The Institute for Governance and Policy Studies, School of Government at Victoria University of Wellington

POLICY Quarterly

Volume 8 – Issue 3 – August 2012

SPECIAL ISSUE

Better Public Services

The Institute for Governance and Policy Studies, School of Government at Victoria University of Wellington

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Policy Quarterly (PQ) is targeted at readers in the public sector, including politicians and their staff, public servants and a wide variety of professions, together with others interested in public issues. Its length and style are intended to make the journal accessible to busy readers.

The journal welcomes contributions of about 4,000 words, written on any topic relating to governance, public policy and management. Articles submitted will be reviewed by members of the journal's Editorial Board and/or by selected reviewers, depending on the topic. Although issues will not usually have single themes, special issues may be published from time to time on specific or general themes, perhaps to mark a significant event. In such cases, and on other occasions, contributions may be invited from particular people.

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VICTORIA UNIVERSITY OF WELLINGTON TE WHARE WĀNANGA O TE ĪPUKO O TE IKA A MĀUI

Institute for Governance and Policy Studies

A research institute of the School of Government

Editorial Note

A nice synergy is in play with this issue of *Policy Quarterly*. It is the first to be published by the new Institute for Governance and Policy Studies. As the announcement overleaf says, as the successor to the Institute of Policy Studies, the IGPS – and the *Policy Quarterly* that it publishes – carry new hopes for the future and an extended focus on matters of governance.

So it is for the recent Better Public Services Advisory Group report on which this issue of *PQ* is focused. This report speaks to a new conception of how the public sector might be organised and how it might function. It too looks to the future, a future more of 'governance' than of 'government', and how governing in Aotearoa/New Zealand might be improved.

The present National-led government made it clear going into the most recent election – and as, indeed, it had during its first term – that it expected the state sector 'to deliver better public services to New Zealanders within tight financial constraints'. Government was confronting significant fiscal pressures and these were expected to continue. This provided an explicit motive to pressure the state sector for continuing savings and efficiencies. Reportedly, behind the scenes, ministers were also concerned that they could get little clear information from the sector on what was actually being achieved by various programmes, and this was clearly a concern, but the demands of fiscal austerity provided most of the public rationale for ongoing reform.

Accordingly, in May 2011 the government had set up an advisory group to receive advice on how to build 'better public services'. This group reported in December 2011 and the report was eventually released in March 2012. The government has not explicitly accepted each of the report's recommendations, but it has accepted the report in general and that work should continue on developing and implementing various ideas contained within it.

Five of the advisory group members were – and are, since the group's work continues – senior officials from the state sector. Three of them are from the private sector, one closely involved with the non-government sector. The advisory group was assisted by a secretariat drawn from the Treasury and the State Services Commission, with this group preparing several background papers on various issues. These papers are now available on the State Services Commission website, together with the relevant meeting minutes and Cabinet papers. State sector chief executives were also consulted in the course of the process and submissions were taken from a small range of external stakeholders.

As it turned out, the eventual report contained elements that did directly address matters of system efficiency and cost reduction, but, in talking mainly about results and leadership, it was clear the advisory group members also felt there were much wider issues that need to be tackled. Early chapters of the report highlight significant problems in the current state of play in New Zealand and their proposals for dealing with them. These focus mostly on the 'step change' required, by refocusing particularly on results, leadership, new organisational forms for horizontal management, and the new culture of innovation and change needed in the state sector.

Much of what is said in the report is not new. Problematic aspects of public management it acknowledges have been pointed out by several reviewers as far back as Schick in 1996, and then by the Advisory Group on the Review of the Centre in 2001, to say nothing of more recent academic analyses. Their unequivocal acknowledgement by the advisory group, however, means that they can no longer be defended, minimised or ignored. Uppermost amongst those are the continuing preoccupation with outputs, hierarchical and single organisation-focused structures and orientations, command and control approaches to management, and risk-averse and slow-to-change cultures.

The task of reforming those aspects of practice across the state sector will be an enormous job for leaders, the biggest part of which will be reminding everyone that the real implementation job will be instilling what for several years has been called 'results-based management', not just focusing exclusively on the particular set of results that government has nominated.

This and other issues are tackled by the contributors to this issue.

In the first article, Iain Rennie talks about the change agenda flowing out of the BPS report. His key message is contained within the title of his paper, namely, 'Changing the Culture to Build Better Public Services: It's Not Only What We Do But How We Do It That Will Make Us Great'. In shifting to a results orientation, new practices and cultures will be required across the whole state sector, and his article discusses key areas of focus to bring this about.

BPS, of course, has implications not just within the state sector but for those parts of society that interact with government in the course of governing. Three key stakeholder organisations – the Institute of Public Administration New Zealand, the Public Service Association and the Association of Non-governmental Organisations of Aotearoa – were asked to comment on the directions proposed in the report. The second article in this issue combines their responses.

Ryan offers a broadly-focused overview of the BPS recommendations. He argues that they provide a window of opportunity for achieving the step change needed to overcome the problems in the New Zealand system of public management and to take it into the 21st century. But in doing so, he highlights issues ahead in relation to sectors, leadership and implementation.

John Martin brings an historical consciousness to bear on the debate. Whilst generally supportive of the BPS report, he cautions against major structural change, and draws attention to issues regarding the clarity of accountability relationships in the proposals and the importance of preserving vicarious ministerial responsibility. He also reasserts the value of a separate, dedicated central personnel agency and the essential unity of the state sector under the Crown.

The three articles that round out this issue equally find something worthwhile about the directions promoted by BPS, but treat the report as a starting point and elaborate particular aspects which need development in practice. Jackson and Smolovic Jones discuss the approaches to leadership required, something other than the top-down, command-and-control approach that has characterised the public sector in recent years. Their article focuses on the better leadership practices sought by the advisory group and discusses what might be missing and how these might be enhanced.

Eppel and Wolf note that implementation will be complex. In fact, they point out, with the emphasis on particular results in addition to the broader change agenda there are two aspects to the implementation task. Given its complexity, it is important that learnings derived from the former objectives are applied to the wider and deeper goal.

Beginning from the proposition that a review phase is inherent in a results orientation, Cumming and Forbes discuss key aspects of monitoring and evaluation. Practice in New Zealand in these respects has lagged badly compared with other, similar jurisdictions, and they express concerns that the BPS programme does not sufficiently stress the need to improve or identify any of the implications. To that end, they offer proposals for what needs to be done for the future.

Bill Ryan
Co-editor

A new beginning
The Institute for Governance and Policy Studies

The Institute of Policy Studies (IPS) has been relaunched as the Institute for Governance and Policy Studies (IGPS).

As part of the evolution of the School of Government at Victoria University, the IPS has commenced a new life-cycle. The Institute had a long and well-regarded tradition of housing independent research into public policy and public management in Aotearoa/New Zealand and publishing the results in a range of books, monographs, papers and reports targeted at academics and government practitioners. Since 2005, the IPS has also published this journal, the Policy Quarterly (PQ), in order to disseminate conclusions and discussion arising from research conducted at the IGPS and elsewhere in New Zealand to a wider general audience.

The new IGPS will continue that same work, extending it into the field of 'governance', namely, not just public policy itself but also the various structures and systems, practices and cultures within government and between government, the economy and civil society that are involved in governing this country.

This development has been made possible by a $3 million endowment made by the Gama Foundation, a charitable trust set up by Christchurch philanthropists Grant and Marilyn Nelson.

In making the endowment, Mr Nelson expressed a desire to see the long-term interests of the public better represented in government decisions and policy-making processes in New Zealand. He said, "We had become aware of how vested interests used their money, influence and lobbying power to get the decisions they wanted. In making this donation we hope the long-term interests of the general public are given attention in areas where they have not been adequately represented or overlooked in the past."

Speaking at the launch of the IGPS, Professor Peter Hughes, Head of the School of Government, expressed deep appreciation of the Nelson's philanthropy – not a common event in Aotearoa/New Zealand – and committed the School and the IGPS to realising the goal of their gift. He spoke of a particular desire that, by contributing to informed debate and discussion, research and publication flowing out of the Institute will have a direct influence on governance and public policy in this country.

To that end, even as the new Institute is being created, several activities are already underway. These include a series of lectures and seminars on improving international governance, research projects on improving governance arrangements in New Zealand, and a roundtable on the conduct and publication of policy research on controversial issues by government departments.

This journal too is responding to the opportunity presented by the Gama Foundation endowment. Over the years, alongside a wide range of policy matters, a significant proportion of articles have dealt with matters of public management and governance. Our dual focus will become even more apparent in the future. We will continue to reflect the critic and conscience function upon which academic research and publication is founded but expressed in a form that encourages widespread practitioner and public debate. This will include adopting approaches to publication based on the new information and communication technologies to expand the ways that New Zealanders can access these writings and, through them, deepen their engagement with national and local governance and policy issues.

To that end we invite academic and independent researchers throughout New Zealand to join with us in ensuring each issue of PQ does so by contributing articles for publication that reflect this goal.

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Iain Rennie

Changing the Culture to Build Better Public Services It's Not Only What We Do But How We Do It That Will Make Us Great

When I started at the State Services Commission in 2008 there were 37 chief executives. By the completion of the Ministry of Business, Innovation and Employment merger this year there will be 28. The reality of now working in a system of government services where there are fewer chief executives means a change in thinking and behaviour is required – not only to 'make it work', but to make it work really well, which is what New Zealanders are entitled to.

The State Services Commission leads a public service which helps the government work better for New Zealanders. It does this by working with the Treasury and the Department of the Prime Minister and Cabinet across the system to drive performance improvement and provide better public services. The role of the State Services Commission, and the state services commissioner, is to design and build the capability of the system, by including the appointment of agency and sector chief executives to deliver results. And this includes leading the implementation of a key government requirement for New Zealand to build a great public service by making sure public sector leadership engages in the Better Public Services programme: a move away from working in silos to working in a more collaborative culture, one where agencies work far more closely together and in a fundamentally different way, by:

- organising themselves around results, and less as a collection of individual agencies with their own objectives;
- sharing corporate services (e.g. Central Agency Shared Services); and
- purchasing goods and services and developing systems together (e.g. joint procurement).

In addition, the government has signed up to changing the Crown Entities, the State Services and the Public Finance acts. This not only signals the most radical change to the state service in almost 20 years; the revisions to legislation will also remove some of the hardwired incentives that currently shape behaviours in the public service.

Better results through better public services

The Better Public Services (BPS) programme, announced by Prime

Iain Rennie is the State Services Commissioner and the Head of State Services in New Zealand.

Minister John Key on 15 March 2012, is the next phase in the government's public sector reforms and is focused on the public service delivering better results and improved services for New Zealanders, while at the same time continuing the work of recent years to reduce costs and increase efficiency. The BPS programme supports the delivery of the government's priorities for this term, and specifically priority number three:

1. responsibly managing the government's finances;
2. building a more competitive and productive economy;
3. delivering better public services within tight financial constraints;
4. rebuilding Christchurch.

Delivering better public services within tight financial constraints involves a different way of thinking and behaving which embraces widespread culture change throughout the public sector. It means working in collaborative and innovative ways to ensure that we are providing value for money, and do the right things and do them as efficiently as possible (see Table 1). This includes strengthening our leadership and providing New Zealanders with results that matter most. These are the key priorities driving reform across the sector and affecting all system areas.

Defining a set of priority results (Table 2) to be achieved as a basis for accountability is a more sustainable solution than our current state of operating. The reforms that are under way now through the BPS programme aim to create a public sector that can respond even more effectively to the needs and expectations of New Zealanders. Some of the ways the BPS programme will achieve this include:

- government agencies working more closely together: organising themselves to produce results that make a difference to New Zealand;
- sharing functions and services: purchasing goods and services and developing systems together;
- a greater use of technology: a shift to digital channels so that New Zealanders can more easily access government services;

Table 1: Delivering Better Public Services

The Better Public Services programme is creating a public sector that can respond even more effectively to the needs and expectations of New Zealanders. This is a reform agenda that will cross agencies and sectors, and become the environment in which public services are delivered. The programme's **key focus areas and priorities** connect to deliver a better public service:

State Services vision

For New Zealanders –
Easy to access and do business with: increased transparency; improvement in service delivery and responsiveness

For State sector employees –
A place that provides flexibility, encouragement and mandate to make real change; improvement in engagement

Governance

- Ministerial leadership
- Corporate Centre, including Head of State Services
- Functional leads (eg information and communication technology/ICT, procurement, property)
- Result leads

Structure

- System, sector (across agency) and agency
- Legislative enablers (State Sector Act; Public Finance Act; Crown Entities Act support flexibility and results)
- Public, private and not-for-profit providers

Infrastructure

- 3-5 year results and Result Action Plans
- Support Performance Improvement Framework (PIF), four year business plans, etc
- Smart use of technology
- Information sharing/openness
- Reporting supports decisions

Better Public Services strategic priorities

Results that matter most
Strengthening leadership
Better services and value for money

Capability

- New Zealanders and business focused
- Economies of scale
- Functional expertise
- Feedback and learning systems

Budget

- Four year budget plans
- Ability to withstand shocks
- Fiscal responsibility

Location

- Multichannel
- Across country
- Regional offices and head office

Culture

- Continuous improvement
- Employee engagement and development
- System-wide approach and understanding
- Ambitious and innovative in nature

- agencies improving how they measure and report on performance;
- a greater responsiveness within the public sector to the needs and expectations of New Zealanders: a commitment to continuous improvement.

The public sector does a number of things very well. It is responsive to ministers. It delivers well on the five priorities of the government of the day, works well with a number of external stakeholders, and has good probity of financial management.

Why Better Public Services is important to New Zealand

Our public sector represents a quarter of the economy. So making sure it delivers the best possible joined-up support and outcomes for New Zealanders is essential to achieving a better future for our country. That includes taking a more joined-up, customer-centric approach to the way people work. This is being demanded not just of front-line public servants (who already accept this way of thinking), but also of the so-called 'back-room' staff (generally people who set mandates from the centre in Wellington and who work in agency silos). As Peter Hughes and James Smart (2012, p.3) have observed, achieving the culture change required to make this change is 'possibly the toughest obstacle to overcome'.

A change in practice and culture – an important and profound shift

The Better Public Services programme is driving an 'important and profound shift' (Ryan, 2012) in the thinking that is required to make sure the services we've been tasked with delivering really do matter and will make a difference. Achieving this requires a change in practice and culture: a change to what people do, what they think and believe, and what their values are, the sort of changes that are harder to achieve than simply rearranging the way we do things. And, as the *Better Public Services Advisory Group Report* points out, these changes can only be achieved through good leadership. The type of leadership required now is one that is 'group'-based, where people are enabled to think beyond themselves. The type of leaders required will be able to pull together resources, to take otherwise 'disparate points of view and mould them together into common groups' (ibid.). While it's a very different style of leadership, we certainly have the sort of people required to support and drive this new way of doing things.

Our public sector system of the 1980s and 90s was about 'doing things' to deliver services; one which followed an efficiency-based approach. This next step now is about focusing on effectiveness, 'how' we do things to get results: what we can, should and must do to make a positive difference in people's lives while building a strong economy.

Ten challenging results areas

As part of that next step in the government's public sector reforms, ten challenging results (listed under five key themes) have been set for us to focus on over the next three–five years. The result areas are:

- reducing long-term welfare dependence;
- supporting vulnerable children;
- boosting skills and employment;
- reducing crime;
- improving interaction with government.

Table 2 shows the ten results that ministers and public sector chief executives have been appointed to lead, and are accountable for demonstrating real progress against. (More detail on these result areas can be found on the Better Public Services website.)[1]

It won't be easy

Achieving the results will be 'difficult and demanding' (Key, 2012). It requires a significant change in the way we think and act – what we do and how we do it – and a stretch beyond the current approach to service delivery. Working smarter and faster is the challenge. It requires true innovation to provide the sort of improvements that will deliver a joined-up public sector for the benefit of all New Zealanders. We will achieve this by:

- focusing on collaboration;
- drawing from lessons on fostering transformation;
- having a customer focus on New Zealanders;
- setting clear goals;
- having a flexible process; and
- encouraging front-line engagement.

Innovation

The Canterbury earthquakes tested New Zealand's crisis response and all public services. These tragic events provided a microclimate for introducing innovative change. Many people found they no longer had safe offices to work from, much less access to usual services. Public officials trying to assist them had to come up with alternatives and different ways of getting things done. They found that this involved working collaboratively with other sectors, both public and private, to find innovative solutions. Examples included using alternative premises and facilities, such as courts temporarily operating from marae, and the co-location of emergency services such as ambulance, police and the fire service. Some of these practices hold potential to be used in other parts of the state services. And some are great examples of demonstrating new ways of working.

The rebuilding of Christchurch provides an opportunity for harnessing alternative thinking, for using innovation to create more efficient and effective ways of working together to test ideas and to create collaborative ways of getting things done. There has been licence given to public servants in that region to do things differently and, generally, great results are emerging.

We will take these lessons and adapt them for other locations and other

Table 2: Better Public Services Results

Reducing long-term welfare dependence*

Result 1 Reduce the number of people who have been on a working age benefit for more than 12 months

Lead Minister: Hon Paula Bennett
Lead Public Service Chief Executive: Brendan Boyle, Ministry of Social Development

Supporting vulnerable children*

Result 2 Increase participation in early childhood education

Result 3 Increase infant immunisation rates and reduce the incidence of rheumatic fever

Result 4 Reduce the number of assaults on children

Lead Minister: Hon Tony Ryall, Hon Hekia Parata and Hon Paula Bennett
Result 2 – Lead Public Service Chief Executive: Brendan Boyle, Ministry of Social Development supported by Lesley Longstone, Ministry of Education
Result 3 – Lead Public Service Chief Executive: Brendan Boyle supported by Kevin Woods, Director-General of Health and Chief Executive
Result 4 – Brendan Boyle

Boosting skills and employment*

Result 5 Increase the proportion of 18-year-olds with NCEA level 2 or equivalent qualification

Result 6 Increase the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above)

Lead Minister: Hon Hekia Parata and Hon Steven Joyce
Lead Public Service Chief Executive: Lesley Longstone, Ministry of Education

Reducing crime*

Result 7 Reduce the rates of total crime, violent crime and youth crime

Result 8 Reduce reoffending

Lead Minister: Hon Judith Collins
Lead Public Service Chief Executive: Andrew Bridgman, Ministry of Justice

Improving interaction with government*

Result 9 New Zealand businesses have a one stop online shop for all government advice and support they need to run and grow their business

Result 10 New Zealanders can complete their transactions with government easily in a digital environment

Lead Minister: Hon Steven Joyce
Lead Public Service Chief Executive: David Smol, Ministry of Business, Innovation and Employment

Lead Minister: Hon Chris Tremain
Lead Public Service Chief Executive: Colin MacDonald, Department of Internal Affairs

* Targets: read more about results and targets at http://www.ssc.govt.nz/better-public-services

situations in our work to enhance and improve public services.

An environment of continuous improvement

The public sector does a number of things very well. It is responsive to ministers. It delivers well on the priorities of the government of the day, works well with a number of external stakeholders, and has good probity of financial management.

What needs to be done better is working more collaboratively across agencies, by drawing on the strengths of others while showing consistency and being smarter at taking the long view. This will involve focusing on issues the public service needs to deliver on for New Zealanders in the future. It will achieve this by empowering leadership, and staff, to be innovative and more efficient in order to be more effective.

- June 2012: results targets announced (listed against lead ministers and lead public service chief executives).
- July 2012: results areas reported on.
- July 2012: four existing agencies (Ministry of Economic Development, Department of Labour, Ministry of Science and Innovation, Department of Building and Housing) form one new agency – the Ministry of Business, Innovation and Employment (MBIE) (worth noting is that this initiative supports the government's economic agenda and is leading result 9 of the ten key priorities: a one-stop online shop for all government advice and support).
- September 2012: MBIE structure is due to be finalised.

Leaders and leadership behaviour do not exist in a vacuum but are shaped by the culture and features of the overall system in which they work.

The environment we are working in is one of continuous improvement. It is a journey that I have been privileged to be part of since 2008 when I first started my role with the State Services Commission. The timeline below provides some context for how this shift in thinking and behaviour has come about.

The journey so far:

- 2008: Performance Improvement Framework (PIF) introduced.
- May 2011: the government set up an advisory group on how the public service could work smarter.
- Dec 2011: Better Public Services Advisory Group Report presented: catalyst for and informs the Better Public Services programme.
- March 2012: Better Public Services programme – one of four government priorities (ten key priority results) for the next three–five years.

Stronger leadership, the right culture and capability

There was concern that the public service was not taking ownership of its own performance improvement. There were plenty of reports from external agencies and from lobby groups which were often critical of the public service. And many of them did not recognise the real strength of the public service or reflect its culture.

The origins of the Performance Improvement Framework (PIF) lie in the United Kingdom's capability review programme. To create the PIF, New Zealand has taken the best of that work, combined it with the best of the organisational improvement models from the New Zealand private sector as well as methodologies from other jurisdictions, and adapted all of that to the New Zealand public management system. As a result we may have come up with a world-best way of assessing public service performance and capability.

Fit for purpose and fit for the future

The PIF is an instrument for change which tells the agency and the public what an agency does well, and what it needs to do better in order to be fit for purpose and fit for the future. A focus on improvement is already part of the PIF reviews – assisting chief executives to improve the performance of their agencies while at the same time reviewing their delivery of both government priorities and core business. Carrying out a PIF review provides individual agencies and the government with a really good view of what is working well, and what can be improved. While continual improvement within an organisation is something each agency considers, it makes sense to also look at how we can improve at a system level. At a central agency level we consider the strengths and gaps at a system and sector level and respond to these with a cross-agency perspective.

If we think of the BPS programme as having a 'hardware' and a 'software' component within performance improvement, then changing the hardware involves future expectations around staffing, measurement and accountability (e.g. formal systems, results and targets), proposed changes to functional leadership and proposed changes to legislation. Software changes include further work on leadership development for leading culture change and improvements within the public sector.

