MAKING ENDS MEET: HOW REINVENTION REFORMS COMPLEMENT PUBLIC SERVICE MOTIVATION

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Students of public management often argue that imposing market-based logic on public sector organizations can undermine the altruistic motives of public employees. Focusing on the complex relationships between ‘reinventing government’ reforms, bureaucratic red tape, and public service motivation (PSM), we contend that the effects of reinvention reforms on PSM change as a function of the ability of reforms to cut bureaucratic red tape. A series of structural equation models reveal that the relationships between reinvention reforms, bureaucratic red tape, and PSM are much more complex than previously thought. Contrary to conjectures in the mainstream PSM literature, implementing market-like reforms in public organizations positively influences PSM, if one views the reform as minimizing red tape.

INTRODUCTION

Attempts to improve the productivity, efficiency, and quality of public organizations are far from new, tracing back at least to the nineteenth century and somewhat later to the scientific management movement (Heinrich 2003). Modern endeavours to reform public organizations are, however, primarily rooted in the New Public Management (NPM) movement and subsequent efforts to ‘reinvent government’ (Osborne and Gaebler 1992; Gore 1993; Osborne 1993; Kettl 2002). While NPM and reinvention have been felt somewhat differently across industrialized countries (Heinrich 2003; Bozeman 2007), several common themes underpin ensuing reforms, including an emphasis on treating citizens as customers, a market-like orientation characterized by increased governmental competition with the private sector, greater governmental flexibility and responsiveness, and a mission-driven, results-oriented focus among public organizations (Osborne and Gaebler 1992; Gore 1993; Osborne 1993; Kettl 2002; Denhardt and Denhardt 2008). Many of these pursuits are ultimately intended to enhance administrative efficiency and concomitantly to improve citizen outcomes.

To achieve greater administrative efficiency, countless reforms have been pursued by politicians and public organizations over the past three decades. A small sample includes the introduction (or, in some cases, reintroduction) of financial management systems, benchmarking and performance measurement, performance-related pay, decentralized human resource management systems, and a host of managerial reforms such as Total Quality Management and Management by Objectives. Chief among administrative efficiency reforms have been efforts to streamline government by cutting red tape and decentralizing authority to empower and motivate employees in ways that will improve service delivery (e.g. Osborne and Gaebler 1992; Gore 1993).

NPM, reinvention, and associated market-oriented reforms, however, have been heavily criticized by many public administration scholars. Critiques often reflect concerns that NPM and reinvention prescriptions: (1) place undue weight on economic efficiency at the cost of other important public values such as equity and fairness (Bozeman 2007); and
(2) view ‘organizations as a chain of low-trust principal/agent relationships rather than fiduciary or trustee based beneficiary ones’ (Dunleavy and Hood, 1994, p. 7). Drawing on the latter point, PSM scholars argue that many of the principles and practices arising from NPM and reinvention ignore the altruistic, other-regarding intentions held by public sector employees and may reduce the altruistic motives of public workers (Moynihan 2008; Perry and Hondeghem 2008a; Perry and Vandenabeele 2008; Houston 2009; Perry et al. 2009). As such, the PSM concept has been situated as a theoretical and intellectual alternative to NPM and reinvention efforts (Moynihan 2008; Perry and Hondeghem 2008a; Houston 2009).

Studies on PSM have generated considerable knowledge, lending credence to the concept’s relevance in the public sector. For instance, research clearly indicates that PSM is associated with a host of prosocial behaviours and is related to both individual and organizational performance (Houston 2006, 2008; Pandey and Stazyk 2008). Significantly, relatively little research exists examining whether reinvention and PSM are always fundamentally at odds in practice. More simply, claims that NPM and reinvention and PSM are theoretical alternatives (rather than complementary mechanisms in, or institutional realities for, public organizations) remain largely untested.

In this article, we seek to begin addressing the dearth of research on how reinvention and PSM may relate in practice. More specifically, we consider whether the apparently conflicting ends of publicly oriented motives and reinvention reforms ever meet. We do this by examining the relationships between several specific reinvention reforms, two types of bureaucratic red tape (human resources and procurement), and employees’ public service motives among a sample of US local governments. Results are discussed in terms of their relevance for theory and practice. Moving forward, and given our focus on the USA, we use the term reinvention as shorthand for the broader market-based ethos undergirding many contemporary reforms, including NPM and reinvention.

