result of this centralisation, however, was increased uncertainty for prison personnel, especially regarding job security. While prison directors used to be ‘in the loop’ and could at least share some information about the possibility of cutbacks to their employees, they were now excluded from inside information.

The news about the possibility of closing prisons resulted in the mobilisation of unions but also fuelled interference in the process by political actors outside of the minister and junior-minister, such as parliamentarians, provincial politicians and most notably by mayors of cities where prisons would supposedly close. In some instances, prison directors had direct contact with these political actors and purposefully looked for cooperation to increase the chances of their organisation surviving cutbacks.

Within this phase, we can observe how the interaction between political principals and public managers is put under pressure. Political principals reacted to what they saw as a lack of loyalty from their public managers and prison directors, and hence a break with a part of the bargain. In response to this lack of loyalty, the responsibility of decision-making regarding cutbacks was withheld from (most) public managers and prison directors. From a PSB perspective, the exchange of loyalty and responsibility between the two actors was thus violated. The subsequent cooperation of prison directors with political actors other than their political principals can be seen as cheating on this bargain, as such behaviour goes directly against the PSB where public managers let go of their possibilities to act politically. Being withhold responsibility for managing cutbacks also implies that one of the rewards for public managers in exchange for their competency, namely (policy) influence

and a position within government, is being taken out of the bargain. All in all, what started as a break with one part of the bargain, resulted in different inducements and rewards being taken off the table in this context.

### **Phase 3: March 22<sup>nd</sup>, 2013 – June 19<sup>th</sup>, 2013: Increasing resistance to cutbacks**

With the loyalty and responsibility dimension of the PSB breached, decision-making continued. On March 22<sup>nd</sup>, 2013, junior minister Fred Teeven sent his plans to cut back on prisons, the so-called Masterplan DJI, to Parliament. Media were quick to announce that indeed 26 prisons had to close. The central message seen in the media was that 3600 public servants would lose their jobs<sup>8</sup>.

The plans were drafted for Parliament, which had to approve the measures. Prison directors were informed just before the public announcement of the plans, as the political principals were afraid that the proposals would leak to the press once more. For public managers at DJI, this was a difficult time as they wanted to inform their colleagues, the prison directors, within the different prisons. As one respondent argued:

*“I said: Fred [name of the junior minister], this is unbearable. The prison directors argue that we cannot do this to them. We cannot keep our mouths shut until Friday afternoon, twelve o’clock, about how this end.” (Public manager DJI)*

The quote also shows the intensified loyalty conflict that public managers from DJI were brought in as a result of the process of decision-making. Public managers at DJI are expected to show loyalty to their political superiors, as part of the PSB but at the same time, they also feel loyalty to prison directors with whom they frequently interact. Having to withhold prison directors information about the plans, put the relationship with prison directors under pressure.

While the junior minister and the prime minister discussed the possibility of sharing information with prison directors the prime minister was, in the end, the one deciding that information would not be shared before the weekly cabinet meeting on Friday in which the plans would be discussed. From the junior minister’s perspective, not involving any prison directors was a conscious choice, weighing the consequences of another leak to the press on the one hand, and dissatisfying public managers and prison directors by excluding them from the decision-making process (and thus withholding them their responsibility on this matter) on the other.

The moment that the plans to cut back on prisons were sent to Parliament was a tense moment for many prison directors. They knew that the DJI headquarters would call and explain whether their institution would remain open. Once prison directors were called with whether their prison would stay open, they immediately needed to inform their employees. What previously was still a leaked ‘concept list’ of prisons to close down, was now a reality. Consequently, the process of fighting cutbacks intensified. While the leak of the plans to the press can be interpreted as the

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8 A full overview of the different measures can be found in the appendix.

administrative actors fighting cutbacks, the publication of the final list of prisons to close was the moment for many prison directors to intensify the struggle for survival of their prison. Examples are giving employees the possibility to protest the plans, going to the media, and lobbying against the proposals indirectly through mayors of cities where prisons were supposed to close. While most prison directors did not explicitly state that they fought cutbacks, they also did not support the decisions openly, even if their prison would remain open. Prison directors argued to their employees that it was unclear *how* DJI's public managers and the political principals decided which prisons to close. Also, they felt that the measures that were thought of by DJI would be unachievable without any loss of service quality and safety for personnel. Resistance to the plans thus aimed at both the process of decision-making, as well as to the content of the plans.

Noteworthy is that much of the resistance against the decisions was directed at the public managers of DJI. Some prison directors argued that DJI's public managers should have fought for a better plan and felt that they were the ones who kept the directors of prisons outside of the decision-making process. In a nutshell, we can interpret the situation not only as a conflict of loyalty between the political principals on the one hand, and prison directors and public managers on the other but also between the prison directors and the public managers of DJI.

In the previous phase, we showed that the interaction between public managers, prison directors and political principals changed, as the bargain was violated. This phase demonstrates how changing interactions between actors can influence the management of cutbacks. The absence of prison directors in the process of decision-making fuelled their resistance to the plans, jeopardised their loyalty to political principals even more and, consequently, feeling little pressure to defend the choices made by the political principals openly. The lack of support from prison directors for the measures was the result of their dismissal of *how* the plans were developed, as well as their disapproval of *what* the plans intended.

Lastly, prison directors had difficulties to temper adverse reactions to cutbacks (from personnel, for example), as they did not know what was going to happen or why their prison needed to close. It can, therefore, be questioned to what extent prison directors were able to deliver competence to the political principals. All in all, this phase in the process shows how a violated bargain between public managers and political principals, affected the process of managing cutbacks.

#### **Phase 4: June 19<sup>th</sup>, 2013 – March 10<sup>th</sup>, 2015: regained responsibility for public managers to deal with cutbacks**

The third phase showed how the interaction between public and political actors influenced the process of cutback management. The last phase starts, with the relationship between administrative and political actors being damaged. Opposition to the cutbacks kept rising until junior minister Teeven saw himself forced to revoke his proposal temporarily. Already during the first Parliamentary debate about the plans, it was announced by the junior minister that the sum of cutbacks would be lowered by 69 million euros (a decrease of about 22%), to the surprise of both prison

directors and public managers of DJI. Interviewees saw this moment as proof that their resistance was rewarded:

*“If you look at the first and second masterplan, then you can see that we had to cut back 69 million euros less. I think that is really the result of the resistance we showed to the first plans.” (Public manager DJI)*

One of the results of being pushed back to the drawing board, was that DJI’s public managers again reached out to prison directors. In weeks before the debate that led to putting the plans on hold, the association of prison directors had already presented their alternative for cutbacks within their sector, designed together with employee representatives, although respondents differ in their opinion on the usefulness of these plans. Prison directors were once again invited by DJI to participate in sessions on how to deal with cutbacks, as organised by the public managers. These sessions were supported by political principals, who felt that they needed the support of their staff to be able to persuade Parliament to be in favour of the cutback management plans. Respondents argue that these moments helped in creating a plan that was bearable for all, also because the lowered sum of cutbacks gave some leeway to mitigating different measures:

*“We just looked for ways to implement cutbacks while keeping our vision and mission alive.” (Prison director)*

The results of these sessions were, most importantly, that 18 instead of 26 prisons had to close. This way, more personnel could keep their job. In addition, some measures which were deemed unfeasible and undesirable by prison directors were also removed from the plans<sup>9</sup>.

In his defence to Parliament of the revised plans, the political principal thanked prison directors for their input and argued that the new plans were an improvement. While Parliament accepted the masterplan, sessions to discuss how to deal with cutbacks remained an almost permanent activity. Contrary to how cutbacks were managed in the previous months, public managers and prison directors regained the responsibility for organising the process of *how* and *what* to cut back. In multiple sessions in 2013, prison directors (and political principals) were invited to share their thoughts, brainstorm about the future of the prison sector, and on ways to realise cutbacks. These sessions resulted in concrete plans on how to decide (with new closures of prisons seemingly unavoidable) what prisons to close. In this new process, public managers and prison directors got a significant say in what indicators had to be of interest when deciding what and where to cut back. As prison directors felt that it would be impossible for them to decide what prisons to close, due to

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9 The appendix shows an overview of the differences between the first plan without the involvement of prison directors and the second.



their shared loyalty, the final say in what prisons to close remained the responsibility of the political principal.

From this last phase, we observe how resistance to cutbacks led to public managers, prison directors and political principals finding a new balance in the bargain (and thus a renewed interaction). The restored balance was based on public managers regaining responsibility for managing cutbacks, in cooperation with the political principal. In return, strong opposition to the plans silenced, as the result of the re-negotiation was more bearable to all. Thus, public managers again showed loyalty to their political superiors. Particularly for prison directors, it was important that they could contribute to a better plan in which the vision and mission of the sector could be upheld. With regained responsibility, came the reward of being able to participate in decision-making about cutbacks. In return, public managers' competency was reflected in their ability to better explain to their employees on what grounds decisions were made to close prisons, without making such decisions themselves. This way, a new balance was found between prison directors' loyalty towards DJI and political principals on the one hand, and towards their PI on the other.

### **3.6 DISCUSSION**

This case study showed how strategic interactions between public managers and political principals came under pressure during cutbacks, and how a changing PSB affected the process of managing cutbacks. These findings have different theoretical implications.

First, our study shows that the extent to which the different dimensions of the PSB came under pressure because of cutbacks differs. The more institutionalised aspects of the bargain (such as pay for public managers as a reward) were never in dispute. Yet, within this institutional setting, public managers and prison directors lost their share of administrative power as part of the rewards. The loyalty and responsibility dimension of the bargain was violated most visibly. Hood (2002) argues that trustee-bargains may break down when political actors feel that public actors "*pursue their own interests too strongly relative to those of their beneficiaries*" (p. 324). Because political actors felt that the administrative actors cheated on the loyalty dimension of the bargain, a breakdown of the bargain was set in motion. Interestingly, earlier reforms aimed at changing the institutional structure in which public managers and prison directors operated, did not result in much change in behaviour (Boin, 2001). In our study, the behaviour of the different actors and their exchange does change, while the institutional structure in which they act remains similar. Interesting is that changes in behaviour were observed in a short period of time, while other studies have mainly pointed towards the effect of longer-term, incremental changes in behaviour that alter the PSB (Lodge and Hood, 2006). This study thus suggests that cutbacks can indeed be regarded as a sudden shock from the environment that affect and reshape (parts of) the PSB.

Second, this study shows that bargains do not only exist between political principals on the one hand, and public managers and prison directors on the other, but similarly between the different

groups of public managers. As explained, prison directors' criticism of the process was not only targeted at their political superiors but also to their managerial counterparts within DJI. Prison directors expected public managers to help them fight cutbacks. This shows that there seems to be a bargain between public managers and prison directors also shows that especially public managers at DJI have to function as boundary spanners, in between different groups. In line with Hood (2002), it seems that a breakdown of the bargain between political principals, public managers and prison directors might be due to a different understanding of the moral contract or basic agreement between the actors. This also resonates with notions of cheating, as it is often variable and fuzzy what is perceived as cheating on the bargain (Lodge and Hood, 2006).

Third, the results show how political-administrative interactions affect the management of cutbacks. The involvement of prison directors in the first phases of the process of deciding *what* to cut back, resonates with arguments from the cutback management literature that involving actors from the 'frontline organisation' (i.e. prisons) in decision-making can benefit the quality and acceptance for the decisions made (Dunsire and Hood, 1989). The scenarios that were developed by public managers and prison directors on *what* to cut back, can be seen as an expression of how their competency (e.g. their expertise) helps political principals with decision-making. The reward for such an inducement is that public managers have a position with policy influence within government.

When the bargain, and especially the loyalty and responsibility dimension, was violated, the decentralised process turned into centralised decision-making. Centralization was motivated by an attempt to regain control of the process by the political principal, and prevent another leak of information. While centralization of decision-making has not been discussed as strategy to prevent leaks (Patz, 2018), leaking was clearly an instrument in the political-administrative struggle for influence (Bovens, Geveke and de Vries, 1995). While centralisation of decision-making is not uncommon during cutbacks (Savi and Randma-Liiv 2015; Raudla et al., 2015) or other crises (Boin et al., 2010), the role that public managers got to play in managing cutbacks was diminished. Rather than the blame avoidance strategy to transfer responsibility to others (Hinterleitner, 2017), withholding responsibility was the strategy in this case. Especially for prison director, being withhold responsibility might have helped them in responsibility denial of cutbacks towards their employees (Hood, Jennings, Dixon, Hogwood and Beeston, 2009). Due to the changing decision-making process prison directors were less able to mitigate effects of cutbacks. From cutback management literature, we know that the mere announcement of cutbacks may already affect employee wellbeing (Kiefer et al., 2015). These effects can be mitigated by individual attention, participation in the change process and good communication (Van der Voet and Vermeeren, 2017). However, as prison directors were unaware of the plans, they could not help to clarify the cutback process, demystify decisions taken, or explain what the future would hold for their subordinates, the target groups of services, or even to the wider population (McTighe, 1979; Levine, 1984; Raudla et al., 2015). This made it difficult for public managers to use their competency in making sure that cutbacks have the least possible damage to the organisation. The study thus shows the adverse effects of centralisation of decision-making. Prison directors were excluded from the decision-making process and

afterwards, showed strong resistance to the cutbacks. While the political principal, in this case, may have tried to avoid a participation paradox (Levine, 1979), not including any public managers or prison directors only increased resistance.

### **3.7 CONCLUSION**

This article focused on the strategic interaction between public managers and political principals during cutbacks. The results indicate that if we want to understand how cutback management processes unfold, how public managers behave in such situations, and how it is decided what to cut back, it is essential to take the political-administrative context into account, as this has consequences for both the process and content of cutback management. This way, our study contributes to our understanding of cutback management. Furthermore, the analysis shows that cutbacks put the interaction between political and administrative actors under pressure, particularly the exchange between loyalty and responsibility. This study shows that while the institutionalised aspects of the bargain remained unchanged, the informal aspects of the bargain were most visibly broken, and the loyalty and responsibility dimension was the first to be breached. Theoretically, this means that pressure on the PSB may not affect all dimensions equally but may have a different effect on different dimensions. Another contribution to the literature on PSBs is the finding that there seems to have been different bargains in place, between political principals and public managers, but also between public managers and prison directors. Studies on the PSB usually focus on the first, rather than explicating whether there are other bargains in place, between different actors. Further research should also consider how interactions that exist between public managers at various levels affect the bargain between public and political actors.

Given the limitations of a single case study design, we should be careful with generalising the findings. Future research could contribute by focussing on a context with a different PSB as a starting point, to enrich our understanding of how PSBs develop when being put under pressure. Most importantly, we encourage public management scholars in general, and cutback management researchers in particular, to incorporate the political context in their studies, thus following the call by Milward et al. (2016), as this study showed how bargains between public managers and political principals can shape the work and behaviour of public managers.



# Chapter 4



## **Managing outward**

A strategic management perspective

## **CHAPTER 4 – MANAGING OUTWARD: A STRATEGIC MANAGEMENT PERSPECTIVE<sup>10</sup>**

### **ABSTRACT**

We analyse how public managers interact with external stakeholders during cutbacks. Relying on strategic management scholarship, we develop an argument on why public managers decide for a closed or an open cutback management strategy. In the former, they try to close off the process for external stakeholders, whereas, in the latter, they actively engage with external stakeholders. A multiple qualitative case study of cutbacks in the Dutch prison sector shows that the choice to actively engage with external stakeholders depends on public managers' position within the organisational hierarchy, their perception of the stakeholder environment, and their process goals. The article contributes to the scholarship on cutback management and strategic management.

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10 This chapter is in revise and resubmit stage at an international academic journal as: Schmidt, J.E.T. and Van de Walle, S. (2019). Defending, prospecting or reacting? Strategic management during cutbacks in the Dutch penitentiary sector.

## 4.1 INTRODUCTION

One of the core activities of public managers is protecting their organisation against unpleasant surprises from their environment (Meier and O'Toole, 2009). Cutbacks have been a prominent environmental threat for public managers in the last decade. Public managers usually have an essential role in the decision-making process regarding *what to cut back* and *how to cut back* spending (Schmidt et al., 2017). At the same time, they are far from the only actors involved in such processes, as the environment in which public managers operate, includes a wide scope and variety of stakeholders (Raudla et al., 2015) that may try to affect decision-making. Such stakeholders can be internal (such as employees or other non-managerial actors) but also external to the organisation (such as private organisations, citizens, interest groups, and labour unions). All these actors may be offering opportunities as well as imposing constraints on managerial action during cutbacks (Pandey, 2010).

Based on cutback management research, there are good reasons to expect that public managers will actively engage with stakeholders in their environment and aim for a so-called *open cutback management strategy*. For example, including stakeholders in decision-making and implementation of cutbacks, may help to increase support for cutback-related changes (Raudla et al., 2015), and help to make informed decisions (Dunsire and Hood, 1989). At the same time, we can develop equally good arguments to expect that public managers will decide not to interact with other stakeholders during cutbacks and aim for a *closed cutback management strategy*. For example, cutback management decision-making is often centralized with only the key political and administrative actors involved (Douglas, Raudla, Randma-Liiv, and Savi, 2019), and cutbacks may lead to a conservative climate in which innovation and new ideas go unheard, thus limiting room for external interactions (Cayer, 1986). In this study, we explore *whether, how* and *why* public managers engage in external interactions during cutbacks, thus looking for the conditions under which particular managerial behaviour is exhibited. We do so by using a strategic management lens, and by categorising the behaviour of public managers towards their external environment as either defending, prospecting or reacting (Boyne and Walker, 2004; Miles and Snow, 1978). We will argue that defenders will aim for a closed cutback management process and focus on the internal organisation. Prospectors, on the other hand, will be oriented outwards and aim for an open cutback management process. Reactors will await further instructions and have no fixed orientation, either inward or outward.

In this study, we bridge the literature between cutback management and strategic management. So far, studies linking these streams of literature usually do so to assess the effect of managerial strategy on a range of outcome variables, such as fiscal retrenchment (Jimenez, 2017) or the adoption of particular crisis management approaches (Cepiku et al., 2016). However, such studies do not focus on *why* public managers take a particular managerial strategy and thus do not concentrate on *whether, how* and *why* public managers choose to engage with external stakeholders during cutbacks. By using the Miles and Snow (1978) framework of strategic management as an analytical

perspective, this study tries to fill this gap. By so doing, we add to both scholarships on cutback management and strategic management.

For cutback management, our study contributes to the growing number of studies focussing on managerial behaviour during cutbacks. Most recent cutback management studies focus on actors in the internal organisation, most notably on the interaction of public managers with employees (Conway et al., 2014; Kiefer et al., 2015; Van der Voet and Vermeeren, 2017). These works, however, does not look at how public managers choose to engage with actors within the environment of their organisation. For strategic management, our contribution first lies in acknowledging the importance of taking contingency factors into account when studying strategic management (Bryson, Berry, and Yang, 2010). By focussing on why public managers adopt a particular strategy during cutbacks, we show how cutbacks as a contingency factor affect managerial strategy. Second, we take a different focus than most studies. A considerable number of studies paid attention to the impact of adopting a strategic stance as defender, prospector, or reactor on organisational performance (Meier, O'Toole, Boyne, and Walker, 2008; Walker, 2013; Walker, Andrews, Boyne, Meier, and O'Toole, 2010). The same goes for the limited number of studies that tapped into the question how public managers interact with their environment during cutbacks (Barbera et al., 2016; Jimenez, 2017, 2018; Kim and Oh, 2016), which focus primarily on connecting strategic management with some measure of (financial) performance. This study, instead, takes the strategic stance as the dependent variable and in addition to that tries to add to our understanding of managerial strategy by giving in-depth explanations of why public managers Intend to take a particular stance.

We study the strategic stance of public managers in three different organisational units within the Dutch penitentiary sector. This sector has been struck with cutbacks of about 30% of the overall budget. Cutbacks on prisons are regarded as a complex and politically salient topic, first, because safety is seen as one of the core tasks of government, and second because of the critical role that prisons play in local employment. For this study, we interviewed public managers working for the Ministry of Safety and Justice, the Custodial Institutions Agency (DJI), or working in prison. We use an analysis of newspaper articles to identify relevant (external and internal) actors and their main goals in the cutback management process. Semi-structured interviews with 20 public managers were conducted to understand *whether*, *how* and *why* they engaged in particular strategies to interact with their environment.

## 4.2 CONCEPTUAL FRAMEWORK

### **The relevance of strategic management during cutbacks**

Charles Levine (1978), one of the founding fathers of cutback management literature, argued that cutting back any organisation is difficult, yet a public organisation even more because of its public character. Two aspects of this public character are especially important when it comes to cutback management. First, public organisations usually have a relatively predictable inflow of resources



(Pandey, 2010), which is crucial for maintaining a high quality of services (Scott, 2002). However, when confronted with cutbacks, public managers cannot easily find ways to increase their budgets (Ferry, Coombs, and Eckersley, 2017) or simply stop services (Andrews, Boyne, and Walker, 2012). Second, the context in which public organisations operate includes a wide variety of actors that may pose constraints on organisational (and in addition to that managerial) behaviour (Pfeffer and Salancik, 1978). Especially in times of cutbacks, when organisations have to fight over limited budgets, a wide range of stakeholders can be expected that try to engage with cutback management processes (Raudla et al., 2015). Whether public managers allow external stakeholders to engage with the cutback management process, depends on whether an open or closed cutback management strategy is used (Van Der Voet, 2018). Cutback management strategies are closed when public managers choose not to engage external stakeholders and non-managerial internal actors, such as employees. Strategies can be considered (more) open, depending on the number and type of external actors that are involved in decision-making and implementation.

Such a distinction between open and closed strategies can be related to the strategic stance that public managers take (Van Der Voet, 2018). Strategic management is the response of public managers to the constraints and opportunities that stem from the public environment in which public organisations and their managers operate (Johnsen, 2018; Meier et al., 2008). How public managers interact with their environment, is referred to as strategic stance. The Miles and Snow framework of strategic stance is one of the most dominant typologies within the strategic management literature. Miles and Snow (1978) build on the premise that managers will try to formulate and use strategies that are congruent with the external environment of their organisation. In doing so, the model categorises managers as either prospectors, defenders or reactors. These strategies roughly correspond to the main responses that public managers may have to a changing organisational environment: innovating, maintaining the current focus, or awaiting instructions (Walker, 2013).

Initially, four different types of strategies were discerned within the framework: (1) prospecting, (2) analysing, (3) defending, and (4) reacting. While widely adopted in generic management studies (Johnsen, 2015), public administration researchers saw the need to refine the model for the public context. Boyne and Walker (2004) adjusted the model as they found similarities with other models of strategic management (for example, Downs, 1967). As analysers are an intermediate category between prospectors and defenders, this strategy is seen as redundant. In this study, we build on the work of Boyne and Walker (2004) and use prospecting, defending and reacting as strategies that public managers can engage in.

In the next section, we explain what these strategies look like, and we conceptually explore why public managers, in the context of cutbacks, may choose such a strategy. This way, we relate the Miles and Snow framework to open and closed cutback management strategies.

### **Prospecting as an open cutback management strategy**

The first strategy, prospecting, refers to innovative and externally oriented behaviour. Public managers that fall into this category may analyse the environment looking for ways to align their

organisation with external demands by means of innovation. Public managers that are prospectors will actively try to identify new opportunities within their environment to exploit. This includes the possibility of invading the 'policy space' of other organisations (Downs, 1967) in search of extra budget (Walker, 2013). Prospectors are likely to adopt flexible organisational structures to adapt their organisation to different trends (Rainey, 2009). (Andrews, Boyne, Law, and Walker, 2009a) found that prospectors are more likely to engage other stakeholders in their organisation and are thus externally oriented. Prospecting is, therefore similar to open cutback management strategies, aimed at engaging stakeholder in the decision-making process.

Research linking changes in the external environment to strategy found mixed results. In their classic work, Miles and Snow (1978) argue that in an unstable environment, for example, due to budget cuts, prospecting may produce the best results. Their argument is based on the work by Burns and Stalker (1961), who claim that a more flexible organisational structure is better able to adapt to changing circumstances. Following this reasoning, we would expect that public managers take a prospecting stance during cutbacks, to quickly adapt their organisation to changing conditions.

### **Defending as a closed cutback management strategy**

The second strategy discerned by Miles and Snow is a defending strategy. Here, public managers will aim to consolidate. According to Andrews et al. (2009a), defenders resemble a classic bureaucracy in which "*top-level executives have the necessary information and the proper vantage point to control operations*" (p. 734) A defender strategy is related to a centralised organisational structure and decision-making, as public managers taking such an approach concentrate their efforts on improving the core activities of their organisation. This also means that defenders are less likely to actively engage with stakeholders in their environment, as they will be oriented toward safeguarding their organisation and buffering shocks from the environment (Meier and O'Toole, 2009). Therefore, defenders can be related to closed cutback management strategies. Miles and Snow (1978) argued that defenders usually perform well in a stable organisational environment. We may thus expect that public managers will not turn toward defending during cutbacks, as these can be seen as a break with a stable organisational environment.