Redefining senior leadership

Leaders and leadership behaviour do not exist in a vacuum but are shaped by the culture and features of the overall system in which they work. It therefore follows that making a step change (taking things to the next level) in public sector leadership requires a systematic and consistent set of mutually-reinforcing changes, with many components aligned, including leadership styles, behaviours and expectations (Hughes and Stuart, 2012). All of these require leaders to make continuous improvement while empowering staff to be innovative. But it is a hard and challenging area of change

to bring about because it involves hearts and minds.

Part of the change needed in the public service is rewarding a different set of leadership behaviours. We need leaders who can:

- articulate a vision and drive it through an organisation;
- lead people within and across agencies and sectors;
- drive business transformation and continuing improvement of process and services.

This change in style is based on a robust set of data we have collected as part of the PIF process. It provides a compelling picture about the strengths and weaknesses of each agency, and what we need to get better at; namely:

- long-term and strategic focus;
- building sustainable organisations;
- delivering in a more efficient and effective way; and
- developing leaders who are good people-leaders – good at inspiring and taking people with them.

Other reforms

Measuring improvement

Amendments to the State Sector Act 1988 and the Public Finance Act 1989 support the public sector reforms to achieve the results now set in place (see details below). But it is a change in thinking, culture and the way we perform that will require the biggest shift. As a nation we have some great historical examples of taking on challenges and coming up with new or different ways of getting things done. A critical method for making sure the public sector is accountable – getting things right and continuing to raise our game – is having good evaluation and performance measurement practices and measuring what really matters. This is essential in making sure we drive performance to deliver better services, achieve results and meet targets. Two objectives for improving the accountability system are:

- using the results focus and information on results to more effectively manage the performance of leaders;
- ensuring that each agency reports in a way that makes sense to the organisation and to Parliament, given their role.

Another key part of this change behaviour is being transparent in our dealings so that New Zealanders get a better understanding of what is being done on their behalf, while making sure services are easy to access.

New Zealanders are already acknowledged as innovative thinkers. Our public sector reforms of the 1980s attracted wide interest and have made an impact on government systems in other countries.

Legislative change

The government has announced proposed legislative changes as part of its Better Public Services reforms. New Zealand's state sector has many strengths, but key aspects of the governing legislation need to be modified to make it more responsive to change (English and Coleman, 2012). As well as enhancing collaboration, these amendments will strengthen leadership and ensure departments can leverage economies of scale. Changes include:

State Sector Act 1988

- strengthening the State Services Commissioner's role in leading the state services;
- extending chief executives' responsibilities to considering the collective interests of government and longer-term sustainability, rather than focusing on single departments or agencies;
- adding a new organisational arrangement – departmental agencies – to the options available for delivering public services (operational agencies will be set up within a department to carry out a specific function and their chief executive will report directly to a minister);
- improving governance across the system;
- ensuring the State Sector Act is modern, flexible and generally fit for purpose.

Public Finance Act 1989

- clarifying chief executives' responsibilities for strategic financial management and financial stewardship;
- improving financial flexibility to support innovation and different ways of working within government;
- providing more meaningful information to Parliament about what the government is spending and achieving;
- encouraging more strategic reporting on future intentions, and reducing related compliance costs;
- specifying the governance regime for Public Finance Act schedule four companies.

Crown Entities Act 2004

- supporting sector-wide leadership by strengthening the alignment of Crown entities;
- supporting leadership of particular functions across entities by expanding the scope for the use of whole-of-government directions;
- simplifying, streamlining and improving planning and reporting provisions;
- formalising the role of the monitoring department and the Minister of State Services' ability to request information;
- improving the operation of the legislation.

International interest

New Zealanders are already acknowledged as innovative thinkers. Our public sector

reforms of the 1980s attracted wide interest and have made an impact on government systems in other countries. The United Kingdom, according to information published in its Civil Service Reform Plan (HM Government, 2012), is following an existing model of civil service accountability: that is, civil servants are accountable to ministers who are in turn accountable to Parliament – a 'well established system' that 'underpins the effective working of government'. Currently they are having a wider debate on accountability, and the House of Lords' constitutional committee has launched an inquiry into which the government will give evidence. As part of this, their government is looking at other models that exist and evaluating the potential application of our New Zealand model of commissioning (a contractual relationship between ministers, who set clear outcomes, and heads of departments who are accountable for delivering them) (HM Government, 2012, p.20). While this model is one that we are in the process of enhancing through the Better Public Services programme, it has served us well leading up to this point. Perhaps they will soon be mirroring our Better Public Services programme too.

Looking at ways to improve the public service is not only happening here and in the United Kingdom. On 16 March 2012 the Victorian state government in Australia established the Better Services Implementation Taskforce[2] to oversee a range of improvements to its public services. It is my privilege to join many experienced executives on that taskforce, providing expert advice and guidance to departments as they work towards developing and implementing reforms to drive more efficient and effective services through improved operations. This taskforce is a great example of collaboration across not only public services, but cultures and countries.

Our public management system

New Zealand's public management system is generally well regarded internationally, and individual agencies tend to perform well within their responsibilities. However, the current lack of collaboration around, or ownership of, the bigger issues that cross agency boundaries is an ongoing source of challenge.

One reason for this state of affairs is that the strongest incentives in the system are for vertical (top-down) funding to individual agencies who focus only on their particular objectives. This often occurs at the expense of working horizontally across several agencies: for example, when there are opportunities for making joint policy decisions (why reinvent the wheel when it would be more cost-effective and easier for agencies, and ultimately customers, to adopt the same principles). By changing or removing incentives through lines of accountability and reporting requirements, for instance, removing barriers to collaborative behaviour within the system could free people to be more innovative.

The Better Public Services programme provides an environment to take opportunities and introduce long-lasting and effective enhancements across all agencies.

Coming up

This is a busy programme in its early stages and one that has already seen some big changes. There is a lot to achieve within the two–five-year-plan, with a big focus on engagement and collaboration throughout. We not only want, but need, the public sector and New Zealanders to join us on this journey to building a better public service, and we will be providing updates and opportunities for engagement along the way. The Better Public Services webpage (www.ssc.govt.nz/better-public-services) is a good source of information.

1 http://www.ssc.govt.nz/bps-results-for-nzers.
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From the Outside Looking In
Reactions to the Better Public Services Report

Policy Quarterly invited the leaders of some key external organisations that are stakeholders of the public sector to comment on the Better Public Services report. The following comprises their views.

The Institute of Public Administration New Zealand (IPANZ)

The Institute of Public Administration New Zealand (IPANZ) is a voluntary, not-for-profit organisation committed to promoting improvements in public policy and in administration and management across New Zealand's public sector, in both central and local government. It works by providing a platform for debate on emerging and controversial issues and a forum for networking, ideas, learning and development. The current president of IPANZ is Len Cook, who, amongst other appointments, was the Government Statistician from 1992 to 2000, and this is his response.

The Better Public Services report is an immensely important document for the public sector of New Zealand. It identifies a range of issues that are important and brings a legitimacy and vigour to thinking about public management that we have not seen for over 20 years. IPANZ welcomes this. The issues raised by the review are difficult to challenge, although the emphasis placed on some matters and the solutions offered are cause for debate. This is reinforced by the way ministers have decided to act on them.

The willingness by ministers to question key elements of our arrangements in New Zealand is a welcome development. It is important to acknowledge that we may have only scratched the surface of how

deeply we need to think about what we need to change, if we are to maintain our standard of living while capturing the acceleration in benefits that information technology and science are opening up for us. This has to be done in the face of global economic uncertainty, environmental risks and opportunities, and huge shifts in the age structure of the population across all regions.

In recognising that independent agencies, operating autonomously, could not deliver effectively the public services that the New Zealand public has come to expect, the new super-ministries, lead departments and central agency role review remind us of the time prior to 1988, when large ministries provided, albeit inconsistently, a degree of value network leadership that was generally not understood or recognised by many of us at the time.

Such a rethink will inevitably bring new relationships with business and community organisations. We need to quickly sharpen our capacity to lead the value networks vital to us, and determine the nature of those relationships. Without strong oversight and transparency in such relationships citizens will never be sure which commercial, community or individual interests are the greater beneficiaries of the many public–private partnership-like arrangements that have become the norm for governments of all hues. Kiwisaver, private prisons and schools, and the broadband development subsidies typify these new relationships.

In the quest for the most efficient long-term accumulation and use of personal and national resources, we now need to question whether it makes sense to accept the autonomous operation of some 2,500 schools, nearly 40 publicly funded universities, polytechnics and wānanga, 20 district health boards, several energy companies, and manifold independent entities in quite a few other domains, including local government. The National Health Board set up in 2009 has been one important response to the need for managing the health network. What is not clear is how the Better Public Services initiative is drawing on the experiences we already have in complex networks, and it is surprising that the health sector is not heavily involved in the leadership groups we now have. As a consequence, the focus on systems called for in the BPS report is not yet strong enough, but what we now have is a significant turning point which will bring a sensible focus for amalgamations that are surely inevitable.

The emphasis on leadership needs to more strongly recognise that high-quality, experienced staff can drive the public sector forward ...

Without a rich understanding of the place in each value network of the leadership, knowledge, people, structures and systems that are a platform for change, we risk destroying these assets through continuing the past series of poorly formulated restructuring of agencies. The emphasis on leadership needs to more strongly recognise that high-quality, experienced staff can drive the public sector forward, and that developing people needs to extend to all staff, especially as we face huge experience loss as the baby-boom generation retires. For example, a quick analysis of the demographic profile of nurses in New Zealand should trigger much deeper concern than has so far been apparent. Without sector-wide leadership we leave a lot of important things to chance. The public sector is still without a contemporary organisation model that will see it into the future.

Governments of all types have periodically sought to find ways of ensuring that the public sector as a whole has some sort of overall sense of direction. We have yet to achieve this, despite efforts ranging from specifying detailed outputs to articulating high-level strategic goals set by political preferences. We have few beacons that are based on well-researched, commonly-recognised national goals, and so at an agency level performance expectations remain dominated by short-term cost efficiency.

The consequent frequent assessment of performance has led to high degree of inwardly-oriented process monitoring. Wide-ranging monitoring and independent review of policy outcomes is neither facilitated nor resourced. We most likely need less frequent but very tough assessments of our situation. In general, the outcomes of the many Performance Improvement Framework reviews highlight serious concerns regarding strategic directions across the public sector. We have yet to recognise that the expectations on those in public service are only partially observed in outputs, outcomes or results measures. Public servants may now be clearer about what is not expected. Public servants are creatures of the law, the courts and of ministerial direction, but many of the public pressures that lead to new statute or new policy or ministerial direction are first faced at the sharp end of public service – at the front line, at a time when personal judgement, taking risks and testing authority makes sense in terms of natural justice, the public interest or human rights.

The new results areas announced in accordance with the BPS report bring direction, but we need an analytical basis for them, to provide some balance to the extent to which each new government is prepared to maintain them (or throw them out) as part of its own mix of priorities. Without a thoughtful understanding of significant system and market failures, periodic revisions to such political enthusiasms will drive a new set of priorities, with little understanding of where the next priority will come from. With such a narrow set of explicit targets, in the face of a wide range of judgements required at the coal face by public servants, citizens may well believe that the public sector is clearer about what is not their role than what is.

ANGOA, the Association of Non-Governmental Organisations of Aotearoa, is a network of organisations from across the range of NGOs in Aotearoa New Zealand, including national, regional and local groups. Member organisations are active in the areas of health, education, international development, human rights, arts, culture and heritage, recreation and sports, social services, family budgeting, hospice care, disability, conservation and the environment, ethnicity, child and youth support, women, mental health, aged care, refugee support, family planning, support of prisoners and their families, and injury prevention. Marion Blake is the current chair of ANGOA and, together with the ANGOA coordinator, Dave Henderson, provided this comment.

The government has outlined its desire to deliver better public services to New Zealanders which will deliver results across ten areas. Whilst the focus is on the public sector, the effects will also be significant for how community organisations currently work, and could have far-reaching impact in developing new responses to some thorny issues. There is plenty to work on as the problems we face are complex and beyond what is possible using the traditional public sector, single-agency response. Many in the community sector are up for a new approach.

In the context of tight financial constraints the aim to get traction on some tough social issues will, as senior ministers have commented, depend on tapping into the wealth of experience and knowledge that lies in community agencies. So a better-performing public sector is applauded by community organisations, which for many years have highlighted the growth of territorial government departments which call for innovation yet act out of stagnation, talk about collaboration yet operate in isolation. Achieving the results means not only changing the way the public sector works but having a sustainable community and voluntary sector. A key role of the government is to ensure the delivery to its citizens of a range of services, many of which will always remain in the sole domain of the Crown; but increasingly there are opportunities to explore new solutions that lie in the field of entrepreneurial connections between business and social enterprise, community agency and the government. This will call for new models of collaboration, investment and governance. These new sets of relationships have the potential both to deliver the Better Public Services agenda and improve the system.

Taking out layers of compliance and bureaucracy ... will release pressure on community agencies, as contract negotiation, management, compliance and audit has become a critical detraction from service delivery.

Commissioning, purchasing, contracting, procurement and others are the terms applied to the numerous processes whereby the government passes on money to a third party to pay for a service; this is an area targeted by BPS. 'Best sourcing' adds a new one, but also challenges the government agencies to market-test their roles and look for cost-effective options, providing an opportunity for efficient community agencies to deliver.

Making chief executives accountable for achieving results and not just for managing a department or agency means new behaviours, which means that public sector leaders will need more flexibility and imagination. Changes will also be required in the State Sector Act and the Public Finance Act, which are currently often seen as the basis of current practices. Taking out layers of compliance and bureaucracy is one of the aims of proposed legislative changes. This will release pressure on community agencies, as contract negotiation, management, compliance and audit have become critical detractions from service delivery.

Delivering outcomes has to be a real driver of change and not just a policy statement. It is a chance to refocus the whole system. The fear of the community sector is that government agencies will individually and independently seek to achieve their part of the results that are sought and not go for the more complex cross-agency approach. They would thereby hit the target but miss the point.

Community organisations have long resisted the pressure to work in the same kind of silos as government agencies do, and can bring more lateral and innovative cross-agency thinking to

the table. Targets and action plans will not be effective if they are developed by government agencies behind closed doors, with the same people asking the same questions and giving each other the same answers. The sector contributes 4.9% of GDP (including volunteer hours), similar to the contribution of the construction industry. Volunteer labour in 2010 was estimated to be 270 million hours, which translates into $3.5 billion. Volunteering is not restricted to the community sector. A lot of core central and local government work is also actively supported by volunteers: for example, the coastguard, police, prisons, and search and rescue. The sector is a significant contributor to the social and economic health of New Zealand.

From a multi-story office in Wellington the community sector can look messy, full of duplication, undifferentiated and hard to link up with. In reality the sector is well organised and has a structure which is not immediately apparent. A set of umbrella groupings link organisations with a like focus, such as sports, continuing education, social services or disability, and each has a set of links that extend out into the national community. Each constantly gathers and disseminates information and innovative ideas from around the country – information and ideas that are potentially highly useful to government agencies, if they can recognise the value in terms of their ability to deliver their own outcomes.

By these organisations the vision of the Better Public Services report is hugely welcomed because it is the way the sector prefers to work. Community organisations have long been aware that the narrow outputs they were contracted to provide in the past might or might not help achieve outcomes. That disconnect is a result of the 1980s public service reforms and has been perpetuated over subsequent decades.

For the new results, targets and action plans to be real, agencies of government need to see themselves as firmly anchored in and belonging to society, rather than somehow sitting above or off to one side. Non-profit organisations are usually better at understanding community issues, relating to and supporting at-risk groups, and delivering actual services and support than public organisations. Public organisations dealing with complex social issues therefore need to be open to grassroots innovation, learning and collaborative opportunities within the community. Linking with that is not as hard as it may seem, and will make successful results that much more certain.

The PSA, the Public Service Association/ Te Pukenga Here Tikanga Mahi, is New Zealand's largest union, representing 58,000 workers in central government, state-owned enterprises, local councils, health boards and community groups. The PSA is an important and influential stakeholder which seeks policies that improve public services and the working conditions of those who deliver them. The following comment comes from Brenda Pilot, one of the two national secretaries of the PSA.

The PSA's immediate reaction to the *Better Public Services Advisory Group Report* (the BPS report) was that the public service, beset by job cuts and constant restructuring, would find it hard to deliver on the government's aspirations for better public services. For every good idea in the report, and there are plenty, there are 'buts', and these 'buts' could well undermine the vision.

Looking at the positive aspects of the report, it is good to see a break with the past. The State Sector Act and the operation of the public service since 1988 have often stood in the way of effective services that respond to the real-life needs of citizens. The BPS report suggests positive ways to remedy the problems caused by a fragmented public service. Some of these good ideas are finding their way into the proposed amendments to the core public sector legislation, according to the policy backgrounder recently released by the government. These include technical changes that will assist in cross-departmental and cross-vote initiatives and moves to strengthen sector-wide functional leadership.

A greater focus on results, supported by better and simpler ways to work across departments and across votes – these are welcome changes. So are the moves to focus on operational excellence and more citizen-centric services. All of us who work in or with the state sector want a more responsive and flexible approach to meeting client needs.

The greater focus on innovation and especially on continuous improvement is another positive. The trick will be making innovation possible in a system that has risk-aversion bedded deep in its psyche. That risk-aversion stems first and foremost from ministers, who have zero tolerance for public service failure.

A change in management culture from command and control to high engagement will also be needed to allow genuine innovation to flourish. Both the research and the direct experience of workers are unambiguous: the most productive and innovative workplaces are those where staff have a high degree of control over their work, where there are high-trust relationships between managers and staff, and where the union is involved. While there are pockets of this kind of culture in the public service, it is far from the norm.

The current reality of public services is one of constant and draining

restructurings, budget cuts, loss of opportunity and low morale. This poses both political and management challenges to realising the recommendations of the report.

It is a concern that so little of the BPS report focuses on the workplace and the capability needed for better public services. This area urgently needs attention in the implementation work programme, and it will not be enough to simply give more power to the State Services Commission and to focus only on second- and third-tier managers. This will not deliver 'the right culture and capability'.

It is worth noting that we already have a very flexible public service workforce, and measures that do nothing to slow or reverse the trend towards more fixed-term and contracted roles and the greater use of consultants will not build the capacity needed to meet the challenges of delivering better services.

The 'value for money' aspects of the BPS report have far less to recommend them and foreshadow hard times ahead for public servants, involving more change and more job losses. The greater movement towards shared services is an example of this, and seems likely also to involve privatisation of many of these functions.

Privatisation is also strongly envisaged in the 'best sourcing' idea, where agencies would be required 'to market-test all of their roles, functions and services by looking to see where it would be more cost-effective to out-source to non-government organisations, private sector or other third-party providers'. This idea has all the hallmarks of Treasury zealotry and it may be that the government has little political will to carry it through, other than in selected areas such as property management. Such an idea requires more thought than simply consideration of fiscal drivers.

There is little sense of the 'public good' in the report. Beyond doing things more efficiently and effectively, there is no vision of better public services as the foundation of a better, more equal society. Setting a series of process-oriented targets does not equate to that vision.

There is little sense of the 'public good' in the report. Beyond doing things more efficiently and effectively, there is no vision of better public services as the foundation of a better, more equal society.

Technology challenges are laid out in the report. In principle the idea of standardising information across the state services makes sense. So does making transactional services available online. But the report envisages more than this and talks of accelerating the shift to online channels. While many New Zealanders like to – and are able to – access government services online, there is still a digital divide in New Zealand. People who have no or limited access to technology are among the most frequent users of government services.

The difficulties of replacing community offices with call centres are already apparent. This does not mean we should shy away from looking for the maximum potential to leverage off technology to deliver better public services, but it does mean a realistic and practical approach is needed. No one should be lulled into thinking this is a cheap option. Many government information systems are massive and the costs of developing, installing and keeping them up to date are significant.

The Better Public Services report does well to signal the need for a more joined-up and responsive state sector and to identify some of changes in work culture necessary to deliver it. Delivering on the vision of the report will require the goodwill and the contribution of those who work to deliver public services. No one should underestimate the challenge that this represents or the gains that can be made if this is successfully achieved.

Bill Ryan

Better Public Services
A Window of Opportunity

Led by an advisory group, Better Public Services is the government's programme to reform the state sector to provide high-quality, flexible and cost-effective public services. The advisory group was established May 2011 and reported December 2011, with the report released March 2012 (Better Public Services Advisory Group (BPSAG), 2011). It comprised eight members:

- (then) Department of the Prime Minister and Cabinet chief executive, Maarten Wevers (chair);
- Watercare Services Ltd (Auckland) chief executive Mark Ford;
- Air New Zealand group general manager, people and technical operations, Vanessa Stoddart;
- Wise Group chief executive Jacqui Graham;
- the state services commissioner, Iain Rennie;
- State Services Commission deputy commissioner Sandi Beatie;
- secretary to the Treasury Gabriel Makhlouf;
- Victoria University School of Government professor Peter Hughes

The BPS process includes more than just the report itself. Several background documents were also prepared, and most of them plus several additional documents are now available on the BPS website.[1] The advisory group members met on several occasions with particular ministers. Its secretariat comprised individuals from Treasury, the State Services Commission

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and the Department of the Prime Minister and Cabinet. A significant number of chief executives were involved in working through ideas at various points in the process.

This article[2] applauds several aspects of the report and sees it as a significant window of opportunity for pursuing long-awaited changes to the conduct of public management in New Zealand. That said, gaps in the report are a sign that some ideas still await elaboration and present major challenges for those who must take responsibility for realising these changes.

The Better Public Services Advisory Group report

A brief summary of the report is in order.

The first chapter, 'New Zealand's current state services', notes that 'there is much that works well' but that 'reasonable foundations and worthwhile results are no longer good enough'. Noting the tight fiscal context, the report continues:

> The Advisory Group's clear judgement is the New Zealand state services need to perform much better in securing outcomes that matter to New Zealanders' wellbeing ... The state services need to be reshaped so that they are fit-for-purpose – not just for the present, but for the next decade or more. (BPSAG, 2011, p.14)

The tough talk is noteworthy. For the first time since the Review of the Centre (Advisory Group on the Review of the Centre, 2001) a major government review of public management[3] has openly acknowledged some significant problems in the fundamentals of the system and recommended that they be eliminated or fixed. What is needed is a 'step change' (pp.8, 22).