REINVENTION AND RED TAPE

The reinvention movement encompassed a broad array of reforms intended to make government more entrepreneurial while also bringing it closer to citizens (Osborne and Gaebler 1992; Gore 1993). Reforms centred on treating citizens as customers, introducing market-like competition into the service delivery process, broad devolutions of authority, and a results-oriented focus characterized by, for instance, an emphasis on strategic planning, performance measurement, pay-for-performance, and performance-based budgeting (Osborne and Gaebler 1992; Gore 1993). While some maintain that reinvention’s heyday occurred during the Clinton–Gore administration, many of the principles and practices associated with reinvention remain relevant today (Bozeman 2007; Benington and Moore 2011). Notable examples include a continued focus on performance measurement (i.e. No Child Left Behind, Government Performance and Results Act, Program Assessment Rating Tool) and renewed attempts to introduce performance-related pay in public organizations (see, e.g. Houston 2009; Perry et al. 2009; Stazyk 2012).

Of pursued reforms, one of the most significant entails efforts to cut bureaucratic red tape in public organizations (Osborne and Gaebler 1992; Gore 1993). Proponents of the reinventing government movement assume that bureaucratic red tape is a prevalent
bureaucratic pathology and a major source of government inefficiency (Osborne and Gaebler 1992; Gore 1993; Osborne 1993; Moe 1994; Frederickson 1996; Feeney and DeHart-Davis 2009). Bozeman (2000, p. 12) argues that red tape exists when ‘rules, regulations, and procedures . . . remain in force and entail a compliance burden but do not advance the legitimate purposes the rules were intended to serve’, a definition commonly used in red tape research (Pandey and Scott 2002; Stazyk et al. 2011). In this sense, red tape differs from healthy formalization to the extent that it is a harmful or pathological component of bureaucracy.

Although any rule can become deleterious over time, red tape frequently stems from a few commonly identifiable sources. First, public managers often argue that personnel procedures in the public sector are overly restrictive (Lan and Rainey 1992). In fact, one study argues that public sector employment has become a ‘safe harbour’ for unskilled and under-motivated employees, largely due to human resource (HR) policies that afford underperforming workers substantial protection (Donahue 2008). A primary goal of reinvention was to grant managers more flexibility in hiring and firing workers, which, in turn, was (and still is) presumed to lead to higher performing organizations (Gore 1993).

Not surprisingly, efforts to reform HR systems by devolving authority to managers and cutting red tape have received similar attention at the state and local levels of government in the USA. In fact, the State of Georgia provides one of the most noteworthy examples of a large-scale civil service reform that comports with the broader reinvention ethos. Georgia stripped employees hired after 1 July 1996 of all civil service protections, and gave individual departments greater authority over personnel systems (Nigro and Kellough 2000). Similar reforms – all driven by the logic of reinvention – have been pursued in other state and local governments over the past 15 years; prominent examples include Florida, Wisconsin, and Ohio. In fact, Hays and Sowa (2007) conducted interviews with representatives from all 50 states about HR reform, and concluded that such reforms are relatively common. Consequently, and on the basis of the reinvention logic, we hypothesize:

**Hypothesis 1**: Public managers will perceive lower levels of human resource red tape as the prevalence of reinvention reforms increase within a city.

A second common source of red tape in public organizations involves procurement policies. Research has long shown that public organizations are subject to seemingly restrictive purchasing regulations that may constitute red tape (Rainey et al. 1995). They argue that ‘externally imposed rules and laws covering such functions as personnel and purchasing are the most important sources of red tape’ (1995, p. 572). Other studies provide evidence that the legalistic and inherently political nature of government procurement regulations contributes substantially to red tape in public organizations (Bozeman 2000; Kelman 2005). Bozeman (2000), for instance, illustrates how the 1984 Competition in Contracting Act leads to procurement red tape through an over-reliance on control mechanisms. Furthermore, many studies operationalize red tape based on the restrictiveness of purchasing rules (Bretsneider 1990).

Mirroring efforts to reduce the scope of HR red tape, reinvention reforms also sought to curtail the sources and causes of procurement red tape. In fact, Gore (1993) argues that efforts to cut red tape inherently necessitate government procurement processes and procedures to be streamlined. Others go so far as to argue that pre-reinvention budgeting
and procurement systems encouraged public employees to waste money (Osborne 1993). Drawing on these arguments, we hypothesize:

**Hypothesis 2**: Public managers will perceive lower levels of procurement red tape as the prevalence of reinvention reforms within a city increase.

While reinvention reformers argue that cutting red tape and making government agencies more market-like will lead to beneficial employee behaviours, such as greater productivity and performance, it is worth mentioning that empirical evidence generally fails to support these assertions (Feeney and DeHart-Davis 2009; Meier and O’Toole 2009). Moreover, PSM scholars argue that the logic underpinning reinvention and its related principles and practices largely ignores the altruistic, other-regarding orientations of many public employees. The next section briefly reviews the PSM concept, as well as how the logic of reinvention differs from that of PSM; several hypotheses about the possible relationships between reinvention and PSM are offered.