While the previous section leads to the expectation that public managers will not adopt a defending strategy during cutbacks, we may also turn the argument the other way around, arguing why public managers will adopt a defending strategic stance. Cutbacks tend to create a more conservative climate within public organisations, in which new ideas go unheard (Cayer, 1986; Levine, 1984). Usually, managers that fall into the defending category can be seen as more conservative (Andrews, Boyne, Law, and Walker, 2009b), focusing on the internal organisation and competing with other organisations on service quality, rather than innovating.

## Reacting as in-between closed and open cutback management strategy

The third strategy is reacting. Reactors are public managers who do acknowledge the uncertainties and threats from their environment, yet lack a strategy to deal with these trends (Meier et al., 2008). A reactor stance is often equated with “*awaiting instructions*”. Such a strategy can be a deliberate choice in the circumstances where responsiveness is valued (Walker, Andrews, Boyne, Meier, and O’Toole, 2010). From this point of view, such behaviour can be highly appreciated by political superiors, as this makes the organisation unconstrained by fixed strategic posture (Boyne and Walker, 2004). Especially when cutbacks become politically salient and have the potential to have electoral effects, a reacting strategy may be adopted by public managers, as this serves the interest of their political superiors.

While such a reactor strategy might be appreciated by political superiors, Andrews et al. (2010) found that reactors’ performance drops when faced with a dynamic environment. Walker (2013) explains this by arguing that especially in a dynamic environment, reactors may not be able to respond quickly to shifting circumstances, as they are not able to act proactively. In times of cutbacks, where rapid decision-making can be asked from public managers, keeping up with the pace of environmental dynamism can be challenging and a reason why public managers do not want to take a reacting stance, but instead choose to defend or prospect.

As one can see from the sections above, what strategy public managers will adopt during cutbacks is not easily understood, as the relationship between strategic stance and cutbacks can be conceptualized in different directions.

## 4.3 RESEARCH SETTING

To analyse how public managers strategically interact with stakeholders in their environment, we employed a qualitative case study in the context of cutbacks in the Dutch penitentiary sector. Within the Netherlands, the financial crisis led to significant cutbacks for public organisations. This study focusses on cutbacks at the Custodial Institutions Agency (DJI)<sup>11</sup>, the executive agency responsible for the penitentiary sector. From 2012 onwards, this agency had been forced to cut back approximately 25% of their 2-billion-euro budget. From the announcement of cutbacks onwards, it was clear that cutbacks would involve closing prisons and in addition to that, laying off personnel, as a large share of DJI’s budget is reserved for personnel expenses and housing costs. What made cutbacks even more difficult is that cutbacks came at a time when the organisation had already had a negative exploitation results for three out of the last four years.

In order to deal with cutbacks, the Ministry developed a so-called masterplan about the future of the penitentiary sector. In this masterplan, different measures were announced in order to cut back on operational expenses. Among these measures, the most important ones concerned closing

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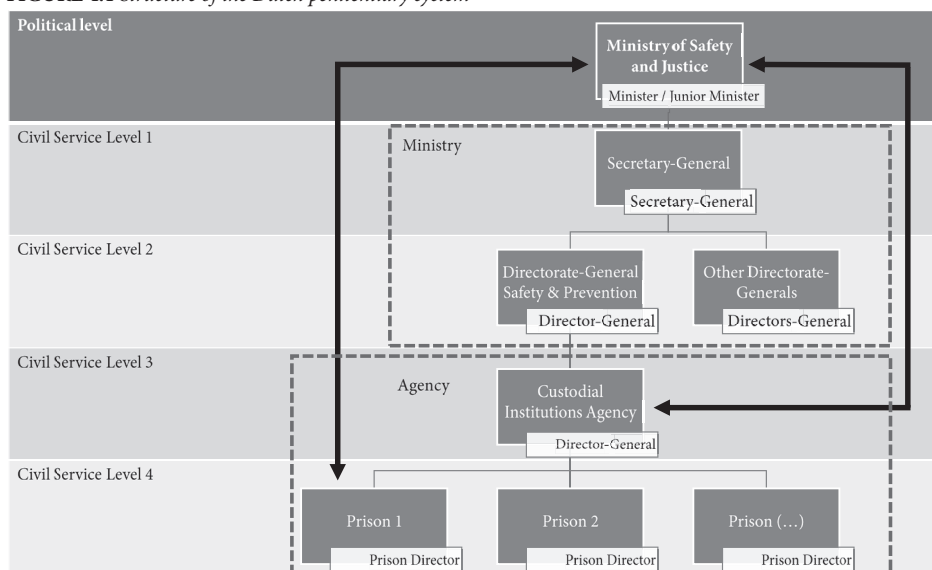
11 As the Custodial Institutions Agency uses DJI as its English abbreviation, we also use this abbreviation.

26 prison locations (on a total of 50) and terminating 3400 full-time jobs (on a total of 16000 FTE). The plans caused huge commotion in the media and within Dutch politics. First of all, because safety is regarded as one of the critical tasks of government within the Netherlands and therefore, a politically salient topic; second because prisons play an important role in local employment. This also makes the penitentiary sector a relevant sector to study strategic management, as prisons' role in local employment and safety matters concern a broad range of different stakeholders.

## Structure of the Dutch penitentiary system

The Dutch prison system consists of different organisational levels, which are shown in figure 4.1.

**FIGURE 4.1** *Structure of the Dutch penitentiary system*



First of all, the Ministry of Safety and Justice is the organisation that is ultimately responsible for the penitentiary sector and communicates directly with the responsible political superiors. Within the Ministry, there are different directorates-general. One of these directorates is the directorate-general for Safety and Prevention. Within this directorate-general, DJI is an executive agency with its own management board and its own budget. All penitentiary institutions, prisons, but also custodial institutions for youth, and forensic psychiatric treatment clinics fall under the jurisdiction of DJI. While prison directors report to public managers at the DJI headquarters, they are relatively autonomous for the management of their prison. The main office of DJI is located within the office of the Ministry of Safety and Justice in The Hague, while prisons are spread throughout the country.

## 4.4 RESEARCH DESIGN AND METHODS

In this study, we use a multiple case study design (Seawright and Gerring, 2008). The main benefit of using a multiple case study approach is that differences and similarities within and between cases can be observed. Given the exploratory aims of this study, such a design allows capturing a wide range of responses and insights.

The primary method of data collection was semi-structured interviews with public managers within the three organisations as described in the research setting. In total, we interviewed eight public managers working at the Ministry, eight managers working at DJI, and seven managers working as prison director. All interviewees were involved in the process of managing cutbacks between the end of 2012 through mid-2014, though not all employees were still working at the same organisation or in the same position when being interviewed. The interviews were tape-recorded, and transcribed *at verbatim*, with all interviewees promised confidentiality.

Besides interviewing these key decision-makers, also other relevant actors (such as politicians, policy advisors, and other employees) were interviewed. These interviews were used to gain in-depth knowledge about the process and functioned as a check for the interviews with public managers. This was also done by collecting and analysing relevant documents such as policy briefs, media reports, and parliamentary documents.

The interviews were prepared by doing an extensive analysis of 107 newspaper articles. These articles were collected from a database consisting of all major Dutch newspapers and based on searches with different keywords, with the articles being published between September 2012 and December 2013. In the selected articles, we systematically coded the main actors involved in the cutback management process, along with their main message regarding cutbacks. By so doing, we could identify relevant actors within the cutback management process, which helped to understand better what stakeholders tried to engage with the process of cutback management. A description of the process through which the newspaper articles were analysed is included in the appendix.

The interview transcripts were analysed in two subsequent rounds of coding. First of all, fragments within the interviews were coded using open coding methods. This way of coding resulted in the transcripts being broken apart in different fragments and giving codes accordingly. The result was a long list of codes covering many different topics from the interviews. The second round of coding was axial coding, which means that all codes were reviewed and afterwards merged or split into new codes. This process was also fuelled by insights from the theoretical part of this paper, and thus by drawing on the already existing literature on strategic management. In this process, public managers' behaviour was coded as either prospector, defender or reactor.

## 4.5 FINDINGS

The newspaper analysis shows that many different actors tried to engage with the process of decision-making. We differentiated between internal and external actors. On a more general level, we can see that the number of external actors that appeared in the media was higher than the number of internal actors. Especially mayors of cities where prisons would supposedly close were very active in the public debate on cutbacks within the prison system. The group of other external actors consists of a range of actors, most notably professors or other academics who gave their opinion on the matters at hand and lawyers or other law professionals. The most visible internal actors were prison directors, followed by the formal personnel representatives (both those acting on a local as well as on a national level), and employees, for example, because they were the leaders of protests against the cutbacks. When using a matrix coding strategy to analyse what message about the cutbacks was brought forward by different actors, various patterns could be discerned. The overview is presented in table 4.1.

The results show that the different stakeholders had very different messages that they tried to get across during the cutback management process. On a more general level, we can see a difference in the emphasis on specific messages between external and internal actors. Internal actors were, compared to external actors, more active in emphasising the risks of cutbacks for the quality of service within prisons. Arguments here was the detention climate, and service quality within prisons would deteriorate, and in addition to that affect detainees. This argument was brought forward on several occasions by personnel, detainees and partner organisations such as the probation office. While internal actors do acknowledge the problems of cutbacks for local employment, the number of statements is in both absolute as well as relative terms much lower compared to those of the external actors. Especially mayors were active in bringing arguments about local employment to the discussion. Financial arguments were also frequently used by external actors, mostly as a supplement to arguments about local employment. Statements in this regard focused, for example, on the costs for municipalities of unemployment benefits for laid-off prison employees.<sup>12</sup>

How did public manager engage with these stakeholders, and why did they engage in a particular strategic stance? In our study, we found that public managers from the Ministry, an executive agency, and prisons adopt different strategies from the Miles and Snow framework (1978). Where public managers from the Ministry adopt a more defensive strategic stance, public managers from the executive agency seemed to engage in more reacting strategies. Within the group of prison directors, we found both actors that adopted a prospector strategic stance, as well as a defender strategic stance. We discuss the different categories of strategic stance. Interview quotes are put in italics, and the organisation that the respondent worked for is put between brackets.

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12 King's Commissioners are provincial governors

TABLE 4.1 Main messages per actor

External actors	Mayors	King's Commissioners <sup>1,2</sup>	Local politicians	Members of Parliament	Labour unions	Other external actors
Alternatives	6	1	1	3	0	0
Financial results	7	2	1	7	0	0
Quality of service	2	0	1	2	0	3
Safe society	1	0	0	7	2	0
Work pressure and personnel safety	0	0	0	0	5	1
Employment	16	5	8	5	7	2
Other messages	0	1	0	1	1	2
Internal actors	Detainees	Partner organisations	Personnel representation	Personnel	Prison directors	Other internal actors
Alternatives	0	0	1	1	2	0
Financial results	2	2	3	3	6	1
Quality of service	5	3	1	3	1	1
Safe society	0	2	0	1	5	0
Work pressure and personnel safety	0	0	1	0	3	0
Employment	1	1	5	3	4	2
Other messages	0	2	0	0	2	0

## Prospecting

Prison directors, though not all of them, were the only interviewees who were categorized as prospectors. Prospecting prison directors were actively searching for contact with external stakeholders. Regarding the stakeholders mentioned in the newspaper analysis, they mostly interacted with political actors, in particular, mayors and King's commissioners. The relationships between these actors can be explained by their mutual goals in the cutback management process. As can be seen in table 4.1, mayors and King's commissioners were mostly concerned about the effects of cutbacks on local employment. The same goes for some prison directors, as one respondent argued:

*"Look; obviously we are in touch with local politicians. We are an employer in this region. That means that local government has an interest in what happens. There are multiple interests at play [during cutbacks], and these interests are not always per se those of DJI." (Prison director)*

*“Look, there simply is a lobby for the [name of the region]. (...) that exists, and the prisons are part of that.” (Prison director)*

Most prison directors argued that through contact with external stakeholders, they could influence the decision-making process regarding cutbacks. The decision-making process regarding which prisons would need to close was made without any input from prison directors. While public managers at the Ministry and within the executive agency drafted these plans, the Dutch Parliament had the final say. For public managers in the Netherlands (including for prison directors), it is considered unusual and inappropriate to interact with members of Parliament directly. Mayors and King’s commissioners, however, actively interact with members of Parliament to raise awareness for local issues. Through interaction with Mayors and King’s commissioners, prison directors could thus try to affect the decisions regarding cutbacks. This way, prison directors tried to open the cutback management process to other stakeholders. Prison directors argued that the employer function of a prison is what differentiates the agency from the prison and, as shown in the newspaper analysis, found a partner in mayors and other local politicians. As a prison director exemplified:

*“DJI is in charge of the prison cells. DJI is not really focused on being an employer.” (Prison director)*

Prison directors thus felt that they had a definite responsibility regarding employment. This responsibility was not only felt in terms of making sure employees would not lose their job, but also in terms of working conditions. On these issues, prospecting prison directors were in touch with labour unions, who (as can be seen from table 4.1) were very vocal about especially safe working conditions. In general, prison directors argued that also towards their employees, interacting with external stakeholders was beneficial. For example, one prison director emphasised that:

*“For employees, it feels terrific when you see that your environment sees what is happening and stands up for it.” (Prison director)*

In practice, we have seen different examples of how mayors and prison directors together have tried to come up with innovations. Interesting examples are prisons that tried to launch pilot projects on different themes, such as making more detainees responsible for jobs within the prison, or by putting particular emphasis on how detained fathers could still interact with their children. Being involved in such projects, especially when they were innovative and would possibly be shared by other prisons at a later stage, could help to make sure that prisons would survive a round of cutbacks.

## **Defending**

While some prison directors choose to engage in interacting with external stakeholders actively, some prison directors deliberately focused on their organisations and took on a defender strategic



stance. Some prison directors also seemed to perceive cutbacks on their organisation as inevitable and choose to focus on making sure that cutbacks were implemented with the least possible problems for their organisation and employees. In practice, this meant that some prison directors (immediately after the message that their prison had to close down) started working on finding new work for their employees. They did so by reaching out to other prison directors whose prisons would not close or by contacting other public organisations in need of employees, such as the Central Agency for the Reception of Asylum Seekers, which had to deal with a high increase in the number of (mostly Syrian) refugees.

A consequence of finding new employment opportunities for their employees was that they could close parts of their prisons. However, not all employees were happy with such actions from prison directors. As one of the prison directors recalled an encounter with his employees:

*“They said to me: ‘You know what, dear director, you are trying to put our location up for sale.’ Because I tried to help, my employees find new jobs proactively, the chances of our prison not being closed were much less.” (Prison director)*

Other prison directors focussed not so much on finding new employment opportunities for their employees, but on making sure that their prison would perform as good as possible given the budget cuts. These prison directors were focused on improving service delivery and argued that a smoothly running internal organisation (for example, by having low absenteeism of employees and limited safety breaches within prisons) would help them in discussions with managerial and political superiors and in how their prison would be ranked alongside other prisons. This, in turn, was expected to affect the chances of the prison surviving the rounds of cutbacks.

Next to prison directors, public managers working at the Ministry of Safety and Justice can also be regarded as defenders. At this level, public managers deliberately aimed for a closed cutback management strategy. The reason behind this is that public managers working at the Ministry explained their role and responsibilities in cutback management as a more procedural role. For these public managers, realising the financial goal of the cutbacks was the most important. As one public manager explained:

*“My task was predominantly: making sure that this process keeps going on. Because otherwise, before you know, nothing will happen. Because (...) not everyone feels (...) the budgetary pressure.” (Ministry)*

Public managers within the Ministry thus had a more internal focus. They interacted mostly with other internal stakeholders, most notably the Ministry of Finance, to keep an eye on planning and control. This internal focus on making sure that cutbacks are realised is also explained by the fact that public managers within the Ministry were not only responsible for making sure that

the penitentiary sector would implement cutbacks, but also had to make sure that several other agencies within the Ministry's jurisdiction implement cutbacks. As one respondent argues:

*"[The Ministry] has to make sure, of course, that the Judiciary does its job correctly, the Police, DJI, the Public Prosecutor, and all that kind of goals. (...) by a financial target of 9%, those [goals] are not to be called into question."* (Ministry)

Such a strong focus on making sure that cutbacks are taking place is also related to different interests that the Ministry, DJI and prisons have in the process of cutback management. As two respondents explained:

*"The interest of the Ministry was realising the financial target (...). Moreover, DJI's interest was: how do I keep a qualitatively good prison service? So that does not always perfectly correspond."* (Ministry)

*"Let me say it like this: within the whole organisation, you have different interests. This is the case in every organisation. It is the trick to go through the [cutback management] process together."* (Public manager DJI)

In short, public managers at the Ministry were focused mostly on the internal organisation to motivate actors to implement cutbacks. In order to protect the cutback management process, only a limited number of people was involved in drafting decision-making plans. Prison directors were not involved in this process, but public managers from DJI were. They thus engaged in highly centralised decision-making, with only a few administrative and political key actors involved. Such behaviour links to defending strategies, in which the attention of public managers is mostly oriented towards the internal organisation. Rather than trying to find ways to engage external actors in the process of managing cutbacks, public managers in the Ministry deliberately tried to centralise and close of the decision-making process, to keep the process on track.

## Reacting

Reacting was visibly exercised as a strategy by public managers within the executive agency. The question is whether this was a conscious choice, or whether the dynamics of the cutback management process forced them in such a strategy. Public managers at the executive agency saw themselves as intermediaries between the Ministry and the prisons. The intermediate position that public managers at the executive agency have is reflected in what role and responsibility they have in cutback management processes:

*"It is clear: in the end, it is just a political decision which you need to carry out."* (Public managers executive agency)

The quote also reflects the defender stance, in which awaiting instructions is central. The intermediate position posed difficulties for public managers at the executive agency, with demands coming both from their managerial superiors in the Ministry, as well as from their managerial subordinates. Most of the time, they seem to await instructions from above on how to act and, while they were themselves involved in the process, had to keep prison directors out of the process of decision-making. While this may not have been their aim from the beginning, their behaviour was steered at a closed cutback management strategy.

During the interviews, they emphasise that they try to translate the demands of the Ministry (to cut back on spending) to operational measures (what to cut back):

*“I think that this is the point: how could you (...) professionalise your business, optimise, so to say. Arranging more efficiently, with the essence that you are adding quality to the primary process.”*  
(Public manager executive agency)

Because public managers have such an intermediate role, many different external actors try to interact with the executive agency. Most notably, they feel pressured by political actors, usually from the local level. Especially Mayors, aldermen and provincial representatives try to engage with public managers from the agency. Usually, these actors try to influence what prisons are hit by cutbacks. Some public managers argued that involving stakeholders in the decision-making process has pro and cons. At the same time, public managers at the executive agency did not feel comfortable to engage with external actors on their own. In that respect, they awaited instructions from their managerial counterparts at the Ministry and their political superiors. The most important reason for doing so is that they already expected that involving external stakeholders could lead to resistance. As one public manager from the executive agency argued:

*“You can involve the entire world and then you succeed in having an excellent stakeholder analysis. However, it can result in having built much resistance among specific stakeholders as well, while the complete dossier is not in the political arena yet. So then resistance has been built, and our political superiors have no space left to move.”* (Public manager executive agency)

Because public managers at the executive agency were unsure about whether involving stakeholders in the cutback management process would be beneficial, they awaited instructions from their political superiors. They did, however, acknowledged that the process was ‘infiltrated’ by stakeholders from outside the organisation. As a public manager from the executive agency explains:

*“Especially via party-political lines that influence has been exerted. And, consequently, also entered the decision-making process.”* (Public manager DJI)

In short, the context of cutbacks and being in an intermediate position made it difficult for public managers within the executive agency to develop their strategy and therewith forced them to take on a reactor strategy.

## 4.6 DISCUSSION AND THEORETICAL IMPLICATIONS

The analysis focused on identifying *whether, how and why* public managers take a particular strategic stance when being confronted with cutbacks. In this section, we describe the theoretical implications of our findings.

First of all, whether public managers engage in external interactions depends on the decision-making process. We observed that cutbacks could lead to centralised decision-making with only a small group of key managerial and political superiors involved. This finding resonates with recent studies on cutback management (Douglas et al., 2019). Centralisation of decision-making, also impacts what strategic stance public managers engage in (Andrews, Boyne, Law, and Walker, 2009a). For public managers within the Ministry, centralisation of decision-making would help to take a closed cutback management strategy and make sure that the process of implementing cutbacks would continue without interference from external stakeholders. This way, centralised decision-making leads to the adoption of a defender stance. Prison directors were deliberately kept out of the decision-making process. By taking a prospective strategic stance and actively interacting with external stakeholders, they still tried to (though indirectly) affect the decisions being made. While centralisation usually negatively affects whether cutback management processes are open (Van der Voet, 2018), it may be precisely centralisation of decision-making that prompts public managers to try and open-up the cutback management process by engaging with external stakeholders.

A second observation, related to the section above, is that what strategic stance is adopted by public managers, is also based on what they see as their goals within the cutback management process, and what they considered as the best strategy given their circumstances (Desarbo, Di Benedetto, Song, and Sinha, 2005). As mentioned, public managers within the Ministry aimed for a closed cutback management process as their interest was a smooth decision-making process regarding cutbacks. At the same time, the same goals may also lead to different strategic stances (Tonkiss, 2016). This is seen from the fact that some prison directors took on a defender stance focusing on the internal organisation, while others were actively prospecting, reaching out to external stakeholders. Walker (2013) already hypothesised that strategic stance could not only differ between organisational units but even within organisational units. Prior research on strategic management during cutbacks already showed that the importance of interacting with the external environment is magnified in more turbulence and less munificent environments (Jimenez, 2017). In this study, we see that prisons that are (geographically) located in more rural areas of the Netherlands were more actively looking for ways to interact with external stakeholders. They did so because cutbacks in organisations in such an environment are much more impactful on personnel, as employment

opportunities are less available. Their arguments for keeping their prison open are thus mostly centred around employment. For prison directors who work in more urban environments, such arguments do not make sense. Possibly, this is a reason why these prison directors choose to focus on their internal organisation and take a defender stance, making sure that organisational performance is high to keep chances of remaining open as a prison as high as possible.

Third, it is not only cutbacks that affect the strategic stance, but also the institutional context in which public organisations have to work. While studies have tried to link institutional setting to the Miles and Snow framework (see, for example, Scott, 2002), we still know relatively little about the extent to which strategic stance is affected by organisational character. In general, it has been argued that public organisations are limited in their ability to choose their strategic orientation, mostly as they are constrained by political authority (Ring and Perry, 1985). In our study, we observed that public managers within the executive agency were in a position in-between prison directors and public managers from the Ministry, which limited their possibilities to choose their strategic stance. This resonates with the work of Rosenberg Hansen and Ferlie (2016), who found that the possibilities to adopt a particular strategy is dependent on administrative autonomy. Because of their position in between these actors, public managers at the executive agency seemed to be forced to take a reactor stand. This finding is in line with Poister, Pitts, and Edwards (2010), who expected that a combination of factors (including external environment and institutional context) could affect what strategy is adopted by public managers.

Position within the Ministry also affects whether the involvement of external stakeholders is seen as an opportunity or constraint. In the classic Miles and Snow (1978) study and subsequent articles that tested their theory, a major premise is that public managers use a strategy that fits the environment they work in. In our study, we have found that the same environment is perceived rather differently by the different actors. While all actors agree that cutbacks lead to a wide range of actors trying to get involved in the process of decision-making, whether this is an opportunity or constraint is dependent on public managers' position in the organisation. The role of mayors in the cutback management process can be used as an example here, as the newspaper analysis showed how they frequently voiced their concerns and the interviews show the interaction with them by different actors. Whereas mayors make work more difficult for public managers in the Ministry and within the executive agency, mayors are seen as an ally for some prison directors. This also affects how public managers interact with them. Prison directors deliberately reach out to them and use them as a lever for political pressure. This, in turn, affects public managers working in the Ministry who suddenly have to deal with actors trying to penetrate the decision-making process. The same applies to labour unions. While seen as a constraint by public managers within the Ministry and executive agency, they are an opportunity for prison directors to make their interests heard, for example, on the issue of safe working conditions.

## 4.7 CONCLUSION

This article explored *whether, how and why* public managers interact with their external environment during cutbacks. The aim of this article was twofold. Our first aim was to better understand public managers' behaviour during cutbacks, by explicitly focussing on their external interactions during cutbacks. The second goal of this article was to increase our understanding of strategic management by focussing on the question of *why* public managers choose to engage in a particular strategic stance. We observed that organisational context and the context of cutbacks limits the possibilities for strategic management for public managers. Those public managers that do engage in frequent interaction with external stakeholders do so when they believe that this helps them to affect decision-making regarding cutbacks. The context of cutbacks, and more specifically high political salience and centralisation of decision-making, help some public managers to keep the cutback management process closed, while it forces others to engage in active, external engagement to open-up decision-making processes.

