

Derek Gill, Stephanie Pride,
Helen Gilbert, Richard Norman
and Alec Mladenovic

The Future State Project

Meeting the Challenges of the 21st Century

The world we have made, as a result of the level of thinking we have done thus far, creates problems we cannot solve at the same level of thinking at which we created them.

Albert Einstein

Introduction

Powerful global forces will reshape the context for New Zealand over the next few decades. They include increasing international connectedness, geopolitical power shifts, rapid technological developments, demographic changes, climate change, growing resource scarcity and changing values. Some of these changes have been in train for several decades; others have come to the fore more recently. Together they are creating a world that is fast-paced, heterogeneous, complex and unpredictable. Within this context, New Zealand also faces some policy choices that are both unique and significant – for example, concerning the recently extended exclusive economic zone, and the completion of the Treaty of Waitangi claims settlement process.

Derek Gill is a Senior Fellow, Institute of Policy Studies, School of Government, Victoria University of Wellington.

Stephanie Pride is a Strategic Foresight consultant.

Helen Gilbert is an independent consultant.

Richard Norman is Senior Lecturer, HR Management and Industrial Relations at the Victoria Management School, Victoria University of Wellington.

Alec Mladenovic is a Research Assistant at the Institute of Policy Studies, School of Government, Victoria University of Wellington.

While New Zealand was well served by its public management system in the latter part of the 20th century, the evidence suggests that the system is less well designed for the challenges of the 21st century.

The current New Zealand public management system, designed for stable and predictable conditions, has served the country well over the last 20 years, but may not provide the optimal platform for the challenges and ways of working demanded by the 21st century. Recognising this imperative, in July 2009 the steering committee of the Emerging Issues Programme (EIP)¹ commissioned the Institute of Policy Studies (IPS) to undertake an exploratory study known as the Future State Project. This project had three primary objectives:

- to identify major public policy issues of relevance to New Zealand over the next two decades;
- to consider the current public management system² and its capacity to perform in a much more dynamic world and an increasingly complex policy environment; and
- to identify related research projects which could be pursued by the IPS under the EIP.

As a result of the exploratory study, in December 2009 the EIP steering committee approved five new research projects to be undertaken by the IPS during 2010–12. Three of those projects are related to public management issues. The other two are concerned with specific policy issues: New Zealand's ocean governance, and potential issues for Crown-Māori relations after 2014, when the settlement of historical Treaty of Waitangi claims is expected to be completed.

This article discusses the findings of the Future State Project and outlines the programme of research arising from it.³ We turn first to the project's methodology.

Methodology

In commissioning the Future State Project, the EIP steering committee asked the IPS to look beyond the immediate issues confronting policy makers (e.g. the consequences of the global financial crisis, including the tightening fiscal position) and identify the next generation of longer-term issues likely to affect New Zealand. The project was to be exploratory: to capture and synthesise existing knowledge and information. Original policy analysis of the public management system of the kind carried out by Schick (1996) or the Advisory Group on the Review of the Centre (2001) was not part of the terms of reference. The scope of the project was also limited to the main institutions of central government (that is, public service departments and other non-trading entities, including statutory Crown entities).⁴ Although local government was not part of the project (as the formal management framework under which it operates is different from the public management system in central government), almost all of the issues identified for central government are equally relevant to local government.

In order to identify future policy issues, the IPS commissioned overview papers from various experts on seven areas relevant to policy making and the public sector. These covered New Zealand's evolving social structure and demography, technological developments, the economic context, environmental implications, political and geo-political considerations, and public management issues. The experts were asked to provide a stock-take of the current state of

knowledge in their specialist areas on likely global and national developments over the next 20 years, drawing upon recent futures work in New Zealand and overseas. Several structured discussions building on these papers ensured that cross-cutting themes and possibilities were adequately explored. In addition to the expert academic contributions, the project team captured tacit and emergent knowledge from a range of participants, including Māori, business leaders, older people and younger people, migrants, rural dwellers and regional public sector managers.