The significance of this for the task ahead should not be underestimated; many years ago Kurt Lewin (1947) first identified the importance of 'unfreezing' as a necessary condition for successfully achieving change. Comfort zones have to be shaken before real change can occur. Continued reassertion in recent years by senior officials that 'the system is basically sound, all that is needed is tweaking' (e.g. Whitehead, 2008) has hampered significant adaptation and development in this country. The bluntness of the BPS report is welcome and long overdue.

Evidence the second chapter, 'Current problems and future challenges', where the report pulls no punches on several important issues (others also appear throughout the document). It speaks of:

- a weak customer focus: state services in New Zealand do not listen well or respond to citizens and businesses, nor adapt design and delivery to their needs;[4]
- lack of coordination resulting from an excessive number of agencies and fragmentation across the state sector – a by-product of past attempts to clarify accountability by creating multiple small agencies with non-conflicting objectives. The major social and economic policy challenges need action across organisational boundaries and, short of mergers, new organisational forms need to be created;
- low incentives to capture economies of scale in matters such as accommodation, information and communication technologies (ICT) and procurement;
- slow pace (of change) and little innovation, which is 'stifled by a lack of capability, an undue degree of risk aversion on the part of chief executives, boards and Ministers and little consideration of how to manage risk in this context' (p.20). Barriers provided by the Public Finance Act to multi-agency expenditure in the search for results – and elsewhere by the State Sector Act in relation to organisational adaptations – are also noted; and
- leadership, particularly in relation to horizontal leadership. The existing system is predicated on siloed vertical (single organisation) leadership which gets in the way of flexibility and effectiveness across the state services. Weaknesses in leadership highlighted by the report include more focus on business than on governance, inadequate provision of strategic advice as opposed to responding to ministers' immediate concerns, and inadequacies in leading work across organisational boundaries, in managing people and change, and in the purposive use of information and metrics to drive effectiveness and efficiency.

This chapter ends by saying:

> the Advisory Group has concluded that a step change is needed in how New Zealand's state services are run. New Zealanders deserve better results and support from the state services. And those state services are capable of delivering more. This paper provides proposals for making this change. (p.22)

Chapters 3, 4 and 5 outline the ways forward proposed by the group. Chapter 3, 'Better results', elaborates on the observation in the executive summary that state services in this country 'have struggled to deliver collectively' on results. If government priorities are clear, 'state agencies … can do a much better job of delivering them' (ibid., p.6). On the one hand, it tells ministers they must set overall goals and objectives – something that Westminster governments have been notoriously reluctant to do – and, on the

'Better results', elaborates on the observation in the executive summary that state services in this country 'have struggled to deliver collectively' on results.

other, commits the public sector to across-the-board results-oriented management.

To overcome existing system barriers, the report proposes a new organisational framework: no longer single, vertical, bounded organisations but loosely-defined 'sectors' mobilised around specified results. New organisational forms are proposed to handle coordination arrangements (e.g. for budgets and other resources) between participating organisations. Examples are joint ventures, or 'soft-' or 'hard-wired' sector boards. Sector partners would include relevant departments and community groups.

Changes to the Public Finance Act and the State Sector Act will be required to enable such developments and the necessary financial flexibility. Suggested changes include a reduction in the number of votes, multi-year appropriations, carry-over provisions and so on. Examples of such sectoral groupings discussed in the document are natural resources, social services, labour market and skills, justice, and business-facing services, derived partly from developments already underway and from discussions undertaken with chief executives in the course of the process.

It is clear that the advisory group gives a results focus its highest priority, endorsed by government's subsequent decision to identify ten result areas (discussed shortly). The overall message for the future is unambiguous: from now on across the state sector, across all policy arenas and organisations, the focus of public management is on achievement of 'results'.[5]

Chapter 4, 'Better services and value for money', highlights a collection of interconnected but otherwise separate issues. The advisory group argues that '[g]etting better outcomes' is 'the highest calling' but '[i]mproving the quality, responsiveness and value-for-money of state services comes not far behind' (p.7). Several principles are enunciated, each and all of which would make an important contribution to economy and efficiency, if not effectiveness. They include:

- the importance of listening to clients and exchanging information with them so that co-production can be enabled: a lack of agency capability and a reluctance to open up areas of information and decision making have been barriers to increasing the extent and quality of engagement with clients;
- greater use of ICTs and social media, not just in rationalising back-office and routine functions but particularly in service delivery approaches, resources and channels – especially in delivering transactional services;
- a focus on 'best-sourcing', partly because of fiscal pressures but also to get better at contracting in innovative ways. The report notes capability gaps in contracting skills and the need for regular testing of the providers and arrangements that are best able to achieve results;
- searching for ongoing innovations and continuous improvement, and ways of reducing duplication and achieving consolidation (e.g. in accommodation, procurement and back-office functions, through to 'policy hubs', monitoring and reporting methods and regional and front-line offices).[6]

Whilst not saying so directly, but as apparent in the background paper on 'leadership issues' (Secretariat for State Sector Reform, 2011), 'leadership' is strongly differentiated here from mere 'management'.

Like chapter 3 and for much the same reasons, chapter 5 focuses on a major advisory group concern, namely 'Stronger leadership, the right culture and capability'. Leadership, it says, is the most crucial driver of successful change and will be an essential ingredient in creating the 'better public services' it envisages.

Whilst not saying so directly, but as apparent in the background paper on 'leadership issues' (Secretariat for State Sector Reform, 2011), 'leadership' is strongly differentiated here from mere 'management'. Unfortunately, beyond making reference to the need for strategic, horizontal and integrative leadership, the approach envisaged is not discussed. Most of this chapter deals instead with the purpose, position and development of the leaders needed for the future rather than their behavioural characteristics. Leadership, it says, must be shifted away from its agency and production orientation within a single, vertical organisation and given a horizontal, sector-wide orientation, a multi-agency setting and be focused on results. Based on these expectations, the approach needed would be '(collaborative) transformational' or perhaps 'post-transformational' leadership rather than transactional, command, entrepreneurial or 'hero' leadership. However, this sits uneasily with the apparent assumption that such leadership must be located – and only located – high in the authority structures (as if this is both a necessary and sufficient condition for success).

These new types of positions, authorities and accountabilities will be backed by amendments to the State Sector Act. These new types of leaders – notably, tier two and tier three officials as well as chief executives – will be appointed by the State Services Commissioner and given authority to make sector-wide decisions, including having direct say over budgeting and expenditure. In relation to leadership across the sector as a whole, the Commissioner will be – and now has been – designated as the 'head of the state services', responsible for its overall performance and with powers to appoint not just chief executives but also tier two and three leaders to cross-agency and sectoral bodies. The Commissioner

is also charged with leading a 'culture-build' process across the state services, including articulating the changing expectations and behaviours of this new form of leadership.

Central agencies too are expected to be more collaborative in playing the role of 'corporate head office' for state services, with pointed remarks in the report directed at each about the contribution they should make towards the collective effort. It proposes, for example that the State Services Commission have a sharper focus on results, talent management and development, performance improvement and ongoing system design, all of which will require a shift in the SSC direction and capability.

The final chapter of the report focuses on 'Capturing the gains'. It discusses how many of the report's proposals are expected to produce cost savings through rationalisation of back-office functions, continuous improvement and innovation, and how these savings might be redeployed. However, it also notes that the savings will be marginal compared with those achievable through expenditure reductions in policy and programmes, should government choose to do this.

Before examining certain issues arising from the content of the report itself, brief comments regarding the process underpinning Better Public Services are worth making.

As already noted, the advisory group was assisted by a secretariat drawn from the central agencies which provided several background and discussion documents focused on the state of public management play and issues to be confronted in New Zealand.[7] Without knowing the circumstances under which they were produced or their degree of influence on the advisory group, on the surface at least, in terms of substance, scope and rigour they are mostly of middling quality. They are not fresh, systematic, sharp or well-supported, and mainly refer to work previously done in the central agencies. This is despite the advisory group coming to the view that a 'step change' was needed.

Generally, the background documents contain no clear framework of what a 21st-century public management system in a jurisdiction such as New Zealand might or should be, as opposed to the past. Instead the concerns are pragmatic and instrumental, mostly discussed from within the same agenda and using the same language that has dominated central agency thinking for several years. Even a paper titled 'A Greenfields New Zealand State Sector',[8] which draws on a visit by secretariat officials to Britain, Ireland, Scotland, Canada and Singapore, lacks any sense of a changing vista. By comparison, for example, the Scottish Commission on the Future Delivery of Public Services (2011) and the Advisory Group on Reform of Australian Government Administration (2010) contextualise their practical and technical recommendations in a discussion of new and more engaged relationships between government, society and citizens and new, emerging approaches to public management. A secretariat document titled 'Public Sector Innovation: barriers and "buttons"' does hint at a larger context and the need for step change but is only a one-page collection of assorted thoughts, as if the product of a brainstorm, not a systematic analysis. Otherwise, the documents are more about the mechanics of assorted issues – focused, so-to-speak, on parts of the machine, discussed without reference to the changing social purpose of the machine itself, and discussed in the old familiar terms, through the same familiar lens.

Nor is there much reference in these papers to the large international (English-language) public management literature that is presently challenging the purposes, direction and methods of 1980s and 1990s public management. This includes local research funded by the chief executives and conducted through the Victoria University School of Government – the work done on performance management and the 'future state' stand out in this regard – of which there is only limited recognition. Review by external experts during preparation would have identified these weaknesses but, for some reason, the documents were not circulated outside the restricted circle of those involved in the BPS process. Contrast this with, for example, the academic reference group, circulation of discussion papers and a public forum used in the Australian process.

Inclusion and engagement with wider circles would also have improved the analysis in other respects. By comparison with the Scottish and Australian equivalents, the BPS process was closed, restricted to ministers, the advisory group members and chief executives, with little input from lower-level managers and staff, stakeholders or external experts. Broader input would have led to a sharper understanding of current problems and possible solutions. It would also have led to collective ownership up, down and across the state sector of the step change called for by the BPS report. At present, some months after the release of the report, ownership is still weak and puts the implementation of the initiative at risk.

The ultimate goal of public management is not merely the lower-level 'economical and efficient management of the machinery of government', but the 'efficient and effective management of public resources in achieving the policy goals and objectives of the government of the day'

Noteworthy matters

The 'results' focus and the government's ten result areas

The ultimate goal of public management is not merely the lower-level 'economical and efficient management of the machinery

of government', but the 'efficient and effective management of public resources in achieving the policy goals and objectives of the government of the day' (Ryan, 2004). The former is important but is only one means of achieving the latter – the former is, so to speak, the output required to achieve the latter, the desired outcome. The failure of 'managing for outcomes' (MFO) in New Zealand in 2001 onwards[9] means the renewed demand for a 'results' focus is very welcome. 'Results' is a more ambiguous term than 'outcomes' – the report notes that it includes outcomes (footnote 16, page 23) – but the recognised and long-standing literature on 'results-based management' (e.g. Keating, 1990; Treasury Board of Canada Secretariat, 2000) privileges outcomes over other kinds of results. In any case, the frequency with which the term 'outcomes' is used throughout the report leaves little doubt of the advisory group's intentions.

Results and leadership are the advisory group's major concerns. The challenge in relation to results-based management will be to elaborate the idea and embed the approach fully, including each of the four components of the management cycle, strategising, budgeting, implementation and evaluation, some of which have never been properly developed in public management in New Zealand. It demands whole-of-organisation and whole-of-sector adoption of all four forms of practice, as the earlier MFO documentation pointed out. The BPS report should therefore be read as signalling a large amount of work yet to be done not just in planning and budgeting for results but, in particular, in implementing for results and monitoring and evaluating their progressive achievement – or not – for learning and continuous improvement (e.g. Ryan, 2004).

In the course of ongoing discussions between the advisory group members and key ministers during the BPS process, Cabinet has accepted the advice that it should embrace this results focus and nominate a set of policy goals and objectives that it wants the public sector to achieve – something that, as widely noted, governments in Westminster parliaments are usually motivated not to do. Accordingly, with some considerable fanfare, in March the prime minister announced the '10 result areas' and the attendant reporting framework.[10] Two examples of these result areas are:

[part of] Supporting vulnerable children

Result 4: Reduce the number of assaults on children
Lead Ministers: Tony Ryall and Paula Bennett
Lead CEO: Ministry of Social Development Chief Executive Brendan Boyle

Why this is important for New Zealand

- Current measures are imperfect, but as just one indicator of the size of the wider issue, the Health Minister identified 209 cases of hospitalisation related to assault for 0–14 year olds in 2010. We suspect this understates the prevalence of the issue.
- The cost of not facing up to this challenge is too high – for the children concerned, their families, and also for taxpayers who are required to fund the health and justice systems.

[part of] Boosting skills and employment

Result 5: Increase the proportion of 18-year-olds with NCEA level 2 or equivalent qualification
Lead Minister: Hekia Parata
Lead CEO: Ministry of Education Chief Executive Lesley Longstone

Why this is important for New Zealand

- Success in education is essential to the Government's goal of building a productive and competitive economy. It also helps New Zealanders develop the skills needed to reach their full potential and contribute to the economy and society.
- A level 2 qualification gives people opportunities in terms of further education, employment, health outcomes and better quality of life.
- What we want to achieve in five years
- 85 per cent of 18-year-olds will have NCEA level 2 or equivalent through school or a tertiary institution – up from the current figure of around 68 per cent.[11]

... I want to highlight the welcome fact that named ministers have accepted political accountability and that particular chief executives ... have been identified as result leaders.

For the moment I will ignore issues of whether all of the ten 'results for New Zealanders'[12] truly represent appropriate strategic goals and objectives or whether some of them are better described as operational 'targets'; these are not the same thing – compare the New Zealand attempt with the national outcomes specified in 'Scotland Performs'[13] and the kinds of 'gaming in targetworld' (Hood, 2006) that can be induced. I will also ignore whether these 'results' are realistic or aspirational, or whether the indicators are the most valid and direct that might be used. In fact, several of them are process and/or output targets and some of them, unfortunately, are highly partisan and unlikely to survive any change of government. I am equally putting to one side whether ministers and officials might slip-slide away over time when confronted with the difficulties of actually achieving these goals, the games that opposition (and government) parties might play with them, the manner in which the media will report them or the attitudes

that weary and cynical citizens might have towards them, especially if they are clients. These matters need a different paper.

Instead, I want to highlight the welcome fact that named ministers have accepted political accountability and that particular chief executives (in some result areas, more than one) have been identified as result leaders. Some degree of goal specification has been sought of ministers by the public sector for many years to provide clear, committed guidance for their management work. I would argue that this represents potentially a significant step forward in the constitution of public management in this country.

There is, however, at least one significant risk that needs to be anticipated and mitigated. It is that agency managers and ministers will focus only on lining up behind one or another of the nominated result areas, becoming preoccupied with aligning their existing activities under them, ignoring other activities that do not apparently fit and focusing only on ensuring the numbers look good for the upcoming reporting period, without engaging in the larger effort required to build results-oriented management into the structures, processes, practices and cultures of the whole organisation and sector. These kinds of displacement effects have already been observed in New Zealand. From 2004 onwards under MFO, most (although not all) agencies focused their attention on producing a compliant statement of intent without making any real, systematic attempt to embed the four phases of the management cycle into their practice. There must not be a repeat. Those charged with overseeing the progress of Better Public Services will need to maintain a watching brief in the months and years ahead on whether the state sector is adopting a genuine and wide-ranging results-based approach to management applied across all policy fields.

Sector groupings

The extent of fragmentation of the New Zealand state sector and the attendant problems of coordination, especially in the face of complex policy issues that cross organisational and even sectoral boundaries, are well known. These problems are recognised in the report itself and in the background documentation. How to solve them is the issue.

One obvious candidate is widespread mergers, but the BPS report is sceptical regarding the costs and benefits. As others have noted (e.g. Norman and Gill, 2011), restructuring has been used as a solution far too widely and ineffectively in this country, the costs can be considerable and the benefits are often minimal. Moreover, merging organisations that previously were unable to communicate, coordinate or collaborate might only internalise those differences; many multi-divisional corporations are known for evidencing this behaviour.

The advisory group prefers other options for achieving horizontal coordination. Sectoral grouping such as the already existing Social Policy Forum, and the creation of new organisational forms to look after corporate governance are discussed at length. Even so, many questions remain. Are 'sectoral groupings' a sustainable organisational form or are they only a transitional phase in an inevitable shift towards mergers? If the former, how then to make them work? Will organisations be able to overcome the powerful turf protection that bedevils present attempts at coordination and collaboration? Do the individual managers who must be involved have the 'boundary-spanning' (Williams, 2002; see also Huxham, 2003) skills and capabilities required? What will be the transaction and other costs in creating and sustaining them?

Scepticism may be justified but if this solution seems adventurous, it has a ring of the 21st century about it. The clear view in the international public management literature is that, in many parts of the public sector of the future, the main organisational form will be not self-contained, bounded, closed or even flexible bureaucracies, but networks. Signs of this powerful and important trend are already evident in this country (Ryan and Gill, 2011b) and the sectors identified in the report seem likely candidates for the future. Given that the report also notes that 'sectors' might include partnerships with community sector organisations, the clear implication is that of a networked future, very much in the mode of networked, collaborative governance (e.g. Kickert, 1997; Lindquist, 2010; Ryan and Gill, 2011b). In that respect, rather than looking backwards to solve problems of fragmentation, the advisory group is looking forwards to the emerging world. Here, as elsewhere in this report, it can be argued that whatever the gaps in the detail and uncertainties about how to make the proposals work, the directions being flagged are promising, not because collaborative and networked governance is a system goal in itself but because this way of working is believed to maximise the possibility of effectiveness in realising government's policy goals and objectives.

At long last it seems that leadership, practice and culture ... are being recognised as essential elements of the step change required to bring public management into the 21st century in this country.

Leadership, practice and culture

Another important shift in thinking in the report particularly explicit in chapter 5 is worth noting. Reform and ongoing development in New Zealand has notoriously favoured structural and systems solutions to every problem. At long last it seems that leadership, practice and culture – described in *Future State* (Ryan and Gill, 2011a) as 'soft' factors that need to be worked on (the 'software' rather than the 'hardware'; Gill et

al., 2011) – are being recognised as essential elements of the step change required to bring public management into the 21st century in this country.

Successful change of this order of magnitude cannot occur without careful and detailed attention to practice and culture within and between organisations, a task which falls to not just senior management but middle management and site and team leaders from head office down to the front line – the 'change agents' (Ottaway, 1983; see also Balogun et al., 2005) who are so critical in embedding real and sustained change.

This demands transformational and post-transformational approaches to leadership and followership (whether formal or informal) that, depending on the context, enables, facilitates, mentors, inspires, motivates and collaborates, including modelling behaviour and sharing power (e.g. Jackson and Parry, 2008). Equally the focus is on the mindsets, beliefs, doubts, values, symbols and meanings, subjectivities, commitments, resistance and passions that constitute a workplace culture or sub-culture (e.g. Alvesson and Sveningsson, 2008). Practices include what ministers, managers and staff do and say, their patterns of interaction, the professional and other norms and mores, the routine organisational rules that are enacted and reproduced, and the ways in which resources are used (Giddens, 1984) when public sector employees – ministers included – do the normal everyday work of governing. If leadership, practice and culture in organisations is based on hierarchy, command and control or on transaction, calculation and exchange, then a massive change management effort involving everyone is required to shift to collaboration, reciprocity and co-production or whatever else is sought, for which structure and system change will be necessary but entirely insufficient conditions for success. Implicitly, the advisory group seems to recognise that something like it is essential if a new era of public management in New Zealand is to be realised.

It is therefore slightly disconcerting to see considerable attention paid in the report and background documents to reorganising at the top and centre of the state sector. The preoccupation with a head of the state services, the new expectations of chief executives, the responsibilities of the central agencies, changes to the Public Finance Act and the State Sector Art and so on are all examples. Changes in these respects are certainly needed, but the impression created by the report is that no more is needed. Much more besides is required.

The decisive work of leadership, practice and culture change will need to occur elsewhere, through different means. It will need to be 'hearts and minds' stuff combined with intra- and inter-organisational practice and development.

Implementation

That leads to the biggest question regarding the Better Public Services report; namely, how is it to be implemented? Government has accepted the general directions of the report, but how exactly will it be made to happen?

For the sake of convenience I will use the word 'implement'. In truth, however, BPS proposes a set of realities that will have to be constructed in time ahead, during which new practices and cultures will have to be created through an enormous sector-wide change management process. This will not be simple, linear execution of an existing and detailed plan. There is no grand plan in the BPS report, no visionary description of what the state sector might look like in year X, much less proposals for how to get there. An earlier cabinet document [CAB (12) 8][14] does focus on implementation and change management but is primarily about nuts and bolts. For example, 'Annex C: Better Public Services – Indicative Change Implementation Roadmap 2012–2014' is mainly concerned with organisational and operational aspects of central agency work to be completed and/or high-level statements of what line agencies will need to do or have done, and what will be reported to ministers and Cabinet.

That work is already proceeding and the state services commissioner has assumed responsibility for overall implementation. In the central and 'results' agencies, already work streams arising out of the report and subsequent government announcements are under way. There is already a State Services Reform Ministerial Group, comprising the Minister of Finance and Deputy Prime Minister, Bill English, the Minister for State Services, Jonathan Coleman, and the Minister for Business, Innovation and Employment, Steven Joyce. The advisory group will continue for the foreseeable future, advising government on ongoing implementation. An implementation unit has been created involving the State Services Commissioner, the chief executives involved in the result areas and the three chief executives leading the functional areas (ICT, property and procurement), plus a programme director, a programme manager and selected secondees with responsibility for progressing various aspects of that work.