A couple of limitations from this study should be mentioned. First, the results of this study were found in a particular policy sector, in a country with a particular political-administrative setting. Whether the dynamics that we found in this study, also hold in other sectors, government levels and/or countries, should be studied using comparative methods. Second, we would welcome longitudinal studies that follow public managers' external engagement over a more extended time to assess whether actors take a different strategy depending on the phase of cutbacks they are in. While the criteria to determine whether public managers act as prospectors, defenders or reactors are distinctive, they are (over time) not to be seen as mutually exclusive (Rainey, 2009). Instead, public managers may use a mix of strategies that change over time, depending on the threats and opportunities that public organisations face from their environment (Boyne and Walker, 2004). The current study explores one snapshot of the cutback management process, and interviewed public managers at one moment in time and is thus unable to systematically assess how and why public managers choose to switch strategies.

In general, cutback management deserves constant attention from scholars. Even when financial constraints do not lead to cutbacks, political decisions to close down, public organisations can have significant consequences and in addition to that require public managers and public management scholars undivided attention. In the words of O'Toole and Meier (2010): "*no public organisation, no matter how well supported and how protected from its environment, is immune from unpleasant and often unanticipated shocks.*" (p. 343).







# Chapter 5



**Managing downward**  
A leadership perspective

## **CHAPTER 5 – MANAGING DOWNWARD: A LEADERSHIP PERSPECTIVE<sup>13</sup>**

### **ABSTRACT**

This paper explores what type of leadership public managers engage in during cutbacks. A qualitative case study involving cutbacks in three public organisations shows how cutbacks trigger centralized decision-making and top-down planned change processes, reducing public managers' room to manoeuvre. Within such processes, public managers' leadership behaviour becomes focused on securing employees' support for change in ways that vary across levels of the organisational hierarchy. Based on a comparison of the empirical findings with insights from the literature streams on change leadership, transformational leadership, and crisis leadership, the paper formulates propositions on how cutbacks affect leadership behaviour of public managers.

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<sup>13</sup> This chapter is published as: Schmidt, J.E.T. and Groeneveld, S.M. (2019). Setting Sail in a Storm: Leadership in Times of Cutbacks in *Public Management Review*.

## 5.1 INTRODUCTION

Confronted with severe budget cuts, many public managers face the challenge of implementing cutback-related changes within their organisation, which often implies that organisational structures and practices have to change (Van der Voet and Van de Walle, 2018). This generally requires extraordinary levels of leadership from public managers (Pollitt, 2010) as organisations and their employees are not overly receptive to change in times of austerity (Wright et al., 2013) and public organisations cannot easily choose to stop specific services (Levine, 1979). The latter point implies that public organisations are confronted with decreasing budgets and, at the same time, similar or even rising demands for public services (Pandey, 2010) without money to lubricate the change (Pollitt, 2010). It is especially in such difficult circumstances that leadership is most visibly and decisively exercised (t Hart and Uhr, 2008; Stoker, Garretsen, and Soudis 2018).

Leadership has been identified as a key factor for successful organisational change processes (Fernandez and Rainey, 2006; Higgs and Rowland, 2011) in both the change management and the cutback management literatures (Schmidt et al., 2017). However, relatively little is known about public managers' leadership behaviour during cutbacks, despite cutbacks being seen as among the "*new challenges and pressures that are placed on public organisations and their leaders*" (Vogel and Masal 2015: p. 116). The study therefore aims to explore the leadership behaviours that public managers engage in when they are faced with making cutbacks in their organisation. While leadership intentions and perceptions are not necessarily aligned (Jacobsen and Andersen 2015; Lee and Carpenter, 2018), we specifically aim to explore leadership behaviour public managers engage in and their underlying motives. Our research question is: "*What leadership behaviour do public managers engage in during cutbacks?*"

While cutbacks have returned to the public administration research agenda in recent years, most studies on cutback management focus on macro-level issues such as fiscal consolidation (Kickert 2015; Kickert and Randma-Liiv 2015, 2017) and public administration reforms (Di Mascio et al., 2013; Ladi, 2013; Mccann, 2013). By focusing on public managers' leadership behaviour during cutbacks, this study aims to increase our understanding of cutback management practices within public organisations. In so doing, this article also contributes to the increasing number of studies on leadership in public management. Historically, the focus has been on the effects of leadership style, and the specificities of the organisational context have largely been ignored. This is changing, and integrating context in research about leadership behaviour is increasingly promoted (Bryman et al., 1996; Meier, Andersen, O'Toole, Favero, and Winter, 2015; Porter and McLaughlin, 2006). Scrutinizing the role of context is twofold (following Johns, 2006): (1) by focusing on how leadership behaviour is manifested in a specific context and (2) by focusing on how characteristics of the context affect the prevalence of (aspects of) leadership behaviour. Our study reflects this trend by exploring aspects of leadership behaviour, both their manifestations and their prevalence, in the specific context of cutbacks.

As we are interested in leadership in the process of implementing cutback-related change, our focus is mostly on the internal organisation. Following Yukl (2006: p. 8) we define leadership as including “*the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives*” We further assume that leadership entails rational-adaptive behaviour by public managers, i.e. that public managers ultimately try to realise organisational goals. While it has been argued that leadership may function as a way to smooth (Levine, 1979) or even resist cutbacks (Lambright, 1998), our focus is on leadership behaviour when public managers are tasked with decision-making and implementation of cutbacks, whose magnitude has already been determined elsewhere.

This article presents the results of a qualitative study consisting of 51 interviews with present and former public managers working in the Dutch civil service. Dutch ministries and executive agencies had already been confronted with cutbacks for more than a decade when a newly founded coalition entered office in 2012 and announced additional cutbacks for central government ranging from 6.6 to 25 per cent of the annual operational expenditure. We focus on three organisations that have all been confronted with substantial budget cuts, although the magnitude of the cutbacks differed among the managers involved.

We start our article by exploring the literature on transformational leadership, change leadership, and crisis leadership. Following this, we describe the cases and the methods used. After presenting the findings, we discuss six propositions on leadership during cutbacks and conclude with some remarks on possible avenues for further research.

## 5.2 CONCEPTUAL FRAMEWORK

Leadership has been approached in a wide variety of ways, from cookbook type guides on how to be an effective leader through to thorough academic work. Research usually focusses on a single leadership theory or style and avoids comparing or integrating different theoretical perspectives (Ospina, 2017; Vogel and Masal, 2015), resulting in a fragmented academic field. In this study, we apply three different leadership theories to explore leadership behaviour during cutbacks: transformational leadership, change leadership, and crisis leadership, and then integrate these theories in a conceptual framework. We chose to include these leadership theories, for two important reasons. First, as stated, the role of leadership during cutbacks has received only limited attention in public management and generic management studies (but see Van der Voet and Vermeeren, 2016, Park, 2019 and Stoker et al., 2018). Second, the three different leadership theories that are used can help shed different, but complementary, lights on leadership behaviour within an organisation. Transformational leadership and change leadership have been used to study leadership behaviour of public managers during organisational change, which is closely related to cutback management (Schmidt et al., 2017). We also draw from crisis leadership literature, as cutbacks can be perceived

as a shock (and sometimes disruption) to the organisation and therefore, crisis leadership may also serve as a useful perspective to analyse leadership behaviour during cutbacks.

We mainly draw from studies conducted in the public sector, as organisational publicness may affect what public managers can do during cutbacks (Pandey, 2010; Bostock, Breese, Ridley-Duff and Crowther, 2019). One of the main differences between public and private organisations when it comes to cutbacks, is that public organisations cannot easily choose to stop their services (Andrews et al., 2013) or choose to increase revenues (Pandey, 2010).

## Transformational leadership

Transformational leadership has been one of the predominant perspectives on public leadership during change (Vogel and Masal, 2015). A transformational leadership style builds on the notion that “*effective leaders transform or change the basic values, beliefs, and attitudes of followers*” (Podsakoff et al., 1990: p. 108) by recognizing the “*importance of collective or organisational outcomes*” (Moynihan, Pandey, and Wright, 2012: p. 147). We adopt the widely used conceptualization of transformational leadership (Bass and Avolio, 1995) that includes four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (see also: Bass, Avolio, Jung, and Berson, 2003).

Idealized influence involves leaders who are “*admired, respected, and trusted*” (Bass et al., 2003: p. 208) and followers who can identify with the leader. Through idealized influence, leaders show behaviour that is congruent with the projected vision and hence act as a role model.

Inspirational motivation refers to leaders communicating in a way that inspires their employees or followers through a compelling vision (Bass et al., 2003). Transformational leaders appeal to the higher values and ideals of their subordinates, rather than raising consciousness of basic emotions such as fear or jealousy. Nevertheless, articulating a vision is not directly aimed at ensuring employee support for changes (Van der Voet, 2016). Rather, this aspect of transformational leadership may serve to “*energize groups to persist when conditions are unpredictable, difficult, and stressful*” (Bass et al., 2003: p. 216). In times of cutbacks, which can sometimes be regarded as unpredictable, difficult, and stressful, public managers might outline a clear vision of the future to motivate employees to change their behaviour, beliefs, and attitudes. As this dimension tends to correlate highly with idealized influence, both dimensions are generally grouped together (van Knippenberg and Sitkin, 2013), and viewed as ‘charisma’. In very demanding situations, such as cutbacks, charismatic leadership may not only be required, it can also be more difficult to exhibit (Halverson et al., 2004).

Intellectual stimulation entails leaders encouraging their employees to come up with ideas on how to deal with certain issues (Wright and Pandey, 2010). Creating an environment in which new ideas are heard can be challenging during times of cutbacks since a conservative climate often dominates in such times (Cayar, 1986). Furthermore, employee participation in the implementation process of cutback-related change is often limited (By, 2005, Van der Voet, Kuipers, and Groeneveld, 2013).

Individual consideration involves public managers recognizing the differing needs of their followers (van Knippenberg and Sitkin, 2013). Although cutbacks may well lead to decreased

employee wellbeing (Kiefer et al., 2015), the negative relationship between implementing cutbacks and employee wellbeing can be mitigated by managers giving attention to the individual needs of employees (Van der Voet and Vermeeren, 2017).

## **Change leadership**

The crucial role of leadership in managing organisational change is highlighted in many publications within the change management literature (Gill, 2002). This literature stream has long focused on the role and behaviour of public managers at the top of the organisation (Gill, 2002; Fernandez and Rainey, 2006), although recent publications also highlight the importance of lower-level managers or direct supervisors in bringing about change (Van Dam, Oreg, and Schyns, 2008). Generally, top-level public managers are seen as important in the first phases of organisational change – by initiating, directing, and supporting change. Lower-level public managers are more important in the process of implementing changes (Burke, 2010). The literature on the process of organisational change is dominated by a differentiation between planned and emergent change (By, 2005). The planned approach to organisational change starts with the notion that change follows a stable process towards a pre-defined goal and is often preceded by top-down decision-making. Emergent change, on the other hand, is seen as a continuous process without a pre-defined goal, and is usually linked to bottom-up processes. A high level of environmental complexity, centralized decision-making, a lack of voluntary retrenchment, and time constraints make it likely that cutback-related change follows a planned process (Schmidt et al., 2017).

There are differences in the type of leadership observed during planned or emergent change (Van der Voet, Groeneveld, and Kuipers, 2013). Most of the change leadership activities within planned change processes are aimed at securing support for the envisioned changes, or at least decreasing resistance. Trying to gain support for change involves getting support from employees (Wright et al., 2013), from senior-level managers (Stewart and Kringas, 2003), and from the political level (Fernandez and Rainey, 2006). Research shows that public managers cannot usually expect cutback-related changes to have the same support as innovation-driven changes (Kiefer et al., 2015; Wright et al., 2013). Furthermore, motivating employees to help achieve cutbacks might be difficult since there are rarely rewards on offer (Raudla et al., 2015). The literature on change leadership provides evidence that communication and employee participation in the change process can help public managers reduce the resistance to change and may help alleviate some of the negative consequences of cutbacks for employee wellbeing (Van der Voet and Vermeeren, 2017).

In terms of communication, it has been noted that, in order to get employees on board, public managers need to highlight the necessity and urgency of change (Fernandez and Rainey, 2006; Van der Voet et al., 2013). In such processes, communication efforts should centre around clear and definable goals of the change (Alvarez, 2016) in order to show employees what the process will look like. Here, Behn (1980) shows that the communications by public managers can involve establishing the inevitability of resource decline and the dramatization of the cost of not cutting expenditure. Another way in which communication may be used by public managers is by fram-

ing change. Higgs and Rowland (2005) argue that public managers may use framing to show why change is necessary. Cutbacks can also be framed as innovation to increase enthusiasm for change (Kiefer et al., 2015).

While it has been argued that employee participation is generally higher in emergent change processes (By, 2005), combinations of planned and emergent change can also be observed (Weick, 2001). In other words, even in planned change processes it is likely that public managers will seek ways to include employee participation within the process in order to diminish resistance to change (Weick, 2001). Whereas change management literature focusses on the importance of participation, the cutback management literature also warns that participation may elicit resistance. Levine (1979) coined the term '*participation paradox*' to highlight that participation in a process of cutbacks may increase resistance through employees behaving protectively. However, failing to take the inputs of employees seriously during a change process can fuel long-term resistance (Fernandez and Rainey, 2006).

## Crisis leadership

The role of leadership in extreme contexts, such as terrorist attacks or natural disasters, is considered in the crisis management literature. It can be questioned whether a *financial* crisis can be seen in a similar light. That being said, given that crises have been described as events or problems that (1) threaten the core values of an organisations, (2) have a restricted time frame, and (3) are surrounded by uncertainty (Hermann, 1963), one can see crises as a specific type of change leadership (Van Wart and Kapucu, 2011). Contrary to change management literature, crisis leadership is generally concerned with decision-making processes during crises, rather than with questions of implementing changes (Van Wart and Kapucu, 2011). Consequently, studies on crisis leadership are often focused on high-level political and administrative actors who have a central role in crisis decision-making (Boin and 't Hart, 2003; Boin et al., 2010).

It is often assumed, and indeed found, that crises call for the centralization of decision-making (Boin et al., 2010), commonly in a small group of core actors such as the political and public leaders (Boin et al., 2010). One reason for this is that, during a crisis, public and political leaderships need to find ways to coordinate their actions in order to avoid later blame games. Here, 't Hart and Uhr (2008) argued that "*the most characteristic dilemma*" of public managers is that they need to manage both upwards and downwards: they are expected to serve their political masters and at the same time lead their organisation. The relationship between public and political leaders is further emphasized by Cepiku et al. (2016: p. 6) who argue that, in the decision-making process, "*the ultimate decision will depend on their [the public and political leaders'] relationship and their relative strength*".

Centralization of decision-making and the need for quick decisions result in communication being vital (Van Wart and Kapucu, 2011), both to the managers' subordinates as well as to the outside world, for example to persuade the wider public of the need for crisis-induced changes (Boin et al., 2010). Other aspects of this leadership behaviour are serving as role models and demonstrating trustworthiness through open communication (Van Wart and Kapucu, 2011). Communication

also relates to the earlier mentioned possibility that crisis leadership can lead to blame games, with certain changes being caught in so-called '*framing contests*' between actors that either oppose or advocate a certain reform (Boin et al., 2010). Similar dynamics of centralization have also been emphasized in the cutback management literature. During the latest financial crisis, many examples of centralized decision-making have been observed (Savi and Randma-Liiv, 2015; Kickert, 2012). While researchers highlight the importance of opening up government to clarify the cutback management process (Levine, 1984), research has shown that, during cutbacks, even top public managers are sometimes kept at a distance (Peters, Pierre, and Randma-Liiv, 2011). Nevertheless, while decision-making may become centralized, dealing with cutbacks does not often require an instant decision (Raudla et al., 2015), as might be the case in more extreme contexts (Hannah, Uhl-Bien, Avolio, and Cavarretta, 2009).

While crises may serve as windows of opportunity for cutback-related change (Pollitt, 2010) since the need for change is clear, the sense of crisis may be short-lived. The role of the public manager then becomes showing that the crisis still endures and that cuts remain necessary. Some crisis management scholars have also argued that changes and reforms induced by crises may create challenges in the longer term and that public leaders should therefore be hesitant in pushing for reform in times of crisis (Boin and 't Hart, 2003). One might also question the extent to which radical change is possible during a crisis since there could be a 'conservative reflex' aimed at defending core values (Boin and 't Hart, 2003), with public managers reverting to traditional values and a more conservative climate (Cayer, 1986; Levine, 1984).

## Synthesis

The various elements of leadership behaviour that have been discussed above are distinctive yet also show overlap. This is shown in table 5.1, that serves as the conceptual framework for the analysis. We distinguish between three main aspects of leadership behaviour: (1) leadership behaviour centred around communication of cutback-related changes, (2) leadership behaviour regarding the interaction with employees in the process of managing cutback-related change, and (3) the role of role modelling behaviour. We can group elements of the different leadership theories that have been discussed under these heading, but (as table 5.1 shows) the different leadership theories are distinctive in *how* and *why* certain behaviour is exhibited.

## 5.3 DATA AND METHODS

### Research design

To explore what leadership behaviour public managers' engage in during cutbacks, we used a qualitative research design. Qualitative research enables attention to be given to the particular circumstances (Antonakis et al., 2004) and their implications for the way in which leadership is exhibited (Bryman, 2004). In this study, we used semi-structured interviews with public managers



TABLE 5.1 *Leadership behaviour within different leadership theories*

Leadership behaviour	Transformational leadership	Change leadership	Crisis leadership
<b>Communication</b>	Inspirational motivation: outlining a vision, inspiring through vision.	Ensuring the need, stating the urgency of change	Framing changes; blame games.
<b>Interaction with employees</b>	Intellectual stimulation: motivating employees to come up with ideas; recognizing individual needs; individual consideration.	Collecting input from employees in the change process (in planned change processes)	Centralized decision-making, little room for employees to participate.
<b>Role modelling</b>	Idealized influence: showing behaviour congruent with the projected vision.	Providing the right example to ensure employee support	Being a role model to increase trustworthiness.
<b>Orientation</b>	Mostly internal, the leadership behaviour of immediate supervisors.	Both internal and external focus: internally oriented towards securing support from both employees and top management; externally oriented to help institutionalize change	Largely externally oriented, towards stakeholders in the environment. Internally, less so, behaviour is targeted at the relationship between public and political actors

in various hierarchical positions, and in three cases that differ in the magnitude of the cutbacks being implemented<sup>14</sup>. Our study should be seen as a multiple case study, rather than a comparative case study. The main advantage of a multiple case study, is that using such a design helps to better explore and understand a particular phenomenon as differences and similarities across cases can be observed (Yin, 2009).

While many leadership studies are either unclear about what management-level they focus, or do not take management-level into account, we expected that interviewing public managers at different hierarchical levels would help us to cover a wide variety of experiences and behaviours regarding cutbacks.

In all cases, the magnitude of cutbacks (e.g. the percentage of the budget that needs to be cut) was predefined by political superiors. However, how the organisations should realise these budgetary reductions, was part of the responsibility of public managers. The decisions that are made by public

<sup>14</sup> As this study is part of a larger research project on cutbacks in Dutch public organisations, we conducted an extensive ex-ante analysis before deciding which cases to select for this paper. Interviews with more than 20 top civil servants from different ministries were held to gain insight in what particular cases of cutback-related changes were being implemented. These cases were further studied by reading policy documents and budgetary reports. We decided to include these three cases as they were all implementing cutback-related changes during the same period, yet differed in the magnitude of cutbacks that needed to be implemented. Including different cutback contexts fit our exploratory aims.

managers, therefore, do not concern the magnitude of cutbacks but do concern the content (*what* is cut back) and the process (*how* are cutback-related changes implemented) of cutback management.

The first case involves organisations within the penitentiary system. Dutch prisons were confronted with cutbacks to their budgets of approximately 30%. These cutbacks led to two types of organisational changes. First, some prisons were expected to do the same with less (Dooren et al., 2015), resulting in personnel reduction and changes in the daily practices within prisons. Second, almost half of all Dutch prisons were to be closed down. The decisions on how, what, and where to cut had already been taken in the higher managerial echelons, while the public managers in lower-level management positions were tasked with the implementation of cutback-related change. Twenty public managers were interviewed for this case. Respondents were interviewed at all levels of the organisation, both top civil servants and lower-level public managers.

The second case is a ministry confronted with cutbacks of over 15% to its budget. A large proportion of this ministry's operational expenditure was reserved for accommodation and personnel costs. The ministry's management board therefore decided to cut back on accommodation and implement an organisation-wide programme of flexible working arrangements, rather than reducing personnel. The proposed changes included a 30% reduction in floor space and, consequently, having only seven work places for every ten employees. Most civil servants had to give up having a fixed office and desk, and instead work in a flexible 'clean desk' environment. The overall framework of the organisational change was determined by public managers in the highest echelons. Within this overall framework, public managers were autonomous in how they developed a process to implement the changes. Twenty-five public managers, at all levels of the organisation, were interviewed for this case.

The third case is another ministry, confronted with a reduction of about 9% to its budget. Within this ministry, cutbacks were realized by implementing across-the-board cuts within the organisation. Cutbacks were not to lead to significant changes in the organisational processes, rather, public managers were expected to spend less through a freeze on hiring and had to find efficiency gains throughout the organisation. Public managers in the highest echelons (the so-called management board) made the decision to share the pain of cutbacks by means of proportional cuts. Six of the seven top civil servants who made up the management board were interviewed.

## **Data collection**

Public managers working in a range of hierarchical positions were included in the study to capture the variety of experiences regarding cutbacks. Top civil servants, such as secretaries-general and directors-general (the top two positions within the civil service hierarchy), have important roles in the decision-making processes regarding the content of cutbacks and the first stages of implementation. As an organisational change progresses, middle and lower-level managers such as directors and heads of department (the third and fourth positions in the hierarchy) become more critical to the process (Burke, 2010). All interviews were conducted by the same author, as part of a larger research project on cutback management in Dutch public organisations.

## Topic list and analysis

Despite the vast amount of literature on leadership, qualitative leadership research usually fails to build upon earlier research, which limits the accumulation of knowledge on leadership (Bryman, 2004). One way to avoid this is to design a topic list based on known leadership behaviours as described in table 5.1. Nevertheless, as the goal of this paper is to explore leadership behaviour, we initially asked respondents' general questions about their behaviour. The topic list then allowed us to dig into the theoretically relevant constructs of leadership and focus on leadership behaviour in the context of cutbacks. Such a semi-structured approach to the interviewing also allows one to incorporate new knowledge that had not been anticipated.

All the interviews lasted about an hour, and were recorded, transcribed, and analysed using Nvivo software. The coding procedure involved different stages. First, the interviews were open coded with the goal of exploring the empirical material. As we had depicted different leadership behaviours and different elements to cutbacks, the fragments within the data were coded accordingly. Within this phase, data segments were thus given their first codes, which resulted in a long list of codes. Second, we used axial coding to assess overlap and differences among the fragments falling within each code. In this way, some codes were split into multiple sub-codes while other codes were merged into a single code, reflecting the literature as presented in table 5.1. The final codes used in this study are included in the appendix, grouped in line with the leadership behaviours presented in table 5.1.

In order to learn more about the particular contexts of the different cases, the interviews were supplemented with two other data sources: policy documents from the organisations that were studied, and data from interviews held with policy advisors and otherwise involved actors.

## 5.4 FINDINGS

We present the findings of our study by discussing the various leadership behaviours across cases.

### Communication

One of the first steps in all the change processes was letting employees know about the proposed changes. How public managers delivered their message varied greatly among the three cases and seems to be particularly driven by the magnitude of the cutbacks, which had implications for both the impact of the cutback-related changes within the organisation and the political salience of the measures. Public managers in the first case, employed as prison directors, were confronted with budget reductions that led to the decision to close almost half of all prisons, thereby threatening the job security of about 3000 employees. As these cutbacks were politically highly sensitive, all the prison directors were ordered by their political and administrative superiors to simultaneously announce the cutbacks to avoid news leaking to the press. Furthermore, they were all briefed to give the exact same message to their employees, giving them little room for their own story. Com-

munication was therefore rather formal and focused on the political need to cut back. As one of them explained:

*"I think I knew about three hours in advance what I had to say. Yes, that was directed, all prison directors knew that they were getting a call in the morning about what they had to tell their employees at 1 o'clock in the afternoon. That was the same across the whole country."* (Case 1)

Public managers in case 2 and 3 reported much greater freedom in how they delivered the message that cutbacks were to be implemented. Cutbacks within these organisations were less substantial and would not lead to any employees being laid off, and were therefore not seen as politically sensitive topics. At the same time, public managers did not expect the cutback-related changes to be welcomed with open arms. In the case of adapting a flexible working approach, public managers did not expect employees to be overly keen on using flexible working arrangements in place of having a desk and an office for themselves. Nevertheless, public managers argued that they had a convincing framing to advocate for such a change: that the implementation of flexible working-arrangements would mean that desks, rather than people, would be cut from the budget:

*"Listen, we can choose between sending colleagues away or having fewer desks."* (Case 2)

*"Cutbacks on housing simply means more working people."* (Case 2)

Highlighting that cutting back on housing costs and implementing flexible working arrangements were ways to avoid cutbacks on personnel is an example of managers focusing on the necessity of the change, rather than framing it as a way to improve work, for example by emphasizing that work-life balance could be enhanced through flexible work arrangements. Asked why they chose this line of communication, the public managers emphasized that they did not believe that their employees would believe that innovation was the rationale behind the changes, and that neglecting the true purpose of the cutbacks would not diminish resistance.