**REINVENTION AS A CURE OR AN AILMENT? ACCOUNTING FOR PSM**

Research on the unique motivational bases associated with public service crystallized in the early 1990s with the conceptual development of PSM. Perry and Wise (1990, p. 368) initially defined PSM as ‘an individual’s predisposition to respond to motives grounded primarily in public institutions and organizations’. Motivation, in this context, is understood as ‘psychological deficiencies or needs that an individual feels some compulsion to eliminate’ (Perry and Wise 1990, p. 368). Early research suggested that PSM comprised four sub-dimensions, including an attraction to policy making, commitment to public interest, self-sacrifice, and compassion (Perry 1996). However, recent attempts to validate the measurement of PSM support the existence of only three sub-dimensions: commitment to public interest, self-sacrifice, and compassion (Coursey et al. 2008). The precise definition of PSM has also changed over time, now broadly reflecting motives that are altruistic in nature, primarily grounded in public institutions, and often characterized by prosocial behaviours (Perry and Hondeghem 2008a).

Public service motivation correlates strongly with increased prosocial behaviour and improved employee performance (Wright 2007). In fact, several studies indicate that public employees place higher value on helping others and lower value on extrinsic rewards and incentives (Francois 2000; Houston 2000; Alonso and Lewis 2001; Bright 2008; Wright and Pandey 2008). Furthermore, those employees capable of fulfilling their altruistic motives are more likely to be committed to their organizations, satisfied in their jobs, and exhibit high levels of performance (Camilleri 2006; Castaing 2006; Cerase and Farinella 2006; Moynihan and Pandey 2007a; Pandey and Stazyk 2008).

On the basis of these findings, PSM scholars question the wisdom of grounding public institutions primarily on the logic of markets, NPM, and reinvention (Moynihan 2008; Perry and Hondeghem 2008a; Houston 2009). For instance, Moynihan (2008) and Houston (2009) maintain that efforts to (re-)introduce performance-related pay in public organizations are liable to result in a range of unanticipated outcomes (e.g. goal displacement and gaming), and, more significantly, might eventually lead to reduced employee motivation. Perry and Hondeghem (2008a, p. 7) argue that the PSM concept, as compared to the logic of NPM and reinvention, underscores important ‘intellectual divides, involving models of human nature, organizational incentive systems, and institutional designs’. While these intellectual divides may blur in practice, Perry and Hondeghem maintain that they are
valuable theoretical distinctions useful in framing many of the issues confronting modern societies and organizations (2008a, p. 7).

A good deal of research – both empirical and theoretical – focuses on the intellectual divides Perry and Hondeghem reference. Considerably less attention is devoted to those instances when intellectual divides may blur in practice (for further discussion, see Moynihan 2008; Houston 2009; Stazyk 2012). One such divide involves the institutional design of public organizations, which Perry and Hondeghem (2008a, p. 7) argue falls into two overarching categories: NPM or collective institutional designs. From an intellectual standpoint, PSM is more closely aligned with collective institutional designs. In fact, Perry and Hondeghem (2008b, p. 276) argue that PSM leads to the conclusion that institutional designs should be participatory and empower workers. They maintain that centralized decision making, red tape, and complex organizational systems and regulations leave employees feeling disconnected from their organizations and uncertain how they are able to fulfil their service motives. It is necessary, Perry and Hondeghem argue, to ‘develop work structures that enhance self-regulation through empowerment and participatory decision making’ (2008b, p. 276).

Efforts to develop work structures that enhance employee empowerment and participation rest, in part, on cutting bureaucratic red tape (Naff and Crum 1999; Moynihan and Pandey 2007b; Perry and Hondeghem 2008b). Yet, as detailed above, the emphasis on cutting red tape in government organizations is primarily rooted in NPM and reinvention, pointing to a possible blurring of theory and practice. In this case, it seems that PSM and reinvention can be complementary (rather than conflicting) mechanisms for realizing improved employee motivation. In fact, research at the federal (Naff and Crum 1999) and state (Moynihan and Pandey 2007b) levels of government indicates that reinvention reforms are associated with lower levels of red tape and higher levels of PSM. Whether this trend holds at the local level remains an important question. Given past research and theory, we test the following hypothesis:

**Hypothesis 3:** Public managers will report higher levels of PSM as reinvention reforms increase within cities (accounting for both the direct and indirect effects of red tape).