However, the work of these groups will be largely focused on coordinating and formalising developments as they occur, particularly in relation to legislation, structure and systems. The decisive work of leadership, practice and culture change will need to occur elsewhere, through different means. It will need to be 'hearts and minds' stuff combined with intra- and inter-organisational practice and development. It will need to be a massive, transformative change-management process created across the top layers of the state sector, down into the middle and bottom levels of each organisation and laterally between *all* of them, work in which chief executives and senior, middle and front-line managers in each organisation must be heavily and

actively engaged. Moreover, it will need to run for several years, seeking improvement upon improvement. The results-area agencies could be regarded as the front runners, as sites of experimentation, but that would also need determined attempts to spread their learnings across the public sector as a whole,[15] as one of several implementation strategies. Running through all these activities must be a wide-ranging and widespread collective dialogue (hosted by an independent or associated organisation that has not yet been identified, or perhaps created) that not only celebrates successes but also admits to failure and collectively and openly puzzles out what might be learned from it so that others too can understand.

The complexity and difficulty of this task will be enormous, the dimensions of which become apparent the moment models of effective change management are explored. For example, a typical framework includes matters such as:

- clear vision, a plan to get there and indicators of success;
- a governance group, sponsor, change agents and explicit work streams;
- committed leadership, modelling and continuous engagement;
- informed participants (staff), open and frequent communication, mutual understanding (turning caution and resistance into enthusiasm and commitment);
- aligned workforce (and job redesign), awareness of people impacts, motives and concerns (resistance), development requirements. (Queensland Government, 2009)

The last two bullet points of this list reinforce the points I have already made concerning the importance of widespread and open engagement across the state sector and out into other participants in the economy and civil society. Some parts of this lesson may have already been learned. An earlier SSC document (2004) focused on lessons drawn from cases of organisational change (establishing the Ministry of Social Development) listed:

- analyse the context of change;
- tackle the people issues;
- maintain open lines of communication;
- set clear vision for people to follow;
- recognise cultural issues;
- manage stakeholder relationships;
- maintain the momentum of change.

Both these lists reflect aspects of Kotter's famous framework (derived from eight reasons why transformations often fail) for effective change management (Kotter, 1995):

- establishing a sense of urgency;
- forming a powerful guiding coalition;
- creating a vision;
- communicating (and modelling) the vision;
- empowering others to act on the vision;
- institutionalising new approaches;
- planning for and creating short-term wins;
- consolidating improvements and producing still more change.

Moreover, these are models of organisational change to be applied in a single organisation. What will be required for change to be achieved across the whole state sector? Will it be the same things scaled up, done in horizontal as well as vertical ways? What needs to be done to ensure success in this case? These are significant questions but are only superficial, based on known models of change constructed ex post out of practice in conventional settings. If organisations and sectors now face new levels of complexity, what will be necessary for implementation to succeed and to be effective? (Eppel, Turner and Wolf, 2011; see also Eppel and Wolf in this issue).

Is the state sector as a whole up to the challenge? Based on past efforts, such as the implementation of MFO in the early 2000s, doubts might be expressed as to the capability of the New Zealand public service, and particularly the central agencies, to manage deep, large-scale, multi-agency change strategically and effectively and to sustain it over a considerable period of time. The scope and scale of the effort required will be very considerable. The barriers are significant. There are too many anecdotal cases of hierarchical structures, command and control cultures, compliance with a deeply-embedded production model of organisation, management and performance, and old-fashioned management styles. There is also evidence of turf protection, risk aversion, criticism and blame, fear of experimentation and innovation, separation and lack of dialogue within and between organisational silos. On the other hand, there are known pockets of management and practice that are transformational, networked and collaborative, focused on learning-by-doing, risk-managing, enabling and positive. Whether these moments of innovation and enterprise are brought to the surface, celebrated and identified as harbingers of the future whilst simultaneously minimising those constraining, negative forms of management may determine the ultimate success or otherwise of this whole initiative. What is certain is that bringing Better Public Services to fruition will be a huge test for the centre of the public sector and all chief executives and senior and middle managers.

Overall ... the report and everything surrounding it should be welcomed, since it seems to point in directions that public management must go in the 21st century.

Conclusion

To date the Better Public Services work is a promising interpolation, albeit with much left unsaid and even more left to do. Overall, however, the report and everything surrounding it should be welcomed, since it seems to point in directions that public management must go in the 21st century. In that respect it should be seen as a window of opportunity.

A positive response is also justified for another reason. The tendency in public sector reform is to design new models from theoretical, disciplinary foundations, as was the case in the 1980s reforms. The BPS report itself – though not, perhaps, the background documents – is the product of on-the-ground practitioner learning, brought to the deliberations by the advisory group members. Front-line agencies have had to adapt to new circumstances confronting them daily, arising out of not only the economy but also civil society, especially in demands from citizens and clients for greater engagement at both the macro and micro levels. In doing so, pressures are being fed back up through organisations and sectors for new forms of practice, of which an outcome focus, coordination and collaboration, as identified in the BPS report, are only some. System and structural barriers to these developments have been identified (e.g. legislation), as have other conditions (e.g. strategic leadership) required to enable them to progress. In this sense, the BPS report represents practical theorising (Giddens, 1984) by a group of high-level practitioners, a codified set of learnings derived from practice (Senge, 2006) from which the next, necessary, significant phase of reform must be created.

As a product of practical learning, the thinking in the advisory group report therefore has much to recommend it. However, this learning should not be interpreted as simple 'evolution'. Part of the learning is that a step change is needed – a moment of what Charles Handy (1990)[16] referred to as 'discontinuous change' – so the direction, significance and extent of the changes required should not be underestimated.

Clearly the challenges ahead are considerable, and will extend across the state sector and will take months and years. I have already noted the huge public sector-wide effort that will be required; and required starting now. Further, if chief executives, senior managers and middle managers in the line agencies sit back and wait for the centre to tell them what to do – or think that these developments relate only to the results agencies – then Better Public Services will fail. But if they adopt an active and not passive approach to creating a 'better public service', within their own organisations and with others with which they work jointly, the possibilities of system-wide success will improve. After all, results- and outcome-based management models – otherwise known as 'strategic management' and its attendant management cycle – have been established in the international public management literature for many years (e.g. Hughes, 2012; see also Ferlie, Lynn and Pollitt, 2005). The same can be said for change management and the nurturing of leadership. Every agency in the New Zealand state sector can start instilling these now, if they have not already done so. Rules, regulations and guidelines are not required. The more those developments are driven from within and for their own sake, the more likely they will be successful.

1 http://www.ssc.govt.nz/better-public-services.
2 My thanks to Derek Gill for useful comments on an earlier draft.
3 Another recent review, the 'Future State' project (Ryan and Gill, 2011a), was funded by the public service chief executives but was conducted by independent researchers in and associated with the School of Government.
4 In passing, note the recognition of the customer/client as the end-user, thereby implying rejection of the proposition that 'the minister is the client' that is prevalent in Wellington.
5 The advisory group decided on the word 'results' because of concerns that 'outcomes' was a casualty of the ill-fated 'managing for outcomes' initiative of 2001, and because 'results' is a term that resonates with the present government. It is worth noting footnote 16 in the report where the group says: 'The technically-minded will note this report uses the term "results" rather than the PFA [Public Finance Act] term "outcomes". We have gone with the more open term as results can encompass outcomes, intermediate outcomes and outputs where necessary' (BPSAG, 2011, p.23).
6 In this respect the BPS report draws upon the work of Benchmarking Administrative and Support Services (BASS), http://www.treasury.govt.nz/statesector/performance/bass/, and the Performance Improvement Framework (PIF), http://www.ssc.govt.nz/pif.
7 Published since the release of the report at http://www.ssc.govt.nz/bps-background-material.
8 http://www.ssc.govt.nz/sites/all/files/bps-2113475.pdf.
9 As noted in Ryan and Gill (2011a), the central agencies may have lost interest after about 2004, but some agencies which did not need convincing as to its importance kept developing an outcome-orientation in their work.
10 http://www.beehive.govt.nz/release/govt-sharpens-focus-public-sector-results. A fuller, more recent version can be found at http://www.ssc.govt.nz/bps-results-for-nzers.
11 http://www.beehive.govt.nz/sites/all/files/The_Prime_Minister's_results_for_New_Zealanders.pdf.
12 http://www.ssc.govt.nz/bps-results-for-nzers.
13 http://www.scotland.gov.uk/About/Performance/scotPerforms/outcomes.
14 http://www.ssc.govt.nz/sites/all/files/bps-2256658_0.pdf.
15 This, of course, was the strategy behind Pathfinder, http://io.ssc.govt.nz/pathfinder/.
16 His words are worth recalling: '[T]he changes are different this time: they are discontinuous and not part of a pattern; such discontinuity happens from time to time in history, although it is confusing and disturbing, particularly to those in power' (Handy, 1990, p.5).

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John R. Martin

Better Public Services
The Advisory Group Report

On 15 March 2012 the prime minister released the report of the Better Public Services advisory and governance group appointed in May 2011 (the report had been completed in November 2011 but release was delayed over the election period) (Better Public Services Advisory Group (BPSAG), 2011). Public attention focused on the creation of a new 'business-facing' government department, the Ministry of Business, Innovation and Employment, and on the ten expectations that collectively made up 'a new results-driven focus for the public service', to which the prime minister devoted his speech of 15 March 2012 (Key, 2012). Other initiatives, such as the pooling of justice sector budgets,[1] have attracted little comment in the media but open up possibilities for greater inter-agency collaboration.

Discussion since has tended to highlight two interpretations of the significance of the prime minister's announcement and the supporting work of the advisory group. Some have seen the foreshadowed reorientation of the public service as signalling 'reforms' to be equated with the 'revolution' of the 1980s. Others have been more sceptical: limited departmental restructuring, yet another set of 'goals' and further reductions in the resources available were simply continuing the process of adjustment to the machinery and staffing of the public service that has gone on since the State Sector Act 1988 and the Public Finance Act 1989.

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In this article I comment from an historical perspective on three selected aspects of the Better Public Services report: coordination and a unified career public service; ministerial responsibility; and the place of the State Services Commission. A review of the public sector in today's circumstances is welcome. But it is also timely to reassert the values that have served New Zealand well through the century since the Public Service Act 1912.

Why change?

In the 1980s, in the zeal of the 'revolution' that culminated in the State Sector and Public Finance acts, there was a frequent tendency to ignore the past – the 'old' public service – and where it was acknowledged the presumption was that it was of little relevance to the exciting new world of the 'new' public service. Whether deliberate or not, such exclusion of the 'old' is common in revolutionary situations. Now, some 25 years later, it is perhaps easier to see that there is continuity in the story of the New Zealand public service which provides at least part of the context in which current problems are being addressed and opportunities taken.

The report states that 'New Zealand faces the most challenging international economic environment in generations'

(BPSAG, 2011, p.5). Such judgements are legitimate matters for debate. But it is salutary to recall that over the past century New Zealand has confronted other severe challenges: two world wars; the depression of the 1930s; the deterioration of wool and dairy prices and the terms of trade in 1957–58 (followed by the 'Black Budget' and the reinstatement of import controls); the sharp decline of wool prices in 1967 (accompanied by devaluation); the 'oil crises' of the 1970s; and the conjunction of balance of payments and fiscal crises in 1984. While the reforms of the 1980s stand out because of their scope and comprehensiveness, past challenges also carried implications for the public service: for instance, in the form of pay cuts and the cessation of recruitment in 1931–32, or staff ceilings and 'sinking lids' in the postwar years.

The advisory group's observation that there is a need 'to move away from a culture where value for money is a secondary consideration' (p.6) is surprising. The pursuit of 'efficiency and economy' has been a statutory injunction to the public service since 1912, even though the location of responsibility among ministers, chief executives (permanent heads until 1988) and the State Service Commission (the Public Service Commission until 1962) has not always been clear. But it would be hard to find a period within the history of the modern New Zealand public service when measures to improve efficiency and economy were not being explored and promoted. In the early postwar years O and M (organisation and methods review), work study and operations research were favoured approaches to lifting efficiency. In the 1960s and 1970s financial controls – 'the successive incarnations of the new expenditure order – PPBS, Sigma, COPE, CCEX, compensatory savings'[2] (McKinnon, 2003, p.263) – were at the forefront of the campaign for greater efficiency and economy.

The history of the New Zealand public service has been one of continuing aspiration towards 'better public services' while adjusting to the challenges posed to successive governments by world events. Standing out from this evolutionary process have been two major episodes. The first was the royal commission on the state services which reported in 1962 (the McCarthy Commission). The initiative for the establishment of the McCarthy Commission came largely from the public service and particularly the Institute of Public Administration (see Martin, 2006, pp.62-8). The supporting rationale was largely that it was 50 years since the Hunt Commission and the 1912 act, and the context within which the public service operated was very different. But this was not an occasion for a radical change of direction. In the event, the impact of the State Services Act 1962 and associated 'reforms' was probably much less than those who had sought a considered review of the machinery of government and staffing issues hoped for or expected.

The history of the New Zealand public service has been one of continuing aspiration towards 'better public services' while adjusting to the challenges posed to successive governments by world events.

The second, and much more far-reaching, interruption to the evolutionary path of public service development was the 'revolution' of the 1980s. There was a questioning of the whole framework within which the public service operated. In the words of Geoffrey Palmer (speaking in particular about large trading departments):

> The first thought was that large bureaucracies were unmanageable, that they were not responsive, that they were not flexible and that they tended to be inefficient as well. We found as a new government that we weren't actually in control of them in any real sense, and that came as somewhat of a surprise, because as people who believed in the orthodox theory of the Westminster system we were confronted at once with the reality that it does not work. (Palmer, 1988, pp.1, 2)

The result was the all-embracing reforms of the State Sector Act 1988 and the Public Finance Act 1989. Two decades after these reforms were put in place, the Better Public Services Advisory Group defines 'the greatest challenge facing the state services [as] to gain more traction on achieving results: the complex and long term issues that cross agency boundaries' (BPSAG, 2011, p.23). Cited examples of the societal results to be prioritised are found in 'law and order', welfare numbers, educational underperformance, infant mortality and low productivity growth (p.15). The '10 challenging results' announced by the prime minister and deputy prime minister[3] cover similar ground. Few would challenge the ministers' expectations. The characteristic that sets them apart from other objective-setting exercises over the past 40 years is their quantification. There is an echo of the 1980s mantra: 'If you can't measure it, you can't manage it.' The danger is that less-quantifiable values are neglected (see, for example, the current controversy surrounding the culture of the ACC).

Nonetheless, the advisory group makes a strong case for improvements in the state services, including ways in which to 'manage the state agencies that provide or fund services less as a collection of individual agencies, in pursuit of their own singular objectives, and more as a system that is focused on the results that will have the biggest positive impact on New Zealanders' lives' (ibid., p.5).

Such a laudable proposition bears a close relationship to a problem that has always troubled governments – that of coordination across the diverse range of entities that make up the state sector.

Coordination

Government agencies (broadly defined) are 'instruments of the Crown' (Cabinet Office, 2008, p.36).[4] The notion of 'the Crown' encapsulates the principal

characteristics of the public service as a central institution of the New Zealand constitution: continuity and 'indivisibility'.[5] Commitments made by government agencies retain their validity over time until formally disowned, irrespective of changes at the political level. The centrality to a system of democratic governance of this characteristic assigns a high value to the capacity for institutional memory that marks an effective public service.

Similarly, an agency does not act alone. In all that it does it acts in the name of 'the government' or formally 'the Crown'. There is a presumption that agencies will communicate and exchange information and views in promoting and executing the wishes of the government – that their actions (including advice to ministers) will be coordinated. But deficiencies in coordination have been a perennial issue. As long ago as 1940 Leicester Webb was observing that '[c]oordination to prevent duplication of work and to secure the harmonious participation of several departments in the one administrative process is less complete' (than 'coordination in the interests of economy and uniformity') (Webb, 1940, p.98). Leslie Lipson in 1948 commented that the existing bureaucratic structure '[a]ll too often … results in the problems being treated as separate ones, in the lack of coordinated planning, and in acute clashes of policy and jurisdiction among the agencies concerned' (Lipson, 1948, p.382). And as I write the media continue to identify problems of coordination. An article in the *New Zealand Herald* about the management of New Zealand's exclusive economic zone and continental shelf speaks of 'a Balkanised bureaucracy with limited responsibilities for bits of the system but with inevitably divergent cultures' (Fallow, 2012).

The prescription for such diagnoses has traditionally been a reordering of the organisational structure of the state services. And a variant of that approach is again proposed by the advisory group.

Sixteen years ago Jonathan Boston observed that '[d]espite continuing debate over the best way of organizing public bureaucracies, no scholarly consensus has emerged on many of the fundamental issues of institutional design' (Boston, 1996, p.70). One of the undeniable conclusions from experience over two decades since is that there is no 'one size fits all' pattern for the machinery of government.

… the New Zealand public service now comprises 'a large number of small focused agencies, with roles that can overlap or duplicate each other' and with 'a lack of economies of scale'.

The advisory group's assessment is that the New Zealand public service now comprises 'a large number of small focused agencies, with roles that can overlap or duplicate each other' and with 'a lack of economies of scale'. Equally, the cross-cutting nature of the major issues confronting the government 'need[s] action across agency boundaries, and currently this action takes too long' (BPSAG, 2011, p.20). Underpinning these judgements is the group's view that one of the 'defining characteristics of the current New Zealand public management system is how it concentrates decision-rights and accountabilities with the chief executives'.

These arrangements, it continues, 'support a strong ability to deliver against the "vertical" commitments within a single agency but have constrained "horizontal" leadership – within sectors, across functional areas and for the system as a whole'. The group reports a 'common belief' among chief executives 'that our efforts are spread too thin, are not well coordinated and would benefit from a sharper focus on bigger challenges that are likely to make a bigger difference' (pp.21, 29).

The advisory group considers a range of options for the change and adaptation of the machinery of government. It 'suggests [that] a broader spectrum of organisational arrangements is needed than is currently available': 'Between the current options of loose agency groupings and structural change, we propose a broader menu' (ibid., p.26). Specifically, the group presents these broad options on a range from 'informal' to 'formal': loose agency groupings; mandated sector; joint ventures; semi-structured executive agency model; and fully-integrated departmental model. Leaving aside 'problematic' loose agency groupings and the option of moving to larger departments, 'which is often not appropriate', the group discusses in more detail the options of:

(a) *'hard-' or 'soft-wired' sector boards* which would have oversight across the agencies operating in a prescribed sector, whether by mutual consent or through more formal arrangements for financial accountability and reporting;

(b) *joint ventures* as a way of organising (and dedicating resources to) activities which involve a 'significant, but not dominant' element of departments' (and community groups') responsibilities, incorporating both policy and operational capability. Scope for such arrangements might lie in such natural resource activities as the availability of fresh water and the value of coastal and marine areas; the improvement of services for at-risk children aged 0–6 and in the contribution and achievement of young people; skills in demand by business, and labour productivity growth;

(c) *executive agencies* – 'a new organisational form – to help avoid having either few large, multi-functional departments or many small agencies' – accountable for their own operational responsibilities but working to strategy, policy and funding arrangements determined by a lead agency. (Such agencies would be more embedded in the core public service than Crown entities.)

> Advantages could be gained, the group suggests, from the creation of a single skills and education policy hub and the conversion of the operational arms of departments into agencies focused on delivery in such areas as immigration and the management of schools.

The major decision already announced by the government is the formation on 1 July 2012 of a new 'single, dedicated, business-facing government department': the Ministry of Business, Innovation and Employment, integrating the functions of Economic Development, Labour, Science and Innovation, and Building and Housing. The case for such a major restructuring is worthy of an analytical study of its own – and we must assume that this has been done under the label of 'due diligence' (Joyce and Coleman, 2012) – but it is interesting to note that the advisory group warns against 'a sharp reduction of agencies across the board … [r]estructuring is expensive and disruptive and can be counter-productive, at least in the short term' (BPSAG, 2011, p.20). And the prime minister has said that 'there is a high hurdle for structural change in the public sector' (Key, 2012).[6] In the case of the new ministry there are many questions to be asked. What logic lies behind the 'business-facing' claim? What shift is taking place in the dynamics of government? And when and how can the success or otherwise of this major dislocation be judged?

This caution is strongly supported by the hard-hitting critique of Derek Gill and Richard Norman (2011). They have no doubt about the motivation behind the 'addiction' to restructuring over the past two decades. It is 'a result of the "freedom to manage" formula adopted in the late 1980s to *break up a unified and "career-for-life" bureaucracy* that was seen to respond too slowly to the economic crises of the 1980s' (Gill and Norman, 2011, p.262, emphasis added). Gill and Norman, after substantial research, are also forthright in their conclusion that 'in too many cases the result is the loss of institutional capacity, and the undermining of the ability of public organisations to work effectively on cross-cutting issues' (ibid., p.278).

There can be no return to the unified, career, 'old' public service. But it is worthy of note that, historically, job stability and a very real awareness of being employed in the public service – as well as a department – facilitated working across departmental boundaries. Relationships born in the early years of a career were built on as people moved through the ranks towards senior managerial positions. In my own experience this factor was effectively demonstrated in the working of the Officials Economic Committee which coordinated economic advice from the 1950s to the 1970s. (Economic matters preoccupied ministerial attention at this time; similar coordinating arrangements for social policy would have been advantageous.) The Better Public Services report is encouragingly strong on the value of cross-agency collaboration. In addition to structural or procedural innovations, however, history suggests that after a period during which 'silo' has been an overworked cliché there is now a need for a deliberate nurturing of the notion of 'the Crown' and the public service, and all that implies for day-to-day ways of working in agencies.

Equally important in the 'old' public service was the accumulation of the aforementioned 'institutional memory' – familiarity with departmental legislation and precedent, that essential component of continuity.[7] The disrupted careers and short-term appointments that characterise restructuring cut across the objective of effective inter-agency coordination. All too frequently the claim is being made that there is a lack of expertise and experience – of institutional memory – in departments. As I write this issue is at the forefront of public discussion of adventure tourism and safety in mines. Too little credit has been given to the hardened 'Lambton Quay warriors' who over the years built up invaluable knowledge of departmental legislation, the relationships so significant within a sector, and the context in which policies were formed.