The public management system: a need for change

The current New Zealand public management system is largely the legacy of major state sector reforms in the mid-1980s. These reforms, bold and ground-breaking at the time, replaced the unified, lifetime career service and monolithic sector-based departments with the apparatus of the 'new public management', including management by objectives. With minor modifications, that public management model is still in place today. Those developments helped to lift the performance of the state sector to a level that consistently earned high international ratings. According to Boston and Eichbaum (2007, p.136), the benefits of the reforms included:

greater productive efficiency (especially in the commercial parts of the public sector), improvements in the quality of certain services (e.g. the time taken to process applications for passports and welfare benefits has been drastically reduced), better expenditure control, better management of departmental budgets, greater managerial accountability, and major improvements in the quality of information available to policy makers.

While New Zealand was well served by its public management system in the latter part of the 20th century, the evidence suggests that the system is less well designed for the challenges of the 21st century. Globally and locally, populations and their priorities and values are more diverse and issues are more interconnected.

This makes gaining and maintaining consensus on policy directions over the long haul more difficult. For many of the challenges (e.g. water management and governance; growing obesity levels), there are no simple answers or widely agreed and proven solutions and in some areas (e.g. climate change) even problem definitions are contested. At the same time, the public expects increased speed, accessibility, customisation, transparency and user engagement⁵ in public services. If the public sector is to respond effectively, the public management system will need to support a broader range of approaches and practices than currently.

Challenges and required responses

The Future State Project identified four key challenges for public policy development over the coming decades:

- affordability, which requires the ability to achieve step change in policy design and delivery;
- more complex problems, involving many players, which require the capability for leadership of issues, co-design and co-production;⁶
- a more diverse and differentiated population which requires the capability for differentiated responses; and
- a world of faster, less-predictable change which requires the capability for constant scanning and learning the way forward.⁷

Affordability

Compounding the immediate fiscal pressures generated by the global recession during 2008–09, New Zealand, like many other countries, faces significant longer-term pressures on both the demand for, and the cost of, publicly-funded services. These will exacerbate the government's fiscal difficulties. The cost pressures will arise because government services are generally labour-intensive and, in particular, are high users of skilled labour, and the cost of which is likely to continue to rise. On the demand side, the ageing population will provide the key driver. Responding to these challenges simply by 'doing more with less' will not be sufficient – the gap is too large for efficiencies alone to bridge.

Step change

The public policy challenge is to develop the step changes in policy design and delivery that change trajectories – e.g. reducing frailty levels in an ageing population, increasing levels of educational success, and stepping up the productivity ladder – so that the underlying drivers of spending are reduced.

Take, for example, spending on law and order (e.g. prisons, police and courts): public expenditure relative to nominal gross domestic product increased from 0.5% in 1971/72 to 1.1% in 1988/89, to 1.6% in 2009/10. The number of people in prison or on probation has relentlessly increased while the overall level of crime has been 'dropping or stable' since 1997. New Zealand now has the fourth highest incarceration rate in the OECD after the United States, Mexico and the Czech Republic. A relatively small percentage of the population generates most criminal activity. Achieving a step change would require responses at two levels. First, breaking out of the cycles of dysfunction among a relatively small number of families will require changes in how services are delivered by a range of government and non-government organisations, both inside and outside the law-and-order sector. Secondly, at the policy level it will require replacing a 'race to the bottom' – political parties competing to be 'tough on crime' – with a more durable policy bargain about a responsible approach to sentencing policy driven less by a focus on punishment.

Complex 'multi-actor' policy problems

requiring co-production and leadership

Complex 'multi-actor' policy problems

Many of the policy outcomes that will be front-of-mind for government (e.g.

reducing obesity levels in the general population) cannot be achieved with the provision of public services alone but will require the active contribution of citizens, businesses and other actors (co-production). For some complex issues (e.g. breaking cycles of dysfunction mentioned previously), no one actor, including government, has all the knowledge or the ability to effect change independently.