On the other hand, it is also possible that the relationship between reinvention and other market-oriented reforms and PSM changes as a *function* of red tape. Even in the absence of indirect connections between reinvention, red tape and PSM, red tape may serve to moderate the connection between reinvention reforms and PSM by changing the nature of their relationship. If reinvention reforms are wholly unsuccessful at reducing red tape, there may be a negative relationship between a given set of reinvention-style reforms and PSM; conversely, if reinvention successfully reduces red tape, the connection between reinvention reforms and PSM may be positive. Consequently, we also examine the following hypothesis:

**Hypothesis 4:** The relationship between reinvention reforms and PSM will be moderated by levels of red tape.

**MODEL CONTROLS**

This article focuses on how the connections between reinvention reforms, red tape, and PSM blur in practice. To understand the true relationships between each of these variables, a series of control variables are included in the models to rule out potential alternative explanations. Gender, race, education, and occupation are dichotomized and included in all models as full covariates. Gender takes on a value of 0 for males and 1 for females, and
race takes on a value of 0 for non-whites and 1 for whites. Occupation and education are dichotomized such that the variables focus on a professional orientation towards public management. Education takes on a value of 1 for those with MPA degrees and 0 for other forms of education, and occupation takes on a value of 1 for the profession of city management and 0 for other occupations. The following section turns to a discussion of the data and findings resulting from a series of structural equation models.

DATA, METHODOLOGY, AND RESULTS

Sample
Data for this study come from Phase IV of the National Administrative Studies Project (NASP-IV). NASP-IV is multi-method study, a key part of which included a survey administered during 2007 to a national sample of city managers, assistant city managers, and department heads in US local government jurisdictions with populations at, or above, 50,000 residents. Departments surveyed include Finance/Budgeting, Public Works, Personnel/HR, Economic Development, Parks and Recreation, Planning, and Community Development.

Sample design and construction were aided by the International City/County Management Association (ICMA). ICMA is widely regarded as the authoritative source of information about US local government jurisdictions and professionals serving in these jurisdictions. Based on study criteria, ICMA compiled a list with contact information for potential respondents. The NASP-IV team used the initial list provided by ICMA and augmented it in numerous ways to finalize the sample. These steps included: (1) verifying the accuracy of the information; (2) adding to the list where ICMA lacked information; (3) correcting the list to ensure that only individuals who met study criteria were included; and (4) compiling working e-mail addresses for sample members. These efforts resulted in a sample of 3,316 potential respondents.

The study protocol was reviewed and approved by the Institutional Review Board at the University of Kansas. Each respondent in the sample received an initial letter through the US mail that introduced the project and explained how to participate in the study. Potential respondents were directed to the study website and were provided with a secure participation code. On visiting the website, each respondent received an informational note about their rights as a study participant. This note highlighted that participation was voluntary, except for respondents’ time, there were no foreseeable risks, and the study team would take all necessary steps to protect respondents’ confidentiality, including conducting analyses and reporting results at the aggregate level only. After the initial letter, multiple methods were used to follow up with respondents, including e-mail, fax, and phone calls.

When the study concluded, 1,538 individuals had participated for a response rate of 46.4 per cent. The 1,538 respondents came from 545 different jurisdictions – with one respondent from 126 jurisdictions, two respondents from 130 jurisdictions, and three or more from 289 jurisdictions. The mean age of respondents was 51.4 years, with an interquartile range of 10 (25th percentile being 47 and 75th percentile being 57). As expected in this sample, a sizeable majority of respondents were male (70.6 per cent), white (85.9 per cent), highly educated (more than 60 per cent with graduate degrees), and well compensated (68.3 per cent with salaries over $100,000). Roughly 28 per cent of respondents were general managers (i.e. city managers or deputy/assistant city managers), while the remainder supervised specific city departments or functions.
TABLE 1  Demographic characteristics of NASP respondents

<table>
<thead>
<tr>
<th>Race</th>
<th>Frequency</th>
<th>%</th>
<th>Valid %</th>
<th>Cumulative %</th>
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<tbody>
<tr>
<td>Valid Hispanic</td>
<td>61</td>
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<td>4.1</td>
<td>4.1</td>
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<tr>
<td>African American</td>
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<td>6.5</td>
<td>6.7</td>
<td>10.8</td>
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<td>White</td>
<td>1276</td>
<td>83.0</td>
<td>85.9</td>
<td>96.8</td>
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<tr>
<td>Asian/Pacific Islander</td>
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<td>2.2</td>
<td>2.3</td>
<td>99.1</td>
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<tr>
<td>Other</td>
<td>14</td>
<td>.9</td>
<td>.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1485</td>
<td></td>
<td>96.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

| Missing System     | 52        | 3.4 |         |              |
| Total              | 1537      |     | 100.0   |              |