Several motivations can lie behind restructuring the machinery of government. Changes may be initiated for party political reasons (and there has been some media speculation that the creation of the Ministry of Business, Innovation and Employment reflects and strengthens the position of Steven Joyce within the Cabinet).[8] But the two interrelated themes of the Better Public Services report are greater efficiency – value-for-money – and 'better results for New Zealanders'. By reducing duplication and through consolidation of activity, it is argued, costs can be reduced. Economies of scale could be realised by consolidating activities with 'a common function, value chain or customer'. Such savings might be found in 'back-office functions' – such as the central agency collaboration through the Central Agencies Shared Services – or in reducing the 'churn' of policy advice (BPSAG, 2011, pp.11, 10, 42). Drawing on the Scott report (Review of Expenditure on Policy Advice, 2010) on the policy process, the group believes that better management of policy advice across the public service, including establishing 'cross-agency policy hubs', could result in major cost savings: an 'attainable medium-term goal could be a 20% saving (or reduction in cost pressures) over five years' (p.42).

The group's emphasis on 'cross-agency' coordination is correctly focused and its remedial approach has some attraction, given that it carefully stresses that '[d]etermining the right organizational form needs to take account of factors such as scope of activities, critical mass and economies of scale as well as the impact on results' (ibid. p.27). Nonetheless, three warning flags are hoisted here: first, the demonstrated

Equally important in the 'old' public service was the accumulation of the … 'institutional memory' … that essential component of continuity.

downside of restructuring as discussed above; secondly, the need for the public service leadership – notably the State Services Commission (to which I return below) – to embark on a programme that overtly promotes and encourages a sense of the unity of the public service and the associated virtue of 'institutional memory'. Thirdly, the organisational changes under consideration add new dimensions to what seem to me to be unsatisfactory features of arrangements for accountability and responsibility in New Zealand government.

While the 'decoupling' of 'outputs' and 'outcomes' seemed at one level to codify the conventional distinction between 'policy' and 'administration', it did not affect the responsibility of ministers to answer for the activities of their departments.

Accountability and responsibility

I would not disagree with the observation of Jonathan Boston and Derek Gill that 'by international standards, New Zealand has long enjoyed a high degree of government accountability'(Boston and Gill, 2011, p.244). Rightly, they also note that 'while formal accountability arrangements matter … they are not the only thing that matters'; and they urge 'a new openness to collaborative arrangements and a broad conception of accountability' (ibid., pp.246, 247). My concern is with the status of what remains, in my view, the cornerstone of the New Zealand variant of the Westminster system: the vicarious responsibility of ministers for the actions of the public service.

K.J. Scott 50 years ago discussed ministerial responsibility for departmental actions in these terms:

> Where the actions of departmental officers have been done on the minister's bidding, the minister is primarily as well as vicariously responsible. Where they have not been done on the minister's bidding, the minister's responsibility is vicarious only. In practice a minister always admits that he is responsible for the actions of his subordinates in the sense of being accountable for them. (Scott, 1962, p.125)

That is how the doctrine was generally understood and, albeit with reluctance at times, practised by ministers and public servants until the 1980s. Controversy attended some much-cited cases: for example, Robert Semple (minister of works) and the 1944 Fordell and Turakina tunnels. And the situation was often confused by a predictable but misplaced focus on whether or not the minister should resign. That diverted attention from the three components of the doctrine: first, that the minister should, desirably in Parliament, 'front up' by acknowledging the error or fault of the department (accountability); secondly, by initiating an enquiry into the situation; and thirdly, by assuring citizens that appropriate action, if necessary, was being taken to correct the error or remedy the fault (taking responsibility).

By 1987 Geoffrey Palmer was striking off in a new direction, claiming that the scope of the doctrine was 'unreasonably and impractically wide … it is unrealistic to say that [ministers] must take the rap for things they do not know about and did not authorize' (Palmer, 1987, p.56). The system put in place by the State Sector Act 1988 and the Public Finance Act 1989 reflected this approach. Arrangements based upon the distinction between 'outputs' and 'outcomes' aligned respectively with chief executives and ministers and related by contractual arrangements altered the location of accountability. Roger Douglas put it bluntly in the 1988 Budget: 'We [ministers] are disengaging from day-to-day departmental decision-making … the Government is freed from the distractions of daily management decisions and can concentrate instead on broad policy directions and initiatives.'

In the light of these ministerial pronouncements it is important to distinguish between *constitutional responsibility* and ministerial engagement with the *management* of departments. They are quite separate questions. While the 'decoupling' of 'outputs' and 'outcomes' seemed at one level to codify the conventional distinction between 'policy' and 'administration', it did not affect the responsibility of ministers to answer for the activities of their departments. Twenty years later the Cabinet manual is quite clear:

> Ministers decide both the direction and the priorities for their departments. They should not be involved in their departments' day-to-day operations. In general terms, Ministers are responsible for determining and promoting policy, defending policy decisions, and answering in the House on *both policy and operational matters.* (Cabinet Office, 2008, para 3.5, emphasis added)

Over the past 25 years the constitutional question of responsibility has tended to be subsumed in the concentration on improved performance by public agencies. A consequence has been a temptation for ministers, uncomfortable with the all-embracing scope of vicarious responsibility, to assign responsibility for 'managerial' matters to chief executives; and for officials to be expected to 'front up' for matters which, before 'the revolution', would have been accepted as the responsibility of ministers.[9] As the chief ombudsman observed as early as 1990, 'Given the accountability structure for senior officials in relation to outputs … *ministers* now have every opportunity if they wish to take it to *transfer accountability for outputs to officials*' (Robertson, 1990, p.9, emphasis added). That has indeed been so in a number of controversial cases (and no doubt

on many issues that have attracted less attention): e.g., blood products in 1992 (Martin, 1994, p.50), the Tourism Board in the late 1990s (Controller and Auditor-General, 1999), and, most recently, the 'modernisation' of the Ministry of Foreign Affairs and Trade.

In a provocative and insightful essay, Di Francesco and Eppel discuss what they call 'the public management heresy': 'the seemingly absent role of ministers within public management systems'. As they read the intentions of the 1980s reforms, '[r]ather than detaching ministers from departmental work, these practices actually attach greater importance to the "managerial" orientation of ministers' roles' (Di Francesco and Eppel, 2011, p.124). The extent to which the executive or managerial role of ministers was an integral part of the 'revolution' is debatable: remember the cry 'let the managers manage'? Were ministers to be among the managers? Or, less dramatically, was the emphasis to be on an expectation that ministers would in future play a more positive role in directing their departments and holding them to the delivery of the 'outputs' that the minister had agreed to purchase. The latter is more in line with my recollection; and Di Francesco and Eppel acknowledge that, in practice, ministers, as a general rule, have not conformed to the 'enduring presumption of a managerial role for responsible ministers' (ibid., p.135).

At the risk of the charge of 'antiquarianism' I suggest that there is still relevance in the metaphor employed by Tom Shand 60 years ago:

> The ideal relationship of Minister and departmental head is not unlike that of Siamese twins who move, who stand or fall together. The one looks out principally upon the world at large, the other looks back upon the department which together they must lead. (Shand, 1959, p.67)

Historically, effective relationships between ministers and the 'leaders' of departments have been built on mutual acceptance of the inextricably close links coupled with a focus on their respective environments; and the complementary exercise of their own tailored capabilities and skills, political and administrative respectively. Such a relationship is consistent with the constitutional convention of vicarious ministerial responsibility.

Whether or not ministers should be more actively involved in the management of their departments, as Di Francesco and Eppel suggest, there is a strong democratic argument for greater attention to be paid to the constitutional responsibility of ministers. In this context the attitude of the present speaker of the House in requiring ministers to answer questions is welcome.

While pursuing the wholly admirable objective of greater collaboration across agencies, the Better Public Services report proposes new arrangements for leadership in sectors that are 'founded on a shift in the public management model from decision-rights usually at agency level to more cases where decision-rights are at sector or at system level' (BPSAG, 2011, p.47). Specifically, the group recommends that the State Sector Act 1988 should be changed to 'rebalance the accountability of public service chief executives more towards the delivery of better results and value-for-money, including requirements to collaborate where necessary, and away from the independent management and operation of departments' (ibid., p.53). Parallel changes in the Public Finance Act 1989 would also be required.

The Better Public Services report does acknowledge that increased cross-sector linkages 'will rely heavily on the goodwill of chief executives and on securing alignment of ministerial interests' (p.32). But, not surprisingly, the group does not discuss the way in which the proposed movement away from the hierarchical and contractual accountability regime that has been in place since the late 1980s will affect ministerial responsibility, quite apart from implications for the day-to-day working relationships among ministers and senior officials. As discussed earlier, the Westminster system assumed a partnership or 'Siamese twins' working relationship between ministers and departmental heads within a constitutional framework that formally identified responsibility. This became blurred after the State Sector Act. Now, with changes contemplated to better focus the resources of the public service on the 'big issues', there is the potential to further dilute the convention of vicarious ministerial responsibility. For example, how does the appointment[10] of a 'lead CEO' to be accountable for achieving the new targets set by ministers affect lines of accountability for the several agencies involved? (For a perceptive in-depth discussion of the accountability issues involved in joint working, see Boston and Gill, 2011.)

... the Westminster system assumed a partnership or 'Siamese twins' working relationship between ministers and departmental heads within a constitutional framework that formally identified responsibility.

It is not to downplay the search for a better-performing public service to seek to redirect attention to the constitutional issue of ministerial responsibility. A Canadian scholar has neatly captured the concern:

> In retaining responsibility for even what may seem minor and routine matters of administration, accepted by all as the work of civil servants, the doctrine [of ministerial responsibility] also retains the capacity for a direct government response to a public need of any scope. Thus the doctrine offers democratic control over bureaucratic

> administration past and future.
> (Sutherland, 1991, p.100)

The reluctance of an advisory group including senior officials to address the place of 'ministerial responsibility' is understandable. But it would be desirable for the topic to receive attention: perhaps the Institute for Governance and Policy Studies could convene a broadly-based round table (see James, 2002, for a previous exercise), or the constitutional review now getting under way could include within its deliberations the location of responsibility for executive acts.

The 'checks and balances' required in a central agency arrangement built around the Department of the Prime Minister and Cabinet, Treasury and the SSC have served New Zealand well and should be maintained.

The place of the SSC

A reduction in the service-wide authority and influence of the State Services Commission was an overt intention of the State Sector Act 1988. Most obvious was the devolution of the employer role to chief executives. Despite the influence associated with the employment of chief executives and the achievements of successive commissioners in such areas as ethical codes, performance and service leadership, the status, both statutory and in practice, of the commission in 2012 is much diminished from its dominant role across the service before 1988.

To an outsider, given speculation over the last few years about the demise of the commission a surprising – but welcome – feature of the advisory group's report is the proposal that the State Services Commissioner should be formally designated as the '*Head* of State Services'. The new mandate would hold the Commissioner 'accountable for overall performance of the state services and empowered to appoint sector heads; determine functional system-wide leadership roles and appoint chief executives into these roles; and deploy chief executives and second and third tier leaders to critical roles across the system' (BPSAG, 2011, p.53). Again, as with the appointment of 'lead CEOs' to be accountable for the achievement of cross-agency targets, empowering the commissioner to intervene at the 'second and third tier' in departments has, on the face of it, the potential for further confusing lines of accountability.

The rationale for this significant move away from current arrangements – where public sector leadership is 'held loosely and somewhat jointly between the three central agencies' – is that one agency can be held to account for overall performance of the state sector, although the Treasury and the Department of the Prime Minister and Cabinet will continue to have crucial functions and work closely with the commission. That does not, however, justify the advisory group's suggestion that 'it is worth considering merging the Department of the Prime Minister and Cabinet with the State Services Commission *in time*' (ibid., p.51, emphasis added). To do so would be a retrograde step.

A defining role of the State Services Commission (and its predecessors) from 1912 to 1988 was that it acted as a buffer between ministers and the non-partisan public service. Dignified with appointment by the governor-general and enjoying statutory independence,[11] the Commission in matters other than finance was clearly *primus inter pares* among departmental heads. The Commission's powers were wide – Lipson (1948, p.439) quotes a Commissioner commenting 'too wide' – and were exercised with an appreciation of the need to retain the confidence of the government of the day. But when departmental heads were having differences with ministers the intervention of the SSC was a means of maintaining in working order the relationships at the centre of government. Underpinning the Commission's authority was its statutory independence. The Commission also has important leadership roles, certainly no less important than in the past, in setting minimum standards of integrity and conduct (State Sector Act 1988, s.57) and to provide and maintain for the public service 'persons who have the ability to manage at the most senior level'.[12]

The Department of the Prime Minister and Cabinet, effectively created in 1975, has been described as 'the constitutional and institutional glue' of the government. It carries no independence (except in respect of staff matters): it is essentially 'political' (albeit not partisan) in its crucial primary function of assisting the prime minister to guide and coordinate the business of the government in office. For a comparative discussion of 'the increasing concentration of power in the office of the prime minister [which] has become a defining feature in Australia, Britain and Canada' see Aucoin (2012): his account of the staffing of the top positions in the public service by the prime minister in Australia, Britain and Canada – 'a serious exception to the normative structure of a nonpartisan public service'– is a cautionary tale (Aucoin, 2012, pp.184, 191). The 'checks and balances' required in a central agency arrangement built around the Department of the Prime Minister and Cabinet, Treasury and the SSC have served New Zealand well and should be maintained.

Given the understandable current preoccupation with 'more from less', the case for a respected stand-alone agency providing long-term leadership in service-wide human resources and ethical issues is strengthened not weakened.

Conclusion

The advisory group has opened up new directions for change in the state sector by proposing to extend initiatives already at play in some areas. Its recommendations are more far-reaching than has been

discussed in this essay: for instance, in the discussion of opportunities for the use of information technology. The theme that runs through the report is the need to bring to bear on the 'big issues' confronting New Zealand the resources that are found in different agencies across the state sector. Collaboration by various means is proposed. Successful implementation of these proposed measures aims to overcome failings long identified in the 'vertical' accountability structures inaugurated by the reforms of the late 1980s. The virtue of unity in the name of the Crown will again be acknowledged.

Within a framework that is built on the relevance of history, the purpose of this article has been: to caution against major structural change (and the attendant disruption and threat to 'institutional memory'); to question the clarity of lines of accountability in some of the arrangements now proposed; to urge that renewed attention be directed towards the importance of the convention of vicarious ministerial responsibility; and to assert the virtues of a separate dedicated central personnel agency – not least in taking the lead in encouraging a sense of the unity of the public service as an institution at the centre of the New Zealand constitution.

1 The minister of justice announced on 24 May the establishment of a Justice Sector Fund, allowing the justice agencies – Corrections, Courts, Justice, Police and the Serious Fraud Office – to share savings.
2 PPBS: planning, programming, budgeting system; Sigma: system of integrated government management accounting; COPE: Committee of Officials on Public Expenditure (group of permanent heads who, with the Treasury head as chair, reviewed votes prior to the Budget); CCEX: Cabinet Committee on Expenditure; 'compensatory savings': all new policies had to be funded from savings elsewhere in the Vote.
3 http://www.beehive.govt.nz/release/government-sets-public-sector-5-year-targets.
4 Paragraph 3.3 of the manual at the same page defines the organisations that constitute the 'state services'.
5 'The indivisibility of the Crown' features in discussions of the 'composite' Crown in relation to the emergence of nations within the Commonwealth (see Joseph, 1993, p.492). As defined in the Public Finance Act 1989 (s.2), the Crown is 'any department or instrument of the government, or any branch or division thereof''.
6 It should be noted that the National-led government in its first term incorporated the National Library and Archives New Zealand into the Department of Internal Affairs, brought the Ministry of Fisheries into the Ministry of Agriculture and Forestry (now the Ministry for Primary Industries) and merged the Foundation and Ministry of Research, Science and Technology into a new Ministry of Science and Innovation.
7 The costs of restructuring, albeit within one department, in terms of institutional memory and continuity have been to the fore in current discussion of change in the Ministry of Foreign Affairs and Trade.
8 For an interesting commentary on machinery of government changes in the United Kingdom during the Blair regime, see Heppell, 2011).
9 It is instructive that the State Services Commission website (in 2002) lists among the factors causing 'friction' 'increased exposure of public servants to criticism (including public criticism from Ministers and politicians) and reduced anonymity' and 'increased pressures to advocate and explain on behalf of Ministers'. A decade later the same observations are frequently made.
10 See SSC website, http://www.ssc.govt.nz/bps-results-for-nzers, 25 June 2012.
11 The commissioner's independence is preserved in the current legislation, with the significant exception of chief executive appointments (State Sector Act 1988, s.5).
12 The language is taken from the revoked section 46 of the 1988 act relating to the Senior Executive Service; while the SES was short-lived the commission's role remains. Without any reflection on the individuals concerned, the recent appointments of the heads of Treasury, Health, Education and Work and Income from overseas at the very least raises questions about the efficacy of succession planning.

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Brad Jackson and Owain Smolovic Jones

Promoting Better Public Services Leadership

An Appreciative Critique

The authors of the *Better Public Services Advisory Group Report* (the BPS report) have concluded in a refreshingly unequivocal way that, in order to create 'a public service and state sector that is achieving value-for-money, is innovative, provides high-quality services and manages change effectively', the task with which they were charged to investigate, 'the single most critical driver of successful change is leadership' (Better Public Services Advisory Group (BPSAG), 2011, pp.3, 53).

As leadership scholars we were naturally delighted, and, of course, not the least bit surprised, by this conclusion. After all, 'leadership' is one of those concepts which tends to be liberally drawn upon as both the source of and the solution to many of society's problems, from the global financial crisis to global warming. Indeed, leadership is a very handy catch-all term that never seems to lose its rhetorical appeal. Scepticism aside, we are deeply convinced in the power of effective leadership in galvanising groups to grapple collectively with the most challenging and entrenched problems. We have directly witnessed this (and the reverse) in our experience as developers, as well as through our reading of a veritable mountain of academic papers.

The burgeoning leadership industry has been both helpful and unhelpful in promoting a clearer and shared understanding, and better practice in leadership. We agree with Barbara Kellerman in her recent critique of the industry, *The End of Leadership*, that we need to do better if we want to be a part of the solution, not the problem (Kellerman, 2012). Specifically, we need to shift from a preoccupation with seeking out heroic leaders to point the way forward in an increasingly uncertain age to encouraging the public to actively create leadership, by both participating in a more active way with civic life and demanding more engaged leadership from those in positions of authority. Without such engagement it is unlikely that we will get very far in tackling complex and emergent issues. We were, therefore, heartened and energised by the stance that the authors of the Better Public Services report took when they concluded quite forcefully that the leadership challenge of our present age is related to more systemic, more integrative, more distributed and more purpose-driven approaches to leading.

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In this article we will focus on the four 'better' leadership practices that are promoted by the authors of the Better Public Services report when they envisage a future public service that is truly responsive, flexible and innovative, as well as efficient and effective. We will also draw on the draft issues paper entitled 'Leadership for improved results' which informed some of the BPS advisory group's thinking (Secretariat for State Sector Reform, 2011). We will assess the rationale for each of these practices and suggest what might be missing and how these might be further enhanced. In this regard we wish to present an appreciative critique that actively draws on the most salient and progressive leadership research, and, in the process, make what we hope will be helpful suggestions for ensuring that these new leadership practices are developed in support of a truly better public service.

Better leadership is underpinned by better governance

The linkage between governance and leadership practices has only recently begun to be explicitly recognised and actively worked upon. While they are often studied and developed in isolation, we now recognise that how an organisation chooses to govern itself – by which we mean the corporate governance of an organisation – will either constrain or enable the leadership it can exercise over its internal and external stakeholders (Erakovic and Jackson, 2012). Research conducted by the New Zealand Leadership Institute involving both chairs of boards and chief executives from a wide range of private, public and not-for-profit organisations identified a number of consequences, many of them unintended, that entrenched governance practices had in constraining the scale and scope of leadership.

While it is unfortunate that the BPS report does not dwell in any great detail on what kinds of changes to current governance practices will need to be made in order to promote the type of boundary-crossing, purpose-driven leadership it is advocating, it does recognise that certain governance mechanisms, with varying degrees of formality and permanence, will need to be put in place to oversee the leaders. For example, the advisory group notes that '[boards] could also be used to support chief executives in leading a sector, and are already being used (eg, in the justice sector …). More use of sector boards could support collective responsibility for results, including use of resources and stakeholder management' (BPSAG, 2011, p.47).

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In addition the advisory group does, in a few places in the report, make specific reference to the role of the minister in influencing the kind of leadership that might be practiced by senior public servants. For example, it notes that 'if Ministers concurred in this analysis, it could be envisaged that a single chief executive in each sector be charged with lead responsibility for delivering the Government's priority results and for a preparing a *Results Action Plan*' (ibid.).

Senior civil service and political leaders should view their governance role as active players in leadership delivery, not as arm's-length police officers of the process. They have a vital role to play in shaping the purpose and ongoing delivery of public leadership. It is the creation of a 'them and us' culture of governance that is widely credited with contributing to the global financial crisis, where operational officers worked around governance structures and those involved in governance followed too narrow a 'checks and balances' remit.

An important role of governance is to guide purpose and meaning – for senior leaders to have their skin in the game. Missing from the report is an acknowledgement that, no matter how perfectly crafted the policy is on paper, it is politicians who will be tasked with selling, and living or dying by, the results. Experiences of a more systemic approach to leadership tend to be met with enthusiasm in professional circles, yet with confusion and even anger amongst the public. It is one thing to suggest a more streamlined, technically advanced solution; another to turn such a vision into reality. While the report undoubtedly offers a powerful case for a better future, it presents an under-developed political framing as to how we might get there, particularly in terms of enrolling the public in the potentially contentious specifics (Grint, forthcoming).