In the past, government doing things *for* or *to* citizens may have been sufficient. Achieving outcomes in the face of 21st-century challenges will depend on the actions of many players and will therefore increasingly require governments to do things *with* citizens (or even enable citizens to do things for themselves). Bourgon et al. (2009, p.11) have described this challenge as follows:

This context also pushes governments *beyond hierarchy* as a broad dispersion of responsibilities in society and the coordination of complex operations constitute the trademark of government activities. It challenges governments to experiment *beyond direct service delivery* with indirect means of delivery. It pushes governments beyond the provision of services to citizens as an increasing number of public policy issues require the active contribution of citizens in creating common public goods. It pushes governments *beyond borders of the traditional concept of the state* towards a dynamic open system where organizations, services and users interact.

Co-production and co-design

Government will need to go beyond a 'delivery of services' model to an approach that encompasses co-production and

Achieving outcomes in the face of 21st-century challenges will depend on the actions of many players and will therefore increasingly require governments to do things *with* citizens

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co-design. Co-design harnesses the knowledge and creativity of citizens and staff in identifying problems and generating and implementing solutions – it offers the opportunity to uncover the real barriers to, and accelerants of, progress.

Leading not controlling

The government currently works with citizens and businesses, but often in very restricted ways. For example, under existing models of consultation, one party (government) often determines the timeframe, ambit of discussion, range of options to be discussed, process to be used and use to which the fruits of consultation are put. If, in the future, the government requires the co-operation and contribution of New Zealanders in order to achieve results, public agencies may need to cede control in some areas (e.g. timeframes, processes used, etc.) in order to harness the contributions needed. If government organisations are to solve problems jointly with communities and business groups, the public sector will need to better understand how different groups experience the world, develop more trusting relationships and take on additional roles (moderator, facilitator, enabler, partner, listener and leader).

Leading but not controlling will increasingly require public employees to engage with the public in different ways. Public employees will need a range of 'soft' skills to build trust and negotiate relationships, help with sense-making, and 'nudge' the way towards solutions. Developing the way forward will often involve constructing shared goals, a shared sense of what performance is and agreed frames for evaluating what works.

Trustful behaviour is needed to motivate and maintain this exchange.

Current processes for policy development, service design and service delivery do not necessarily allow for working in these less controlling, more deeply engaged ways with groups, communities and businesses, so they will need to be adjusted or augmented (see the discussion below regarding the upcoming IPS project on reframing the practice of policy).

Diverse society and differentiated responses *Diverse society*

As is the case for many other countries, New Zealand's population is changing and becoming more diverse. This diversity is increasing across a variety of dimensions, including ethnicity, family structures, geographical mobility and sexual orientation. At the same time, expectations of public services are increasing as information technology becomes harnessed to real-time, tailored service provision in the private sector (e.g. Amazon's personalised customer recommendations). The 'one size fits all' Fordist state prevalent in the 20th century (Dunleavy et al., 2006) will no longer suffice to meet expectations or necessarily provide the most effective outcomes in the 21st century. Heterogeneity is the new 'normal' and it is demanding differentiated responses.

Differentiated responses

The challenge for public services is to move to differentiated responses as the norm rather than the exception and to work in more diverse ways as a matter of course. Some of the approaches and practices that may be useful are discussed below.

As noted, one approach to dealing with diversity is enabling citizens to engage in co-design and co-production to create initiatives and solutions tailored to the needs of a particular community or sector. Another approach is to recognise and introduce alternative models of service delivery and harness the full range of choices in relation to the funding mechanism, the nature and mix of providers, and client selection and choice to get the best fit for the citizens involved and the outcomes sought.

Other options include making more use of information technology to develop a more profound understanding of the citizenry and its needs. The private sector has developed 'business intelligence systems'. These use sophisticated data-mining and risk-screening techniques to understand user experience and behaviour. The information is then used to match customers' preferences to existing products and shape the development of new products. In the public sector, these technologies could be used to improve both government's understanding of clients at risk of poor life outcomes and the development and design of individualised interventions.