<table>
<thead>
<tr>
<th>Job</th>
<th>Frequency</th>
<th>%</th>
<th>Valid %</th>
<th>Cumulative %</th>
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</thead>
<tbody>
<tr>
<td>Valid City manager</td>
<td>216</td>
<td>14.1</td>
<td>14.1</td>
<td>14.1</td>
</tr>
<tr>
<td>Asst. city manager</td>
<td>224</td>
<td>14.6</td>
<td>14.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Finance/budgeting</td>
<td>189</td>
<td>12.3</td>
<td>12.3</td>
<td>40.9</td>
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<tr>
<td>Public works</td>
<td>179</td>
<td>11.6</td>
<td>11.6</td>
<td>52.6</td>
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<tr>
<td>Personnel/HR</td>
<td>167</td>
<td>10.9</td>
<td>10.9</td>
<td>63.4</td>
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<tr>
<td>Economic development</td>
<td>118</td>
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<td>7.7</td>
<td>71.1</td>
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<tr>
<td>Parks and rec.</td>
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<td>13.7</td>
<td>13.7</td>
<td>84.8</td>
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<tr>
<td>Planning</td>
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<td>10.9</td>
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<tr>
<td>Community development</td>
<td>65</td>
<td>4.2</td>
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<tr>
<td>Total</td>
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<table>
<thead>
<tr>
<th>Educ</th>
<th>Frequency</th>
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<th>Valid %</th>
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<td>Valid Some college</td>
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<td>2.9</td>
<td>2.9</td>
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<td>Bachelor’s degree</td>
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<td>32.6</td>
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<td>36.0</td>
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<tr>
<td>Other graduate degree</td>
<td>408</td>
<td>26.5</td>
<td>27.4</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td>1490</td>
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<td>96.9</td>
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| Missing System     | 47        | 3.1 |         |              |
| Total              | 1537      |     | 100.0   |              |

<table>
<thead>
<tr>
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<th>Frequency</th>
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<th>Valid %</th>
<th>Cumulative %</th>
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</thead>
<tbody>
<tr>
<td>Valid Male</td>
<td>1085</td>
<td>70.6</td>
<td>70.6</td>
<td>70.6</td>
</tr>
<tr>
<td>Female</td>
<td>452</td>
<td>29.4</td>
<td>29.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1537</td>
<td></td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

distribution closely matched the distribution of functional specializations in the sample. Table 1 provides the demographic characteristics for all survey respondents.

**Measurement**

Several survey items are used to operationalize bureaucratic red tape, PSM, and the presence of reinvention reforms (see the Appendix for details on survey items). The primary measurement model employed to examine the latent constructs of interest is confirmatory factor analysis (CFA). We used Mplus to examine the CFA model and all associated structural models (Muthén and Muthén 1998–2010). Figure 1 presents the model illustrating the relationships between reinvention reforms, HR red tape, procurement red tape, and PSM.

There are a few important points to note about the CFA model and the structure of the data. First, fit statistics indicate that this is a reasonably good fitting model. General rules hold that $RMSEA \leq 0.08$, $CFI \geq 0.90$, and $NNFI \geq 0.90$ suggest good fitting models (Joreskog and Sorbom 1993; Marsh et al. 2004a). The model we present
equals or surpasses all three of those criteria, which provides justification for proceeding with successive analyses. Second, the PSM data display slight deviations from normality. Table 2 provides skewness and kurtosis statistics for all variables used in the model. For the purposes of this analysis, all variables were treated as categorical. Robust weighted least squares, the estimator used in conjunction with categorical variables, is generally satisfactory to non-normal data, particularly with large sample sizes (Muthén et al. 1997).

Second, a preliminary screening of the data revealed limited missing information. No category of variables used in our analysis had more than 5 per cent of the data missing. Even though there was a minimal amount of missing data, we chose to use procedures to model ‘missingness’ rather than ignoring it. Contemporary missing data analysis techniques, such as multiple imputation and full information maximum likelihood (FIML) estimation, have become extremely effective at recovering lost information due to missing data (Allison 2003; Graham 2009). To address missing data in this analysis, we employ FIML due to both its superiority over other missing data analysis techniques (Enders and Bandalos 2001) and its increasing prevalence in PSM research (Coursey et al. 2008). FIML estimation, however, discards observations missing data on control variables, which reduced our total usable sample size to 1,465.

Finally, the paths between latent constructs in the measurement model can be interpreted as zero-order correlations. The relationships between latent constructs can be interpreted as correlations, because the estimates reported for the CFA are standardized. The measurement model suggests that all the hypothesized bivariate relationships are in the direction expected, with the exception of the relationship between reinvention reforms and PSM. The paths presented in the CFA, however, cannot be interpreted as predictive relationships. To fully examine the directionality of relationships between constructs, we turn to structural equation models (SEM).