In all three cases, public managers argued in favour of being open about the primary rationale behind the change, rather than coming up with a way to frame the changes in a positive light and linking them to a compelling vision. As a public manager put it:

*"I have told it realistically [...] Because, if you come up with a story like "we have now found a way to work that is better than anything we have done before", well, we are all able to judge that it is all a very arbitrary story"* (Case 2)

In order to keep employees up to date about the progress of implementing cutback-related changes, different means of communication were used. Many public managers used their weekly staff meetings to reflect on the change processes. Other means of communication during the process were using newsletters and blogs on how cutback-related changes unfolded. Public managers argued that keeping employees informed was important for them, yet (especially for lower-level public managers) whether they could inform their employees was dependent on the information they received from the top-management level.

Overall, public managers set out to communicate a truthful and authentic story, explaining that cutbacks were the driver for the changes occurring in the organisation. The room to adjust that story to their specific circumstances was smaller where the impacts of the cutbacks were greater.

## Interaction with employees

### *Employee involvement*

In all three cases, the proposed cutback-related changes were decided upon in a top-down manner by the organisation's management board, an approach which is common in times of crisis. During these decision-making processes, public managers in the highest echelons usually only interact with employees with formal roles, such as through an employees' council or the labour unions, and not directly with 'regular' employees. This means that higher-level public managers do not always engage lower-level management (their subordinates) in decisions. Mostly, the lower-level public managers were simply confronted with predetermined cutback-related changes from their managerial superiors and tasked with making these changes work. During the implementation of cutback-related changes, lower-level public managers, as direct supervisors, did try to engage their employees in the process. As one respondent explained:

*"These are top-down decisions about cutbacks, and about cutting back on accommodation. I think that there was only minor involvement of employees in that process (...) the way that the cuts are implemented, that is the moment when employees can make concrete suggestions."* (Case 2)

The cases differ in the extent to which employees were involved in the cutback-related change process. In the first case, only top-level managers were involved in the decision-making process, with managers in the lower echelons being confronted with having to close their prison and lay-off personnel at very short notice. Confronted with targeted cuts that were tightly specified and fixed, they had little room for manoeuvre and saw little opportunity to involve employees in this process. Further, they did not anticipate that involving employees in the process of closing their organisation would increase acceptance of the decision. As one manager put it:

*"Well, employees are not really inclined to participate in some sort of self-hanging exercise."* (Case 1)

Public managers in the second case did, however, use participation in the implementation of flexible working arrangements as a means of ensuring employee support. In doing so, they invited employees to think along about aspects such as the layout of the new offices, the type of furniture needed to accommodate flexible working, and also about the rules for the new ways of working (such as how employees could be reached when working from home or when they would be allowed to work from home). As one of the respondents explained:

*"In my view, if you give people the feeling that they could contribute something to the decision-making process, they will easier accept it [the changes] (...) It's ownership, and that within a framework. Every time, there were certain degrees of freedom in what you could choose to do, and that is where employees were explicitly involved."* (Case 2)

For some public managers, involving employees in cutback-related changes was also necessary to ensure that their leadership behaviour remained congruent with organisational culture and norms:

*“I don’t like just implementing things in a top-down way. I know that other ministries say: ‘you have to cut back so we just reduce your budget, and this is what you get.’ But it does not work that way in our organisation (...) Here, everyone has an opinion, and everyone is allowed to have one. There is a really informal setting. So, you have to organise the process differently, otherwise it will lead to problems later on.” (Case 2)*

In general, public managers were inclined to use employee participation in the change process to decrease resistance, rather than to make use of their employees’ expertise. This was specifically seen as an important activity for direct supervisors. However, whether public managers can and will involve employees meaningfully in the change process seems to depend on the impact of the cutbacks that they are confronted with. In addition, public managers in the higher echelons primarily interact with employee representatives rather than through their immediate juniors.

#### *Attention to the needs of employees*

In all three cases, most public managers seemed well aware that cutback-related changes could affect employee wellbeing. While there was little or no opportunity for employees to engage with the change process, public managers invested time in discussing with employees their uncertainties and worries regarding the cutbacks. Interestingly, public managers in the first case mentioned that they had a lot of one-on-one conversations with employees in dealing with the insecurities of personnel that would have to find new jobs. As current daily practices needed to continue until prison closure, it was important for them to motivate and help staff. For managers who had to deal with substantial changes within the organisation, the message in individual talks was clearly focused on the inevitability of decline. As one of the respondents argued:

*“Well, it is mostly about being clear about the fact that we are going to do it. So, there is no escape. And, at the same time, but that is mostly a task for the heads of department, we have to take notice that some people do not like these changes. You should not say that they are whining. You have to say we are going to do this and that. The tone of voice is very important in how you say such things.” (Case 2)*

Again, individual consideration was emphasized as a responsibility of directors or heads of departments, rather than an activity for the higher-level public managers. Department-level public managers, as their direct supervisors, are not only the first to talk to employees but also the ones who can see most clearly how cutbacks affect employee wellbeing and, possibly, organisational performance. We thus saw that giving individual consideration is one of the leadership behaviours that direct supervisors engage in, and that this is motivated by the belief that this may help in mitigating

the effects of cutbacks on employee wellbeing, or increase understanding of why cutback-related change is necessary. Most public managers argued that they neither needed nor sought support from higher-level public managers in explaining these decisions to their employees or in discussing employee needs. Moreover, lower-level managers did not receive nor seek emotional support from their supervisors.

Overall, we can observe a clear division of tasks between higher- and lower-level managers with direct supervisors fulfilling a servant role, in both upward and downward directions, with little attention to their own wellbeing.

## Role modelling

Role modelling is an important aspect of the leadership behaviour of public managers, and may be exhibited in various ways. First, higher-level public managers showed exemplary behaviour by signalling to employees that the cutbacks were also 'borne' by the management of the organisation. This could help to create a sense of equal misery if even managers are forced to give up certain privileges. As one high-level public manager put it:

*"In my former job, I was used to having frequent lunches and dinners with guests. I have put a hold on these in this job, because I don't want that people think 'we have to cut back and our manager is having fancy dinners.'" (Case 3)*

For lower-level public managers, acting as role models served to increase acceptance of cutback-related changes. As one of the respondents in the second case commented:

*"... It is leadership by example. Giving the right example. Giving up my own room as soon as possible." (Case 2)*

Giving up one's own room is an example of showing how lower-level public managers also have to deal with the consequences of cutback-related change and, at the same time, such behaviour is aimed at showing behaviour that is congruent with what is expected of employees. Furthermore, according to respondents, acting as a role model shows that you believe in the changes, which helps in gaining acceptance of the changes:

*"Well, it can be tense but of course I do believe in it [the cutback-related changes]. Obviously, I have to express this as a member of the management team." (Case 2)*

## Orientation

The focus of attention for public managers during cutback-related changes depends on their position. Lower-level public managers are evidently more engaged with employees as they directly supervise them. Their behaviour during the implementation of cutback-related change is therefore

mostly targeted at this group and aimed at securing support for change and mitigating the negative effects of cutbacks. They do this by showing individual consideration for their employees, trying to engage them in the change process, and demonstrating role model behaviour. Especially in Case 2, the public managers were rather accommodating by strongly framing the change as cutting back on housing rather than on employees, and opting not to seek the involvement of their managerial superiors. Furthermore, the lower-level public managers in this case showed a strong focus on the policy-related tasks of their department and emphasized the importance of ensuring that the cutback-related changes were implemented while maintaining *'business as usual'*.

In contrast, public managers in the highest echelons mostly engage with formal employee representatives. Their emphasis lies on having a smooth decision-making process on what to cut back (the content of cutbacks) and, subsequently, on communicating the cutback-related changes to employees. These public managers also cooperate with their political superiors, but the extent to which there is close cooperation is dependent on the impact of cutbacks. In the first case, the most politically sensitive one, collaboration between public managers and political superiors was deemed urgent and important. Political superiors decided to keep most public managers out of the decision-making process, leaving public managers in the dark about what was going to happen to their organisation and employees. This strongly affected the cutback-management process. In the other two cases, the absence of strong cooperation between public and political leaders was explained in various ways. One respondent argued:

*"You just try to minimize the disturbance for your political superior. We [the public managers] ensure we handle it." (Case 3)*

Most respondents within the second and third cases argued that internal changes within ministries are not that politicized, and therefore do not get as much attention as politically salient policy issues such as prison cutbacks. As cutbacks in the internal apparatus are regarded as a management issue, rather than a political one, many respondents felt that it was, and should be, the public managers who shoulder the responsibility for internal cutback-related changes.

With regard to cooperation with external actors, clear differences between the cases were apparent. When cutbacks have a major impact and are politically salient, a large number of external actors become involved. For example, in the prison sector, labour unions, national and local politicians, experts from the judiciary, and many other actors had something at stake. The involvement of these actors can be explained by the fact that closing prisons not only affects employees, but also many actors who engage with prisons, such as local businesses and other organisations in the judiciary sector. Furthermore, as lower-level public managers were kept out of the decision-making process by higher-level public managers and political actors, they sometimes chose to instead interact with external actors in an ultimate attempt to affect the decisions regarding cutbacks.

In the two other cases, case 2 and 3, which had a low political profile, public managers argued that they did not have to interact with actors beyond their organisation apart from those or-



ganisations that are responsible for central governments' accommodation and/or the Ministry of Finance. The additional interviews with policy advisors and the documents studied showed that some external advisors or organisations had been hired to help with the implementation of flexible working-arrangements, for example by giving in-company training on the use of electronic tools. Nevertheless, there were many fewer external actors involved than in the case where prisons were being closed.

## 5.5 DISCUSSION

In this section, we discuss the theoretical implications of our study and formulate propositions on leadership behaviour in cutback-related change processes. Following Johns (2006) we develop two types of propositions: propositions that show how characteristics of cutbacks affect the prevalence of specific leadership behaviours, and propositions that focus on what leadership behaviour is manifested in the context of cutback-related change. We start with the latter, formulating two propositions on how characteristics of cutbacks affect leadership behaviour. Then, we formulate four propositions on leadership behaviour related to communication, employee interaction, and role modelling during cutbacks in which we elaborate on the manifestation of behaviours and their underlying motives.

We observed that when the magnitude and therefore the impact of cutbacks is higher, the tendency to centralize decision-making is stronger. Crisis leadership literature explains this tendency by referring to the need for rapid and smooth decision-making (Boin and 't Hart, 2003; Van Wart and Kapucu, 2011). Especially when cutbacks result in layoffs (the greatest impact of the cutback-related changes in this study), public managers choose '*not to let the turkeys vote for Christmas*' (Schmidt et al., 2017). With decision-making centralized, only public managers in the highest echelons, sometimes together with political actors, are involved in decisions regarding cutback-related change. In such centralized decision-making processes, both the content of the changes as well as the process through which these will be implemented are forced upon lower-level public managers in a top-down manner. Our first proposition is therefore:

*Proposition 1: The greater the impact of the cutbacks, the more likely that decision-making is centralized and the content and process of cutback-related changes are predetermined for the lower-level public managers.*

In addition, we made two noteworthy general observations on leadership behaviour during cutbacks. First, we observed that most leadership behaviour is oriented downwards. Where cutbacks are disruptive and have a significant impact, higher level public managers tend to target their behaviour at political superiors; whereas, in other situations, leadership behaviour is primarily targeted at subordinates. Second, we found that the various aspects of leadership as presented in

table 5.1, i.e. communication, interaction with employees, and role modelling, involve different behaviours at different levels of the organisational hierarchy thus showing the importance of taking public managers at different managerial levels into account (Van Dam et al., 2008). Although crisis leadership behaviours were mostly observed at the top management level (where the decisions regarding the content of cutbacks are made), elements from change leadership and transformational leadership are seen across the various levels, but to different extents for the various dimensions and associated with different behaviours. This leads to our second proposition:

*Proposition 2: During cutbacks, public managers' positions within the organisational hierarchy affect their leadership behaviour regarding communication, interaction with employees, and role modelling.*

Propositions 3, 4, 5, and 6 reflect how certain aspects of transformational leadership and change leadership are shaped by the context of cutbacks, and therewith built on proposition 1 and 2.

We found that most behaviour related to communication is associated with explaining the inevitability, desirability, and urgency of the change, rather than communicating a compelling vision (see, for example, Behn, 1980; Van der Voet et al., 2013). The centralization of decision making also impacts on the communication by public managers towards their employees. In Case 1, lower-level public managers were not consulted about what form the cutback-related changes should take, or how they should be implemented, but were still expected to 'sell' the decisions to their employees. Their subsequent focus on the urgency of the changes, rather than framing their communication around an inspiring vision of the future, could be stimulated by the fact that these plans were not their own and therefore they lacked ownership. In Case 2, a strong frame was built around the notion that employees could choose between losing their desks or their jobs. Managers argued that an alternative approach, for example framing these changes as a necessary part of innovation, would be counterproductive and result in resistance as all employees would see through this smokescreen and figure out for themselves that cutbacks were the key driver of the change processes. Indeed, Kiefer et al. (2014) have emphasized that although public managers might frame changes to gain support for cutback-related change, employees may still see changes as cutbacks, whether disguised within an inspiring vision or not. As cutback-related changes generally seem to receive limited support from employees (Wright et al., 2013), public managers may thus try to appeal to a sense of urgency to gain acceptance of the changes by their employees. Our third proposition therefore is:

*Proposition 3: Public managers responsible for implementing cutback-related changes communicate the necessity of change, rather than a vision of the future organisation, to gain employee support for change.*

Attempts to engage employees in the change process, could be seen at all managerial levels. However, while top-level managers engaged only with formal employee representatives during

decision-making, the lower-level managers attempted to engage with all employees in implementing cutback-related changes (Weick, 2001). This leadership is primarily targeted at implementing changes already decided upon and adopting ways to do so effectively. The very limited scope for influence has a large impact on the repertoire of leadership behaviours, as usually posited by change leadership and transformational leadership studies (Wright and Pandey, 2010; Van der Voet et al., 2013). Public managers within our study did see value in employee participation during cutbacks, believing that this could increase support for change. However, they are only able to engage their employees on minor aspects of the changes within a more general framework. This means that rather than seeking to intellectually stimulate their employees to come up with ideas based on their expertise (one of the aspects of transformational leadership), we observe change leadership behaviour aimed at securing support for change, such as asking employees' opinions or input on the matter at hand. This leads to our fourth proposition:

*Proposition 4: Public managers responsible for implementing cutback-related change cannot put much emphasis on employee participation in the change process because processes during cutbacks tend to be centralized. Nevertheless, they seek ways to involve employees in aspects of the implementation to foster support for cutback-related changes.*

Alongside trying to engage employees in the change process, public managers in our study chose to pay attention to individual needs, while, at the same time, they stuck to their plans. Such leadership behaviour, exhibited by lower-level public managers, is thus aimed at showing employees that their worries and needs are listened to, but also that changes need to go through. This is an interesting finding, as this clearly shows how individual consideration gets a particular meaning in the context of cutbacks. Individual consideration in this context, is mostly about recognizing uncertainties and worries of employees (in line with, for example, Van der Voet and Vermeeren, 2017), without giving the impression that taking these into account may change any ongoing cutback-related changes. This observation leads to our fifth proposition:

*Proposition 5: Public managers responsible for implementing cutback-related changes will consider individual needs, but only to a limited extent, since the cutback-related change processes need to proceed.*

Role modelling leadership behaviour was found at various levels of the organisations. At the top, role modelling was exhibited by showing that even high-level public managers are victims of cutbacks, by cutting back on some of their privileges. Such behaviour can be intended to make employees identify with their manager (Bass et al., 2003). Lower-level managers tried to be role models and show the behaviour they desired from their employees by partaking in the cutback-related changes. By being a good example regarding flexible working or cutting back on non-essential expenditure,

such as lunches and dinners in Case 3, managers at all levels sought to show that they were also affected by cutbacks and persuade others to follow their lead. The sixth proposition is therefore:

*Proposition 6: Public managers responsible for implementing cutback-related changes, in order to smooth resistance to change, will act as a role model by bearing the consequences of cutbacks themselves and behaving in ways they expect of their employees.*

## 5.6 CONCLUSION

Our qualitative study aimed to explore leadership behaviour of public managers when faced with cutbacks in their organisation. Our study makes two contributions. First, it offers substantive insights about leadership behaviour of public managers that are assigned the task of managing cutbacks. These insights contribute to the cutback management literature that so far has focused on the macro level rather than the meso and micro level of public managers' behaviour within organisations. Second, it relates three leadership theories to the context of cutback management. This offers insights into the manifestation and prevalence of leadership behaviours described in these theories within this context.

Our study shows that a context of cutbacks triggers centralized decision-making and top-down planned change processes. In turn, this narrows the room to manoeuvre for lower-level public managers. Within such processes, much of their leadership behaviour is aimed at securing employee support for change. At the same time, public managers in different positions in the organisational hierarchy, and in different circumstances, show different leadership behaviours. Whereas crisis leadership literature can help understand higher-level public managers' leadership behaviour during decision-making, transformational leadership and change leadership characteristics are more evident in lower-level public managers' leadership behaviours during the implementation of cutback-related change.

Our review of the theories shows differences and commonalities between the theories and their expected applicability to the context of cutbacks, yet the empirical analysis shows how the behaviours that comprise the components of the leadership theories manifest themselves in a context of cutbacks. This is important, as leadership theories, and more specifically transformational leadership theory, are empirically examined in a wide variety of contexts, without however, scrutinizing the implications of those contexts for the constructs these theories are built on. Moreover, this study has not only emphasized the importance of including context in the study of leadership, it also highlights that future research should give greater attention to the interdependencies of leadership behaviour by public managers at different positions in the organisational hierarchy. That is, leadership is a process that is shaped by various actors within the organisation, a reality that managers in our study did not always seem aware of.

Our findings and discussion underline the importance of combining different leadership theories (Vogel and Masal, 2015; Crosby and Bryson, 2018) as these can help shed different, but complementary, lights on leadership behaviour within an organisation. With the formulation of the propositions the study aims to contribute to the three leadership theories that have been used in this study. For transformational leadership, our study shows that during cutbacks public managers appeal to the urgency of having to implement cutback-related changes, rather than focusing on transforming basic values, beliefs, and attitudes of their employees (Podsakoff et al., 1990). Crisis leadership, in turn, was visible in the leadership behaviour of public managers at higher hierarchical levels more strongly so than at lower hierarchical levels, for example, by centralizing decision-making processes (Boin and 't Hart, 2003). For change leadership, lastly, we argue that a context of cutbacks may induce behaviour that is primarily focused on getting support for change. Communication, interactions with employees, and role modelling are all aimed at making sure that resistance to cutback-related changes diminishes (Van der Voet et al., 2013). In particular, behaviour is not aimed at persuading employees that cutback-related changes can be beneficial but rather, that such changes are inevitable.

By formulating propositions, we provide other researchers with new questions and hence try to increase the external validity of our study through theoretical generalisation (Toshkov, 2016). Further research could focus on studying leadership in different institutional or administrative settings, where public managers have different roles, to further increase our understanding of the importance of managerial position. Comparative research will help us along this road. Further, comparing leadership behaviour more systematically in different phases of a cutback management process, and studying the interdependencies of leadership on the strategic, organisational, and direct levels could lead to a fuller understanding of how leadership is shaped. This would require a longitudinal research design, which is admittedly not easy to arrange when attempting to study organisations going through difficult times.

We studied leadership in a somewhat distant way: through interviews rather than by '*being there*' (van Dorp, 2018). Interviews are a useful method for capturing why public managers engage in certain leadership behaviours, but managers can only explain how they acted and why they did so. This captures leadership as intentional behaviour, emphasizing the difficulty in studying leadership behaviour without incorporating its intentions. Also, interview data do not necessarily capture how public managers act in the heat of the moment. As such, especially studies focusing on leadership in a particular context, such as our study, could benefit from ethnographic approaches that offer a more sensitive and precise way of investigating how context shapes leadership behaviour and would complement insights from interviews. Last, the emphasize in our study was on leadership behaviour of public managers and the underlying motives. However, as shown in the study by Jacobsen and Andersen (2016), leadership as intended does not necessarily correspond with how leadership is perceived by employees. Further studies on the perception of leadership during cutbacks, help us understand the extent to which intended leadership and perceived leadership in this particular

context corresponds. One could expect that a context of cutbacks may lead to greater misalignment compared to contexts of growth.

As a conclusion, we would emphasize that, by being sensitive to context, qualitative research can help illuminate and build theory on the prevalence and manifestation of leadership behaviour in particular contexts. As leadership studies are increasingly appraising the importance of context, we would therefore highlight the important role that qualitative research can play for leadership scholars in a field still dominated by quantitative methods.







# Chapter 6



## **Public Managers**

A values perspective

## CHAPTER 6 – PUBLIC MANAGERS: A VALUES PERSPECTIVE<sup>15</sup>

### ABSTRACT

Confronted with severe budgetary constraints, top civil servants have the responsibility of implementing cutbacks within their organisations, either by applying proportional or targeted cuts as cutback management strategy. Drawing on elite interviews, we describe how and what values of top civil servants manifest themselves in cutback decisions. We show that the relationship between values and cutback management strategies is much less clear than conceptually understood and suggest that values of top civil servants are context-dependent.

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<sup>15</sup> This chapter is published as Schmidt, J.E.T. (2019). How top civil servants decide about cutback management strategies: the role of values in *Public Money and Management*.

## 6.1 INTRODUCTION

As a result of the economic and fiscal crisis, many top civil servants face the task of implementing cutbacks within the administrative apparatus of their organisation (Kickert and Randma-Liiv, 2015). Top civil servants occupy a pivotal position between political superiors and employees, and have an important decision-making role regarding cutbacks (Raudla et al., 2015). Despite the important role that top civil servants play in cutback decision-making (Schmidt et al., 2017), most studies take a macro-perspective, for example by focusing on fiscal consolidation (Kickert et al., 2015; Randma-Liiv and Kickert, 2016). As a consequence, explanations linked to the attitudes and behaviours of individual top civil servants are lacking. This study aims to contribute to a managerial perspective on cutback management by exploring the related decision-making by top civil servants.

This study explores what values manifest themselves in top civil servants' cutback decisions. Values provide "*direction to the behaviour of public servants*" (Andersen et al., 2013: p. 293) and thus influence managerial behaviour (Van Der Wal et al., 2008). While values cannot be observed directly, they manifest themselves through decision-making (Van der Wal and Huberts, 2008). Top civil servants constantly have to balance different values in their work and are often confronted with value conflict (De Graaf et al., 2016). Especially in situations where decision-making is concerned with budget allocation, tensions between conflicting values (such as efficiency and equity) can arise (Okun, 1975; Fernandez-Gutiérrez and Van de Walle, 2019). This particularly holds when resources become scarce, as is the case during cutbacks. We, therefore, ask: *How do values manifest themselves in cutback decision-making by top civil servants?*

This study's first aim is to contribute to cutback management literature. While the growing public-sector cutback management literature has paid attention to types and effects of cutbacks (Van der Voet and Vermeeren, 2016; Kiefer et al., 2015; Douglas et al., 2019) little attention has been paid to how public managers decide their cutback management strategies (Schmidt et al., 2017). Our managerial focus thus adds to an underdeveloped perspective on cutback management. Some studies on cutback management from recent and more distant past have paid some attention to decision-making regarding the strategies for implementing cutbacks, so-called cutback management strategies (Raudla et al., 2017). Within such studies, different values have been linked to the decision for particular cutback management strategies. However, such studies are mostly conceptual in nature, making this article among the first to offer an in-depth view of how top civil servants decide their cutback management strategies. The second aim of this study is to contribute to our understanding of how values manifest themselves in decision-making in the specific context of cutbacks. Research on values shows that people hold a wide variety of values, yet only take a subset of these into account when making decisions (Witesman and Walters, 2015). This suggests that values are context-dependent and, indeed, there is increasing attention to the context-dependence of values (Andersen et al., 2013; Witesman and Walters, 2014). In a context of cutbacks, where resources are scarce, top civil servants need to make decisions in which they have to balance different values but are unable to satisfy all. Thus, studying how values manifest themselves in cutback

decision-making may help identify those values that are relevant in this particular decision-making context (Witesman and Walters, 2015).