Information and Computer Technology can be harnessed to improve differentiated responses at an individual client or case level as well as at a system and service level. Expert decision tools have the potential to transform policy, service design and service delivery by harnessing the richness of the data that is available and the increasingly powerful tools for interrogating it. These can be used to support professional decisions with real-time, relevant, on-the-spot information. The extent of transformation will depend crucially on how 'professionals' and some professions respond to the use of these tools.

Fast, unpredictable change and scanning, and learning the way forward

The picture of the world that emerged from the Future State scan is one characterised by fast-paced change, growing complexity, and unpredictability. New technologies are being developed and implemented more quickly than ever, creating what is possible faster than

legislative and regulatory processes can respond to. In addition, the challenges already discussed here are increasing the unpredictability and rapidity of change. For example, more diverse populations and denser global interconnections are contributing to a more unpredictable world.

In the midst of this speed, complexity, uncertainty and unpredictability, governments still need to make decisions and act. However, the public management system that supports those decision-making processes has been predicated on relatively stable, predictable conditions. Existing processes, therefore, need to be supplemented by approaches more suited to sense-making under uncertainty, for example via scanning and learning the way forward.

Scanning

Working under uncertainty requires constant attention to what is emergent, scanning widely, noticing nascent change and imagining how it could unfold. In particular, it means listening to the ‘noise’ in order to pick out the important signals. Organisations can use the insights that arise from scanning to detect adverse conditions, guide policy, shape strategy and explore the need for new products and services. Scanning helps to provide a greater ability to anticipate future changes. To quote Bourgon (2009, p.9):

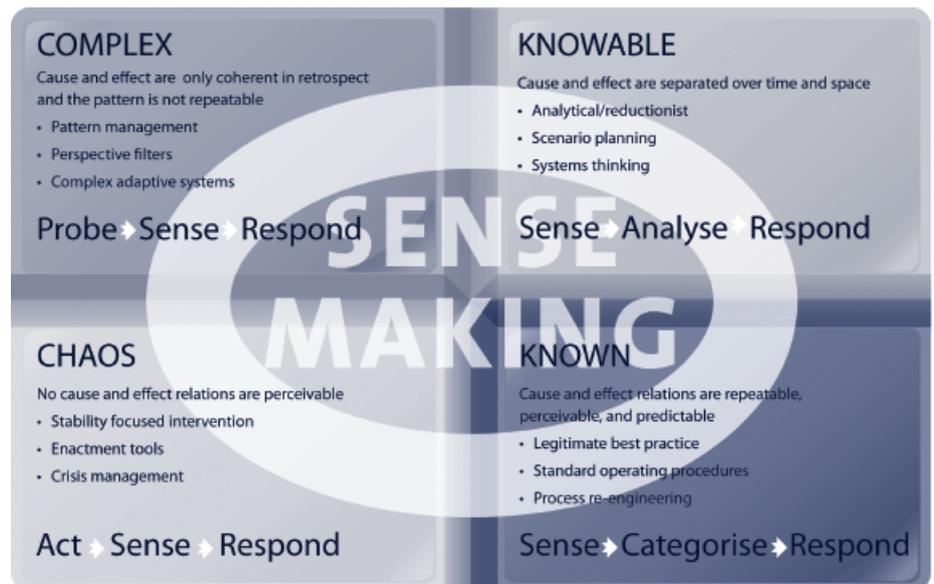
Countries with the best ability to anticipate and to take corrective actions will have significant comparative advantage. They will best be able to innovate, adapt and prosper in unforeseen circumstances and they will be better able to shift the course of events in their favour.

Some countries, such as Singapore, Britain and Finland, have established entities or programmes dedicated to scanning the future.

Learning the way forward

Responding to complex problems, where the exact problem and the solution are not known in advance, requires different ways of working based on learning the way forward. Current service design is a response to the problem of moving planned policy to the next stage of implementation. This is based

Figure 1: Sense-making



Source: Kurtz and Snowden, 2003, pp.462-83

on the view that the problem and solution are known in advance. Learning the way forward is required in the ‘complex’ (top left) quadrant in Figure 1 above, which involves acting, sensing and learning and then responding.