Experiences in the United Kingdom have shown that proceeding with such systemic leadership in practice can be a much harder task than the production of a stimulating report. The problem is, of course, that people tend not to be rational, dispassionate creatures, but full of hopes, fears and cultural predispositions towards one world view or another (Ariely, 2008). Political messages do not reach the public in a pure, unmediated form. Rather, they do so piecemeal, scattered across time and space, with a heavy dose of spin from the mass media, which, of course, will be motivated by its own interests, not necessarily those of its viewers and readers (Iyengar, 2005).

A citizen or a public servant, for that matter, will be unlikely to encounter the sensible administrative ideas, such as a standardising of systems or the consolidation of budgets, contained within BPS report in holistic terms, but rather as a fractured series of one-off experiences: for example, reading a local press story about cuts in a certain agency, or noticing additional police presence in a neighbourhood. Moreover, experience

in the UK shows that people rarely respond with enthusiasm towards such far-reaching, abstract policy initiatives. David Cameron's poll ratings started to plummet when he built his core narrative around the 'Big Society' idea. While not dead in the water, the idea has since been pushed underwater, there but rarely spoken about in the open.

Prior to the coalition government taking power in Britain, Labour promoted a 'Total Place' approach to service delivery. Total Place viewed a much more proactive, positive role for government within society, with a belief that government could be made to work towards radical social change. In Total Place, local delivery agencies were provided with some central funding to tackle a particularly pressing, cross-sector issue (such as children's health and well-being). Emphasis was placed not on individual, heroic transformation but on a group of collective minds working together on a problem previously regarded as intractable. All of the important players regarded as integral to sustaining a leadership solution to the issue worked together in a single project team, to better connect, target, integrate and innovate (Leadership Centre for Local Government, 2010). Although radical in ambition, the policy, perhaps acknowledging the tough sell of such abstract policy to the public, was placed in the background come election time. As Labour lost the election in 2010, so too the policy seemed to lose momentum, in favour of the Big Society, which has also subsequently been shuffled off into the background.

The ideological underpinnings of the Better Public Services report more closely resemble the government-driven solutions of the UK's Total Place (i.e. government can work well, if reformed more in the direction of a collaborative governance model) than Big Society (government does not deliver for people, which is why we need more direct involvement from business and the voluntary sector in delivering core public services). It is a model based upon collaboration rather than competition.

This points to a significant political leadership challenge for such systemic solutions. We identify two core implications for leadership. The first is one of realpolitik. Any political party pursuing such systemic leadership will need to pay heed to its local elements: what will politicians be saying about these initiatives at a local level, where the consequences will be felt? The second is more ideological. The report in and of itself is not particularly left- or right-wing; it is relatively ideologically neutral, albeit more collaborative than its potential alternatives. Yet it is also ambiguous in as much as the collaborative language is contradicted by its emphasis on strong, central command functions. So which is it to be? Are we serious about systemic, collaborative leadership, or hedging our bets? This is a leadership agenda that could be picked up and reformed by either the centre right or centre left, built around the values of either, but it awaits a big, bold, ideological sell, which will demand considerable courage and spending of political capital.

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Better leadership combines administrative leadership with adaptive leadership

While 'leadership' appears to be the central concept of the report, when we subject it to more scrutiny what we find is a description of a more managerial set of tasks and roles. For example, the report addresses the need for a 'culture-build process across the state services', but views the solution to this challenge as technical, 'defining the behaviours required of all state employees (for example, integrity, innovation, continuous improvement), strongly communicating and reinforcing these expectations wherever they are displayed, and aligning the formal parts of the system to incentivise, support and reward these behaviours (eg, recruitment, performance agreements and performance review processes' (p.53). The diagnosis of the problem is one rooted in a living system but the prescription draws heavily on well-trodden mechanistic, managerial solutions. For example, the leadership solutions are seen to be the sole preserve of the 'leaders' at the top of the organisation, who are charged with getting the 'managers' below them on side so that they, in turn, can get the 'employees' on side too. The report strongly recommends that the State Services Commissioner and the chief executive of the Department of the Prime Minister and Cabinet come together to 'bring together more closely the Government's overall priorities with the levers to make change happen' (ibid.). This presents a conventional 'magical' view of leadership as the result of isolated action by individuals endowed with the mystical ability to bring leadership to life (Alvesson and Sveningsson, 2003). The problem, of course, lies in the notion that the 'levers' are mechanically connected throughout the entire machinery of government.

We acknowledge the importance of personal accountability and targets within the public sector, where people's taxes have to be accounted for and spent wisely. It would be naïve to suggest otherwise. Indeed, the science of management has always walked hand in hand with the art of leadership: one seems impossible without the other (Grint, 2005b). Yet the report seems preoccupied with administrative solutions situated in a strong patriarchal model of leadership. The recommended action does not match the rhetoric of cross-system collaboration. Mary Uhl-Bien (2006) has concluded that leadership within complex environments requires administrative leadership (i.e. top-down, holding a structure and setting targets), adaptive leadership (i.e. bottom-

up, locally responsive) and enabling leadership (i.e. linking administrative and adaptive leadership). The report does a good job of formulating the new forms of administrative leadership that are required, but is strangely silent on the new types of adaptive and enabling leadership that will also be required. Targets plus personal accountability do not equal adaptive leadership.

Grint and Holt (2011) have observed that a key public leadership responsibility is not to protect the public or staff from the realities of tough economic times but to expose them to the discomfort of the situation, so that they feel the 'heat' of leadership (Heifetz, 1994). Such an idea has serious consequences in a time of economic hardship, as it is an expectation that people will face up to the reality of the situation and engage in a discussion about a range of solutions which may be equally unpalatable. This is a counterintuitive notion for many, as the traditional model of leadership is one of individual leaders holding responsibility (and the blame) for pressing public issues (Grint, 2010). It is only when all public servants take on and personally own an issue that pressing and seemingly intractable issues might begin to be solved. Such a view of leadership implies that the role of government is to provide a holding structure enabling local and front-line leaders to take risks and make mistakes and thereby learn leadership together. The short-term consequences might very well result in uncomfortable newspaper headlines. In fact, we would argue that if local adaptive leadership is not generating any uncomfortable coverage it is possible that leadership is not, in fact, being exercised. In this regime, senior politicians and civil servants become the protectors of innovation, the guardians of leadership, creating a fire-break to create the space for leadership locally. Their role is to connect, as much as innovate and provide structure.

In this sense, senior leaders need to embody the leadership vision and challenge. Their words should be connected to their deeds, with senior leaders prepared to both set an adaptive challenge but also defend those generating leadership on the ground. As such, a relationship of authentic leadership may be created, less rooted in individual brilliance or competencies, more embedded in robust relationships of trust (Nicholson and Carroll, forthcoming; Smolovic Jones and Grint, forthcoming).

Better leadership is purpose-driven not targets-driven

Another strength of the Better Public Services report is its explicit recognition that better leadership can happen if it is rooted in a shared purpose that can galvanise public servants as well as citizens over the long haul in a way that specific individual or team or departmental performance targets do not (Kempster, Jackson and Conroy, 2011). As Hughes and Smart note, 'Citizens have begun to demand more from their public service than just outputs and efficiency. In order to continue the positive trends of the previous decades, the system must continue to evolve to appreciate the importance of outcomes and effectiveness' (Hughes and Smart, 2012, p.3). In the short term, targets do tend to stimulate individual attention and focus the mind and effort, but they generally do not succeed either in maintaining focus in the long term or in building the scale of combined effort that is required to tackle the tougher, more intractable systemic problems that are meaningful to a large portion of the population. Everybody is quick to recognise that leadership is important, but the all-important 'for what?' question is rarely addressed.

If we put aside the idea that leadership is best viewed within the unit of the individual, we are left with a view of leadership as being co-created relationally, collectively.

In a recent *Policy Quarterly,* Robinson referred to Christopher Hood's trenchant observation that '"the element of terror" involved in the targets in UK public sector management had made it a "distant cousin" of the system in the USSR' and succeeded only in creating a '"hanging admirals" culture' (Robinson, 2012, p.11). This view of the UK's target-driven strategy of the first- and partly second-term Blair governments is widely acknowledged, even by Blair himself (Blair, 2010), who regarded a targets culture as a short-term solution. Stories abounded of underhand tactics in delivering on targets, with chief executives familiar with the connotations of a 'call from the Minister'. Yet the driving of results through strict targets was viewed as but the first step in repairing broken public services. From there, the Blair government introduced a regime of competition into health care and education, with the introduction of academy schools and foundation hospitals (Le Grand, 2007).

The strategy outlined in the BPS report is one of collaboration around a common purpose, rather than competition around specific metrics. It is guided by the hope that public professionals will want to lead across systems rather than compete within systems: 'shift[ing] the overall balance of decision-rights in the state services away from individual agencies and towards the needs of the system' (BPSAG, 2011, p.53). The '10 challenging results' for the public sector to achieve over the next five years are a combination of ends and means that is a step in the right direction along the target–purpose continuum. There are elements of both contained within them, although the purpose tends to be implied rather than made explicit. It will be interesting to see the extent to which individuals and organisations choose to view these as being targets or as providing purpose-driven direction.

The strength of collaboration is that it acknowledges that our public services exist in order to solve messy, complex social problems (Grint, 2005b). The problem with collaboration is that there is no single, simple leadership solution. If that were the case, then the problem would not be complex and there would be no need for leadership; management,

or command, would suffice. If we put aside the idea that leadership is best viewed within the unit of the individual, we are left with a view of leadership as being co-created relationally, collectively. Such a complex view of leadership acknowledges that local needs will vary and that leadership needs to be adaptive, with leaders given the space to learn how to lead in situ, across the system. This implies as much attention to more micro, mundane leadership practices as to grand strategy, as it is highly unlikely that a single strategy will suffice for all situations in all locations. As is noted by the report, the challenge is contextual, as 'different sectors will require different leadership arrangements' and at 'different times more or less formal arrangements' (p.47).

Senior leaders can't be everywhere at all times. They need the middle and lower tiers of organisations working together, across boundaries, to drive change. Leaders are only as effective as their followers allow them to be (Grint, 2005a).

The glaring implication here is the importance of horizontal, collaborative leadership development which is, in our view, an element that is not properly addressed in this report. The view of leadership development as an immediate priority is welcome. The idea of developing leadership across organisational boundaries is exciting and innovative, if short on detail. New Zealand's size means that we can think of our country's public service as a single, complex system. We believe the potential for developing leadership capacity across public agencies offers great scope for the future. The solution seems to be that of developing leadership across an issue, rather than an agency or department, which in turn implies a focus on adaptive, collective practice, not individually-focused psychometrics, the search for hero leaders, or even interpersonal 'communication' skills. There is no individual hero; our collective capacity can be inspiration enough. New Zealand has the enviable capacity to get 'the system' (i.e. people concerned with a particular leadership issue) in the same room: this is a unique opportunity for some very real and lasting leadership development.

Drawing in isolated individuals from departments or agencies for leadership development programmes is helpful, but only a partial solution. The art of leadership development in a complex environment is to enable a system to learn together. In other words, the learning and the work are so closely related as to be inseparable. It is a difficult and counterintuitive notion to accept because so much of our efforts and everyday functioning is rooted in the traditional programme or course, and even individual staff training budgets. Human resource professionals are generally employed to tend to the development needs of individuals, although sometimes groups, within the four walls of an organisation. The system as it currently stands is stacked against leadership development which can deliver more transformational change. This is not directly addressed in the Better Public Services report. Yet the challenge is very real – a structural and mindset challenge rooted in learnt, habitual thinking around development.

The advisory group's report is particularly strong and refreshing in the emphasis it places upon inter-group leadership, by giving great prominence to the need to lead across departmental boundaries in order to build the critical mass of expertise and resources needed to tackle the country's most significant problems, which don't fit cleanly along departmental or disciplinary lines.

Yet New Zealand, as a small and relatively prosperous country, is in a wonderful position to challenge orthodox thinking on leadership development, to make the system work for the leadership issues, instead of the present situation where the leadership issue is fragmented and distorted to work for the interests of the system.

There is still a role for the policy and leadership experts – to provide guidance and access to outside, cutting-edge ideas which may enable the system to work in a radically more effective way. But the development should be geared around the needs of the leadership issue, not vice versa. We need to stop thinking of the leadership development unit of analysis as a single person and see it instead as the system which works across a leadership issue. This is where the momentum and big wins are possible.

Better leadership breaks down boundaries

Leadership scholars have recently recognised that research and development has been far too preoccupied with understanding and fostering intra-organisational leadership (i.e. leadership *within* groups or organisations) rather than inter-group leadership (leadership between groups and organisations). Pittinsky and Simon (2007) note a tendency on the part of many leaders to foster strong intra-group leadership through solidarity by defining a strong sense of 'in' and 'out' groups. The limitations of this strategy soon become abundantly clear as leaders begin to attempt to bind 'in' and 'out' groups which have traditionally been in active competition with each other and so harbour deep suspicions, and, in some cases, are actively hostile to each other.

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to tackle the country's most significant problems, which don't fit cleanly along departmental or disciplinary lines. For example, the authors note that 'change is needed to allow resources to be applied to achieving results that span more than one department or that fall between the responsibilities of individual departments' (p.20). The report points to a couple of examples in which this has been achieved. It also recognises that a different type of leadership will need to be exhibited by senior public servants in order to pull this off. Indeed, the report could perhaps have gone even further by explicitly stating that some un-learning may need to take place to shift from tried-and-trusted, technically proficient, department-focused leadership.

While we applaud the call to break down boundaries within the public sector, we also believe there is an opportunity and a great need for leaders to look beyond the public service to break down barriers between the private and not-for-profit sectors in order to create 'public integrative leadership' that is aimed at tackling public problems that advance the public good (Crosby and Bryson, 2010). New Zealand's greatest strength is its relative simplicity due to its small size, and yet we still seem to insist on creating remarkably tall and impenetrable barriers between our sectors, when we might reasonably have expected in a society where 'everybody knows everybody' considerably greater movement of people, ideas and resources between them.

One powerful way in which we believe that this kind of public integrative leadership might be fostered is by shifting the focus of leadership from institution to place. If we centre our attention on preservation and innovation on our land, then we stretch our notion of what leadership is for. Not simply is it for making the present more efficient and effective for taxpayers (as important as this is), it is for safeguarding our services for future generations of New Zealanders. If this is the mission, then the drawing up and fierce protection of organisational boundaries will become considerably less meaningful or compelling. New Zealand is well placed to promote place-based leadership, as viewing land and place as meaningful in the present, past and future is central to the Māori world view. Who holds what position and which 'levers' of authority is fundamentally less important than the generation and cultivation of places of leadership into the future.

Much contemporary research in the sphere of leadership has focused upon how barriers between agencies and departments create unhelpful obstacles to change, with an accompanying body of evidence now showing that organisational boundaries are often a prime reason for the non-spread of innovation (Ferlie et al., 2005). If we think of leadership as related to the nurturing and cultivation of a place, then who holds which position of authority becomes less important. A powerful case has been made that the kind of leadership now required in our public sphere is what some writers refer to as nomad leadership, where we cultivate leaders who are not inhibited by positional constructs but who can work effectively both with boundary objects and across boundary constraints (Wood, 2005). Not that we should fantasise about a leadership world in which power plays no role; that would be naïvely utopian. Rather, what we suggest is that the art of leadership in this interconnected world is one where actors are able to draw upon their positional power and connections to establish new working relationships rooted in pressing social concerns (Crosby and Bryson, 2010). Such a regime of leadership requires a regime of support and formal collaborative agreement, for certain, but such challenges will vary depending on the specific local context – the challenge presented by the place, the land and its history. The competing leadership practices of working above, and yet also with, power suggest the development of leadership capacity to work within contested and complex environments.

Leadership is not the preserve of the formally appointed 'leaders'; it must be seen as something that has to be created by all who work in the public sector in partnership with citizens and the business sector.

Conclusion

Overall, we are encouraged by the vision of future leadership practices that is painted in the Better Public Services report. Indeed, there is much to commend in the report beyond the fact that it recognises that leadership, not management, is paramount in promoting organisational change. We strongly endorse the move from results to outcomes, and propose an even stronger purpose orientation that we believe could generate even greater traction if it is explicitly anchored in place and backed by strong government and governance support.

We also applaud the shift from a preoccupation with intra-organisational to inter-group leadership, but caution against the expectation that the twin demands of building partnerships and 'keeping the home fires burning' is a simple question of 'doing more with less'. Very real tensions will arise as a result of competing priorities and depleting resource allocation which will require political acuity on the part of senior leaders.

We appreciate the recognition in the report that this new type of collaborative, purpose-driven leadership begins with modelling from the top but cannot be controlled directly by the top. A space must be created for bottom-up, adaptive leadership processes that might actively challenge administrative leadership. Leadership is not the preserve of the formally appointed 'leaders'; it must be seen as something that has to be created by all who work in the public sector in partnership with citizens and the business sector. A critical linking element between the administrative leadership

processes that are the focus of this report, and the adaptive leadership processes that ultimately drive change throughout the system and beyond into the nation is enabling leadership. This is often unrecognised, but a vital process provided by the middle managers who are often characterised as the dyed-in-the-wool resisters of change, and this report is no different in that regard.

Finally, we endorse the recognition that leadership can be significantly enabled or constrained by the quality of governance that is exhibited. The report occasionally acknowledges the need for the ministers to buy in to this new approach to leadership, but we need to recognise that the kind of governance that has traditionally been manifested by government may also need to be revisited, overhauled and reformed.

Elsewhere we have argued that New Zealand could become the 'testing ground' for new leadership practices and frameworks that can respond to the complexities that much of the world is now grappling with (Jackson, 2012). New Zealand derived a great deal of pride from fostering 'new public management' in the 1980s which was taken up to varying degrees by other public services around the world (Ryan and Gill, 2011). Why can't it now do the same for 'new public leadership'?

The challenge for New Zealand public leadership is a shift of leadership mindset. Shifting from an organisation- or department-focused mindset to one centred on pressing systemic social issues is a difficult one. It does not mean dispensing with accountability, but working with accountabilities differently. Leadership practice across boundaries is context-dependent, concerned with power and the politics of meaning. It is about building coalitions that will work together and learn together: the leadership development is embedded in the work, and vice versa. Such a challenge implies a range of alternative leadership practices, which need to be developed collectively; they are less valuable if isolated within the units of disparate, individual managers. In a world where much talk is dedicated to collaborative leadership, very little of it is visible in practice. New Zealand is in a strong position.

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Implementing Better Public Services

In March 2012 the prime minister announced a set of ten goals or result challenges, and named the ministers who are to be held politically responsible for achievement of each of the the results and the specific public sector chief executives with management accountability. This 'to-do list' (Key, 2012) was accompanied by the release of the report from a group of four senior public officials and three private sector people known as the Better Public Services Advisory Group, which had provided advice to government in late 2011 on how the public sector should be reconfigured to improve the 'system's efficiency and effectiveness – in short to do more and better with less'. The report says that it is the 'starting point for an ongoing programme of reform over the next five years. The objective is better services for New Zealanders, of a type and at a scale that enables our society and economy to flourish' (Better Public Services Advisory Group [BPSAG], 2011, pp.5, 3). The ministers responsible said the advisory group's report 'provides an appropriate platform for an on-going programme of state services performance improvement' (Offices of the Prime Minister, Deputy Prime Minister and Minister of State Services, 2012). Two other decisions – to lower the cap on the number of public servants and to create a new business-facing ministry by merging four existing government agencies – were also announced as part of what has been collectively called the government's 'Better Public Services' reform programme. The deputy prime minister and minister of state services have jointly signalled their intention to amend the Public Finance and State Sector acts to 'give public sector leaders more flexibility to operate in different ways' to achieve better results, and to retain the advisory group to 'ensure the next phases of the reform programme produce real and demonstrable change on the ground – and within the desired timeframes' (Deputy Prime Minister and Minister of State Services, 2012).

New Zealand is not alone in its goal to change the paradigm of its public services:

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the United States, England, Scotland, Singapore and Australia, to name a few, have similar aspirations. The prime minister positioned the Better Public Services reform as one of four priorities for the government, alongside financial management, economic growth and rebuilding Christchurch. If the level of international activity aimed at improving public services and the priority and importance given to Better Public Services in New Zealand are indicators, then the implementation of New Zealand's Better Public Services programme demands attention at home and will be of interest further afield. While it is early days, it is likely that the outcome of Better Public Services reform will be different from what people have so far named, planned for or even considered. Why this is likely to be so and why this matters for achieving the outcomes intended by the reform is the subject of this article. New Zealand could again be an exemplary case of public sector reform which generates international interest, not just for the boldness of its changes but also for its effectiveness in achieving better public services. The outcome of the Better Public Services programme will depend on a large number of contingencies – currently unknowns and unknowables – and the implementation approach needs to make allowance for this. This article draws upon the complex implementation literature to examine what is being implemented in the Better Public Service reform programme, what makes this a complex implementation, and the implications for those leading and participating in the reform programme.

What is being implemented?

Surveying the information about Better Public Services in the public domain at the time of writing reveals some of the complexity of what is being implemented. The January Cabinet paper outlining the reform programme contains an 'indicative change implementation roadmap 2012–2014' with seven strands of work, one of which is the focus on 'results'. Achievement of the government's ten result areas alone is a significant, challenging and complex implementation task. It is a complex implementation because the precise nature of the changes required to achieve the results is not currently known. They could not be known, even with an exhaustive amount of analysis, simply because government does not have all the information it needs to do such an analysis, and also because achieving the result requires the actions of many actors whom government and its agencies cannot directly control or predictably influence. According to the prime minister, achieving these results requires a change in the culture of the public sector. We agree on that point, but leadership of the results-focused complex implementation task envisioned by the prime minister is only one part of the implementation road map.