We explore how values manifest themselves in cutback decisions by interviewing top civil servants from the Dutch government. Like many, the Dutch central government needed to make cutbacks following the latest economic crisis (Kickert and Randma-Liiv, 2015). After the September 2012 elections, the new conservative-liberal/social democratic coalition government announced 1.1 billion Euros of cutbacks in the central administration: ministries (primarily focused on policy-making) and executive agencies (primarily focused on policy execution), to be achieved by 2017. Even before these cutbacks, all cabinets since 2002 had proposed cuts to Dutch central government. As such, managing cutbacks has been a core task of Dutch top civil servants. These top civil servants have a high degree of autonomy regarding the management of their department, implying they have a key responsibility for managing cutbacks within their organisation.

## 6.2 CONCEPTUAL FRAMEWORK

Bozeman (2007) defined values as “*the principles on which governments and policies should be based*” (p. 13). Van der Wal et al. (2008) applied Bozeman’s definition to the decision-making of government elites. They define values in this regard as “*important qualities and standards that have a certain weight in the choice of action*” (Van Der Wal et al., 2008: p. 468). Such a conceptualization implies that values have a strong potential to affect behaviour. The relationship between values and behaviour, specifically regarding decision-making, has been researched extensively in social psychology (for example, Bardi and Schwartz, 2003; Schwartz, 1992), and more recently also entered public administration research (Van der Wal et al., 2015).

Public administration research into values and decision-making initially concentrated on *what* values are important to public managers and to other administrative and political actors. This led to various attempts to build classifications, networks, or constellations of values, to develop a universal public-value hierarchy (Bozeman, 2007; Jorgensen and Bozeman, 2007; Rutgers, 2008). Witesman and Walters (2015) observed a fundamental problem in establishing such a hierarchy: that values are sensitive to context. The context-dependence of value hierarchies boils down to a simple principle: that, in a specific decision-context, *value a* can be preferred to *value b* but, in another scenario, *value b* will take precedence over *value a*. Values, in this sense, can be seen as rationalizations or justifications of context-specific actions. Our premise is that government elites regularly need to make choices between conflicting values and that such tensions are greater in times of cutbacks when it comes to the allocation and redistribution of budgets (Fernandez-Gutierrez and Van de Walle, 2019).

## The administrative values framework

We use the administrative values family developed by Hood (1991) as a perspective to analyse what values underlie managerial decisions related to cutbacks, differentiating between sigma-, theta-, and lambda-type values. The typology reflects clusters of core public administration values that underlie the value dilemmas that public organisations face. Hood's (1991) classification is helpful because it not only differentiates between different values but also describes what is regarded as success and failure within an organisation, as determined by the emphasis on a particular type of values. In so doing, Hood (1991) shows how emphasizing different administrative values may impact day-to-day work and the design of public organisations. While all the values in the framework are relevant and important within public organisations, they can compete for attention and, in some cases, be seen as incompatible. Most research in this regard has addressed the efficiency versus equity debate (Fernandez-Gutiérrez and Van de Walle, 2019; Okun, 1975), despite such value conflicts potentially existing not only *between* different administrative value families but also *within* one administrative value family. Efficiency and effectiveness, for example, can both be grouped under sigma-type values, but are not necessarily perfectly aligned. A very effective organisation in terms of policymaking can still be inefficient when it comes to the costs of such programs. It is up to top civil servants to balance conflicting values. We argue that top civil servants justify their decision for a specific cutback management strategy by appealing to specific types of values. Table 6.1, adapted from Hood (1991), shows the focus within the different value clusters, what is regarded as failure and as success, and examples of values that can be grouped under each type of value.

**TABLE 6.1** *Administrative value families (Adapted from Hood, 1991)*

	Sigma-type values	Theta-type values	Lambda-type values
<b>Focus</b>	Matching resources to the tasks for given goals	Ensuring fairness and the proper discharge of duties	Ensuring the organisation's resilience and endurance
<b>Goals</b>	Improved efficiency, cost reductions	Adequate and fair governmental processes	Maintain government resilience, survive crises
<b>Avoiding</b>	Waste (inefficiency, slack)	Malpractice (unfairness, bias)	Breakdown (organisational catastrophe)
<b>Values</b>	Efficiency, frugality	Rectitude, legitimacy, honesty, accountability	Reliability, robustness, adaptability, security

The different value families involve both traditional bureaucratic values, such as honesty, fairness, and equality, as well as values such as productivity and efficiency that are emphasized within the New Public Management (NPM) rhetoric. Hood's (1991) framework is not without critique. Rutgers (2008), for example, argued that it is difficult to assess the validity of Hood's framework and especially the framework's distinctive categories. While Hood (1991) argues that the framework corresponds roughly to the works of Strange (1988) and Harmon and Mayer (1986), these studies do not provide additional arguments for the validity of the distinction (Rutgers, 2008). Critiques have also noted the overlap of some values despite Hood (1991) already stating that the clusters of

values within his framework could be seen as a Venn diagram with intersecting circles, rather than as separate clusters. Furthermore, it has been argued that some values are connected. For example, Chan and Gao (2013) argue that efficiency and fairness are related, as dishonesty may lead to inefficiency. While some managerial actions may be targeted at achieving different values, Hood (1991) notes that it is difficult (if not impossible) to satisfy all three sets of values simultaneously. Despite the critique, it is hard to miss Hood's contribution to public administration as both the framework and the values within the framework have been widely cited used in many different empirical (for example: Toonen, 1998; Chan and Gao, 2013) and conceptual studies (for example: Van der Wal et al., 2015; Jorgensen and Bozeman, 2007).

Hood's (1991) framework can be seen reflecting organisational-level values that top civil servants need to balance. Psychological research initially, and later public administration studies, suggest that individuals have complex and rich personal value systems that play a role in their decision-making (Bardi and Schwartz, 2003; Connor and Becker, 2003; Schwartz, 1992). These value systems stem from three different sources: personal, organisational, and societal values, and play a role in decision-making (Raadschelders and Whetsell, 2018). It appears that multiple values become particularly salient when faced with making decisions (Witesman and Walters, 2015), suggesting that people identify what values are most relevant in any particular decision context. Values in this sense serve as justifications for action, leading to an expectation of a hierarchy of values that guides managerial actions when determining cutbacks (Witesman and Walters, 2014).

### **Administrative values and cutback management strategies**

Cutbacks are usually linked to sigma-type values such as efficiency. For many governments, including the Dutch, *'doing more with less'*<sup>16</sup> has become a dominant mantra (Pollitt, 2010) and politicians from left and right have called for cutting waste. While efficiency gains can be a useful way of making savings, other values could (and probably should) be taken into account when managing cutbacks. The values that top civil servants feel they must consider will be the most explicitly reflected in their choice of cutback management strategies.

The most fundamental distinction within cutback management strategies is between "*proportional cuts*" and "*targeted cuts*" (Raudla et al., 2015). Proportional cuts affect all departments in equal amounts or percentages, while targeted cuts involve different cuts for different departments. The first tactic has been called "*cheese-slicing*" or "*decrementalism*" (Levine, 1978), while the latter is sometimes labelled "*strategic prioritization*" but also the less flattering "*random cuts*" (Levine, 1978). Conceptually, it has been argued that different values manifest themselves in coming to these different cutback management strategies. The cheese-slicing approach includes elements of equality since it avoids specifying victims, hence the term "*equal misery approach*" (Hood and Wright, 1981). Letting everyone contribute to organisational well-being might minimize conflict (Levine et

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16 It should be noted, that although 'doing more with less' has been a widely used phrase, empirical research suggests that this mantra is not really accurate and that governments '

al., 1981) and appeal to “*common sense ideals of justice*” (Levine, 1978: p. 320). Cheese-slicing also has the advantage that no expensive analysis is needed to define where cuts should be made, reducing decision-making costs and speeding the process (Dunsire and Hood, 1989). However, cheese-slicing might not reflect public needs and preferences. As such, the legitimacy (a theta-value) of the decision made regarding cutbacks can be questioned. A further risk of proportional cuts is that they may penalize efficient parts of the organisation (Raudla et al., 2015). If top civil servants want to justify their cutback management strategy by appealing to values such as efficiency, proportional cuts might not seem appropriate.

The downsides of cheese-slicing mirror the advantages of targeted cuts. Using targeted cuts may help to spare efficient parts of the organisation and give attention to the various needs within different organisational-units (Raudla et al., 2015). Here, values such as cost-effectiveness or productivity may justify targeted cuts. In this sense, targeted cuts link to the sigma-type values to which efficiency belongs. Furthermore, targeted cuts may reflect public preferences (Levine, 1985) by excluding specific organisational-units from having to implement cutbacks. This way, targeted cuts link to values such as accountability and legitimacy, which fit the theta-type values. In contrast to values such as impartiality and equality, a leaning towards theta-type values may thus lead top civil servants to prefer targeted cuts over proportional cutbacks.

Within the lambda-type group of values, resilience is seen as the measure of success and can be achieved by focusing on the robustness and reliability of public services. As such, top civil servants who attach importance to lambda-type values may view proportionally cutting some of their programs or services as inconsistent with being resilient. Cutting specific programs or departments could interfere with government procedures, and thus, targeted cuts may not be preferred by top civil servants focused on reliability and robustness (Levine, 1985). It could be that top civil servants who hold these lambda-values will opt to only cut back on those programs or departments (using targeted cuts) that can be cut without excessively influencing the primary processes, rather than implementing cutbacks across-the-board. Further, proportional cuts might be a risky strategy if top civil servants want to avoid any decline in performance or service from their organisation since it is difficult to say when cheese-slicing will have an unforeseen impact on performance (Raudla et al., 2015). Given that the standard of failure within the lambda-type values family is a breakdown or collapse of the organisation, targeted cuts might be used by top civil servants to prevent unforeseen problems since this approach usually involves an initial analysis. Therefore, holding lambda-type values such as robustness may lead to a preference for targeted cuts.

Overall, trying to relate values to cutback management strategies does not result in a clear picture: different values can be linked to the same cutback management strategy. Nevertheless, this theoretical framework shows possible links between the different concepts applied in this study. The literature on cutback management strategies remains rather conceptual, making this empirical study among the first to uncover how values are manifested in the choice of cutback management strategies.

## 6.3 METHODOLOGY

We use a qualitative research design to study the values that are in play in cutback decisions. As we are interested in *how* the values of top civil servants manifest themselves in decision-making regarding cutback management strategies, a qualitative research design is appropriate for illuminating the processes and mechanisms that underlie the choice of a particular strategy (Miles, Huberman, and Saldana, 2014; Ospina et al., 2018). Twenty-six top civil servants working within eleven Dutch ministries were interviewed for this study. Top civil servants working for executive agencies were excluded to minimize the possible confounding effects of organisational context.

Within this study, top civil servants are defined as individuals who have the position of Secretary-General, Director-General or Director, the three highest administrative positions within the Dutch central government. Respondents were selected on theoretical grounds: that, at the time of the interviews, they were a top civil servant within a Dutch ministry and had been confronted with severe budget cuts in recent years. Information about potential respondents was gathered using the online database of the Senior Civil Service, the organisation that employs all top civil servants. The interview sample included respondents from all ministries and all three managerial levels to capture a wide variety of experiences with managing cutbacks, as table 6.2 shows.

Interviewing elites, such as top civil servants, has several challenges. One challenge is to prevent elites from dominating, controlling or spinning the interview. As Van Der Wal (2013) elegantly put it:

*“It would be naïve to act overly trusting towards individuals that are very well equipped to ‘spin’ facts and events, ‘play’ interviewers, and dominate and take over conversations entirely. In fact: They would never have become government elites had they not developed such skills.”* (p. 6)

It is the researcher’s job to be aware of this risk and, through proper preparation, try to avoid these potential pitfalls. Within this study, not sending the interview questions before the interview, properly investigating the background of the respondents and their organisations and preparing an interview guide helped to ensure that the necessary areas of interest were covered during the interviews. Furthermore, taping the interviews allowed the researcher to concentrate on the interview without having to write every interesting quote down. A more practical problem of interviewing elites can be their accessibility and availability since a lack of access to the anticipated respondents might challenge the validity of the sample (Berry, 2002). However, accessibility did not prove a problem in this study. The fact that we were interviewing top civil servants about past cutback management processes and first asked about *how* they dealt with cutbacks (thus asking for a largely chronological and factual overview) before going into questions about the values that were impor-

**TABLE 6.2** Overview of the respondents

	Respondents
(deputy) Secretary-General	5
(deputy) Director-General	7
(deputy) Director	14

*Note: The ministries and gender of the respondents are not reported to safeguard their anonymity.*



tant during these processes, should reduce the likelihood of socially desirable answers (Harvey, 2011) and might have contributed to respondents' willingness to participate.

This study used in-depth interviews for the data collection. The starting point of the interviews were questions about the position of the respondent, followed by questions on how they had been confronted with budget cuts in recent years. Respondents were asked to describe how they implemented these cutbacks, how they decided upon a specific cutback management strategy, and what values were important to them. The interviews were recorded and transcribed, and afterwards analysed in multiple rounds of coding using NVivo. First, we used an open coding process in which fragments of the interviews were inductively given codes. Such a process builds upon a careful reading of the interview data and categorization of the data into a broad range of codes. That is, in this part of the analytical process, values were not coded as any of the administrative value families but instead coded as the value itself. For example, when respondents discussed the importance of cost-efficiency, the fragment was here coded as efficiency rather than directly being coded as a sigma-type value. In the second round of coding, we applied an axial coding procedure. In this step, all the fragments that were coded under a single heading were reviewed. Further, apparent overlaps between codes were resolved by merging fragments on similar themes. This reduces the number of codes and helps to identify the dominant themes. Also, within this round, the values identified in the first round of coding were also placed into one of the administrative value families. The third round of coding involved a matrix coding procedure. Having coded fragments relating to both cutback management strategies and values, we were here able to see how values that respondents had espoused, for example in favour of proportional cutbacks, were reflected in their decisions, and in what way.

Table 6.3 shows an example of the coding procedure. The first column represents values as identified in the first, open coding, round. The second column shows the value-family to which these values were assigned in the second, axial coding, round. The third part of this table shows the matrix that was used to distinguish different interview fragments that included both a coded value (e.g., sigma, theta, or lambda) and a coded strategy (e.g., proportional or targeted cuts).

The coding matrix was not used to determine the strength of the link between the concepts (values and cutback management strategies) of this study but is a way of systematically organising and analysing data in order to identify relevant patterns. The coding matrix was thus used to find relevant interview fragments and to analyse *how* values manifested themselves in the decisions top civil servants made for the different cutback management strategies.

**TABLE 6.3** *Non-exhaustive coding scheme (matrix coding based on a Nvivo code)*

Open coding	Axial coding	Matrix Coding		
		Values	Proportional Cuts	Targeted Cuts
Efficiency; Soberness	Sigma-Type Values	Sigma-Type Values	<i>Interview fragments</i>	<i>Interview fragments</i>
Righteousness; Legitimacy	Theta-Type Values	Theta-Type Values	<i>Interview fragments</i>	<i>Interview fragments</i>
Robustness; Reliability	Lambda-Type values	Sigma-Type values	<i>Interview fragments</i>	<i>Interview fragments</i>

## 6.4 FINDINGS

For many interviewees, managing cutbacks was not a new task. On the contrary, some respondents argued that *“It [implementing cutbacks] has become an automatic process.”* (Director) and that *“[a] new coalition means new cutbacks.”* (Director). The inevitability of having to implement cutbacks was further underlined by a respondent who argued: *“If cutbacks have to be made, then the government cannot avoid looking at its own apparatus.”* (Director). Such statements are in line with large-n studies involving government elites in the Netherlands and elsewhere, where it is often argued that cutbacks have been unavoidable (Kickert and Randma-Liiv, 2015). While the Ministry of Finance became more powerful during the last crisis (as was the case in many countries) (Kickert and Randma-Liiv, 2015), top civil servants that were interviewed for this study argued that they still had considerable autonomy in deciding how and what to cut back on operational expenditure, as long as the required sum of cutbacks was being realized.

When asked in more general terms about what values are important in times of cutbacks, many top civil servants responded with statements about being responsible for taxpayers’ money:

*“I think that one has to be thrifty within the public sector. You have to be because every Euro you spend in the back office cannot be invested in a directly useful purpose for society.”* (Director)

*“The government spends a lot of money. That is money from all of us. This is not money that belongs to the government as some think - that it is our money.”* (Secretary-general)

*“Even in good times, when there are no cutbacks, you have to ask yourself: can I do the same job with fewer employees?”* (Director)

The quotes represent two dominant patterns in the data. The first pattern is that top civil servants should be thrifty with spending money on the administrative apparatus in times of cutbacks, as spending on government itself is not seen as directly affecting citizens’ lives. The second pattern is that one should always be thrifty when spending taxpayers’ money, regardless of whether there is a financial crisis and regardless of what the money is spent on.

When digging deeper into specific experiences with the types of cutback management strategies that were used, different values became apparent. Various interviewees described why they decided to use proportional cuts in implementing cutbacks. One value that was often apparent in interviewees opting for this strategy was efficiency, one of the sigma-values. Efficiency manifested itself in two ways. First as a goal in using proportional cuts, as stated in this quote:

*“You could use cheese-slicing as a strategy to put a little pressure on the organisation, which could help to make some efficiency gains.”* (Director)

The underlying mechanism is that proportional cuts force departments to do the same work with fewer resources, and thus to become more efficient. The second way in which efficiency had a role in opting for proportional cutbacks was as a justification for using proportional cuts. Respondents argued that using proportional cuts is less time-consuming, thereby making the process of implementation and decision-making much more efficient:

*“If you use targeted cuts, you have to make a plan for a reorganisation, (...) You have to struggle through all kinds of red tape, discuss with the personnel council, the labour unions (...) it is not easy.” (Director-General)*

While efficiency was clearly apparent in many of the decisions made for proportional cutbacks, some respondents argued that efficiency could be at odds with effectiveness. Some respondents questioned to what extent proportional cuts helped achieve substantial cutbacks. As one of the top civil servants argued:

*“If you cut everything, apart from the little efficiency gains, it will not be effective.” (Director)*

The argument here is that while proportional cutbacks could indeed lead to some efficiency gains, they do not amount to making ‘real choices.’ From the interviews, it seems that the extent of required cutbacks plays an important role:

*“You cannot cut back 40% by using cheese slicing. Then your organisations will stop functioning on all fronts. The level of cutbacks forces you to make strategic choices.” (Director-General)*

This shows how different values manifest themselves in the work of top civil servants. On the one hand, it is important to consider efficiency but, on the other hand, excessively cutting back on all aspects might harm the organisation. Some respondents articulated that the primary processes can be harmed if proportional cuts are applied across the organisation:

*“The process should continue in a good way. So, you must look at what you can and cannot [cut] because, otherwise, the primary processes of the organisation are hurt.” (Director)*

Some managers argued that, since the primary processes should continue to be fulfilled, cheese-slicing ran the risk of damaging the most important tasks within their organisations. Therefore, they were more inclined towards targeted cuts. This can be seen as an expression of lambda-type values, such as resilience or robustness. In this way, they legitimize targeted cuts because the scenario that top civil servants with lambda-type values want to avoid is an organisational catastrophe. Although managers arguing for the importance of lambda-type values did not deny that cutbacks were necessary, they would emphasize the risks attached to applying proportional cuts. In other words, they

justify targeted points by addressing the importance of organisational resilience. Further, efficiency was also apparent as a value in opting for targeted cuts:

*“We are starting the same process of looking where we can be a little bit more efficient and can work with fewer people. Where is work pressure already very high? Moreover, where can’t we make things any more efficient? Where will we cut less? We try to look where we can cut back and how to do this in a good way.” (Director-General)*

From this quote, we can see that some top civil servants specifically look for which parts of the organisation can still work more efficiently. Here, efficiency is used to determine where to cut within the organisation, hence using targeted cuts. It is important to note that the same value is, therefore, being used to justify different cutback management strategies. At the same time, some respondents explained that it is hard to differentiate between organisational-units, and that proportional cutbacks can then be an option since it delivers ‘equal misery.’ They see sharing the pain of cutbacks amongst all departments as having elements of impartiality and equity:

*“You are just sharing the pain among everyone. We cut everything a little bit, and we are done. That is the easy way.” (Director-General)*

*“It has to do with the fact that it is extremely hard to say: we can cut more in department A than we can cut at department B.” (Director-General)*

Many top civil servants argued that it is virtually impossible to set good criteria or indicators for what to cut back and in which department, and therefore favour proportional cutbacks. As such, theta-values, such as impartiality and equity, may be involved in opting for proportional cutbacks alongside sigma-type values. We thus see that values from different administrative value families can be at play in reaching the same cutback management strategy.

Last, many respondents argued that targeted cuts and proportional cuts could be complementary. Comments on the use of a mix of both types of cut seemed to draw on considerations from different value sets. Some respondents argued that only using proportional cuts would not achieve real budget cuts, especially when slack had already been cut earlier in the cutback management process.

## 6.5 DISCUSSION

The first aim of this study was to contribute to the literature on value by showing how values manifest themselves in decision-making in the specific context of cutbacks. This study shows that many different values are manifested when top civil servants make cutback decisions. First, and not unexpected, sigma-type values play an important role in cutback decisions. This study underlines

that cost-effectiveness, or efficiency, is an important criterion in cutback decisions (Bozeman and Pandey, 2011). Other sigma-type values commonly found in the interviews relate to frugality. The interviews showed that the NPM doctrine of being thrifty with public money has been internalized in the daily routines of top civil servants and is an important motivator in their managerial actions. For civil servants who favour using proportional cutbacks, it could be that they have been caught up in the “*doing more with less*” rhetoric. The emphasis on the fact that top civil servants are dealing with taxpayers’ money is also reflected in the types of expenditure, such as flying business-class, that some have abolished during the crisis. While Schwartz and Sulitzeanu-Kenan (2004) argued that NPM mainly promotes sigma-type values such as efficiency and frugality, the contribution of this study lies in the observation that also theta and lambda-type values are manifested in cutback decisions. Top civil servants are aware of the importance of values such as robustness and resilience (lambda-type values) to the organisation and use these values to opt for targeted cuts. The underlying logic here was that proportional cuts might harm organisational performance and service delivery and that it is unclear with cheese-slicing when the tipping point will be reached and cuts start to affect performance (Levine, 1985; Raudla et al., 2015). Overall, what we saw is that top civil servants balance different values when choosing a cutback management strategy.

Related to this, our study shows that the relationship between cutback management strategies and values is not as clear-cut as earlier, conceptual studies suggested. For instance, several authors (e.g., Levine, 1985; Raudla et al., 2015) have linked efficiency to the adoption of targeted cuts, arguing that this strategy would help safeguard already efficient organisational-units. However, this study has found that efficiency-related values can also be present when opting for proportional cuts. The premise here is that cutting back all parts of the organisation by a certain amount will force the organisational-units to find ways to be more efficient. This result is a contribution to the cutback management literature, our second aim, and warrants further studies on *why* particular cutback management strategies are being adopted.

While relating values to cutback management strategies is a novel approach to explaining the adoption of certain cutback management strategies, public administration research has touched upon other aspects that might explain the choice of either proportional or targeted cuts. Most notable is the Administrative Response Model developed by Levine et al. (1981; 1982) during the crises of the late-1970s. The principle behind this model is that, when fiscal stress first appears, proportional cuts are more likely since these are easier to implement and reduce the likelihood of conflict within the organisation. However, as fiscal stress continues, top civil servants will be forced to adopt targeted cuts to achieve necessary budget reductions. As such, those of our respondents who argued that they first used proportional cuts to cut slack, and then used targeted cuts if further cutbacks are demanded, are acting in line with how scholars mapped a sequence of responses to the crisis (Levine et al., 1981; Dougherty and Klase, 2009). Building on this idea, it can be that what values are considered to be important may also differ depending on the scale of the cutbacks top civil servants are confronted with. This means that different values may be more salient in different cutback situations, and this may lead to the application of different cutback management strategies.

Scholars of value-hierarchies may want to take this into account when studying the values that are manifested in cutback decision-making.

## 6.6 CONCLUSIONS AND FURTHER RESEARCH

This study asked how values manifest themselves in cutback decisions by top civil servants, specifically when choosing a specific cutback management strategy. It answered this by looking at the underlying value structures with which top civil servants justify their decisions. We found that the relationship between values and specific cutback management strategies is not as clear-cut as sometimes posited in the literature. The most important finding in this regard is that the same value can be used to justify different cutback management strategies. The most interesting example from this study is the role of efficiency, with this value being used to argue for both proportional as well as targeted cuts.

A second finding from our study is that it is not only sigma-type values, such as efficiency, that are called upon in justifying cutback management strategies, and that values such as equity (a theta-type value) and resilience (a lambda-type value) are also used in decisions to adopt specific strategies. Top civil servants often explain their choice for proportional cutbacks by arguing that it is hard to differentiate between departments, thus showing that values such as fairness have a role in their choice for proportional cutback management strategies. Furthermore, attaching value to robustness tends to lead to a preference for targeted cuts, as this can help prevent the breakdown of some organisational processes.