The private sector has developed techniques that involve learning the way forward which go beyond ‘agile development’. This approach was developed for situations where the problem is known but the solution is not. The ‘build to learn’ approach (Ries, 2009) starts with small batches of ‘minimum viable product’ and then works iteratively with real user experience. This requires systems that are set up to allow fast iterations and minimise the total time through each micro-development loop. It also requires quick response times to fix problems for customers, as well as monitoring the metrics that stakeholders care about. This in turn creates an ability to tell ‘good’ change from ‘bad’ change and to reverse ‘bad’ change early.

21st-century public management approaches

The previous section has surveyed the additional responses required in the face of 21st-century challenges for government. They include the capacity to:

- generate step change;
- engage in co-production and co-design;
- work in trustful ways;

- cede control and provide leadership;
- use multiple approaches;
- provide differentiated responses;
- scan; and
- learn the way forward.

A public management system fit for the 21st-century needs to support all these approaches whilst preserving existing system strengths.

The public management system: supporting 21st-century responses – key areas for change

New Zealand has a first-class public management system but one that was designed for the conditions of the late 20th century. The preceding section outlined some major 21st-century challenges and the the responses needed. The Future State Project identified two overarching system adjustments that will be required if the public sector is to respond appropriately:

- a move towards greater system coherence to support a whole-of-government focus; and
- a move towards applying and integrating a wider range of system values in order to support a broader range of responses.

Moving towards a whole-of-government focus From a focus on public organisations ...

A major formula of the New Zealand public management reforms in the late 1980s was to subdivide conglomerate departments into single-purpose organisations with clear roles

New Zealand's public management system was historically based on clan and hierarchy, as were most traditional, career-for-life public services. The reforms of the 1980s and 1990s used market values to reshape structures and systems and increase freedom to innovate.

and accountabilities and to shift the locus of control for output delivery to chief executives and boards of public organisations. This principle achieved strong focus on known and knowable problems.

Recent initiatives by central agencies have focused on further improving the performance of individual public organisations. Good reasons exist for this emphasis on improving the efficiency of public organisations. There is no direct counterpart in the non-market or core public sector to the signals of competitive product markets or the discipline provided by the market for corporate control through the threat of takeovers in private sector organisations. The core public sector needs comparable mechanisms to identify poor performers and raise performance, and the central agencies' initiatives, such as the State Services Commission-led Performance Improvement Framework (State Services Commission, 2010), can make a useful contribution by helping to lift bottom-line organisational performance and realise additional efficiency gains. A focus on organisational performance alone, however, is unlikely to generate the step change in capability required. Challenges such as achieving trajectory changes in law-and-order spending described earlier need systems that support and drive holistic, all-of-government responses.

... to a focus on organisations and system performance

One of the drawbacks of single-purpose organisations with clear roles and accountabilities has been the development of tunnel vision by them and the

establishment of barriers to tackling complex problems that require cross-cutting solutions.

A model that has emphasised specialisation and pre-specified accountabilities struggles to respond to new issues that demand systems thinking, interconnected responses and innovation. The challenge is to both continue to focus on bottom-line organisational efficiency and increase the focus on the top line, thereby harnessing the components of the public sector to act coherently to address identified problems. In this rebalancing, a greater focus will be needed on understanding, managing and assessing whole-of-system performance.

The boundaries in the New Zealand system start at the top, with a remarkably fragmented structure of ministerial portfolios. Fewer and wider ministerial portfolios would simplify accountabilities and reduce the barriers to collaboration on cross-cutting issues. Similarly, requiring ministers to be formally accountable to the public for articulated desired outcomes for their portfolio, in the same way that bureaucrats are accountable for delivering outputs, would strike a better balance between outputs and outcomes. Other possibilities are to strengthen a collective senior leadership cadre as a counterbalance to the vertical accountabilities and dominance of individual chief executives, and a re-launching of efforts to use circuit-breaker methods.⁸

Other jurisdictions have systems that promote greater shared accountability in relation to negotiated outcomes and measure system progress in terms of movement towards outcomes. For instance,

in Western Australia, senior leaders in public organisations are assigned responsibility for integrating the value chains around particular outcome areas. This could be augmented by the Canadian approach where senior staff members are assigned a 'champion role' for cross-cutting functions such as evaluation and learning.

