

EIP Future State: Overview

The State of the State

New Zealand's public sector performance is consistently rated in the top tier of countries on a variety of measures of comparative government performance. New Zealand achieved a step change in public sector performance in the late 1980s when it shifted the locus of control from system-wide input controls to 'letting the managers manage' by making individual public organisations the focus of public management.

Despite several attempts to identify improvements (e.g. Schick, 1996; Review of the Centre, 2002), New Zealand has struggled over the past decade to implement system changes that simultaneously enable delivery of organisational accountability for outputs and cross-agency responsiveness and achievement of outcomes. Simply put, we have not continued to add to the frameworks and tools that public managers require to enable ongoing improvement of public sector management.

Future State 1

Future State 1 was an exploratory project that identified the longer-term public policy challenges facing New Zealand arising from global trends such as globalisation and climate change as well as issues that are unique to New Zealand's heritage such as the Treaty of Waitangi and our remote maritime geographic location. A final report from the Future State 1 project can be accessed on <http://ips.ac.nz/publications/publications/show/295>

The challenges facing New Zealand will inevitably cut across individual organisational boundaries. Future State Part 1 concluded that a focus on bottom-line performance of individual public organisations will not generate the step changes required to address the challenges identified in the report. Greater focus will be needed on whole-of-system performance in addition to initiatives designed to improve performance of the component parts. Some of the new approaches required might already be emerging in practice, but operate at the margins and have yet to be recognised and reinforced.

The emerging picture from research

The Future State 2 project was able to build on a relatively recent body of evidence-based knowledge, which has been accumulated in recent years, containing insights about how New Zealand's state sector actually operates. There have been a number of PhDs and other theses completed in the School of Government in the last three years which offer insights on accountability, regulation, policy processes, ICT in public management, and service delivery.¹ In addition to Future State 1, the EIP programme included public management projects on:

- organisational performance measurement and management;
- the relationship between Parliament, ministers, officials and judges;
- what enabled and what hindered joined-up government working;

- information sharing across government agencies to support more joined-up government.

The EIP project on *Managing for Organisational Performance* found that the formal accountability and reporting system was largely intact over twenty years after the foundation legislation was introduced. Research reported in *The Iron Cage Recreated* http://ips.ac.nz/events/Ongoing_research/M4P/IronCage.pdf found that decision-makers at all levels of executive government actively use performance information for control purposes, rather than solely as an exercise in compliance (which in part it is). What emerged was a picture of an iron cage of control based on performance measurement. This was not how the designers of the formal system envisaged that performance information would be used.

In *With Respect: parliamentarians, officials and judges too* Mark Prebble explored the relationship between Parliament, ministers, officials and judges. <http://ips.ac.nz/publications/publications/show/293> It provided a clear picture of how the relationships between the three arms of government really work drawing on recent events in New Zealand but also the relevant constitutional law and principles.

The EIP project on *Better Connected Service for Kiwis* looked at what enabled and hindered joined-up government <http://ips.ac.nz/events/completed-activities/joiningup.html>. It found that there are people in frontline and operational roles in government agencies (but rarely in senior roles) who understand the practices and challenges of working horizontally across government agency boundaries and with citizens. These people have learned when they need to join-up and work with others; they seek out like-minded fellow travellers to work with. Importantly, they find a few influential people who are able to be critical friends and protectors of the work these horizontal networks do. Most generally keep what they do below the radar. Others have learned how to work with the vertical structures of their organisation and the requirements of the public management system. For the most part, organisations as a whole and the senior leadership of the public sector display little understanding or appreciation of this way of working. As a result, collaborative processes are frequently disrupted and collaborative capital and learning is squandered rather than adding to the overall flexibility and capability of the public sector.

Research into the adoption of ICTs to achieve change in how government works suggests there is a long way to go in achieving the potential of ICTs, even though there have been some remarkable improvements in service delivery in some areas (O'Neill, 2009). In *Information sharing across government agencies to support more joined-up government* Miriam Lips, Rose O'Neill and Elizabeth Eppel looked at how government information sharing could be improved in the social sector taking into account the use of ICTs. http://ips.ac.nz/events/downloads/2010/Improving_Info_Sharing_Final_Report.pdf Their case examples showed the importance of interpersonal relationships and trust between the agencies involved in working together to achieve complex outcomes, and improvements in the compatibility and access to shared information systems. Fundamental rights, like the privacy protection of individuals, are central to information sharing. They found that while the 'default provision' in the privacy legislation provided room for information sharing arrangements, there was scope within that legislation for greater use of Codes of Practice, protocols, and joint agency guidance on information sharing.

The weight of evidence from the research cited here suggests a number of conclusions about New Zealand's public sector:

1. Public sector entities will need to be able to respond creatively to emerging, complex, and sometimes 'wicked' issues. Generating and implementing creative solutions will require different ways of working with citizens, businesses, and other organisations using

‘networks’, ‘collaboration’ and ‘co-production’. This will require an emphasis on new skills, capabilities and practices. However, government and its management and accountability frameworks are structured along vertical lines, creating very real challenges for organisations trying to work across boundaries and with joint accountabilities.