**Structural equation models**

The SEM approach possesses several distinct advantages over traditional regression analyses. First, it allows for separating the unique variance for each item from the
shared variance between items, which allows one to control for measurement error (Kline 2005). Second, SEM allows for specifying complex relationships (indirect effects and interactions) between variables in latent space. Our structural model is designed to examine the nature of the direct and indirect relationships between reinvention reforms, HR red tape, procurement red tape, and PSM. Figure 2 provides the estimates resulting from the structural model.

The coefficients associated with each path can be interpreted as regression coefficients. Notably, the SEM largely confirms study hypotheses. Increased implementation of reinvention reforms significantly decreases managerial perceptions of both HR and procurement red tape among the cities included in our sample, supporting Hypotheses 1 and 2 (both significant at $p \leq 0.01$). Findings also partially support Hypothesis 3 ($p \leq 0.01$), suggesting that reinvention reforms are (directly) associated with higher levels of PSM. Taken together, these results confirm the importance of reducing red tape in public organizations while also indicating that reinvention reforms may not always contradict PSM.

Next, we turn to an examination of the potential indirect effects between reinvention reforms and PSM. Although the direct pathways between our reinvention construct and all other constructs are significant, the direct pathways between HR and procurement red tape and PSM are insignificant. Thus, there is no evidence implying that reinvention reforms shape PSM by decreasing levels of red tape (partially disconfirming Hypothesis 3). This is surprising given relatively consistent findings demonstrating that organizations play an important role in facilitating PSM. To more fully examine these findings (and Hypotheses 3 and 4), we turn to a latent interaction model.
Latent interaction between red tape and reinvention reforms

Although the initial SEM partially disconfirms Hypothesis 3, it is still possible that red tape moderates the relationship between reinvention reforms and PSM (Hypothesis 4). Moderation occurs when the nature of the relationship between two variables changes as a function of a third ‘moderator’ variable. Examining moderated relationships in traditional regression involves multiplying two observed variables; in SEM, however, interactions between multiple indicator latent variables are more complex. Latent interactions are underused in applied literature because they are complicated to implement and there are several competing strategies (Marsh et al. 2004b). Over the past decade significant strides have been made in developing the tools to conduct analyses involving latent interactions (Klein and Moosbrugger 2000; Marsh et al. 2004b; Klein and Muthén 2007). In this analysis, we employ the Latent Moderated Structural Equations (LMS) approach because it has been shown to provide unbiased parameter estimates and is more efficient than some alternative methods (Klein and Moosbrugger 2000).

We estimated two latent interaction models. The first included an interaction term between procurement red tape and reinvention reforms. The interaction term between procurement red tape and reinvention reforms was insignificant; therefore the results are not reported here. The interaction between HR red tape and reinvention reforms, on the other hand, is significant at the 0.10 level ($p = 0.071$). This model reveals that greater implementation of reinvention reforms leads to higher levels of PSM, but there is no relationship between HR red tape and PSM independent of reinvention reforms. The significant interaction term indicates that the relationship between reinvention reforms and PSM becomes more negative as HR red tape increases (confirming Hypotheses 1, 3, and 4). Figure 3 provides the estimates from the latent interaction model.

The structure of moderated relationships is best understood through ‘probing’ the interaction by graphically depicting the nature of the relationship between a focal predictor and an independent variable at conditional values of the moderator (Aiken and West 1991; Preacher et al. 2006; Little et al. 2007). The interaction diagram illustrates how
the benefits of reinvention reforms on PSM decrease as levels of HR red tape increase. Figure 4 illustrates the relationship between reinvention reforms and PSM at the mean level of HR red tape, as well as two standard deviations above and below the mean.

We chose to graphically depict those organizations that are extremely rule bound and those with little or no red tape to illustrate how the focal relationship changes at the extremes of the red tape spectrum. Our findings indicate that the relationship between PSM and reinvention reforms is positive even in the presence of extremely high levels of HR red tape, although the rate of change is significantly smaller. Because the relationship between reinvention reforms and PSM is always positive regardless of levels of red tape, this finding, again, supports the argument that reinvention reforms will increase PSM when they are effective at cutting red tape.
Although this article focuses on the relationships between market-oriented reforms, red tape, and PSM, there are also some significant relationships between control variables and model constructs. First, city managers report greater prevalence of reinvention reforms while white respondents report a lesser prevalence of those reforms. Second, city managers and those with MPA degrees report lower levels of both forms of red tape. Finally, city managers report higher levels of PSM while white respondents report lower levels of PSM. Table 3 provides the parameter estimates and significance levels of all control variables.