Formal changes to the system alone will not, however, be sufficient to generate the step change in system coherence needed. Working across organisational boundaries, for example, is not currently precluded by the current New Zealand public management model, but nor is it enabled or encouraged by the system settings. Earlier IPS research under the EIP (i.e. the 2008 project Better Connected Services for Kiwis) found that working collaboratively across the public sector requires a specific set of skills and dispositions. Hard-system factors, such as structures, appropriations, differences in pay terms and conditions, and formal mandates, were less important than soft-system factors, such as a sense of urgency (a burning platform), leadership (public entrepreneurs, guardian angels and fellow travellers), learning by doing, and working from an outside-in client perspective. Respecting and valuing the world views, competencies, knowledge and contribution of those from different teams, agencies and sectors is a baseline setting for learning together about what will work. It is linked to a whole-of-system and solutions-focused approach, where the agendas and interests of individual contributors are subsumed within the endeavour of problem solving. This suggests that the nature of the changes to the public management system to support 21st-century public services may need to be different from the changes of the late 1980s. Rather than major alterations to the 'hardware' of the architecture of government (e.g. organisational structures), the majority of the changes will need to be subtle and multifaceted modifications to the 'software' of the mental models used in the public sector.

Supporting a broader range of responses

From a few default modes ...

New Zealand's public management system was historically based on clan and hierarchy, as were most traditional,

career-for-life public services (Figure 2 below). The reforms of the 1980s and 1990s used market values to reshape structures and systems and increase freedom to innovate. During the past decade this has been overlaid with a different form of hierarchical control, driven by the desire to minimise risk. As a result, the current system relies heavily on a limited range of values associated with market and hierarchical quadrants. Yet these limits are not readily apparent to those who work with or in the systems on a day-to-day basis. Instead, these 'default' modes merely appear as the normal and natural way of conducting the business of the public service. If New Zealand's public management system is considered in terms of the competing values framework developed by Cameron et al. (2006), it becomes apparent that it is predicated on and supports values in the bottom two quadrants (see Figure 2).

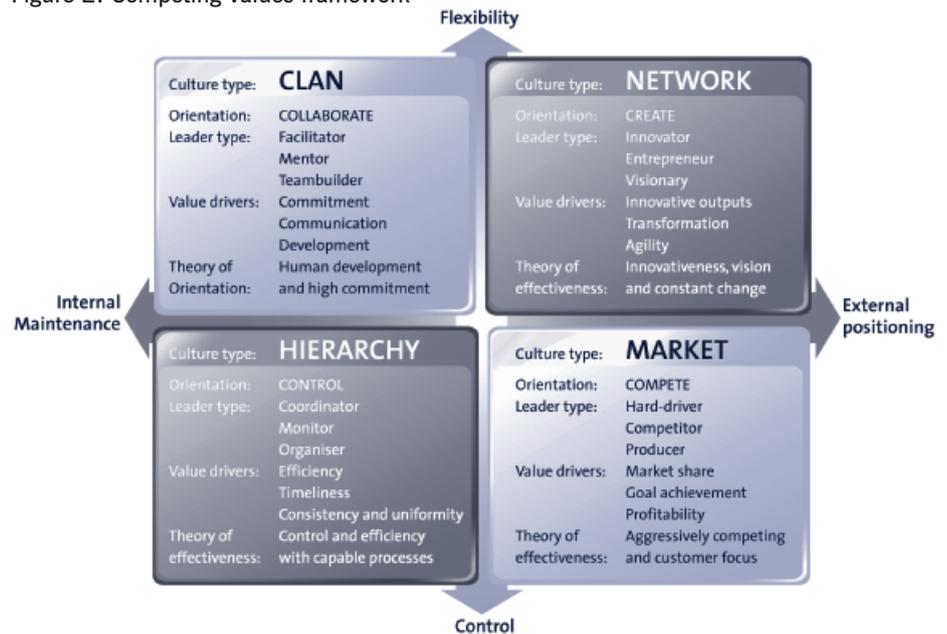
The Future State Project indicates that effective responses to 21st-century challenges will require collaboration, trust, agility, creativity and innovation: values associated with 'clan' and 'network' quadrants. The skills needed to operate in these ways are currently underdeveloped compared to the skills needed to operate in 'hierarchy' and 'market' modes, and will thus need to be augmented. What is not required is a simple shift from an operating style based on the values of the 'hierarchy' and 'market' quadrants to one based on those of the 'clan' and 'network' quadrants. Rather, the challenge is to build new strengths and capabilities so that a more integrated approach can be applied.

