

A Response to Kerry McDonald from Mark Prebble, State Services Commissioner

Introduction

Kerry McDonald's article may be reduced to two basic propositions. First, all is not well in the state sector, and, although there are many shining examples of good performance, there is a need for more system-wide improvement. I agree with that. Second, there has been a lack of any progress in state sector improvement since the 1980s. I disagree with that.

For a paper being published in a serious policy journal, McDonald's article contains a disappointingly large number of unsubstantiated assertions. Many of them, I know from personal experience, are simply untrue, but there is no space to respond to them all. In spite of that, I consider that his underlying thesis is important and deserves a response.

To understand what he is saying it is useful to consider his underlying theory, and then his use of data.

The theory: good, but not sufficient

McDonald explains that a focus on 'whole of government' outcomes, supported by best practice organisational development, enforced through thorough performance management and inspired by top class leadership, is a recipe for sector success. There is no serious debate about any of these items; nor do I claim that the New Zealand public sector exhibits best practice in all these areas.

The article is less coherent, however, in translating the high-level managerial principles to the whole of the public sector. Most management theory tends to work at the level of the organisation, but McDonald's critique oscillates between comments about individual organisations and agencies and comments directed at a system level. As a result, it is not easy to translate his high-level assertions into a blueprint for system success.

But the complexity of translating managerial theory

to a system level is only a technical point. The more significant difficulty is with attempting a simple translation of private sector management to the public sector context. Of course it is helpful to have a single direction and a unified approach, but its general absence in most western public sectors is not simply a question of weak-willed leadership. McDonald asserts that the public sector has 'the advantage of a single, dominant and powerful owner and an integrated structure'. But that apparent advantage would be real only if it were appropriate to expect all facets of government endeavours to be directed in a single direction.

In fact, pluralistic democracy means that all governments have a multitude of goals at any one time. Different government goals often conflict; consider for a moment the inherent tension between security and freedom. Having multiple goals is doubtless inefficient, and probably bad management, but it is not bad government. On the contrary, governments that do sustain a single motivating directing course, through periods longer than a crisis, are characterised by a lack of freedom, a stifling of innovation and social stagnation.

But even without going as far as considering the (very important) questions of democracy, any theory of good government management must be broader than the components that McDonald has listed. For example, the accessibility of government services to the people of New Zealand, and the trustworthiness of government practices and employees, are both critical to a well-ordered society. Such matters don't appear to be within his consideration, but as a long-serving public servant I believe they are at least as significant as the managerial issues he has highlighted.

Overall, therefore, I agree with his prescription as far as it goes. But without a fuller understanding of public management machinery, managerialism is not sufficient.

The data: old and selective

The evidence that McDonald most relies on is his own State Sector Standards Board report of 2002. He asserts that ‘four years on there is no evidence of significant, sector-wide initiatives or improvement’. In arriving at that conclusion he has chosen to ignore the work of the Review of the Centre, to ignore the subsequent amendments to the State Sector Act and the introduction of the Crown Entities Act, to ignore the introduction of the Senior Leadership Management Development scheme, and to ignore the strengthening in performance management. These are a set of improvements all begun by Michael Wintringham. He has also chosen to ignore the now two-year-old Development Goals for the State Services. None of these initiatives are a secret. All are explained on the State Services Commission website. They may have deficiencies, but it is not true to deny that they exist. To claim, as McDonald does, that there has been ‘no commitment to change’ is to wilfully ignore a major programme of improvement that has been initiated by the State Services Commission and is building substantial momentum.

Though he has raised many points, I will confine my specific rebuttal to two areas: performance management and the development goals.

Every public service chief executive has a job description (agreed by and with the government), and all public service chief executives have a formal performance review, undertaken usually by me, sometimes by a deputy commissioner on behalf of the state services commissioner. This review process includes gathering feedback from ministers, peers, staff and stakeholders, and assessment of formal documents. This review is against formal expectations set out by me, as the employer. The performance review meeting specifically provides for professional development discussions and decisions. In addition, there are regular, usually monthly, meetings between a deputy commissioner and every public service chief executive; furthermore, deputy commissioners and their staff regularly interact with second- and sometimes third-tier managers and staff outside head offices and Wellington.

Where performance issues are identified, individual chief executives are required to take steps to address them. The details of how they are to respond depend, appropriately, on the circumstances and the nature

of issues. All of these attributes are specifically listed in McDonald’s proposed approach. What he has not mentioned, but I presume he endorses, is that the process is private.

Performance management is not normally carried out in public, therefore I do not expect him to be aware of the times I have required remedial action from a chief executive or when I have rewarded a chief executive for good performance; these are matters properly between the employee and the employer.

This brings me to my second point. In addition to continually improving the quality of the performance management *process*, I have been concerned to put the word *management* back into performance management. In May 2005 the government agreed that the State Services Commission should lead the achievement of the Development Goals for the State Services – a system-wide approach to good management. The overall goal is:

A system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders.

For New Zealanders to lead healthy and satisfying lives, they need highly professional government agencies to deliver the outcomes sought by government. For government agencies to be world class, they need the best possible systems and the best possible staff, operating with high levels of integrity.

The state services currently perform well. However, as the world continues to move forward, fresh initiatives are needed to ensure excellent performance. The Development Goals programme, overall, seeks to lift the performance of the state services, at both the organisation and system levels, in order to deliver better results for government and for New Zealanders.

The overall goal is supported by six, more specific development goals for the state services, which reflect judgements about the key things that need to change at a system-wide level if the state services are to advance towards the overall goal. A first national report against these goals was published in July 2006 (refer to www.ssc.govt.nz/sdg-report06): a quick glance through this, and the accompanying specific Rotorua study, would have shown McDonald that agencies are developing their people, and working with others to improve the quality of services and decision making.

Having said this, I am not complacent about opportunities for further improvement, and, consistent with good process, each public service chief executive has a plan to advance the goals. My reviews of their performance include their contribution to improvement of their own agency and to the system as a whole. In addition, the State Services Commission is undertaking more comprehensive research about progress of the goals, which will be published later this year.

Conclusion: the significance of the issue

I agree with Kerry McDonald that New Zealand's performance overall must improve. I also agree with his point that state sector performance is vital in that improvement. That's why I've devoted my whole career to working in this area.

There is no basis, however, for asserting, as he appears to do, that the performance of our state sector is the largest explanation of why New Zealand does not top world rankings. If that were so, it would presumably show up in comparative studies of state sector performance. On the contrary, repeated international comparisons by organisations such as the Davos World Forum, the World Bank and Transparency International rate the performance of the New Zealand government among the best in the world.

I agree that, overall, the public sector is still not good enough, but I disagree with the assertion that it is not good.

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