Overall, our results contribute to the literature by demonstrating the need to refine our understanding of how top civil servants decide upon cutback management strategies. Previously, decision-making over cutback management strategies had only been conceptually addressed, and this study constituted a first attempt to empirically assess how cutback management strategies are determined on the managerial level by focusing on the underlying value structures. In doing so, this article contributes to our understanding of cutback management within public organisations. Furthermore, the results show how different values manifest themselves in the specific context of cutback management, and how top civil servants act upon these values. Having taken an exploratory stance, this research can pave the way for new research on cutback management. To encourage this, some limitations of our study as well as recommendations for further research are outlined.

First, using large-N designs may help to assess whether we can generalize the results of this study towards other groups of top civil servants (in the Netherlands or abroad). Extending this research to organisations with executive tasks, such as agencies, can be fruitful since it has been argued that in such organisations different values may be found important (Lyons et al., 2006). This is especially important in the context of cutbacks, whereas the boundary between operational and policy expenditures is less clear in executive agencies. Further, both the values and the positions of top civil servants may differ with cultural and political-administrative context (Van der Wal,

2014). Therefore, extending the research to other countries could increase the external validity of the current findings and lead to a better understanding of the possible context-dependency of these results. Based on previous research on cutback management strategies, we can also offer some organisational characteristics that might be expected to influence cutback management strategies and thus should be taken into account. These include the type of task (Glassberg, 1978), politicization (McTighe, 1979) decentralization (Levine et al., 1982), and the strategic capabilities (especially with regard to financial forecasting) of the organisation (Levine et al., 1981; Douglas et al., 2019).

The current study can be seen as providing initial insights into the role of values in decision-making during cutbacks that can be used in follow-up research.





# Chapter 7



**Conclusions and discussion**



## 7 - CONCLUSIONS AND DISCUSSION

### 7.1 A STUDY ON MANAGERIAL BEHAVIOUR DURING CUTBACKS

Pandey (2010) called upon public administration and public management researchers to, once again, focus scholarly attention on cutback management. As Chapter 2 of this thesis shows, many countries in Europe and elsewhere have been compelled to cut back spending and could not avoid looking at government's operational expenditure, making cutbacks a pressing management issue.

Close to ten years on, we should reflect on whether public administration scholars have succeeded in answering Pandey's call. Given the number of recent studies on cutback management, one could argue that scholars did respond to this call to arms. Public administration and public management scholars have put considerable effort into explaining differences in how countries responded to cutbacks (Kickert and Randma-Liiv, 2015; Kickert et al., 2015; Posner and Blöndal, 2012; Raudla and Kattel, 2013), what austerity measures were used to cope with cutbacks (Barbera et al., 2017; Diamond and Vangen, 2017; Lodge and Hood, 2012) and how decision-making during such processes evolved (Kickert, 2012a; Kickert and Ysa, 2014; Raudla and Savi, 2015; Savi and Randma-Liiv, 2015). At the same time, such studies have usually focussed on macro-level issues. Studies on the organisational level remain relatively rare (but see, for example, Overmans, 2019). Theories and perspectives from economics and political science have continued to largely dominate, while studies taking a managerial perspective on cutbacks are still in their infancy. As the late Christopher Pollitt argued in a keynote at a conference for European and American public administration scholars in 2015:

*“There is a yawning gap where we might expect, after four years of fiscal squeeze, there would be a budding crop of independent, analytic studies showing how cutbacks were being managed and implemented at service level. Nor do we have anything approaching a major theorized study of the specifically administrative and managerial impacts of the current round of fiscal squeeze across Europe.”* (Pollitt, 2015: p. 7)

This dissertation has aimed to provide a better understanding of what public managers do during cutbacks. As explained in its introduction, cutback management scholarship from previous crisis episodes did not result in theoretical frameworks for cutback management. As a consequence, this research has been explorative in nature, trying to create a better understanding of what public managers actually do when they are tasked with cutback enactment in their organisation. We specifically focused on cutbacks in operational expenditure as, here, the role of public managers will be particularly important in decision-making and implementation. We first aimed to explore and understand public managers' behaviour during cutbacks in order to contribute to cutback manage-

ment, and second, we aimed to specify and elaborate the theories applied in this dissertation for application in the context of cutbacks. This focus on managerial behaviour during cutbacks was reflected in the overall research question:

*“How do public managers in Dutch government manage cutbacks targeted at their organisation?”*

We empirically analysed managerial behaviour in different circumstances and in different organisations, and also by studying public managers in different positions. Three distinct case studies were carried out, preceded by a round of exploratory interviews with public managers from a range of public organisations. In total, 88 public managers in the highest echelons were interviewed for this dissertation. We analysed managerial behaviour during cutbacks by focussing on managing upwards, downwards and outwards, and also on managerial values. In order to analyse these different managerial orientations, we applied different public management theories to the role of managerial behaviour during cutbacks. We applied a Public Service Bargain (PSB) perspective to study managing upwards, and to study managing outwards we used the Miles and Snow (1978) framework on strategic management. We used various leadership perspectives to study managing downwards, and to study public managers themselves we drew upon the literature on public values. These different perspectives helped us understand what public managers do during cutbacks: how they act and why they do so.

Alongside helping to understand managerial behaviour during cutbacks, this dissertation also aimed to contribute to the various public management theories that have been used. The public management perspectives that have been applied in this dissertation have been frequently tested in stable environments. While this is important, these cannot necessarily be generalised to an environment where organisational goals, growth and survival are all at stake (Levine, 1978). In reality, public organisations always face the risk of having to contract, either through budget cuts or due to political choices (O’Toole and Meier, 2010) and, thus, while studying public management theories in stable environments is relevant, it is more important to understanding how public organisations adapt to turbulent environments (Barnard, 1938 in: Jimenez, 2018). This dissertation thus helps to explain how cutbacks, as a contextual factor, affect managerial behaviour and therewith, not only speaks to cutback management scholarship but to a broader group of public management scholars interested in decision-making and managerial behaviour in the higher echelons of public organisations.

In the remainder of this chapter, we first discuss the conclusions of the various empirical studies in this dissertation by focusing on the conclusions of Chapters 3, 4, 5 and 6 in Section 7.2. Then, in Section 7.3, we draw overall conclusions from this dissertation research. Section 7.4 describes how this dissertation contributes to public management theories - the second goal of this research. The limitations of this dissertation are discussed in Section 7.5 while its practical implications as highlighted in Section 7.6.

## 7.2 MANAGERIAL BEHAVIOUR DURING CUTBACKS

### **Managing upwards: a public-service bargain perspective**

*Chapter 3* took a political-administrative perspective on cutback management and analysed how public managers manage upwards in relation to their political superiors. In doing so, it focussed on the interaction between public managers and political principals during cutback management processes. We posited that the interaction between political superiors and public managers could be seen as a public service bargain (PSB) that reflects the “*explicit or implicit agreements between public servants (...) and those they serve*” (Hood and Lodge, 2006: p. 6). Within that chapter, we examined the interactions of both public managers of an executive agency and prison directors with political principals, and analysed how the interaction between public managers and political principals developed during the cutback management process. The results show that cutbacks can put the interactions between public managers and political principals under pressure. We saw that because political principals blamed public managers for leaking information to the press that they withdraw public managers’ responsibility in deciding what, where and how to cut back. Consequently, public managers began to resist to cutbacks. These observations show that how the interaction between public managers and political principals develops has an effect on the cutback management process and public managers’ roles therein. The political-administrative context that public managers work in can determine public managers’ room for manoeuvre and their autonomy, and as such is a factor that explains managerial behaviour during cutbacks.

### **Managing outwards: a strategic management perspective**

*Chapter 4* took a strategic management perspective on cutback management and analysed whether, how and why public managers choose to engage external stakeholders in cutback management processes. We took the strategic management literature as a starting point and linked this to open and closed cutback management strategies. We analysed the strategic management behaviours of public managers by focussing on why public managers act as prospectors, defenders or reactors. In this way, we built upon the classical study on strategic stance by Miles and Snow (1978), as refined for the public sector by Walker and Boyne (2004). An interview study among public managers from different organisational units within the same organisation found that whether public managers try to engage with these external actors depends on their position within the organisation and their perception of the environment. Interestingly, we found that even within the same organisational unit, some public managers chose to take a prospector stance towards external actors, and actively look for ways to interact with their environment, while colleagues decided to focus on improving their internal organisation, rather than managing outwards. Those public managers that try to affect decision-making usually adopt a prospector strategic stance, and try to open up the cutback management process to external stakeholders, while public managers who are focused on ensuring that cutback-related changes are implemented as smoothly as possible try to close off the cutback management process to outsiders and adopt a defender strategy.

## **Managing downwards: a leadership perspective**

*Chapter 5* took a leadership perspective on managerial behaviour during cutbacks. We applied a leadership perspective to understand how public managers manage downwards because cutbacks have the potential to have an enormous effect on employees. By drawing on insights from the literature on transformational leadership, change leadership and crisis leadership, we analysed leadership behaviour during cutbacks in three different organisations. The results show that a context of cutbacks triggers top-down planned change processes. Usually only higher-level public managers are involved in such processes. These processes restrict lower-level public managers room for manoeuvre. Within the process of implementing cutback-related changes, public managers' leadership behaviour becomes focused on securing employee support for change in ways that vary across levels in the organisational hierarchy and differ depending on the impact of cutbacks. More generally, we found that top civil servants in the highest echelons demonstrate crisis leadership behaviour during cutback decision-making processes, but that direct supervisors tend to opt for transformational leadership and change leadership styles in such situations.

## **Public managers: a values perspective**

*Chapter 6* took a values perspective and focused on public managers themselves, and what motivates them in their job when managing cutbacks. This study was aimed at uncovering what values manifest themselves in decisions that public managers make regarding the use of a targeted or a proportional cutback management strategy. We built on a differentiation between lambda, theta and sigma values as developed by Hood (1991). This framework can be seen as reflecting the various organisational-level values that public managers need to balance in their work. Research suggests that, when public managers are faced with decisions, multiple values can become salient, and public managers will identify which values are most relevant in a particular decision-making context. This suggests that when public managers need to choose between proportional and targeted cuts, certain values may guide and justify their managerial decision-making. Drawing on elite interviews with twenty-six public managers, we found that the relationship between values and cutback management strategies is much less clear cut than conceptually understood in the literature. We found that public managers take a whole range of values into account when deciding upon a cutback management strategy. Public managers using targeted cuts emphasise the importance of values such as resilience and robustness, whereas public managers who use proportional cuts, or cheese-slicing, put an emphasis on values such as fairness and equality. We saw that efficiency, which in the literature is mostly linked to using targeted cuts, was manifested in decisions favouring not only targeted but also proportional cuts. Further, there were different mechanisms underlying this result. Respondents using proportional cuts argued that such as strategy is less time-consuming and therefore more efficient. Respondents opting for targeted cuts, on the other hand, argued that, if you want to make real efficiency cuts, you cannot cheese slice your way down.

## 7.3 CONCLUSIONS

Within this section, the overarching research question of this dissertation will be answered by combining the insights from the various empirical studies. We do so in two ways. First, we analyse how public managers in Dutch government manage cutbacks targeted at their organisation. Second, we analyse in what way the particular characteristics of cutbacks may shape public managers' behaviour.

### **What public managers do when cutbacks target their organisation**

When public managers are confronted with cutbacks targeted at their organisation, they will take into account what the cutbacks imply for their organisation and its organisational goals. In other words, public managers keep an eye on organisational processes and also judge cutback management plans accordingly. The case studies show that public managers find it important that how cutbacks are translated into concrete cutback-related changes is in line with what they deem reasonable. In the chapter on values, we could clearly see that values such as robustness and resilience are manifested in public managers' decisions regarding cutbacks. They take these values into consideration because they do not want cutbacks to harm organisational practices. The same can be seen in the other empirical chapters. Why did public managers fight cutbacks in the prison sector? Not only because they were not involved in the decision-making process, but also because they did not feel that the organisation's vision and mission could be upheld. Whether public managers choose to engage external actors in the cutback management process, as discussed in Chapter 4, also depends on whether public managers feel that including such actors in the cutback management process will help them achieve their goals. Public managers thus seem to consider whether cutbacks will affect the public value that their organisation creates, and they try to interact with those other stakeholders who might help them get their own way.

This last point also means that public managers prioritise certain actors over others, and this depends on the stage of the cutback management process. In the first stages of decision-making, only the magnitude of cutbacks is defined, while the content (*what* is cut back) and the process (*how* to cut back) are still to be decided. In this stage, public managers mainly seem to direct their attention to those actors who are involved in the decision-making process: the political and administrative elites. When cutbacks are translated into concrete cutback-related changes, and public managers are tasked with the implementation of such plans, much of their behaviour is targeted downwards, rather than upwards or outwards. In such situations, what public managers try to do is to make cutback-related changes work. They do so by showing leadership behaviour that is aimed at increasing support for change, such as role modelling and stating the urgency of change. Based on this finding, we thus argue that public managers will have an upward orientation at the beginning of cutback management processes but downward in later stages.

A difficulty in the work of public managers that we saw is that public managers' relationship with one actor may also affect their relationships with other actors. This is because the various actors that

public managers may interact with can have different preferences during cutbacks. In Chapter 3, we showed how political and administrative actors tried to close off decision-making in the cutback management process from public managers working in prisons in order to ensure that cutbacks could be implemented. Prison directors reacted by turning to two other actors. First, they gave room to their employees so that they could protest against cutbacks and, second, they turned to external actors in order to find ways to affect decision-making. As Chapter 4 showed, stakeholders that are not formally involved in decision-making may still be able to affect decisions. The best example from this dissertation is the interactions of prison directors with local-government mayors. When the public managers were excluded from the decision-making process, they interacted with mayors who started lobbying for them in Parliament and within the Ministry. We also saw that such actions can negatively affect their relationship with political superiors who then feel that public managers are 'cheating' on their relationship as they are not expected to try and affect decision-making by going behind their political superiors' backs.

That public managers in different situations show different behaviour indicates that public managers, depending on the situation, aim to maximise different utilities. In one situation, this can be to have as much influence as possible on *what* is cut back and *how* cutbacks are implemented while, in another situation, their utility-maximising behaviour is aimed at making cutback-related changes work. Overall, it seems that their feeling as to whether cutbacks can be realised without harming organisational goals is the main driver for managerial actions. In answer to the research question as to how public managers in Dutch government manage cutbacks targeted at their organisation, we would answer that, for public managers, cutback management is all about balancing their relationships with the different actors in order to manage cutbacks in such a way that the organisation can continue to function in a satisfactory manner.

### **How cutbacks shape managerial behaviour**

What we learn from the conclusion described above is that public managers exhibit different types of behaviour when confronted with cutbacks. The question then is, what characteristics of cutbacks influence managerial behaviour? Based on the various empirical studies, we can distinguish between the characteristics of cutbacks and the consequences of cutbacks. We will discuss both the characteristics and the consequences of cutbacks, and discuss how these can shape managerial behaviour.

The first characteristic we consider is the magnitude of cutbacks. Depending on the magnitude of cutbacks they are confronted with, public managers face different circumstances. When the scale of cutbacks is high, cutback-related changes are likely to have a more substantial impact on a public manager's organisation. Where cutbacks lead to very substantial cutback-related changes, public managers will be very much inclined to try and shape the type of changes being proposed, and how the cutback-related changes will be implemented. As such, public managers will try to influence both the content and the process of cutbacks (Schmidt et al., 2017). With somewhat smaller cutback-related changes, public managers can be more inclined to focus on managing downwards and ensuring that cutback-related changes are implemented in a way that does not



disturb organisational processes. Thus, the magnitude of cutbacks induces public managers to focus on interactions with specific actors.

A second characteristic of cutbacks that has the potential to shape managerial behaviour is political salience. The political salience of cutbacks may create both opportunities and constraints for public managers. Cutbacks with a high level of political salience may result in centralised decision-making, and in the activation of a wide range of stakeholders who want to be involved in the cutback-management process. As we saw, in situations where political salience is high, cutbacks often lead to the centralisation of decision-making. This finding is nothing new, with similar conclusions reported elsewhere in the cutback management literature (Douglas et al., 2019; Jimenez, 2017; Raudla et al., 2015). What our study adds to this literature is that the centralisation of decision-making determines who public manager can interact with and their room for manoeuvre. In chapter 5 on leadership, we found that centralisation can limit the possibilities for public managers to meaningfully engage their employees in cutback-related change processes. In other words, the political salience that comes with cutbacks can place constraints on public managers ability to act with particular actors and may limit their impact on *what* is cut back and *how*. Second, we noted that cutbacks with a high level of political salience can empower many external stakeholders to try and get involved in the cutback management process. As noted in chapter 4 on strategic management, this can create both opportunities and constraints. We found that public managers who still want to influence decision-making but cannot manage upwards, may interact with external stakeholders to try to impact decision-making. It is important to note that political salience and the magnitude of cutbacks may well be correlated since our case studies show that large magnitude cutbacks may be accompanied by high political salience.

The above discussion has already shown two important consequences of cutbacks: the centralisation of decision-making and the activation of a wide range of stakeholders. Another consequence of cutbacks that may shape managerial behaviour is the uncertainty, especially for employees, that can accompany such cutback-related changes. As shown in earlier studies, the mere announcement of cutbacks can be enough to impact employee wellbeing (Conway et al., 2014; Kiefer et al., 2015). In our various case studies, employee uncertainty regarding cutbacks could also be observed. For example, we saw that public managers who had to implement cutback-related changes were well aware that cutbacks would affect employees and tried to communicate clearly what cutback-related changes were being proposed. However, whether public managers could succeed in this also depended on whether they were involved in the decision-making processes and whether they were informed about what was going to happen. In other words, the centralisation of decision-making may also bring uncertainty to public managers regarding what is going to happen. Uncertainty about what cutbacks entail can also travel beyond the boundaries of the organisation. In chapter 4 on strategic management, we observed that prison cutbacks activated a wide range of stakeholders who tried to engage with the decision-making process, and that public managers were thus confronted with the dilemma as to whether to engage with those stakeholders or not. Depending on the interests of the public managers in question, public managers chose either to try to engage

external stakeholders in the process, or tried to close off the cutback management process. Public managers thus have to act upon the uncertainties of employees and other actors, and therefore the consequences for and reactions of these group of actors to cutbacks also shapes how public managers deal with cutbacks targeted at their organisation.

Finally, it is important to note that how such characteristics and consequences of cutbacks impact public managers is also dependent on what position public managers occupy within their organisation and the role of their organisation in the cutback management process. Chapter 3 showed that, when decision-making is centralised, those public managers in the higher echelons will be involved in decisions on what to cut back and how to implement cutback-related changes. Chapter 5 on leadership, however, showed that public managers in lower-level positions are concerned with implementation and directly interact with employees concerning such matters. In the chapter on strategic management, we also found how managerial position can influence whether public managers want to actively involve external stakeholders in the process of cutback management. In short, how cutbacks shape managerial behaviour in part depends on the position that public managers find themselves in.

## 7.4 THEORETICAL IMPLICATIONS

This dissertation contributes to the cutback management literature, but the aim has also been to contribute to public management theories. In this section, we highlight the main contributions of this dissertation for theory development by explaining how this research has contributed to theory development on PSBs, leadership, strategic management and values, and by discussing the more general contribution of this dissertation to theory on managerial behaviour.

### **The importance of taking context into account**

As explained in the introduction, there is increasing attention in the public management literature to the role of context (Johns, 2006; Meier et al., 2015; O'Toole and Meier, 2015; Pollitt, 2008; Pollitt, 2012). Here, Johns (2006) argued that, if we want to understand interactions between people within an organisation, we need to incorporate context. O'Toole and Meier (2015) added to this that, in order to understand how context affects management, we should "*apply existing theories of public management in as many different contexts as possible*" (p. 241). Such pleas for taking context seriously, can be answered through two types of studies: comparative studies in which context is treated as one of the independent variables of interest and case studies that provide detailed descriptions of how a particular phenomenon occurs in a given context (Nowell and Albrecht, 2018). The latter is particularly appropriate when there is a lack of an explanatory theory for the situation or phenomena under investigation (Toshkov, 2017). This dissertation fits in the second category since the question of how cutbacks are managed at the organisational level has received only marginal attention in public administration and public management scholarship. The case studies carried out provide in-depth insights into what public managers actually do when their organisation is

being targeted with cutbacks, and also give insight into what characteristics of cutbacks may shape managerial behaviour.

This dissertation shows that it is relevant to take cutbacks into account in public management and public administration studies. There are several reasons why cutbacks are an important contextual factor that deserves our research attention. First, cutbacks result in a situation in which resources are scarce. As resource inflows in public organisations are usually stable and predictable (Pandey, 2010) and public managers cannot easily increase their organisations' revenues (Andrews et al., 2010), cutbacks challenge organisational continuity. Second, while cutbacks are not necessarily unpredictable, they can still disrupt organisational practices and put pressure on public services (McCann, 2013), on personnel (Kim, 2018; Piatak, 2018), on performance (Park, 2019) and on a wide range of other outcomes. Third, and related, cutbacks will lead to uncertainty as it is often unclear what the effects of cutbacks will be (Jick and Murray, 1982). Public managers bear the responsibility of managing the effects of cutbacks on their organisation, yet do so in an environment where they are severely limited in the extent to which they can use particular resources to manage cutbacks. Cutbacks thus constrain public managers' behaviour, and therefore are an important variable to take into account when trying to understand what public managers do but also when trying to understand other public management phenomena, such as organisational performance.

Some previous public management studies have taken variables that relate to cutbacks, such as turbulence, into account. Turbulence captures unpredictable changes in the resources of an organisation. Thus, compared to cutbacks, turbulence also captures to what extent changes in resources are an unpredictable shock (Boyne and Meier, 2009; Cameron, Kim, and Whetten, 1987), and as such is a different concept than cutbacks. In future studies, it could be interesting whether cutbacks perceived as a shock trigger different managerial behaviour to cutbacks that are not perceived as such. By including cutbacks as a (contextual) variable in research, cutback management might become better embedded in public management research as a whole.

We also drew conclusions on what cutbacks imply for all the different theoretical perspectives applied in this dissertation. We now show, based on all the empirical chapters in this dissertation, what studying PSBs, strategic management, leadership and values in the context of cutbacks has contributed to refining these theories.

The first empirical chapter of this dissertation, on political-administrative interactions during cutbacks, applied a PSB perspective to cutback management. Our results show that cutbacks can put the relationship between public managers and their political principals under pressure, especially the associated bargain that is usually not institutionalised or formalised in any way. The informal part of the bargain, the exchange of loyalty from public managers, towards their political principals, with delegated responsibility for internal management was clearly the aspect most affected by cutbacks. Furthermore, we also observed that, during cutbacks, public managers do not just need to manage upwards to their political principals, they may also need to try to interact with other managerial levels. Our study suggests that one should not only take into account that public managers and political principals are in a bargain, but also that there may be bargains between

public managers on different levels within the organisation. Those public managers that are 'stuck' between political superiors and lower-level public managers might be in the most difficult position during cutbacks, having to try to engage with two groups whose interests may lay far apart. From the PSB perspective, this suggests that we may need to build a finer grained model of political-administrative interactions in which we not only take interaction between political superiors and public managers into account, but also interactions between different levels of public managers.

Our study on strategic management in Chapter 4 also clearly showed how cutbacks can shape strategic management. We found that some actors actively tried to engage external stakeholders in the cutback management process, thus aiming for an open cutback management process. At the same time, other actors tried to close off the cutback management process from external actors and therefore did not actively engage with them. These differences can be attributed to what public managers focus on during the cutback management process. Public managers that tried to exclude external actors were very much focused on making sure that the cutbacks would go through. They expected that involving all kinds of external stakeholders would make this more difficult. Public managers that actively tried to engage external actors in the decision-making process did so because they expected that this would help them to influence the decisions that were being made regarding cutbacks.

Cutbacks also induce particular styles of leadership behaviour. Indeed, calls for including context have especially been long standing in the field of leadership (see, for example, Bryman et al., 1996). In the study in Chapter 5, we found that cutbacks impact leadership behaviour in various ways. First, cutbacks affect how decisions are made within public organisations. We found that the greater the impact of cutbacks, the more likely it was that decision-making regarding the content and process of cutback-related changes were pre-determined at a very high level. For public managers, this means that their room for manoeuvre in terms of leadership behaviour is much smaller. It is hard for public managers to engage employees in cutback-related changes if these, for the most part, have already been defined. Furthermore, rather than trying to frame cutback-related changes with a compelling vision of the future, cutbacks induce public managers to highlight the necessity and urgency of implementing cutbacks. The study on leadership thus shows how cutbacks induce specific leadership behaviours among public managers.