### DISCUSSION

PSM scholars have begun to speculate about the relationship between PSM and the market-based reform movements prevalent in contemporary government organizations (Moynihan 2008). Several studies in public administration demonstrate that: (1) red tape is negatively related to PSM (Scott and Pandey 2005; Moynihan and Pandey 2007b; Paarlberg et al. 2008), and (2) reinvention reforms decrease bureaucratic red tape (Osborne and Gaebler 1992; Gore 1993; Osborne 1993; Moe 1994; Frederickson 1996; Feeney and DeHart-Davis 2009). In this study, we sought to examine the complexity of the relationships between reinvention, bureaucratic red tape, and PSM.

The structural equation models examined in this study indicate that a higher prevalence of reinvention reforms is associated with lower levels of procurement and human resources red tape. Importantly, reinvention reforms also appear to directly contribute to higher levels of PSM. While there is no evidence that reinvention reforms indirectly alter PSM through red tape, results indicate that the relationship between reinvention reforms and PSM is moderated by HR red tape.
The fact that reinvention reforms reduce red tape justifies the arguments of public sector reformers claiming that market-based reforms cut bureaucratic red tape. In the 1990s, politicians, managers, and scholars began to argue that red tape was a major source of government inefficiency (Osborne and Gaebler 1992; Gore 1993; Osborne 1993). As such, reformers developed several guidelines for public managers designed specifically to reduce HR and procurement red tape (Gore 1993). It appears that the respondents examined here believe that reform efforts have largely succeeded in reducing some of the most prevalent sources of bureaucratic red tape.

The absence of indirect effects presents an interesting puzzle. Existing research clearly indicates that reinvention reforms, bureaucratic red tape, and PSM should be linked indirectly. Two alternative methodological explanations, however, may justify the absence of indirect relationships. First, the nature of causal relationships in PSM research has yet to be fully articulated (Wright 2008). Although SEM provides a flexible tool for hypothesis testing, it cannot identify the directionality of causal relationships. Second, indirect effects are commonly referred to as mediation in the methodological literature. We conducted this study using a cross-sectional dataset which assumes that the effects of reinvention on red tape, and the effects of red tape on PSM, are both instant and simultaneous. Complex, indirect causal relationships such as these need time to unfold, and mediated relationships tend to be biased in cross-sectional data (Cole and Maxwell 2003; Maxwell and Cole 2007). Despite the lack of evidence for indirect effects here, we do not rule out the possibility that such relationships could evolve over the course of time. Alternatively, moderated relationships do not imply a specific causal direction or time ordering. However, we assume here that reinvention reforms precede reductions in red tape. It is possible that reinvention reforms moderate the connection between red tape and PSM, but that claim cannot be tested here.

The finding that reinvention reforms positively impact the PSM of senior local government managers comports with prior research conducted at other levels of government in the USA (Naff and Crum 1999; Moynihan and Pandey 2007b). If anything, our results call into question the wisdom of always treating PSM as an intellectual alternative to NPM and reinvention. Certainly, the intellectual and theoretical distinctions set forth by Perry and Hondeghem (2008b) and others are important to the extent that they help set boundaries around the PSM concept. However, mounting evidence clearly leads to the conclusion that these distinctions do indeed ‘blur’ in reality (Naff and Crum 1999; Moynihan and Pandey 2007b; Stazyk 2012).

Rather than treat PSM as always fundamentally at odds with a market-based ethos, we believe our results highlight the very real need to more fully account for the institutional realities confronting many public sector employees and organizations today. Evidence indicates that most public managers have been largely supportive of reinvention reforms (Kearney et al. 2000). Similarly, professionalism in public management encompasses a wide range of roles and responsibilities, including efficient administration (Nalbandian 1991, 1999). If administrators view reinvention as important and responsible for improving organizational efficiency (and, subsequently, citizen outcomes), why then should we assume that market-based reforms inherently translate into diminished PSM? Instead, the ability of public employees to fulfill their altruistic motives may, in fact, be enhanced in such situations.

It is also worth noting that PSM researchers clearly acknowledge that certain reforms, including efforts to curtail bureaucratic red tape, foster higher levels of PSM among employees (Moynihan and Pandey 2007b; Perry and Hondeghem 2008b). When taken
together, we believe these factors suggest that future research would be well served by attempting to more fully demarcate those instances in which a market-based ethos and PSM may be mutually reinforcing mechanisms, rather than diametrically opposed theoretical concepts.

The fact that the relationship between reinvention reforms and PSM is moderated by HR red tape contributes to understanding how increased implementation of market-based reforms leads to higher PSM. Although the relationship between reinvention reforms and PSM is always positive, levels of red tape significantly impact the rate of change. Lower levels of HR red tape lead to a more positive impact of reinvention reforms on PSM. Managers in organizations characterized by significant amounts of red tape view reinvention reforms as unsuccessful, thereby limiting their capability to fulfil their service ethic. At a minimum, this finding implies that scholars and practitioners must acknowledge the complex interrelationships between reinvention reforms, red tape, and PSM in future research.