The advisory group report and its prescriptions for change are primarily about *achieving the capability to achieve results systemically* rather than *achieving the results per se.*

The announcement that the State Services Commissioner will 'lead the overall reform programme, supported by an Implementation Advisory Group', the membership of which contains most of the non-public service members of original Better Public Services Advisory Group (Deputy Prime Minister and Minister of State Services, 2012), introduces another initiator of change alongside the ministers and chief executives named by the prime minister. This work is supported by the Department of Customs chief executive, who has been 'asked by the State Services Commissioner to lead the implementation work programme'. The relationship between these arrangements and the chief executives charged with delivering the 'results' named by the prime minister is unclear, since the same Cabinet paper says, 'other chief executives *may* [our emphasis] also attend meetings of the Advisory Group from time to time' (Offices of the Prime Minister, Deputy Prime Minister and Minister of State Services, 2012, p.2). Leadership of change appears to be split between the ministers and chief executives charged with delivering the nominated results, and the broader enabling processes led by the state services commissioner. An important question, therefore, is how to ensure that the implementation tasks led by the state services commissioner fit with and support achievement of the prime minister's results-focused agenda. While the stated objective of the Better Public Services report is 'a public service and state sector that is achieving value-for-money, is innovative, provides high-quality services and manages change effectively' (BPSAG, 2011, p.3), it goes further than end points and principles/touchstones and begins to specify instrumental means.

The framework announced by the prime minister is primarily about goals, aspirations and directions of change in particular sectors and is silent about the means for getting the results. The advisory group report and its prescriptions for change are primarily about *achieving the capability to achieve results* systemically rather than *achieving the results per se*. This is a subtle but important difference. The advisory group report details what should happen to have the public sector perform more effectively as a whole to achieve results: clearer, stronger leadership, less clutter of decision points, and more motivation to continuously innovate and improve value for money from public expenditure. 'The first significant change proposed … is to reconfigure the system much more directly around those results or outcomes that matter most to New Zealanders'. Now that government has clearly stated its priorities, state services should be a 'proactive mobiliser of people and resources to deliver the priorities set by the government' (p.6). Although these two sets of implementation tasks may appear superficially aligned and complementary, the social complexity of

their implementation makes it doubtful that they will remain so.

Under the arrangements that have been created it is likely that implementation will focus on the 'easier' structural and administrative changes, which are the domain of the technical experts leading the process, with only a marginal impact on the existing public service-centric culture, and in lieu of the harder but much-needed deeper systemic change towards a citizen-centric and results-orientated culture of improved performance. As strands of work identified on the implementation road map, these structural and instrumental changes are elevated in importance to the same level as the results, and, unfortunately, because they take the prime focus away from the achievement of the prime minister's results, might in the end be the only 'results' achieved. Without a primary focus on outcomes there are likely to be so many changes emerging from the work streams overseen by the state services commissioner that some much-wanted changes will be cancelled out by other changes, and opportunities for innovation will be lost. Unless, that is, there is a deliberate focus on learning and adapting plans at each step in the change process. If achievement of better services outcomes is the government's priority, then there is a strong argument for leadership of change to come from the named ministers and chief executives expected to deliver the specific nominated results. They have their reputations on the line and the most to lose in the short term from any failure. Implementation of the advisory group's report could then support and enable but not lead the change process. A deterministic focus on a centrally-prescribed set of instrumental changes by the state services commissioner, and the closed intra-government process pursued to date, will limit the learning and un-thought-about innovation and change that might be possible through pursuit of the better service results.

What do we know about complex implementation?

If we temporarily leave aside the potential for conflict between the pursuit of results *per se*, and the implementation of a prescriptive set of instrumental changes expected to enable the achievement of the results, we can nevertheless be sure that both are complex implementations (Eppel, Turner and Wolf, 2011). That is, in spite of the beguiling simplicity of the way some of the goals and means are expressed, all need to engage the hearts and minds of multiple actors across government and its agencies, and, more importantly, people and organisations in the community as well. For example, the skills and employment goal of 85% of 18-year-olds with NCEA level 2 equivalent or better needs a focus not only on the students and teaching and other practices in schools but also on a multitude of other factors, such as support from peers, family and whānau, which research says influence educational achievement. Failure to engage with all the actors who need to be part of the solution and have some of the knowledge required to find sustainable solutions is one of the reasons complex implementations fail (Klijn, Steijn and Edelenbos, 2010).

The Better Public Services background documents portray thinking about the design and implementation of these reforms as merely complicated, not as complex, by failing to recognise all of the actors involved and how they will influence each other and the outcomes ...

A complex implementation requires the active engagement of people and organisations which have some of the information and resources necessary to solve the problem (e.g. Kickert et al., 1997; Sanderson, 2009). There is no sign at this stage of these Better Public Services implementations going beyond the boundaries of core government agencies and engaging in a process of hypothesis testing and learning that will ultimately bring about both the culture change and the outcomes sought. The Better Public Services background documents portray thinking about the design and implementation of these reforms as merely complicated, not as complex, by failing to recognise all of the actors involved and how they will influence each other and the outcomes (Secretariat for State Sector Reform, 2011a, 2011b, 2011c, 2011d; Evans, Guthrie and Quigley, 2012). To elaborate on the distinction: 'complicated' is about many bits to the puzzle and only some people having sufficient technical understanding to put the puzzle together in a way that works; it could be safe to assume that technical knowledge of public management structures, processes and accountability alone is sufficient, that there is only one best way for the puzzle to be solved, and that the bits of the puzzle are static and will act predictably. 'Complex', on the other hand, while also allowing that there are multiple bits to the puzzle, acknowledges that these bits are also mercurial in their nature, defying attempts to pin them down because they are continually undergoing changes in response to each other and their environment. The knowledge and expertise needed to solve a complex puzzle is highly distributed and takes many forms, not just technical knowledge of structures, systems and processes of government. As a result of this dynamism, solutions require assumptions of unknowability and unpredictability, and that technical knowledge is not sufficient to understand these dynamics (Boonstra and de Caluwe, 2007; Butler and Allen, 2008; Innes and Booher, 2010). Further, there is no one best solution, but rather a number of possible solutions that will come about through interaction and mutual accommodation between particular sets of actors, their local

context, and perceptions of the desired results and how progress towards those results might be achieved. This implies that better public services solutions could differ in different regions and sectors.

Developments in the scholarly literature on public management in recent decades have been moving towards an understanding of policy processes as complex non-linear interactions between actors, although the scholars differ in their explanations of the causal mechanisms at work: for example, the bounded rationality of actors (e.g. Lindblom, 1979; March and Olsen, 1984); non-linear transfer from policy design to implementation because of the interdependent actions of 'street-level bureaucrats' during the implementation process (Lipsky, 1980; Pressman and Wildavsky, 1973); serendipitous combinations of problems and solutions (Kingdon, 1995); disproportionate information processing, leading to periods of stability interrupted by dramatic policy shifts (Jones and Baumgartner, 2005); formation of advocacy coalitions (Sabatier and Jenkins-Smith, 1993); or horizontal inter-organisational relations between networks of actors (Kickert, Klijn and Koppenjan, 1997). Complexity concepts have been used to elucidate aspects of policy processes, such as 'complex adaptive system' and 'coevolution' in decision making (e.g. Gerrits, 2010; Rhodes, 2008; Rhodes and Murray, 2007); 'adaptive systems' and 'self-organisation' applied to implementation (e.g. Butler and Allen, 2008); and self-organisation and 'emergence' in the management of administrative networks (Meek, De Ladurantey and Newell, 2007). Teisman and colleagues have proposed a complexity-informed approach to understanding and managing complex governance processes (Teisman, van Buuren and Gerrits, 2009), while Sanderson (2009) proposed complexity theory and pragmatism as the pillars appropriate for designing and managing complex policy processes. These processes, Sanderson says, are best treated as experiments based on hypotheses, and they should be informed by active individual and organisational learning as implementation progresses.

An assumption of social complexity is needed in the implementation of Better Public Services because there are many independent decision makers (organisations and individuals) inside and outside government involved in the delivery of these services. Existing processes and relationships between these actors, such as accountability processes set up through the existing legislative and procedural processes of public administration and service delivery, create a set of dynamics that are difficult to observe, and nobody could possibly have full knowledge of the detail of all of these interactions. Therefore, implementation planning needs to be sufficiently flexible to enable learning to occur as part of the implementation process (Sanderson, 2009). Furthermore, as changes are made under the Better Public Services reform programme, individuals and organisations will react according to perceptions of what is happening and might happen next. Complexity theory would view these individuals and organisations as parts of a complex adaptive system and their actions will affect the outcome. If those closely involved in the design and implementation of the Better Public Services reform treat it as complicated and needing the intense application of public management expertise, rather than complex and requiring learning from doing and input from diverse forms of expertise, and perspectives from public service users as well as public service designers, they risk missing out on the transformational end goals of the reform. The implications of social complexity discussed in this section are summarised in the first column of Table 1.

Complexity in the context of the implementation of Better Public Services means that the many individuals ... involved in the delivery and use of public services need to be involved in designing how these services might be improved.

Many of the interactions between parts of the public sector system and parts of New Zealand society have achieved an apparent stability which belies the extent of non-linear, reflexive dynamism between the elements. A focus on particular solutions, which attempt to change one apparent macro-pattern of the public service for another without consideration of social complexity, risks blindness to important information which could call into question the basic underlying assumptions about those solutions, and can lead to disastrous outcomes (Gieve and Provost, 2012). The ongoing iterations of positive and negative feedback loops within the public service itself, and between public services and citizens, will produce self-organisation and the emergence of new patterns of behaviour which were not thought of or known about at the outset. In the next section we outline how the implementation of the Better Public Services work programme might best be managed in terms of its leadership, ways of working and processes, taking into account the implications of social complexity so that the desired outcomes can be achieved.

Implications for managing the implementation of Better Public Services

Complexity in the context of the implementation of Better Public Services means that the many individuals (public servants and private citizens who use public services) and organisations (government and community) involved in the delivery and use of public services need to be involved in designing how these services might be improved. Sorensen and Torfing (2011) name this type of collaboration as the unrecognised source of public sector innovation. At this stage there are many inside the public service, and most of the population beyond, for whom Better Public Services is unknown as a programme.

Table 1

Characteristics of the public management systems in which Better Public Services will be implemented	Implication for the Implementation of Better Public Services	Some steps towards complexity-friendly implementation of Better Public Services
Interactions between individual and organisation actors make up a system whole	There are many independent decision makers (organisations and individuals) inside and outside of government involved in the delivery of public services.	Ongoing forum(s) for sensemaking which value and involve all the actors (inside and outside of government) who might have some of the information or resources needed to build better public services, using e.g. Web 2.0 technologies.
Nested and interacting, interdependent systems	Individuals and organisations involved in the delivery of public services and interlinked and a complex matrix of interdependent systems.	Sectoral focus on outcomes led by chief executives and processes at chief executive level to identify undermining as well as reinforcing changes, encouraging aligned changes and disrupting unwanted changes.
Feedback is constantly occurring between interacting systems	Individuals and organisations involved in the delivery of public services influence and are influenced by the actions taken by others in a series of ongoing reflexive processes.	Limit the initiation of changes to that necessary to achieve the outcomes sought. Ministers and Chief Executives lead change to achieve outcomes. State Services Commissioner limits changes to removal of blockages or the construction of pan-system enablers identified by the former.
As a result of feedback, there will be adaptation and coevolution between the interacting systems	The ongoing reflexive patterns of influence and counter-influence between individuals and organisation involved in the delivery of public services leads to adaptive changes and co-evolution between the individuals, the organisation and the policies they are implementing.	Establish means to detect variance from the expected and take deliberate steps to understand different perspectives on why this is occurring. Non-compliance might be a case of conflicting priorities, misinterpreted signals, accidental happen stance or any number of other causes.
Self-organisation and emergence will occur within the systems	Individuals and organisations involved in the delivery of public services will self-organise according to their own sensemaking about what is happening and what they think might happen next. The results of this self-organisation will be the emergence of new associations and coalitions between individuals and organisations and previously unknown behaviour patterns.	Treat all implementation actions as experiments and establish a deliberate two-loop learning process which allows planned actions to be modified, and also informs future thinking and planning.
The systems have socially constructed boundaries and are open to members and information.	The boundaries between government organisations and individuals and organisations outside government are socially constructed through the processes of interaction between them and can be reframed.	Focus on the boundaries that have been constructed and how easy or hard it is for perspectives to transcend these boundaries. Look for ways to reframe the boundaries so as to maximise the different perspectives and information available for problem solving.
Stability is not equilibrium: the systems are far from equilibrium and will undergo sudden and unpredictable changes disproportionate to the size of the stimulus	Influence patterns between individuals and organisations involved in the delivery of public services create familiar patterns and an image of stability which can be mistaken for equilibrium, when in fact the system occupies a far-from-equilibrium state which might suddenly undergo unpredictable change out of all proportion to the change stimulus.	Develop sensitivity to small changes at all levels of the system and adopt leadership and management processes that make it safe to identify patterns which do not fit. New patterns can be encouraged where helpful to overall direction of change and disrupted where not.
The system's history and starting point has a continuing effect on the dynamics of the system	The history of previous changes such as the 1988-89 public sector reforms and the 2000-3 Review of the Centre will continue to influence behaviour of individuals and organisation long after the change stimulus.	Implementation leaders need to recognise that the effects of previous public sector reform processes continue to influence behaviour of individuals and organisations. Therefore implementation leaders need to be explicit about the areas where they are reinforcing previously implemented changes and also explicit about where a different trajectory and outcome is intended and make sure this is widely understood.

Any knowledge of or wish for 'better public services' that individuals have will be filtered through an individual's or an organisation's prior experiences and will vary accordingly. A most important, and currently missing, part of Better Public Services implementation is initiation of an ongoing, purposeful conversation between a wide range of public service 'users' and providers about the outcomes sought and the actions that are individually and collectively needed to achieve them. This would not be a talkfest; it is a necessary and ongoing sense-making process which tests assumptions and creates processes of ongoing learning, as both a precursor to, and a stimulator of, service innovation (Weick, 1995; Ryan et al., 2008; Sorensen and Torfing, 2011). The implications of each of the characteristics of complexity discussed in this section and steps towards their mitigation are summarised in columns two and three of Table 1.

Implementation needs to be tight on outcomes but loose on means or pathways (e.g. Weick and Sutcliffe, 2007), and should treat implementation as an ongoing experiment from which there will be continuous learning to inform future actions (Sanderson, 2009). Better Public Services is a complex implementation which seeks to achieve goals which are broadly stated and understood, but also where the implementer has neither sufficient information nor understanding about the problems standing in the way of achievement of the goals and the means by which these might be overcome. That is, at the very least there are many unknowns, and many different understandings and interpretations of what is 'known'. Currently the implementation road map shows legislation amendment as a necessary task to be undertaken in 2012. However, if this is seen as a solution to be pursued on a fixed timeline, without any consideration of what is learnt as preparations proceed, then the actual legislative change might well be achieved without any of the behavioural changes intended. That is, many actors capable of taking independent actions based on their own information and understanding will adapt their behaviour, not out of any conscious desire to undermine intentions, but because their perceptions of the situation differ from those of the people leading the implementation. Thus, messy, risky and uncontrollable as it may seem, implementation needs to involve an experimental and tentative mindset that is tight on outcomes but loose on means and open to 'fast-fail' when this is needed. For example, a process of engagement and dialogue between those in a position to influence a student's NCEA achievement – service users (young people, parents and employers) and providers at sector level – should aim to achieve ownership of the goal, identify and initiate collective and individual actions necessary to achieve it, learn from what is working and what is not, and monitor and be accountable for progress.

Traditional implementation monitoring focuses on the collection of information which confirms an assumed pattern of responses, ... notwithstanding evidence that the contrary might also be occurring.

Weick and Sutcliffe's work on highly reliable organisations suggests ways of managing the kind of uncertainty inherent in complex implementation. They suggest that unpredictability and uncertainty are best anticipated by 'having a sense of susceptibility to the unexpected' (Weick and Sutcliffe, 2007, p.87). Thus informed, implementation monitoring would focus less on the achievement of preordained milestones and artefacts, such as legislation, and more on subtle signs of patterns which do not fit the desired direction of change. According to Weick and Sutcliffe, all actors need an orientation and attitude which they call mindfulness of small variances from the expected. Mindfulness, they say, is the deliberate cultivation of a rich awareness of discriminatory detail. Deliberate policy changes such as the implementation of Better Public Services are based on assumptions about how the world is currently behaving, and will behave in response to planned changes. Weick and Sutcliffe suggest that these assumptions must be treated as tentative, and that the dominant orientation should be towards falsification. As a result, all actors would be chronically concerned about what does not fit, try to create a climate where it is safe to question assumptions and report problems candidly, and help all actors expand the number of undesirable consequences they envision so that they expand the number of precautions taken, contributing to a climate where people are wary of success and suspicious of quiet periods and stability. Weick and Sutcliffe also suggest that such situational awareness comes from sensitivity to micro-changes in information, gathered from day-to-day operations, which allows actors to make continuous adjustments that prevent errors from accumulating and enlarging. They talk about deference downwards and respect for expertise, not experts. Thus, expertise in many instances of public service delivery is located at the front line and outside the public sector organisation. In the case of the NCEA result, this might include the students and their parents.

Traditional implementation monitoring focuses on the collection of information which confirms an assumed pattern of responses, however superficial and non-embedded these responses might be, and notwithstanding evidence that the contrary might also be occurring. When working with complex systems and many interdependent actors, public managers require consciousness that things will not proceed in a predictable and orderly fashion and be able to recognise the problems this creates for monitoring and accountability. Therefore, the implementation road map should not be followed rigidly. It needs to be subject to ongoing revision, based on continuously updated knowledge from a wide range of perspectives, and to allow

for learning and 'fast-fail'. Monitoring also needs to allow that signs of desired and undesirable change might be difficult to detect in the early stages, which indicates a need for attention to weak signals and the qualitative features of the processes under way.

A sense-making approach is needed to uncover the multiple perceptions of cause and effect that are influencing behaviour of both users of government services and providers (Snowden, 2005; Weick, 1995; Weick and Sutcliffe, 2007). Leadership also needs to take a form that is consistent with complexity (e.g. Snowden and Boone, 2007), which means that leaders will be constantly probing for different perspectives and adapting their plans as needed while not losing sight of the end goals established by government. Implementation leaders need to recognise that changes will occur without any deliberate action from them. The ongoing reflexive patterns of influence and counter-influence between individuals and organisations involved in the delivery of public services will bring about adaptive changes and co-evolution between the individuals, the organisation and the policies they are implementing. Furthermore, these individuals and organisations will self-organise in accordance with their own sense making about what is happening and what they think might happen next. As a result of this self-organisation, new associations and coalitions between individuals and organisations and previously unknown behaviour patterns will emerge without any deliberate intent for them to do so. The implementation leader cannot possibly understand the entire workings of the system they are trying to change, but can lead by asking the right questions, involving the full range of actors with part of the solution, and enabling action.

Leadership and management of complex implementation also needs to think differently about risk and see it as something to be managed proactively, as both a source of potential desirable innovation and a possible derailer. Self-organisation and emergence should be expected and can lead to changes which, while perhaps not planned, are the source of step-change innovations in the system and can be allowed to grow. Other emergent phenomena will be unhelpful for the desired trajectory and need to be disrupted. Allowance needs to be made for this in the way implementation is monitored, so that the variance from what is expected receives more attention, with learning and a preparedness for failures playing a part. Implementation planning that is closed to the concepts of emergence and learning as you go is likely to ignore both types of emergent phenomena, and might only recognise unhelpful emergent phenomena when they have become too widespread and self-reinforcing to be quashed easily. At times progress might look messy, all process and no outcomes. Consistent with a pragmatic approach, Klijn et al. (2010) have suggested that we need to consider both process and content outcomes and identify a variety of dimensions for attention, not only those in the minds of the designers and implementers at the outset of the implementation process. Monitoring needs to allow for the fact that the effects of previous policy changes will still be influencing public service behaviour, and identify where these might be creating dynamics which will undermine the desired change if their influence is ignored.

The Better Public Services Advisory Group has made recommendations about changes to make the system more responsive and innovative based on its understanding of how the system currently works. However, as changes begin to be made, the system will adapt in ways that are currently unknowable and could maintain the status quo or take the system in some unintended direction. There is a tendency for the public sector and individuals who work in it to be risk averse. If the benefits of emergence, as the source of innovation, are to be captured, then there is a need for ongoing monitoring of risk based on diverse perspectives, for the purposes of risk management and learning not risk avoidance (Eppel, 2012a; and see also Forbes and Cumming, this issue).

Conclusion

The critical question is whether New Zealand's public management system will be driven by a focus on achieving higher-value results (starting with the ten the government has identified) in collaboration with citizens, or whether, in reality, it will be driven by limited perceptions will be from within government agencies about what might need to change to achieve the results, with little or no reference to those beyond the people who use public services. This is not a chicken-and-egg matter; it is more than perspective. Leading change through the pursuit of outcomes, which also includes processes of learning and co-construction of higher-value (better) public services with the users of those services, will ensure that the priority and order of changes will serve the achievement of those outcomes. Leading change through a multi-stranded programme of instrumental changes, however much they might be needed, is a recipe for competition between competing objectives and a lack of clarity about how this competition is best managed. Unintended outcomes and surprise results should be expected. Whether these unintended effects are used to reinforce the trajectory of change and speed up the achievement of results, or end up undoing change which is heading in the right direction and creating confusion among individual and organisational actors, depends on whether the implementation leaders take adequate cognisance of complexity and adopt a pragmatic stance towards achieving the goals of the reform.

For public servants involved in the delivery of services, and especially for those involved in leadership of the implementation of Better Public Services, the achievement of the direction of change signalled by the prime minister's results focus requires an unequivocal focus on the outcome sought (better public service results for New Zealanders from the perspective of government, taxpayers and end-users); learning and co-designing with service users; flexibility about the means; and a risk-management rather that a risk-aversion approach and continuous learning from diverse perspectives as it goes along.

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Jacqueline Cumming and Sharleen Forbes

Better Public Services
The Case for Monitoring and Evaluation

The recent release of ten result areas with associated performance indicators as a way of focusing and enhancing government services means that at some point in the future it will be necessary to check whether or not those results are being or have been achieved. It is timely, therefore, to review whether and how New Zealand government agencies monitor progress towards desired outcomes and evaluate key policies and programmes. In this article we consider the important role of monitoring and evaluation in achieving 'better public services', and how New Zealand needs to do better if we are to be sure we are achieving key outcomes and learning about what does and does not work to achieve these outcomes.