Our study on values in Chapter 6 shows the values that are prevalent in decision-making during cutbacks. It adds to the notion that values such as cost-effectiveness and efficiency are important (Bozeman and Pandey, 2011) by also showing that many other values come into play during cutbacks. For example, public managers also argued that values such as robustness, equality and fairness come into play in decision-making. The results also underline that the relationship between values and cutback management strategies is much less clear than conceptual studies suggest. Our study shows that certain values are particularly important in the context of cutbacks, thus showing that value hierarchies are context-dependent. That is, public managers may find it important to take different values into account when managing cutbacks than they would in other contexts. For scholars that are interested in value hierarchies, our exploratory study shows what values are manifested during cutbacks and how they come in to play.

Finally, we also contribute to theories on managerial behaviour in a more general way. In the introduction to this dissertation, we referred to the work of Niskanen and Dunleavy, who have been among the most influential modellers of managerial behaviour in our discipline. We have described how we concur with Niskanen and Dunleavy that public managers are goal-oriented, and exercise intentional and strategic behaviour. However, we differ in that we do not see managerial goals and preferences as fixed but, rather, observe that public managers act according to a rational–adaptive perspective in which what public managers want to achieve is context-dependent. If preferences were fixed, we would have found public managers trying to fight cutbacks, or deciding to implement cutbacks, in every case study. However, we found that public managers sometimes choose to try and change how their organisation is affected by cutbacks, and sometimes actively work on ensuring that cutback-related changes are implemented. Public managers focus their attention on different actors depending on their own goals within the cutback management process. Thus, public managers were indeed goal-oriented actors in our study, but their goals changed depending on the situation.

If we contrast these findings to the discussion on the views of Niskanen (1979) and Dunleavy (1991) in the introduction to this dissertation, we have to conclude that public managers do not have a fixed utility that they want to maximise during cutbacks. Rather, they have different utilities they may want to maximise, and then act accordingly. Such a view of rational behaviour as being dependent on context is far from new. Landau (1969) was already arguing that “*a course of action may be perfectly rational in one sphere, and perfectly silly in another*” (p. 352). This simply means that what is considered to be rational behaviour in one particular context, can be seen as irrational in another. However, what this does also mean is that we need to take context into account when researching managerial behaviour. Indeed, we have already concluded that it is important to incorporate cutbacks as an important condition for managerial behaviour since they place certain constraints on managerial behaviour.

By now referring to one of the current trends within public management research, we want to show why it is important to try and understand public managers’ intentions in the context in which they are operating, rather than pre-defining and simplifying what these intentions will be. In other words, why one should take a rational–adaptive perspective on how public managers act.

One of the current trends within public management is to focus on bias. This is seen as an important topic for research since it can, for example, contribute to equal treatment of citizens when facing civil servants (see, for example, the work of Raaphorst and Groeneveld, 2018 and Raaphorst, Groeneveld, and Van de Walle, 2018). On a note of caution, as highlighted by Moynihan (2018), there has been such a strong focus on negativity bias that this narrow focus may lead people to conclude that “*irrationality is the essential condition of human behaviour*” (p. 5). In other words, we seem to be very much focused on finding deviations from what we expect to be rational behaviour. However, how do public management scholars come to such conclusions? In essence, by predefining and simplifying what managerial intentions are, rather than trying to understand why particular behaviour occurs in a given context.

In a way, this links to the concept of bounded rationality (Simon, 1955). In this dissertation, public managers' rationality is certainly bounded. There is uncertainty about what cutbacks will mean for the organisation and its employees. A lack of information and sometimes an inability to participate in decision-making processes limits what public managers know about what will happen during cutbacks, and therewith limits their actions. Nevertheless, we do believe that we have been able to capture public managers' intentional behaviour within a context of bounded rationality. In order to further understand what public managers' intentions are, and to understand why particular behaviour is exhibited in a specific context, we need qualitative research. Qualitative methods help in understanding *why* public managers engage in particular behaviour. This is why research on public management in general, and behavioural public administration in particular, would benefit from greater application of qualitative research methods.

That we have shown that public managers behave in different ways when interacting with different stakeholders also adds to the long-running debates on loyalties in the public sector (De Graaf, 2011). As we have explained, public managers have to balance a wide range of interests when managing cutbacks. Whether public managers' behaviour will be seen as rational also depends on what relationship is prioritised by public managers. Long (1949) argued that, within organisations, different loyalties exist. A public manager can be loyal to his or her team, directorate, directorate-general, ministry, or the civil service as a whole. In our study on cutbacks in the Dutch prison sector, we observed this point very clearly. Public managers working as prison directors were torn between loyalty to their organisations and direct colleagues, and to the executive agency. Some prison directors tried to avoid cutbacks, which is rational if their loyalty lies in the prison. Thus, to whom a public manager is loyal may affect how he or she acts, and whether this is considered to be rational.

## 7.5 FUTURE STUDIES ON CUTBACK MANAGEMENT

All the individual studies in the separate chapters have included remarks on the limitations of the methods that were employed within the various case studies. Furthermore, all these different studies provide avenues for future research. In this section, we want to highlight some more fundamental limitations of this dissertation and offer some overall remarks and advice on future research avenues to address these limitations. The remarks in this section will concentrate on the overall research design of this dissertation, the use of elite interviews as the main method of data collection, and the different perspectives that have been employed. Furthermore, this section will address some new ideas for research on cutback management that are beyond the scope of this dissertation.

### **Limitations of the research design**

First, this dissertation has used a case study design. Such an approach prioritises internal validity over external validity. Case studies are an especially useful research design when the main research

aims, as in this dissertation, are exploratory. However, this also means that the results of the different case studies should be interpreted with some caution, and do not necessarily apply in other contexts. Two aspects of context will be discussed here. First, we should highlight that we studied cutback management in a specific political-administrative context. Countries differ greatly with regard to their senior civil service system, and the type of system also affects how much autonomy public managers have and their role in internal management. A fundamentally different civil service systems from that of the Netherlands, for example a spoils system in which many public managers are replaced when the ruling political party changes (such as in the US), can affect how public managers deal with cutbacks. Such a different administrative context will affect the PSB that public managers work in and this, as shown in this dissertation, may affect how cutbacks are managed. Consequently, comparative studies in different administrative contexts could be helpful in furthering our understanding of cutback management.

Second, even if other studies were to be conducted in similar administrative contexts, one should bear in mind that the case studies conducted for this dissertation were all set in specific policy fields and that differences may exist between different policy fields, or between different types of public organisation. The prison sector can be seen as an especially specific policy field given the importance that is attached to safety and, as such, the high political salience that cutbacks within this sector encompass. Consequently, the findings from our studies in this sector may not necessarily replicate elsewhere, and further research in other sectors is needed. In this regard, we would encourage research that takes the conclusions of this dissertation as a starting point.

The value of case studies lies in being able to consider a wide range of factors that might affect a particular outcome. This means that many different variables both deliberately and unconsciously enter the research. Furthermore, our research design prohibits any causal explanation of how factor  $x$  causes outcome  $y$ . In order to see how certain characteristics of cutbacks prompt certain behaviour by public managers, studies are needed that systematically test relationships between, for example, the magnitude of cutbacks that public managers are confronted with and the type of leadership behaviour they engage in. Using a vignette or policy-capturing method may be helpful in studies with this particular goal since such methods help to establish relationships between particular characteristics of cutbacks and managerial behaviour.

The organisational outcomes of cutbacks were beyond the scope of this dissertation. Rather, this dissertation discussed what public managers do during cutbacks, and why they do so. Given this focus, we did not include any measure of outcome in our study, such as organisational performance. As outlined in the introduction, cutbacks have the potential to affect employee wellbeing (Conway et al., 2014; Kiefer et al., 2015; Van der Voet and Vermeeren, 2017), organisational performance (Behn, 2013; Park, 2019) and innovation adoption (Van der Voet, 2018). Despite the notable exceptions identified earlier, public management research and practice would benefit from studies that systematically analyse how cutbacks affect different types of outcomes over time. In particular, both theory and practice would benefit from work that focusses on managerial behaviour during cutbacks and assesses how public managers might moderate the effects of cutbacks.

## Limitations of elite-interviews

Each of our individual studies primarily relied on data from interviews with top civil servants. Using such 'elite interviews' is a common method to capture the motives, beliefs and actions of administrative elites (such as public managers). As this dissertation posed *how* and *why* questions, interviews are an appropriate method to investigate managerial intentions. At the same time, it is not the only method: there is a wide range of studies that give precedence to 'being there' as opposed to interviewing public managers (Noordegraaf, 2015; Rhodes, 2005; van Dorp, 2018). The benefits of being there, for example through observations or through shadowing elites in their daily work, are multiple. As outlined in Chapter 2, a downside and difficulty of elite interviewing is that elites can take over interviews and determine exactly what they want, and do not want, to say. Thorough preparation of the interviews (for example, by doing interviews with other informants and by studying policy documents) was done in order to prevent such things from happening. Complementing interviews with observations of public managers could also help to make it is less likely that elites 'cover up' behaviour that they do not want researchers to see. Furthermore, such research that is up close and personal may help capture the everyday life of top civil servants.

In addition to adopting methods that are suitable for observing managerial behaviour, scholarship may also benefit from employing research methods that help to analyse how managerial behaviour is perceived by others. We know from recent leadership studies (e.g. Jacobsen and Andersen, 2015) that intended behaviour is not necessarily congruent with how behaviour is perceived by, for example, employees. In other words, while public managers may argue that they intended to employ role modelling behaviour, they may not have been perceived as such. Future studies that focus on the extent to which intended and perceived behaviours are congruent during cutbacks could be a valuable addition to this dissertation. One interesting avenue for research here is how managerial actions are perceived by different actors. For example, when public managers resist cutbacks, this is likely to be appreciated rather differently by political actors (who usually want cutbacks to be implemented) and employees (who can be afraid of losing their job). Not only behaviour, but also decisions can be interpreted differently. For example, this dissertation showed how considerations of different values are manifested in decisions by public managers to adopt a particular cutback management strategy. However, we do not know whether employees perceive the choice for a particular strategy in the same way, and whether the values that public managers attribute to a certain decision match those of their employees.

## Studying public managers' interactions with other actors

All of the studies in this dissertation take the individual public manager as the point of reference. The focus in all the studies is on his or her interactions with other actors, such as political superiors and employees. However, decisions on what and how to cut back in an organisation are seldom made by individuals. Rather, Top Management Teams (TMTs) play an important role. In some of our case studies, we have already touched upon the role that TMTs play in cutback management processes. Studies focussing on the role that TMTs have in defining the content and process of



cutback-related changes, or other relevant change processes, are still scarce (but see Carmeli, 2006; Clark and Soulsby, 2007; Rutherford, 2016). Consequently, drawing on upper echelon theory, or other theories that specifically focus on TMTs, couldn't help in analysing decision-making in TMTs and thereby contribute to our understanding of cutback management.

## 7.6 PRACTICAL IMPLICATIONS

We bring this dissertation to an end by highlighting some practical implications of this research that could benefit the work of public managers. First, this dissertation has shown how context can shape behaviour. Although the fields of leadership and organisational change in particular include a wide range of professional publications on how to deal with crises and how to implement cutback-related change in organisations, these usually fail to incorporate context. Such studies mainly draw on the personal experiences of the authors themselves (Van Der Voet, 2014) and, despite being based on a small number of cases, claim unlimited generalisability (Boyne, 2006). This leads, without any systematic empirical underpinning, to lists of 'essential leadership behaviours' or 'ten rules for effective organisational change' that are unclear as to whether these lists hold for every context. This study found that, in many ways, public managers act differently when faced with cutbacks. Most importantly, many of the conditions for 'successful' organisational change or impactful leadership come under pressure during cutbacks. Providing a more contextualised account of what managerial behaviour looks like during cutbacks may help public managers to reflect on their own behaviour. We have translated the findings of our study on leadership during cutbacks into a factsheet with concrete lessons on dilemmas that public managers may find useful when confronted with cutbacks. These lessons include considerations on the role of communication, participation and individual attention during cutback-related change. In this way, we hope to inspire public managers to reflect on their own managerial behaviour and to help them make sense of the dilemmas they encounter.

A second practical implication is that case studies provide valuable teaching material (Flyvbjerg, 2001). The case studies carried out for this dissertation can provide valuable teaching material on how public managers need to balance different interests and values. Cutbacks provide a setting in which hard choices are unavoidable and managers have to make difficult decisions: to use proportional or targeted cuts, to involve employees in decision-making or not, etc. The case studies provide real-life examples of how public managers navigate such difficult times and could be used to show students of public administration and public management a type of dilemma that public managers encounter in their work. Indeed, by translating the results of the case study in the prison sector to a role-playing game, the difficult challenges that public managers face during cutbacks became tangible for the public managers of the future – our students.



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# Appendices





## APPENDICES

The next pages include the appendices for this dissertation. The appendices are organised per chapter, and are the same of the submitted or published (empirical) chapters.

### APPENDIX TO CHAPTER 1 AND 2

This overview shows a list of respondents. In order to safeguard anonymity of the respondents, we only include their position and the case.

Position	Case
Director DJI	Case 1
Prison director	Case 1
Director DJI	Case 1
Director DJI	Case 1
Director DJI	Case 1
Director ministry	Case 1
Director ministry	Case 1
Prison director	Case 1
Prison director	Case 1
Prison director	Case 1
Prison director	Case 1
Prison director	Case 1
Prison director	Case 1
Prison director	Case 1
Political actor	Case 1
Director DJI	Case 1
Political actor	Case 1
Director	Case 1
Prison director	Case 1
Political actor	Case 1
Prison director	Case 1
Director DJI	Case 1
Director DJI	Case 1
Director-General	Case 1
Director ministry	Case 1
Secretary-General	Case 1
Personnel representative	Case 1
Director	Case 1
Prison director	Case 1
Secretary-General	Case 1

## Appendices

<b>Position</b>	<b>Case</b>
Director	Case 1
Director	Case 1
Employees (focus group)	Case 1
Employees (focus group)	Case 1
Team leaders (focus group)	Case 1
Team leaders (focus group)	Case 1
Head of department	Case 2
Director-General	Case 2
Director	Case 2
Director	Case 2
Director-General	Case 2
Director	Case 2
Director	Case 2
Director	Case 2
Director	Case 2
Director-General	Case 2
Director-General	Case 2
Secretary-General	Case 2
Director	Case 2
Policy Advisor	Case 2
Head of department	Case 2
Director	Case 2
Secretary-General	Case 2
Head of Department	Case 2
Project manager	Case 2
Director	Case 2
Director-General	Case 2
Secretary-General	Case 2
Director-General	Case 2
Director-General	Case 2
Director-General	Case 2
Director-General	Case 2
Policy Advisor	Case 2
Policy Advisor	Case 2
Head of Department	Case 2
Director-General	Case 2
Director	Case 2
Director	Case 2
Director	Case 2
Head of Department / Project manager	Case 2
Policy advisor	Case 2

Position	Case
Policy advisor	Case 2
Policy advisor	Case 2
Director-General	Case 3
Director-General	Case 3
Secretary-General	Case 3
Director-General	Case 3
Director-General	Case 3
Director-General	Case 3
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Director-General	Preliminary interviews, chapter 6
Secretary-General	Preliminary interviews, chapter 6
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Director	Preliminary interviews, chapter 6

## APPENDIX TO CHAPTER 3

### APPENDIX 3A Overview cutback measures <sup>17</sup>

Most important measures of the “Masterplan DJI”	Explanation		Estimated budgetary reduction in millions in 2018 <sup>17</sup>	
	Masterplan I	Masterplan II	Masterplan I	Masterplan II
Closing prisons	Closing down 26 prison locations (out of 55), Reduction of 3400 FTE.	Closing down 19 prison locations (out of 55), Reduction of 2000 FTE.	92 + 29 (sum of two measures below)	16 + 31 (sum of two measures below)
Electronic detention	Making use of electronic detention so that detainees can fulfil their prison time at home.	Making use of electronic detention for a limited number of inmates, who are allowed to work outside prison.	92	16
Increased number of multi-person cells	Increasing the number of inmates that are sharing a cell, from 1431 to 2856.	Increasing the number of inmates that are sharing a cell, from 1431 to 3060.	29	31
Austerity measures prison regimes	Less time for sports, leisure, and work (which are relatively expensive) for detainees.	Less time for sports, leisure, and work (which are relatively expensive) for detainees.	10	8
Reduction of the reserve capacity	Decreasing the backup capacity of prison cells.	Decreasing the backup capacity of prison cells.	11	11
Cutbacks for mental institutions and juvenile penitentiary institutions	Decreasing the number of mental health institutions and juvenile penitentiary institutions	Decreasing the number of mental health institutions and juvenile penitentiary institutions	56	56
Various efficiency cuts	-	-	98	98
<b>Total amount of cutbacks</b>			<b>343</b>	<b>267</b>

<sup>17</sup> Most cutback management measures take some time to be realised and hence to pay off, thus we display the amount of money that would structurally (as of 2018) be cut from the budget.



**APPENDIX 3B** *List of respondents*<sup>18</sup>

Organisation <sup>18</sup>	Number of interviewees
Prisons	7
Executive Agency DJI	8
Ministry of Safety & Justice	6
Other civil servants (policy advisors)	2
Political principals (not recorded)	1
Other political actors (not recorded)	2
<b>Total</b>	<b>26</b>

**APPENDIX 3C** *Policy documents*

Document	(Publicly) released
1. Masterplan DJI	March 19 <sup>th</sup> 2013
2. Refined Masterplan DJI	June 19 <sup>th</sup> 2013
3. Internal (Leaked) concept plans closing prisons	Undated (released November 11 <sup>th</sup> 2013)
4. Internal Departmental policy evaluation	April 2013
5. Internal Cost-efficiency analysis	March 5 <sup>th</sup> 2013
6. Internal Personnel Policyplan	July 1 <sup>st</sup> 2013
7. Internal Q&A Masterplan DJI	Undated
8. Minutes of Parliamentary meeting	
a. Minutes debate January 24 <sup>th</sup> 2013	January 24 <sup>th</sup> 2013
b. Document number 24587-503	April 24 <sup>th</sup> 2013
c. Document number 24587-507	May 27 <sup>th</sup> 2013
d. Minutes debate March 14 <sup>th</sup> 2013	March 14 <sup>th</sup> 2013
e. Minutes debate June 6 <sup>th</sup> 2013	June 6 <sup>th</sup> 2013
9. Letters to parliament	
a. Document number 24587-490	March 22 <sup>nd</sup> 2013
b. Document number 24587-506	May 17 <sup>th</sup> 2013
c. Document number 24587-508	June 4 <sup>th</sup> 2013
d. Document number 24587-509	June 11 <sup>th</sup> 2013
e. Document number 24587-510	June 19 <sup>th</sup> 2013
f. Document number 24587-534	August 28 <sup>th</sup> 2013
g. Document number 24587-535	November 5 <sup>th</sup> 2013
h. Document number 24587-564	November 12 <sup>th</sup> 2013
i. Document number 24587-135	November 12 <sup>th</sup> 2013
j. Document number 24587-568	June 17 <sup>th</sup> 2013
10. Letter by the Association of Prison Directors	April 4 <sup>th</sup> 2013

18 As interviewees was promised anonymity, the list of respondents only contains more general information on the interviewed persons for this study.

## APPENDIX TO CHAPTER 4

### APPENDIX 4A *Newspaper analysis*

To identify actors that were involved in the cutback management process, we first analysed newspapers articles from September 2012 to December 2013. This timeframe was used as elections in the Netherlands in September 2012 resulted in a new government. In July 2013, the Dutch Parliament accepted the cutback management plans for the prison sector, coming into effect from January 2014 onwards. In other words, by December 2013, decision-making was finalized. We combined two different ways of searching for relevant newspapers articles. First, the Lexis Nexus database for newspapers articles was used to search for articles that were published in-print, using a number of different keywords (these can be found in the appendix). For each search term, the number of articles was registered, and all unique articles were downloaded. Some articles appeared in multiple newspapers, for example shared articles by regional newspapers. Such identical articles have been included once. Second, we collected newspaper articles by performing a Google News search in order to identify articles that were published in major online news-outlets. In total, 107 news articles were coded.

All articles were coded using Nvivo. For all articles, we coded which actors were mentioned in the article, whether they could be considered as external or internal actors, and what their main message (hence their goal during cutbacks) was. Based on a previous study of the same policy sector we made a list of predefined codes. After coding all articles, all codes in the more general categories were reviewed and possibly be given new codes or merged with other codes. Table A, below, shows a descriptive overview of the actors involved in the process.

**TABLE A** *Representation of different actors (total number of articles = 107)*

<b>External actors</b>	<b>Appeared in ... articles</b>	<b>Internal Actors</b>	<b>Appeared in ... articles</b>
Mayor	35	Detainees	9
Local politicians	14	Partner organisations	6
King's commissioners	6	Personnel representation	19
Members of Parliament	23	Personnel	19
Labour unions	21	Prison directors	26
Other external actors	15	Other internal actors	8
<b>Total</b>	<b>114</b>	<b>Total</b>	<b>87</b>

## APPENDIX TO CHAPTER 5

### Appendix 5A Coding scheme by chapter 5 Managing downward: a leadership perspective

Leadership behaviour	Open Coding	Axial coding
	<p><i>In this phase, fragments of the transcripts were given specific codes that reflect leadership behaviour as expressed by the respondents.</i></p>	<p><i>In this phase, the codes from the open coding round were assessed on differences and similarities and, afterwards, merged or split, and given codes reflecting the leadership literature in table 1.</i></p> <p><i>CL = Crisis Leadership, TL = Transformational Leadership, ChL = Change Leadership</i></p>
<p><b>Communication</b> <i>How and why do public managers communicate with employees during cutbacks</i></p>	<ul style="list-style-type: none"> <li>• Framing changes</li> <li>• Communicating plans</li> <li>• Explaining why change is necessary</li> <li>• Explaining why change is desired</li> <li>• Sending newsletters with updates on cutbacks</li> <li>• Explaining role in cutback-related changes to employees</li> <li>• Explaining changes must go through</li> <li>• Weekly meetings with employees</li> <li>• Promoting the benefits of changes</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring the need for change (ChL)</li> <li>• Motivating through inspiration (TL)</li> <li>• Blame games (CL)</li> <li>• Framing changes (CL / ChL)</li> </ul>
<p><b>Interaction with employees: Engaging in change process</b> <i>How and why do public managers (try to) engage employees in the change process</i></p>	<ul style="list-style-type: none"> <li>• Asking employees opinion</li> <li>• Discussing with formal representatives</li> <li>• Making new rules in the workplace</li> <li>• Organising workshops</li> <li>• Motivating employees during cutbacks</li> <li>• Motivating employees to take action against cutbacks</li> <li>• Organising brainstorming</li> <li>• Asking employees for expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Asking employees opinions (ChL)</li> <li>• Collecting input from employees expertise (ChL)</li> <li>• Institutionalizing changes (ChL)</li> <li>• Motivating employees to come up with ideas (ChL)</li> <li>• Intellectual Stimulation (TL)</li> </ul>

**Coding scheme, continued**

<p><b>Interacting with employees: Individual consideration</b> <i>How and why do public managers interact with employees on individual basis</i></p>	<ul style="list-style-type: none"> <li>• Taking employee needs into account</li> <li>• Informal contact with employees</li> <li>• Protecting from cutbacks</li> <li>• Listening to employee needs</li> <li>• Being in contact with employees</li> <li>• Supporting employees in the change process</li> </ul>	<ul style="list-style-type: none"> <li>• Recognizing individual needs (ChL)</li> <li>• Individual consideration (TL)</li> </ul>
<p><b>Role Modelling</b> <i>How and why do public managers use role modelling behaviour</i></p>	<ul style="list-style-type: none"> <li>• Giving away privileges</li> <li>• Promoting good behaviour</li> <li>• Behaviour congruent with organisational culture</li> <li>• Leadership by example</li> <li>• Rewarding good behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Giving the right example (TL / ChL)</li> <li>• Being a role model (TL)</li> <li>• Showing behaviour congruent with the projected vision (TL / ChL)</li> </ul>
<p><b>Orientation</b> <i>What is public managers orientation while managing cutback-related change</i></p>	<ul style="list-style-type: none"> <li>• Role political superiors in decision-making</li> <li>• Seeking help from top civil servants</li> <li>• Asking superiors for help with change</li> <li>• Seeking advice outside the organisation</li> <li>• Seeking support from external stakeholders</li> <li>• Seeking internal support</li> <li>• Making sure business continues as usual</li> <li>• Asking for resources for change</li> </ul>	<ul style="list-style-type: none"> <li>• Institutionalizing changes (ChL)</li> <li>• Interacting with external stakeholders (CL)</li> </ul>
<p><b>Cutbacks</b> <i>What are aspects of cutback-related changes that public managers take into account</i></p>	<ul style="list-style-type: none"> <li>• Role management board</li> <li>• Centralizing decision-making</li> <li>• Top-down change processes</li> <li>• Planned change process</li> <li>• Dealing with resistance</li> <li>• Cutback management strategy</li> <li>• Setting direction</li> <li>• Trying to innovate</li> <li>• Providing a plan for change</li> <li>• Setting goals</li> </ul>	<ul style="list-style-type: none"> <li>• Aspects of cutback-related change</li> </ul>





# Dutch summary







## Perspectieven op het management van bezuinigingen in publieke organisaties: wat publieke managers doen

### Probleemstelling van dit proefschrift

2008 was de start van de grootste financiële crisis sinds de jaren '30 van de vorige eeuw. Door de crisis voelden vele nationale overheden de noodzaak om bezuinigingen door te voeren, ook gericht op het eigen overheidsapparaat. Nederland was hierin geen uitzondering. Het kabinet-Rutte II sprak de wens uit om met een doelmatigere, efficiëntere en minder bureaucratische overheid vanaf 2017 structureel meer dan een miljard euro te besparen op de kosten van het overheidsapparaat. Deze bezuinigingen kwamen bovenop forse bezuinigingen die al sinds het kabinet-Balkenende I gemeengoed waren binnen de overheid. Veel publieke managers stonden daarmee opnieuw voor de taak om te snijden in eigen vlees.