2. Even apparently simple and generally accepted policy ideas are not always easily translated into practice. The reasons for this are twofold: much of what the public sector does is not just complicated, it is complex. That is, there are many interdependent actors and the future actions of these actors cannot be fully known or predicted. As a result, staff will need to ‘learn’ (as opposed to ‘control’) as they go forward when implementing policies. Often this will require working in partnership through joint governance rather than governing alone.
3. The current public management system is quite different from the ‘rule following’ public administration regime that existed since 1912, the regime of quasi-contracts introduced in the late 1980s and the current system which has morphed away from the original designs. There is no one simple pattern which describes the current practise of public management in New Zealand in the early 21st century - it is actually three regimes operating together. Sometimes it is rule following, at other times there is a clear separation between Ministerial decision-makers and bureaucratic implementers delivering according to pre-defined performance expectations, and at yet other times there is ‘more indirect regulation of self-regulating actors’ and emergent practice as managers search out ways to achieve the shared outcomes sought.
4. Looking ahead, the changes underway are going to require ‘both–and’ not ‘either–or’ approaches. Public organisations will need *both* to improve their performance on core output tasks (that is, ‘bottom-line’ individual organisational performance) *as well* as to build their ‘top-line’ capability to respond to complex governance challenges such as youth unemployment and crime.

Future State 2 elaborates on this picture

Future State 2 (FS2) aimed to shine light on less well known but significant practices which are expanding the capability of New Zealand’s public sector to respond to the challenges identified in Future State 1. In particular the project focused on ‘how the centre can support the new ways of working that are required for the public sector to respond effectively to emerging complex problems and how line agencies can promote these new ways of working’.

FS2 began with the project team surveying the state of knowledge and the issues identified as problematic and in need of further investigation. This was done through a systematic process of sieving the existing evidence and identifying gaps in knowledge and areas requiring more elucidation. The result was the identification of seven streams of work to be conducted. These seven work streams are:

1. An exploration of emerging trends in governance
2. An international perspective on trends in governance
3. Joint or shared accountability: Issues, options and policy implications
4. Experimentation and learning in policy implementation: Implications for public management
5. Agency restructuring
6. Skills and capability
7. Authorising environment: A literature review

Future State 2 findings

The seven work streams of FS2, combined with the knowledge gained from earlier studies, illuminate the ways of working required in the future public sector and what might need to be done for these to be developed.

The signs are already there? Public management futures in Aotearoa/New Zealand <http://ips.ac.nz/publications/publications/show/312> by Bill Ryan explored two questions: 'Where is public management going?' and 'are signs of the future already emerging?' The ideas of the 1980s, referred to often as 'New Public Management' (NPM), have run their course. It is necessary now to move ahead, while keeping what is still relevant and durable and to modify or discard the rest in order to respond to new pressures. To make sense of what is happening in practice, several ideas are taking centre stage including 'governance', 'networks', 'collaboration' and 'co-production.' A number of initiatives underway in New Zealand reflect these ideas. This suggests that the future is already emerging in practices of practitioners as they grapple with everyday challenges – although attention needs to be paid there are certain barriers that remain.

New Zealanders have a natural tendency to look overseas at interesting developments and to search for the next big idea. In *No reform left behind* <http://ips.ac.nz/publications/publications/show/311> Evert Lindquist, a leading international public management expert, provides an 'outside-looking in perspective' on New Zealand's public management reform challenges. The paper surveyed post-NPM thinking and the growing interest in integrated frameworks for understanding public management challenges. The paper found that many of the ideas animating dialogue inside and outside New Zealand on public sector reform are not new, but fiscal and other pressures have introduced a greater urgency into the debates on public sector reform. In essence the paper suggests that the search for a new post-NPM paradigm is a dead end. Instead what is more likely is that "no reform will be left behind": every jurisdiction will have different mixes of approaches, old and new, for delivering policy and services, and a key challenge will be to recognize and convey the unique mix that be required in New Zealand.

In the New Zealand state sector, formal, vertical, straight-line accountability is deeply entrenched. *Joint accountability* <http://ips.ac.nz/publications/publications/show/316> by Jonathan Boston and Derek Gill explored the limitations, within a Westminster-type parliamentary democracy, of vertical models of accountability for joint working. Joint working is inevitably required to respond to the needs of citizens and businesses and there are a myriad of ways to govern this work depending upon on choices on hard factors (e.g. are they the right group?) and soft factors (e.g. are they governed right?). Four key issues are identified that influence the effectiveness of the joint working arrangements: depth, co-ordination and alignment, complexity, and separability. An inherent trade-off is identified. Where responsibility is shared, fuzzy accountability for remediation inevitably results. However, fuzzy accountability may be the price that must be paid to get the gains from commitment to shared action.