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Results/outcomes in New Zealand public management

In an ideal world New Zealand would have a mechanism for achieving consensus about what its citizens want for the future with regard to the big issues, such as sustainable population size, economic growth, the environment, and ongoing social welfare support. These would then be our desired long-term national outcomes. However, achieving agreement, and balancing competing priorities between, for example, sustainability and economic growth, will require delicate and strategic negotiating processes. New Zealand's current party-based adversarial system of national governance coupled with a short electoral cycle is unlikely to achieve either agreed long-term objectives for the future or a strategy for achieving them. However, within the restrictions of the less-than-ideal world under which we operate today, there is an urgent need to clarify what we want to achieve (outcomes/results), and to identify how we will know when we get

there and whether we actually do so.

Outcomes are described in the 2001 Review of the Centre as 'the overall results we are trying to achieve' (Advisory Group on the Review of the Centre, 2001, p.23), and there seems to be a general acceptance that this can be interpreted as an improvement in the well-being of the nation and its peoples. Outcomes, impacts and outputs are defined from a government perspective in the Public Finance Act 1989 and the Public Finance Amendment Act 2004, section 5. Outcomes are 'the state or condition of society, the economy, or the environment' or changes in that state. Impacts are 'the contribution made to an outcome by a specified set of outputs, or actions, or both'. Outputs are 'the goods and services that are supplied by a department, Crown entity, Office of Parliament'.

Concerns have long been raised, however, over the extent to which achieving outcomes has actually been the focus of government and government agencies, as opposed to ensuring that key outputs are delivered (e.g. Schick, 1996).[1] In 2001, concurrent with the Review of the Centre, the then government eventually introduced the 'managing for outcomes' (MFO) initiative,[2] whereby agencies were supposed to focus more on the achievement of the outcomes to which their outputs were supposed to lead. MFO was not intended to substitute outcomes for outputs but to achieve 'more balance between outcomes, outputs and capability' (Advisory Group on the Review of the Centre, 2001, p.5). It expressed a need to 'be able to assess performance in terms of overall objectives (outcomes), service delivery (outputs) and ownership' and criticised the dearth of information about outcomes, 'whether through evaluation of the link between outcomes and interventions, or reporting of indicators of the state of society' (ibid., p.16).

Following a decision by Cabinet to change the public management system to improve the state sector's ability to (a) decide what evaluative activity to undertake, (b) undertake it, and (c) use the findings, guidance documents were published by the central agencies (e.g. Steering Group for the Managing for Outcomes Roll-out, 2003b; State Services Commission, 2003; Treasury, 2003).[3] Some agencies created units and strategies to increase and improve evaluative activities, such as the Social Policy, Evaluation and Research unit in the Ministry of Social Policy and the Ministry of Education Evaluation Strategy (Ministry of Education, 2005). Beyond these developments, however, little happened. Nor was there any overall attempt to demand publication of evaluations or to make agencies explicitly accountable for the conduct of outcome or impact evaluations, as occurred in countries such as Australia and Canada (Ryan, 2003).

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Better Public Services proposals

The *Better Public Services Advisory Group Report* (BPS report) notes the importance of public service performance to the overall performance of the New Zealand economy and the need to 'do the right things in the right ways at the right time' (Better Public Services Advisory Group, 2011, p.13). This report too laments the lack of achievement in key outcomes, such as crime reduction, education outcomes, reducing welfare dependency, key measures of health status and overall productivity growth (ibid., p.15). It notes current fiscal pressures, the need to make efficiency gains across the state services of 3–4% a year, and the need to discontinue services offering lower value so that resources can be reallocated to higher-value activities (ibid.). Key concerns include a weak customer focus; too many government portfolios and public sector agencies and a lack of coordination across them; few incentives to capture economies of scale; a slow pace of change with little innovation, in part due to a lack of capability and high levels of risk aversion to poor policy outcomes; and poor 'horizontal' leadership, for example within sectors.

The BPS report can be seen, in part, as a natural extension of the earlier focus in New Zealand on MFO and of the Review of the Centre. The latter advocates that the state sector gear up 'to more actively focus on and deliver better results to New Zealanders, particularly on the complex, long-term issues that cross agency boundaries' (Advisory Group on the Review of the Centre, 2001, p.10). The BPS report includes examples of results that appear to include a mix of outcomes, impacts and outputs, with the report suggesting that the final set chosen be a small number of measurable sector-wide areas, agreed by ministers. The report includes some immediate steps and a view of how key sectors will operate by mid-2013. Chief executives are to be mandated to deliver these results, and to organise themselves in ways that best enable them to do so. Changes to both the State Sector Act 1988 and the Public Finance Act 1989 are also suggested to enable greater organisational and financial flexibility in the state sector. An example is the justice sector funding pool recently announced by the justice minister (Collins, 2012).

Key changes envisaged in the BPS report include:

- identifying a small number of top priorities, with sector-wide ministerial and public sector agency leadership and planning, and new financial, policy and organisational arrangements to support achievement in key areas;

- measurable results, with information on the agreed results and progress towards them made public, including evaluation of change;
- increased involvement of citizens and businesses in state services, including through more streamlined technology services;
- making more active purchasing decisions, i.e. which organisations are the best placed to deliver key services, through enhanced contracting where necessary;
- developing a stronger innovation and continuous improvement culture;
- reducing duplication and consolidating key activities through better leadership, tailored reporting requirements, and the development of policy hubs, as well as taking advantage of potential economies of scale in regional, front-line offices, streamlining of agencies, and changes in back-office operations.

The government's ten results

The government subsequently selected ten key results (Key, 2012), and has recently provided additional information around the actual targets to be achieved over the next five years (Key and English, 2012).

The ten results fall under five themes, of which two could be seen as outcomes in the definition above: boosting skills and employment, and reducing crime. The other three themes – reducing long-term welfare dependency, supporting vulnerable children and improving interaction with government – are surely short-term tactics for achieving some outcome (such as improved economic independence and improved well-being). Ten specific results are listed under the themes. Not all of these have an outcome focus, and some are clearly outputs (for example, the provision of a one-stop online shop for all government advice and support for businesses).

The Better Public Services approach

The Better Public Services Advisory Group and the government are to be commended for their focus on results and the identification of key priorities for government agencies over the next few years. Key results can focus public sector activity, and encourage government agencies to pay particular attention to key outcomes as opposed to the more specific outputs to which attention has been diverted over the past decade. Setting key targets and rewarding performance for achieving those targets can also lead to improved performance. But there are also risks: too tight a focus on specific areas can lead to deteriorating performance in other important areas; target levels themselves need to be set carefully, taking into account the likely costs and benefits of achieving them; and targets need to be defined in ways that do not create worse outcomes for some groups or perverse incentives, or which can be achieved more easily through, for example, redefining key criteria. In the current set of results areas, of most concern will be the focus on 'reducing the number of people on a long-term benefit', as opposed to, for example, 'moving people from long-term benefits into meaningful employment'. In addition, the lack of focus to date on the key sub-population groups and monitoring of trends for such groups (such as Māori and Pacific peoples) is of concern where significant inequalities in outcomes continue to exist in New Zealand.

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The overall approach, however, accords well with a more strategic approach to public policy and management, often conceived analytically as a cycle running from problem identification/clarification, planning, budgeting, implementation and review, through to (re)planning (Ryan, 2011). Reviews of progress are an essential part of this cycle. Such reviews also play a key role in a democratic society, and in providing vital information for making priority decisions where public expenditure must be limited (Gluckman, 2011). Thus, in order to judge whether or not we are moving towards achieving key results and targets we need the BPS approach to include clear monitoring and evaluation processes.

Monitoring and evaluation are both essential means of measuring progress towards achieving outcomes, impacts and outputs, and of assessing the actual performance of policies or individual programmes – comparing the actual outcomes with those intended. Although some further information is beginning to be released on key measures and monitoring of progress towards achieving results, and the State Services Commission has noted the need for government agencies to improve 'how they measure and report on performance' (State Services Commission, 2012b), both monitoring and evaluation need significantly increased recognition in implementing the BPS approach. Unfortunately, however, New Zealand faces key challenges in improving how well it both monitors and evaluates public policy achievements. We discuss each in turn below.

Monitoring

Regardless of whether results are outcomes, impacts or outputs, we need ways of measuring them. Monitoring occurs at two levels. It is the term given to the measurement of changes in national indicators (such as inflation, life expectancy, education participation and crime rates) or policy- and programme-specific indicators of progress towards desired outcomes. It is also used to measure achievement of milestones; for example, in contracts. This article is concerned only with the first interpretation. As described

by Ryan (2011), this level of monitoring involves the collection and analysis of descriptive evidence or indicators which, when classified and analysed, provide information about the degree of progress towards the desired outcomes. In addition to the lack of consensus about New Zealand's desired overarching outcomes, there is also debate about the right suite of measures that could be used to monitor these. However, there has been substantial work both nationally and internationally in developing indicators of progress, and it is puzzling that, as part of BPS, New Zealand has not adopted these, substituting instead the lower-level targets and indicators that have been announced.

For example, for many years there has been a suite of often internationally-agreed indicators for measuring the national economy, such as the consumer price index, the System of National Accounts (gross domestic product or GDP) and International Labour Organization-defined measures of the labour force (employment, unemployment and underemployment). There has been recent criticism of the coverage of these, suggesting the need for a more comprehensive set of measures of different aspects of the economy, including well-being (Stiglitz, Sen and Fitoussi, 2009). There is less international agreement on a suite on national indicators for measuring social progress, however; possibly, in part, because of the lack of consensus on desired outcomes. There are, however, both more and new forms of information available to measure progress. Two examples are the sustainability indicators produced by Statistics New Zealand (2008) and Treasury's Living Standards Framework (Gleisner et al., 2011). Both can be viewed as indicators for monitoring the state of the nation, but taking different perspectives. There has also recently been a groundswell of possible indicators for measuring well-being (e.g. Smith, 2011), and, as Frijters (2012) states, we now have 'competing indices of happiness'.

The current government has largely chosen to develop a new set of lower-level results indicators through the BPS approach, rather than drawing on those already developed where agreed and internationally-comparable definitions may exist. Moreover, there are several additional major issues that need addressing:

- whether we currently have the right information/indicators to measure progress towards our desired outcomes (or results);
- whether we have adequate mechanisms for differentiating the accountability and performance of chief executives from the many other external factors that may influence outcomes (although it should be possible at least to identify actions or interventions that have a negative impact); and
- whether the state sector currently has sufficient quantitative and analytical skills to create, interpret and use monitoring information in its provision of policy advice, or to adequately incorporate this in its current information and reporting systems, which 'are largely focused on processes, activities and outputs' (Ryan, 2011, p.449).

The targets currently set for the ten results over the next five years (State Services Commission, 2012a) can be criticised for not being holistic, for including non-referenced data, and in some cases for possibly being unrealistic (e.g. reducing the numbers of long-term working-age beneficiaries, and reducing rheumatic fever rates by two thirds). That said, it is hoped that they will function as a first step from which New Zealand will learn the habit of results-based management and the monitoring and evaluation activities that must then necessarily flow, and lead to more comprehensive sets of monitoring indicators subsequently being developed over time.

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In the past, governments have relied heavily on academics and other researchers to provide monitoring. An example followed the 1991 benefit cuts when a group of external researchers (Charles Waldegrave, Paul Frater and Bob Stevens) took it upon themselves to establish the New Zealand Poverty Measurement Project to evaluate the impact of the cuts on various groups in society (Stevens, 2012). It is a huge step in the right direction that BPS has developed and published performance indicators for the ten results. However, it is doubtful that the state sector will itself have sufficient capability to properly evaluate and interpret these. If it does not, government will need to resource the independent research groups that have provided this service in the past.

Gluckman (2011) has previously drawn attention to the need for clear monitoring and evaluation of key policies and programmes in New Zealand, and to a lack of capability in the state sector to achieve these tasks. Statistical capability is one aspect of what is required, and recent events illustrate the point. For example, consultation by Statistics New Zealand with statisticians and policy managers in 12 agencies in 2008 (subsequently endorsed by state sector chief executives) and consultation undertaken by the School of Government at Victoria University have identified variable or insufficient statistical skills in some agencies (Forbes, 2008, 2011). Through his statutory coordination role for official statistics, the government statistician has undertaken to raise the statistical capability of state sector employees through investment in a joint academic position in the School of Government and the collaborative

development with academics of a suite of training opportunities. These include a National Certificate in Official Statistics for state sector employees that has so far had over 100 enrolments from 22 agencies (Forbes, 2011), and a postgraduate course in official statistics which uses advanced video-conferencing with teaching staff and 29 students at five New Zealand universities. In its first year (2011) this course was a joint winner of the Best Cooperative Project in Statistical Literacy award from the International Statistical Literacy Project (Harraway and Forbes, 2012). These initiatives illustrate what is needed and how it might be achieved. Academic–practitioner research partnerships as suggested by Orr and Bennett (2012) are another way of increasing expertise. Ryan (2003) proposes other possible pathways. Our overall point, however, is that major efforts are needed to build monitoring and evaluation capability in New Zealand and that a range of strategies must be initiated – as soon as possible – for doing so.

It could be debated whether the government should expect sophisticated analysis and research from public servants or whether it should just rely on them to be able to interpret the research and statistical results. In either case, public sector advisers will need to have quantitative and statistical literacy skills (as described by Wild and Pfannkuch, 1999) as well as other analytical capabilities to be able to appropriately judge the quality and robustness of data that they are presented with.

Evaluation

Evaluation is the 'systematic assessment of the operation and/or the outcomes of a programme or policy' (Weiss, 1998, p.4). Evaluation builds on regular monitoring of key indicators by seeking to explain actual outcomes and to enable judgements to be made about the effectiveness of key policies or programmes (Ryan, 2011). It is an essential means of learning how policies or programmes are being implemented, identifying where improvements are needed, ensuring that the policies or programmes in which we have invested are achieving desired outcomes, and of holding particular organisations (or groups of organisations) to account for achieving outcomes. It is also an essential means of identifying which particular programmes or components of programmes are associated with improved outcomes. Evaluations may be undertaken to support decisions about the future of particular policies or programmes (e.g. whether to continue, expand or terminate them) ('summative evaluation') and/or to improve them ('formative evaluation') (Scriven, 1991). Evaluations may equally focus on how policies or programmes are being implemented ('process evaluation') and/or the outcomes achieved ('outcome evaluation') (Chen, 2005).

The extent of evaluation undertaken on New Zealand policies and programmes has waxed and waned over time (see, for example, articles in Lunt, Davidson and McKegg, 2003). At present, however, there is concern over the significant underdevelopment of evaluation in New Zealand (Ryan, 2011), as well as with a dearth of information on the outputs and outcomes of key policies and programmes (Office of the Auditor General, 2008), such that we cannot always be sure that our public resources are achieving the goals intended of them.

Research undertaken by Ryan (2011) suggests that there are a range of barriers in New Zealand that mean we pay far less attention to evaluation and performance information than other comparable countries or that should occur with a strategic management approach to public policy and public management. Such barriers include a lack of real demand for evaluations from Parliament and some ministers; a focus by central agencies on compliance, particularly on financial accountability and accountability in delivering key outputs rather than outcomes; and a lack of legislative or other 'pull' factors for outcome and evaluation information. Much attention in New Zealand is therefore focused on reporting and accountability for outputs – i.e. for *organisational* management purposes, rather than for *policy* management purposes. Ryan points to an overall lack of an evaluative culture in public policy and public management in New Zealand, but notes that in part this stems from the adversarial nature of party politics in New Zealand, where evaluation and outcome information is more often than not used by opposition members to attack the government, rather than it contributing to a careful debate within the public sector and between officials, ministers and others on how key policies or programmes may be improved.

New Zealand has needed to improve its monitoring and evaluation for many years, and the current focus on achieving results provides an excellent opportunity to bolster our focus on these important tasks.

How we can do better?

New Zealand has needed to improve its monitoring and evaluation for many years, and the current focus on achieving results provides an excellent opportunity to bolster our focus on these important tasks. Achieving better public services requires a sharper focus on monitoring and evaluation if we are to be sure that we are heading in the right direction. It is clear from our understanding of the current situation with respect to evaluative thinking that we need, for each of the current ten key results areas:

- clear logics for each area identifying how service delivery will work to achieve the desired results;
- a hierarchy of final, intermediate and immediate outcomes, clearly linked to key service delivery and other activities;
- the further development of key indicators (from existing data) or

the development of new indicators and data sources to monitor progress over time. Such indicators must be carefully thought through to ensure they take into account agreed current trends against projected changes in the population size and mix, and should also include measures to monitor progress for particular population groups;

- regular public reporting on progress; and
- a clear budget for and responsibility for formal evaluations that will assess both service delivery processes and outcomes. Such evaluations must be well enough resourced to focus on services and run for long enough for substantial findings to be able to be finalised, and such evaluations (including progress reports) must be made public. Essential to ensuring these evaluations are high quality are questions that enable us to identify which services work for which populations under which circumstances, with a particular emphasis on how well services work for key target population groups (e.g. Māori, Pacific and low-income groups).

This is likely to require some reorganisation of existing evaluative capacity, with lead evaluators involved in the change process from the very beginning. It is likely that this will identify a serious lack of capacity and capability in major policy and programme evaluations in New Zealand, and further work will be needed to build such capacity and capability over time. Government agencies will likely find it useful to work with universities to upskill monitoring and evaluation capacity and capability.

The new public management suggested by the Better Public Services report also needs ongoing monitoring and evaluation itself. Earlier desired public management reforms that have sought an increased focus on outcomes and results have not always generated the changes desired, but careful monitoring and evaluation should enable us not only to assess progress but also to learn what works well with the new approach and what does not. There will be significant international interest in the new models of public sector organisation envisaged in the BPS report, and an overarching formal research and evaluation agenda that sits alongside monitoring and evaluation will enable us to contribute to international public policy and management knowledge and learning.

Conclusions

The BPS report contains many excellent features, such as the provision of sector-wide funding and recognition of the need for horizontal, sectoral management and leadership, and does go some way towards clarifying results that ministers and chief executives will be measured against. At present the approach is limited by the lack of a process for determining whether these are the desired outcomes for the nation, by limitations in the performance indicators chosen to measure these results, by present performance measurement processes, and by the current capability gaps in the state sector. Moreover, apart from general hints offered in the advisory group's report, there seems to be no explicit intention in the New Zealand public sector at present to deal with these issues or understanding of the urgent need to significantly increase the quantity and quality of evaluative activities in this country. Addressing this absence should be one of the next steps in the BPS public management development process.

1 For a detailed account of these developments, the outcomes and the reasons for lack of subsequent progress, see Ryan (2011).
2 CAB Min (01) 38/6A; for details see Steering Group for the Managing for Outcomes Roll-out, 2003a.
3 CAB Min (03) 26/2.

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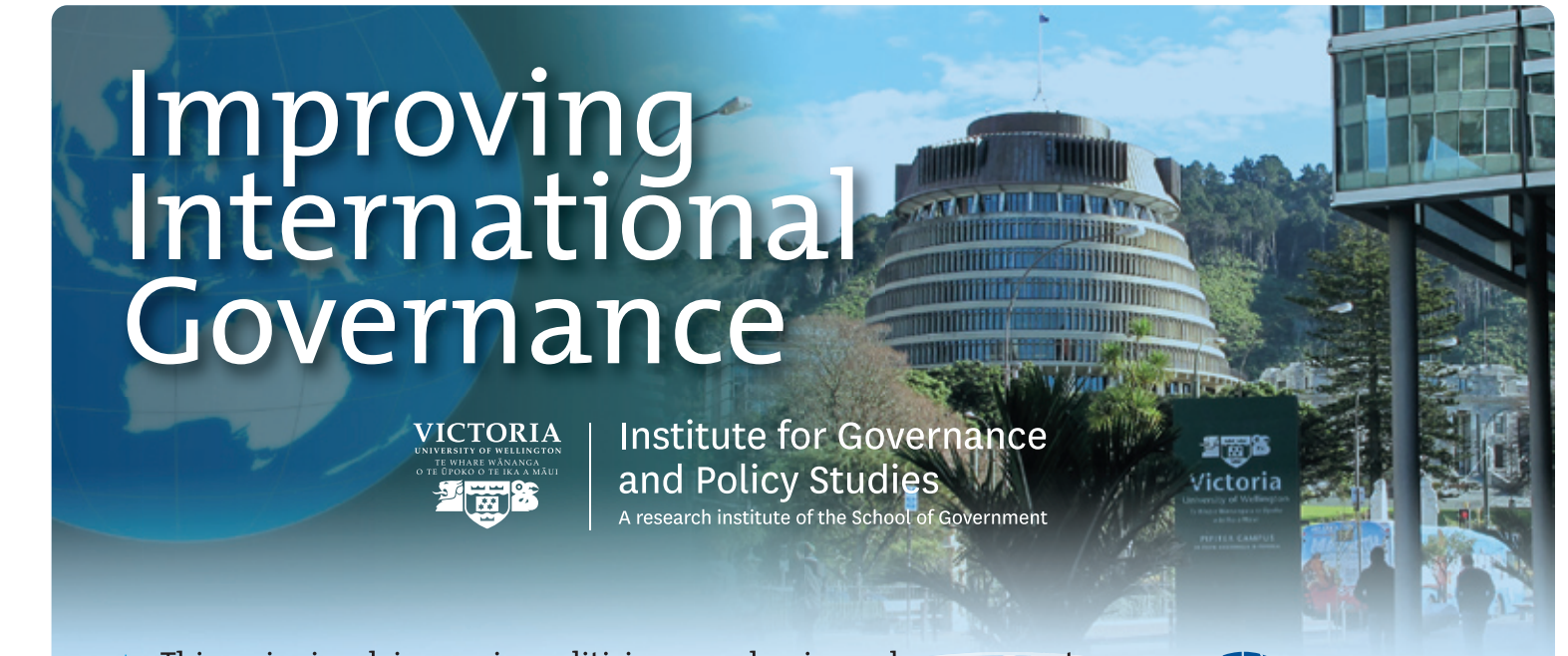

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