Veel onderzoek naar bezuinigingen richt zich op het macroniveau, bijvoorbeeld op welke noodmaatregelen overheden namen om te zorgen dat de bankensector in de jaren van de financiële crisis overeind bleef. Onderzoek dat zich richt op het organisatieniveau en specifiek op de rol die publieke managers spelen in het management van bezuinigingen is dus grotendeels afwezig. Dat is jammer, want publieke managers hebben een belangrijke en complexe taak bij bezuinigingen op de eigen organisatie. Zo moeten publieke managers binnen hun functie omgaan met politieke superieuren, hun medewerkers en stakeholders buiten de eigen organisatie. Daarbij komt dat bezuinigingen bij de overheid veelal niet gepaard gaan met een vermindering of het stoppen van taken, maar dat veelal het “doing more with less” mantra dominant is. Publieke managers die bezuinigingen moeten doorvoeren staan dus veelal ook voor een veranderopgave. Ondanks dat bezuinigingen dus een belangrijke opgave zijn voor publieke managers, weten we relatief weinig over de rol die zij spelen bij het management van bezuinigingen op hun eigen organisatie. Dit proefschrift heeft daarom als onderzoeksvraag:

*“Hoe gaan publieke managers binnen de Nederlandse overheid om met bezuinigingen gericht op hun eigen organisatie?”*

De centrale vraag wordt beantwoord door te kijken naar de interacties van publieke managers met andere actoren binnen en buiten hun organisatie. We focussen hierbij voornamelijk op de rol die topambtenaren in de hoogste echelons van de overheid (secretaris-generaal, directeur-generaal en directeur) spelen. Publieke managers op deze posities moeten bij bezuinigingen samenwerken met politiek ambtsdragers en hebben tegelijkertijd te maken met medewerkers en stakeholders van buiten de organisatie. Daarnaast zijn zij in een positie om bezuinigingen mede vorm te geven naar wat zij belangrijk vinden. Dit proefschrift schijnt een licht op die rol, steeds vanuit een ander theoretisch perspectief. De verschillende theoretische perspectieven worden kort besproken bij de beschrijving van de kernbevindingen van dit proefschrift.

## **Methode**

Dit onderzoek is gebaseerd op drie casestudies binnen de Nederlandse overheid en één kwalitatieve interviewstudie onder publieke managers van alle Nederlandse ministeries. Voor twee van de drie casestudies werden data verzameld bij een ministerie, één casestudie richt zich op bezuinigingen in het gevangeniswezen. Binnen de drie cases kregen publieke managers te maken met verschillende gradaties van bezuinigingen. Binnen het gevangeniswezen zorgden forse bezuinigingen ervoor dat gevangenis dicht moesten en personeel hun baan verloor. Binnen één van de ministeries werden de bezuinigingen ingevuld door de implementatie van flexibel werken. Dat zorgde voor een grote bezuiniging op de huisvestingskosten maar bracht ook een andere manier van werken met zich mee. Bij het tweede ministerie waren bezuinigingen een stuk minder groot en kon door overal kleine bezuinigingen door te voeren, een groot deel van de taakstelling worden ingevuld.

De drie cases zijn uitgekozen om heel verschillende typen bezuinigingsopgaven naast elkaar te bekijken. Voor een verkennend onderzoek zoals dit proefschrift is het passend om veel variatie te hebben in het type opgaven waar publieke managers voor staan. De drie casestudies zijn uitgevoerd door gebruik te maken van interviews met 62 publieke managers. Voor de interviewstudie onder publieke managers van verschillende ministeries zijn 26 interviews gehouden. In totaal zijn dus 88 publieke managers geïnterviewd voor dit proefschrift. Naast deze publieke managers zijn ook politici en ambtenaren die betrokken waren bij de bezuinigingen geïnterviewd. Voor alle cases is bovendien relevante documentatie verzameld, zowel openbare informatie als interne documenten over bijvoorbeeld de veranderplannen. Voor het gevangeniswezen zijn ook nieuwsberichten geanalyseerd om in kaart te brengen welke stakeholders van buiten de organisatie proberen om invloed uit te oefenen op bezuinigingen (hoofdstuk 4).

## **Bevindingen**

Het eerste empirische hoofdstuk van dit proefschrift (hoofdstuk 3) richt zich op de interactie tussen publieke managers en politieke superieuren. In deze studie wordt deze interactie bekeken vanuit een Public Service Bargain (PSB) perspectief. Dit houdt in dat de interactie tussen publieke managers en politici begrepen kan worden als een onderhandeling, waarbij politici loyaliteit en expertise verwachten van publieke managers en in ruil daarvoor verantwoordelijkheid voor het management van de eigen organisatie geven. In dit hoofdstuk werden bezuinigingen binnen het gevangeniswezen als casus geanalyseerd. De resultaten laten zien dat bezuinigingen de interactie tussen politici en publieke managers onder druk zetten. Publieke managers werden buitengesloten van de besluitvorming, vanwege het risico op het lekken van informatie over de bezuiniging. Doordat publieke managers niet meer betrokken werden in de besluitvorming, wisten zij niet hoe er bezuinigd zou worden en waarop. Daarmee kwam de verantwoordelijkheid van publieke managers voor het managen van de bezuiniging in het nauw. Bovendien leidde deze situatie tot steeds meer weerstand van publieke managers (en hun personeel) tegen de bezuinigingen, die begrepen kan worden als het breken van balans van de onderhandeling. De weerstand tegen de bezuinigingen leidde tot grote politiek druk, waarna de Tweede Kamer de verantwoordelijke politici terug naar de

tekentafel stuurde. Dat moment betekende dat zowel politici als managers op zoek moesten naar een nieuwe balans in de onderhandeling, om samen vorm te geven aan de bezuiniging. Doordat publieke managers weer terug aan tafel mochten komen en opnieuw in de besluitvorming werden meegenomen, konden zij ook invloed uitoefenen op de uitwerking van de bezuinigingen. Dit zorgde voor nieuwe bezuinigingsplannen die ditmaal wel door het Parlement werden goedgekeurd. De studie laat het belang zien van het meenemen van de politieke context waarin publieke managers opereren. Bezuinigingen kunnen druk zetten op de interactie tussen actoren en dit kan vervolgens invloed hebben op de rol die publieke managers kunnen (en mogen) spelen in het proces van bezuinigingsmanagement. De conclusie is daarmee dat de ruimte die publieke managers hebben voor bezuinigingsmanagement mede afhankelijk is van hoe de Public Service Bargain zich ontwikkelt onder druk van bezuinigingen.

Hoofdstuk 4 richt zich op de rol die externe stakeholders spelen bij bezuinigingen. Ook in dit hoofdstuk staan bezuinigingen binnen het gevangeniswezen centraal. De vraag in dit hoofdstuk is waarom publieke managers ervoor kiezen om wel of geen externe actoren te betrekken in de besluitvorming rond bezuinigingen. Om te analyseren wat voor strategie publieke managers gebruiken in hun interactie met de buitenwereld werd gebruik gemaakt van de conceptualisering van Miles en Snow (1978). Volgens deze conceptualisering kunnen publieke managers worden gecategoriseerd als defenders (vooral gericht op de eigen organisatie, weinig interactie met de buitenwereld), reactors (vooral reagerend op wat actoren in de buitenwereld doen) of prospectors (actoren die actief verbinding met actoren buiten de eigen organisatie zoeken). Een analyse van krantenberichten laat zien dat een veelheid aan actoren probeerde om bezuinigingen binnen het gevangeniswezen te beïnvloeden. Door middel van interviews werd geanalyseerd wat voor strategie publieke managers hanteren richting verschillende actoren in de buitenwereld. Publieke managers binnen het ministerie gebruiken vooral een defender-strategie en probeerden stakeholders van buiten de eigen organisatie buiten het bezuinigingsproces te houden. Binnen het bezuinigingsproces is hun doel en belang om de bezuiniging te realiseren. Binnen het agentschap DJI zagen we vooral een reactorhouding, die erop duidt dat er vooral werd gereageerd op wat er gebeurde in de omgeving, maar dat het agentschap DJI niet per se zelf het initiatief hierop nam. DJI moet de vanuit het ministerie opgelegde bezuinigingen realiseren, maar wil tegelijkertijd ook oog hebben voor de gevolgen van de bezuiniging voor gevangenisdirecteuren. Gevangenisdirecteuren namen zowel een defender als prospector houding aan. Sommige gevangenisdirecteuren probeerden zich vooral te richten op de eigen organisatie om daarmee te laten zien waarom sluiting van hun gevangenis geen goed idee was. Zij namen een defender houding aan en zetten in op het terugdringen van zaken als ziekteverzuim en het laten zien waarom de gevangenis kwalitatief goed werk levert op een efficiënte manier. Andere gevangenisdirecteuren probeerden, hoewel hun doel hetzelfde was, juist actoren uit hun omgeving (zoals lokale politici) te mobiliseren om hen te helpen de gevangenis te redden in het bezuinigingsproces. Zij namen daarmee een prospector strategie aan. Door actoren in het proces te betrekken, konden deze gevangenisdirecteuren bijvoorbeeld laten zien dat de rol van werkgever belangrijk is in bepaalde regio's. Het onderzoek laat zien dat binnen dezelfde casus een verscheidenheid aan

strategieën te observeren is. De strategie die publieke managers hanteren, wordt daarbij beïnvloed door de doelen die hun organisatie en zichzelf hebben in het bezuinigingsproces.

In hoofdstuk 5 is gekeken naar het leiderschap van publieke managers tijdens bezuinigingen en organisatieveranderingen die daarmee gepaard gaan. In deze studie is gebruik gemaakt van de interviews met publieke managers in alle drie de cases. Door gebruik te maken van inzichten uit de literatuur over crisisleiderschap, veranderleiderschap en transformationeel leiderschap kon geanalyseerd worden wat voor leiderschapsgedrag publieke managers laten zien tijdens bezuinigingen. In algemene zin laat de studie zien dat publieke managers op hogere niveaus vooral bezig zijn met de besluitvorming over bezuinigingen. Het werkbaar maken van bezuinigingsgedreven veranderingen is vooral het werk van lagere managers die dicht bij de medewerkers staan. De resultaten tonen dat hoe ingrijpender bezuinigingen zijn, hoe lastiger het voor publieke managers wordt om leiderschap te tonen. Bij ingrijpende bezuinigingen, die vaak ook politiek gevoelig zijn, wordt besluitvorming vaak gecentraliseerd. Door centralisatie hebben alleen publieke managers in de hoogste echelons invloed op de besluitvorming rond de inhoud en het implementatieproces van bezuinigingsmaatregelen. Dat betekent, zeker voor publieke managers in lagere echelons, dat er minder ruimte is om leiderschapsgedrag te laten zien als zij bezuinigingsgedreven veranderingen werkbaar proberen te maken. In bezuinigingsprocessen die al zijn vastgesteld, is bijvoorbeeld weinig ruimte voor het laten participeren van medewerkers. Publieke managers op lagere niveaus proberen dat wel te doen, binnen de kaders die door het topmanagement zijn gezet.

Een onderdeel van leiderschapsgedrag dat kan bijdragen aan het implementeren van bezuinigingen, is communicatie. Uit het onderzoek komt naar voren dat publieke managers ervoor kiezen om de urgentie van de veranderopgave te delen, meer dan het communiceren van een aantrekkelijke visie over de bezuinigingsmaatregelen. Dat gedrag is ingegeven door de verwachting dat het framen van veranderingen tijdens bezuinigingen zorgt voor meer weerstand onder medewerkers dan het vertellen van het pijnlijke, maar echte verhaal. Publieke managers op alle niveaus proberen een voorbeeldrol te nemen om weerstand tegen bezuinigingen weg te nemen. In sommige gevallen doen zij dat door te laten zien dat ook zij te maken hebben met bezuinigingen (bijvoorbeeld door te bezuinigen op lunches en diners op kosten van de organisatie). In andere gevallen proberen publieke managers het gedrag te laten zien dat zij van medewerkers verwachten. In het ministerie waar flexibel werken werd ingevoerd, betekent dit het opgeven van het eigen kantoor en zelf ook (proberen te) flexwerken. Als laatste hechten publieke managers belang aan individuele aandacht voor medewerkers, bijvoorbeeld om te luisteren naar hun zorgen. Tegelijkertijd zien we dat managers wel blijven benadrukken dat de bezuinigingen door moeten gaan. Het onderzoek laat dus zien dat bezuinigingen invloed hebben op leiderschapsgedrag. Hoe leiderschapsgedrag eruitziet in bezuinigingssituaties is onder andere afhankelijk van de omvang van de bezuinigingen en de hiërarchische positie die publieke managers innemen. Veel van het gedrag is er uiteindelijk op gericht om weerstand van medewerkers tegen bezuinigingen weg te nemen, waardoor leiderschapsgedrag een specifieke invulling krijgt in de context van bezuinigingen.

Hoofdstuk 6 draait om de vraag welke waarden een rol spelen in de besluitvorming van publieke managers in de keuze voor bezuinigingsstrategieën. In de literatuur wordt onderscheid gemaakt tussen proportionele en strategische bezuinigingen. Bij proportionele bezuinigingen, vaak beter bekend als de kaasschaafmethode, worden alle onderdelen van de organisatie geacht eenzelfde percentage te bezuinigen. Daartegenover kunnen strategische (of gerichte) bezuinigingen worden geplaatst, waarbij verschillende onderdelen van een organisatie een verschillende bezuinigingsopdracht krijgen. Vanuit de literatuur wordt vaak beredeneerd dat waarden zoals gelijkheid een belangrijke rol spelen in de keuze voor een proportionele bezuinigingsstrategie. De pijn van de bezuiniging wordt immers over de hele organisatie verdeeld. De keuze voor strategische bezuinigingen, zo wordt verondersteld, kan ingegeven zijn door waarden zoals accountability en legitimiteit, omdat deze strategie beter onderscheid kan maken in wat door burgers belangrijk wordt gevonden. Het nadeel van proportionele bezuinigingen is bovendien dat ook organisatieonderdelen die al heel efficiënt werken alsnog moeten bezuinigen. Tegelijkertijd is er geen dure analyse nodig om te kiezen waar wel en niet te bezuinigen, wat weer een voordeel is van proportionele bezuinigingen. Voor dit onderzoek werden 26 publieke managers van alle verschillende ministeries geïnterviewd. Uit het onderzoek komt naar voren dat publieke managers, zowel tijdens bezuinigingen als in goede tijden, veel waarde hechten aan waarden zoals soberheid en zuinigheid. Dit is veelal gemotiveerd door het feit dat publieke managers werken met belastinggeld en zich bewust zijn dat geld dat naar het apparaat gaat, niet richting beleid voor burgers kan. Het onderzoek laat verder zien dat de relatie tussen bezuinigingsstrategieën en waarden niet zo eenduidig is als wordt verondersteld in de wetenschappelijke literatuur. Een waarde zoals efficiëntie, die vooral verbonden wordt met strategische bezuinigingen, is bijvoorbeeld ook een motivator om juist voor proportionele bezuinigingen te kiezen. Juist een klein beetje van het budget 'kaasschaven', kan druk zetten op de organisatie om efficiënter te werken. Publieke managers die de robuustheid van de organisatie belangrijk vinden (wat kan de organisatie aan?) kiezen om deze reden voor strategische bezuinigingen, omdat het met een proportionele bezuiniging niet altijd duidelijk is wanneer het vet van de botten is en het mes in het bot gaat. Het onderzoek laat zien dat er veel verschillende waarden zijn die publieke managers meenemen in hun besluitvorming als zij voor een bezuinigingsoperatie staan en dat deze op een andere manier samenhangen met bezuinigingsstrategieën dan aangenomen in de literatuur.

### **Algemene conclusie**

Dit proefschrift richtte zich op de vraag hoe publieke managers binnen de Nederlandse overheid omgaan met bezuinigingen gericht op hun eigen organisatie. Het onderzoek had daarbij als doel om inzicht te bieden in het gedrag van publieke managers als zij voor een bezuinigingsopgave komen te staan.

Uit het proefschrift kan geconcludeerd worden dat publieke managers die bezuinigingen in hun eigen organisatie moeten implementeren, afwegen wat dit betekent voor (de doelen van) hun organisatie. Dat betekent dat publieke managers proberen in het oog te houden hoe bezuinigingen het werk in en van de organisatie kan beïnvloeden, en hierop acteren. In bezuinigingsprocessen

betekent dit dat publieke managers constant de belangen van verschillende actoren balanceren en alert zijn dat bijvoorbeeld politieke superieuren wellicht andere belangen hebben dan medewerkers. Afhankelijk van hun eigen doelen maken publieke managers een keuze op wie zij hun gedrag richten. Vaak betekent dit dat publieke managers zich vooral richten op politieke superieuren in de besluitvorming (als hun doel is om invloed te hebben op de keuzes die gemaakt worden), terwijl tijdens de implementatie van bezuinigingen er meer aandacht is voor medewerkers (als het doel is om bezuinigingen op een goede manier te implementeren). Daarbij moet aangetekend worden dat besluitvorming en implementatie van bezuinigingen niet altijd naadloos op elkaar aansluiten maar in sommige gevallen door elkaar lopen. Voor publieke managers betekent dit dat ze continu moeten afwegen op wie zij zich het beste kunnen richten, gegeven hun doelen in het bezuinigingsproces.

Dat het managen van bezuinigingen geen gemakkelijke opgave is, komt doordat bezuinigingen de handelingsruimte van publieke managers doorgaans beperken. Zeker wanneer er zeer ingrijpende (en politiek gevoelige) bezuinigingen op stapel staan, is er de neiging om besluitvorming te centraliseren en een beperkt aantal actoren hierin te laten participeren. Dat betekent veelal dat alleen publieke managers in de hoogste echelons betrokken zijn bij keuzes over *waarop* te bezuinigen (de inhoud) en *hoe* de bezuinigingen te implementeren (het proces). Dit beperkt vanzelfsprekend de mogelijkheden van publieke managers op andere niveaus om invloed te hebben op deze besluitvorming. Het onderzoek laat overigens ook zien dat er situaties zijn waarin zelfs de absolute top van het ambtelijk apparaat maar amper betrokken wordt bij besluitvorming als de interactie met politieke superieuren onder druk komt te staan. In zulke situaties komt bezuinigingsmanagement neer op het managen van onzekerheid en weerstand vanuit lagere niveaus.

Naast centralisatie van besluitvorming zorgen bezuinigingen ook voor onzekerheid. Dit kan onzekerheid zijn voor publieke managers zelf over wat bezuinigingen betekenen voor de doelen die de organisatie nastreeft maar bezuinigingen leiden ook tot onzekerheid onder medewerkers. Aan publieke managers is het de taak om hiermee om te gaan. Zeker publieke managers die dichterbij medewerkers staan, zoals directeuren, hebben hier een belangrijke rol. Door hun leiderschapsgedrag kunnen zij proberen om weerstand tegen bezuinigingen weg te nemen. De onzekerheid over wat bezuinigingen zullen betekenen kunnen ook tot buiten de grenzen van de organisatie reiken. Dat kan stakeholders uit de omgeving van de organisatie activeren waarbij publieke managers voor de beslissing staan om hen wel of niet te betrekken bij de (beslissingen over de) bezuinigingsopgave.

Dit proefschrift sluit af met de boodschap dat het belangrijk is om aandacht te blijven hebben voor bezuinigingen en de effecten die bezuinigingen kunnen hebben op publieke organisaties en haar medewerkers. Waar het thema bezuinigingen in eerdere jaren van de onderzoeksagenda viel op het moment dat het economische beter ging, is het belangrijk te beseffen dat publieke organisaties ook in goede tijden soms moeten bezuinigen, bijvoorbeeld vanwege politieke keuzes. Juist omdat bezuinigingen zo'n impact kunnen hebben op publieke organisaties en veel vragen van het management, is het belangrijk om het onderwerp te blijven bestuderen. De publicatie van de verschillende empirische hoofdstukken in wetenschappelijke journals kan bijdragen aan het op de agenda zetten en houden van bezuinigingsmanagement als onderzoeksobject in de bestuur-

skunde. Omdat bezuinigingen een rol spelen bij verschillende hervormingen en veranderingen in de publieke sector, zowel in goede als in slechte economische tijden, is het belangrijk om de financiële kaders nadrukkelijker mee te nemen in onderzoek naar veranderingen en prestaties van publieke organisaties.

De verschillende casestudies uit het onderzoek, ten slotte, lenen zich voor onderwijsmateriaal voor studenten die willen leren over bezuinigingsmanagement. Als publieke managers van de toekomst kunnen zij met bezuinigingen geconfronteerd worden. In zulke situaties is het belangrijk dat zij kunnen leren en reflecteren op hoe publieke managers gehandeld hebben in de voor dit proefschrift onderzochte cases. In een wereld waar publieke organisaties vrijwel constant moeten veranderen en vernieuwen is kennis van management en leiderschap zondermeer belangrijk.





# About the author





## ABOUT THE AUTHOR

Eduard Schmidt (January 5th, 1989, Nieuwegein) is a researcher and lecturer at the Institute of Public Administration at Leiden University. After graduating from ORS Lek en Linge in Culemborg in 2007, he studied Sociology and Public Administration and Organizational Science at Utrecht University. Together with his supervisors, prof. Sandra Groeneveld and prof. Steven Van de Walle, he was awarded a NWO Research Talent Grant to write a dissertation on cutback management in public organisations. In July 2014, he started his PhD at the Erasmus University Rotterdam, before joining the Institute of Public Administration at Leiden University from October 2014 onwards. In 2017, he worked as a visiting researcher at the Public Governance Institute at the KU Leuven. In 2018, he became a research fellow at the Leiden Leadership Centre. His current research focusses, next to cutback management, on topics related to public value, leadership and organisational change, with a focus on public health governance.

Throughout his PhD, Eduard participated and presented his work in a number of academic conferences, such as the Public Management Research Conference (PMRC), the annual conference of the European Group of Public Administration (EGPA), the Trans-Atlantic Dialogue Conference (TAD), and the annual conference of the Netherlands Institute of Government (NIG). He was awarded the IRSPM best conference paper award in 2015 (together with prof. Sandra Groeneveld and prof. Steven Van de Walle) for a paper on change management and cutbacks, and in 2017 (together with prof. Sandra Groeneveld) for a paper on cutbacks and the glass cliff. He published in international journals such as *Public Management Review*, *Public Policy and Administration*, *Public Money & Management*, and *Public Administration*, and Dutch academic journals such as *Bestuurskunde* and *Beleid & Maatschappij*. As a lecturer, he was (amongst other responsibilities) engaged in courses on organisational change, public management, multi-level governance and management in international administrations, next to the supervision of students in writing their master thesis.

During his PhD, Eduard was vice-president of the PhD Candidates Network of the Netherlands (PNN) between March 2015 and September 2016. Between December 2018 and July 2019, he presented his research in theatres as part of a theatre show called ScienceBattle. From September 2016 onwards, he is one of the (founding) board members of *Blikverruimers*, an association aiming to increase diversity in supervisory boards in the Netherlands.

Managing cutbacks has been an important task for many public managers. Given that demands for high-quality public services are ever-present and public organisations cannot simply choose to stop their services, public managers are often asked to find ways to “do more with less.” This dissertation examines what public managers do when they are confronted with cutbacks.

In this dissertation, different public management perspectives are applied to study managerial behaviour during cutbacks. The perspectives are used to analyse how public managers, during cutbacks, manage upward to their political superiors, downward to their employees, outward to external stakeholders and, finally, how values of public managers manifest themselves in cutback decision-making. The results shed light on the enormous task that public managers face when having to manage cutbacks.



Eduard Schmidt (1989) is a postdoc researcher and lecturer at the Institute of Public Administration, Leiden University. His current research focuses on leadership, public value and organisational change, with a focus on public health governance.