Policy implementation frequently becomes complex, even when policy objectives can be simply stated. In *Experimentation and Learning in Policy Implementation: Implications for Public Management*, <http://ips.ac.nz/publications/publications/show/317> Amanda Wolf, David Turner and Elizabeth Eppel examine the learning orientation that allows policy managers to make use of a full range of information and expertise gained in the process of implementing policy. The research finds successful organisation and individual practices centre on finding, and working with, observations

that show up only once a policy is tested in the real world. Given a consistent strategic view of end goals, such learning enables redirecting efforts to build up a successful policy. In essence, these practices are experimental. They require appropriate permission and the ability to conduct design and implementation activities outside the responsible agencies at an early stage. Making use of learning-as-you-go requires applying continuously a habit of mind which asks not 'what are the facts?' but 'what does not seem right?' and 'what is the next question?'

The new ways of working will require new *Skills and Capability in Public Sector Organisations* discussed by Geoff Plimmer, Richard Norman and Derek Gill. <link to come>The research found that a focus on building skills and capabilities provides a means of managing the inherent tensions between an authorising environment that emphasises control and risk aversion, and increasing demand for flexibility and innovation. A 'strategic human resource management' approach can be effective in building the skill and capabilities required. However there are a number of barriers to taking this approach: ministers' specific and immediate demands; the struggle for management attention; weak central leadership; and under-skilled line managers all of which act as either distractions or impediments to capability.

While changing political priorities make restructuring a fact of life for public sector organizations, New Zealand stands out for the extent to which chief executives have used structures as a lever for strategic change. In *Restructuring* Richard Norman and Derek Gill <link to come> explore what triggers the use of organisational restructuring and what some of the consequences are. They found that pressures from the formal system to initiate change (and to be seen to initiate change) encourage the use of structural change by new chief executives who in many cases are under pressure to demonstrate results within a five year contract period. Restructuring provides a symbolic action visible to central agency reviewers and political leaders. Norman and Gill suggest that restructuring results in not easily observable losses in capability and invariably takes longer to deliver improvements than anticipated. Restructuring initiatives are largely as a 'freedom to manage' operational decision for a chief executive. The authors argue that given the potential impact for the whole public sector system of loss of capability that can result from restructuring, this area of change needs scrutiny which is more like that of a case for a budget bid for capital investment.

The reforms to the public sector management system largely focussed on how public organisation set, managed and reported their performance and paid the least attention to the intended role the authorising environment such as ministers, parliament and the media. In an ongoing project on *The Authorising Environment*, Michael Di Francesco and Elizabeth Eppel explore the 'missing piece' in system design - how we get better alignment between how public organisations perform and the expectations of ministers and parliament. <Insert link> The initial phase of the project, which focused on a literature review on what is already known about effect of public sector reforms on the authorising environment in New Zealand, found relatively little research directly addressing this question. The second stage of the project will explore the international context to compare New Zealand with other Westminster-based systems.

Future Directions – A public management system to support 21st century ways of working

The New Zealand public management model gets an assessment like the apocryphal pupil's school report: 'solid results but needs to try harder'. 'Trying harder' by working harder in the same way will not be enough. The new 'big idea' is not trying to make the last 'big idea' work properly.

In the suite of work discussed above, the 'new big idea' is that there is *no one* 'new big idea'. There are a number of important ideas but they are generally not new ideas dreamed up from nowhere. These ideas are often to be found in the practices of practitioners as they grapple with everyday issues. Thus, the challenge for the leaders of public agencies and the central agencies is to recognise that the key ideas for future are already being created in practice, to *recognise patterns* by detecting the important ideas as they emerge. The trick in taking forward ongoing development of the New Zealand public sector is to recognise and reinforce positive developments or patterns and break up negative developments before they take hold. Rather than driving different ways of working under the radar, this will require that leadership acts to recognise and reward the new skills, capabilities and ways of working.

The changes to the public management system to support 21st century public services will be different from the changes of the late 1980s. Rather than altering the 'hardware' of the architecture of government – although some of this is required to remove barriers to emerging developments – the important changes will be subtle and multi-faceted modifications to the 'software' of the mental models, practices and leadership styles used in the public sector.

Looking ahead, the changes underway are going to require 'both-and' not 'either-or' approaches. Public organisations must respond to the 'both-and' challenge of working with citizens and businesses on the issues that cut across individual organisations' boundaries, while retaining a focus on sustained improvement in their core business. Public sector entities will need to be able to respond creatively to emerging, complex, and even 'wicked' issues. Generating and implementing creative solutions will require different ways of governing with citizens, businesses, and other organisations using 'networks', 'collaboration' and 'co-production'.

ⁱ Dormer, R. (2010). *Missing Links*. Victoria University of Wellington, Wellington.

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