CONCLUSIONS

Our findings contribute to both the PSM and red tape literature by testing a model that examines the complex relationships between reinvention reforms and PSM. Based on our findings, we contend that PSM research must move beyond treating PSM as an intellectual alternative to NPM, reinvention, and a market-based ethos. Instead, PSM research should more fully consider how the values, roles, and responsibilities of public managers contribute to their notion of the public interest. If the pursuit of efficiency has come to reflect the institutional context in which public agencies operate, we must first examine how reinvention facilitates efficiency. Because reinvention reforms now symbolize the epitome of efficient management, they partially shape the professional identity, norms, and values of public managers.

Perry (2000, p. 477) opened the door for such explanations by arguing that ‘at the center of motivation based on a logic of appropriateness is an individual’s self-concept’. We argue that the normative management model of PSM filters through the self-concept of public managers such that efficiency gains from reinvention translate into managers believing that they are capable of serving the public interest. This means that market-based logic may actually bolster, rather than undermine, PSM – at least among our current sample.

Our research is, however, limited by the fact that we examine only senior management in larger US local government jurisdictions. It is possible that study results may differ in other environments or even across hierarchical levels within an organization (Pandey and Stazyk 2008). Future research should be designed to uncover how the motivational profiles of front-line employees differ from upper management. Additionally, in relying on cross-sectional data, we cannot address important time ordering issues (Wright 2008). For instance, we are unable to determine whether reinvention and red tape affect how employees sort themselves into PSM jobs or how life events influence one’s interpretation of work. Future research employing time series or panel data would be useful in bringing greater clarity to these sorts of issues.

Why, however, does procurement red tape fail to interact with reinvention to shape PSM? This question remains open for empirical investigation, but it is possible that managers are willing to deal with stringent purchasing policies to protect taxpayer dollars. This explanation does not contradict the argument that increased efficiency shapes PSM. Public managers likely view purchasing policies as the protector of efficiency.
by controlling the spending practices of lower-level managers. Alternatively, as Stazyk et al. (2011) argue, it may be that many public managers are largely immune to the effects of procurement red tape on a daily basis. For the time being it appears that public managers have made the ends of market-based reforms and altruistic motives meet. The question remains: As the values and norms associated with public management shift over time, will they still be able to hold these ends?

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APPENDIX: OPERATIONAL DEFINITIONS

Measures of reinvention reforms
The prevalence of reinvention reforms based on market logic in the organization was assessed using seven measures rated on a 6-point scale, ranging from not at all implemented to fully implemented. Based on this scaling, higher values correspond with more implementation. Respondents were asked to rate the implementation of the following elements:

1. Training programmes to improve customer service.
2. Quality improvement programmes to encourage team problem solving and empower employees.
3. Benchmarks for measuring programme outcomes or results.
4. Strategic planning that produces clear organization mission statements.
5. A human capital plan to meet strategic needs.

Measures of red tape

HR red tape
The level of HR red tape in the organization was assessed using seven measures rated on a 5-point scale, ranging from strongly disagree to strongly agree. Based on this scaling, higher values correspond with higher red tape. Respondents were asked to rate agreement with the following statements:
1. Personnel rules make it hard to hire new employees.
2. Personnel rules make it hard to remove poor performers from the organization.
3. Personnel rules on promotion make it hard for a good employee to move up faster than a poor one.
4. Pay structures and personnel rules make it hard to reward a good employee with higher pay here.

**Procurement red tape**
The level of procurement red tape in the organization was assessed using seven measures rated on a 5-point scale, ranging from strongly disagree to strongly agree. Based on this scaling, higher values correspond with higher red tape. Respondents were asked to rate agreement with the following statements:

1. Purchasing/procurement in my organization makes it difficult for managers to purchase goods and services.
2. Due to standard procedures, procurement is based more on the vendor’s ability to comply with rules than on the quality of goods and services.
3. Rules governing procurement make it hard to expedite purchase of goods and services for a critical project.

**Measures of PSM**
Individual levels of PSM were assessed using seven measures rated on a 6-point scale, ranging from strongly disagree to strongly agree. Based on this scaling, higher values correspond with higher PSM. Respondents were asked to rate agreement with the following statements:

1. Opportunities to help others in my job are important to me.
2. Meaningful public service is very important to me.
3. I am often reminded by daily events about how dependent we are on one another.
4. Making a difference in society means more to me than personal achievements.
5. I am prepared to make sacrifices for the good of society.
6. I am not afraid to go to bat for the rights of others even if it means I will be ridiculed.