The work of the public sector is already multifaceted, and an increasingly diverse population and more complex challenges will call for increasingly differentiated responses to achieving outcomes. Hence, the public management system will need to support multiple modes and approaches, drawing on values from all four quadrants of the competing values framework.

... to matching style to context

Looking ahead, agencies collectively will need to apply a range of models and approaches to issues and have the knowledge and skills to adopt the best combination in each case to generate

Figure 2: Competing values framework



Source: Cameron et al., 2006, p.66

productive solutions. This will be a more sophisticated response, involving a conscious choice of modes, taking into account the underlying values they embody. Command and control approaches are not likely to be a good choice, especially where achieving desired outcomes depends on co-production. In the future, no one standard operating procedure will be fit for purpose, and the capacity to make the right choices will be central to the overall performance of the public sector.

Current approaches to policy development, for example, have mainly been developed to respond to 'technical' problems solvable by 'expert' solutions. While suitable for simple or technical problems, that approach to policy making will not be sufficient for emerging challenges that require not just a technical fix but engagement, behaviour change or other kinds of co-contribution. In short, this 'normal' default mode for policy development needs to be augmented by a wider range of approaches. For example, where solutions to problems are not known and new responses will need to be developed, the role of a policy analyst would be transformed from top-down analysis and prescription to acting as a broker and facilitator for bottom-up learning. The public sector of the future will need to adopt new and multiple approaches to service design and policy.

Policy practices need to be reframed to accommodate explicit choices about a wider range of approaches to policy, service design and service delivery.

As with the changes needed to generate a step change in system coherence, formal changes to support a broader range of responses will need to be made in tandem with significant shifts in the 'software' of the mental models used in and about the public sector.

Some responses to these challenges require greater shared understandings among politicians, public servants and the public as a basis for more durable policy bargains. These ways of working should enrich rather than undermine democracy, although it may require subtle adjustment in the nature of the interactions between ministers and public officials. It will require public officials to take a strong leadership role in articulating a shared vision, but this must be done in a constitutionally appropriate way. This in turn may trigger a refinement of the role of ministers.

Future research

The findings from the Future State Project led the EIP steering committee to endorse five new research projects. These projects will be carried out by the IPS during 2010–12. Three of the projects relate to public management matters: directions for reforming the New Zealand public management model; reframing the

practice of policy; and citizen-centred alternative service delivery.⁹ The other two projects are policy specific, dealing with New Zealand's ocean governance, and issues for Māori-Crown relations after 2014, when all historical claims against the Crown by Māori are expected to have been settled.¹⁰ While these two projects will concentrate on policy, they are also 'live' examples of challenges demanding new types of responses from the public management system because of their complex nature, the unknown territory,

the number of stakeholders and diversity of interests involved.

Direction for reforming the New Zealand public management model

The aim of this 15-month project is to explore more deeply some of the specific challenges identified in the Future State Project and consider the concrete implications for the public management system. The project will seek to examine issues such as:

- the need to redefine the role of

government departments from that of isolated vertical silos to that of hubs responsible for co-ordinating large networks of public and non-state sector entities;

- the need to redirect the focus of central agencies away from controlling individual department performance to ensuring co-ordination and coherency in a new, whole-of-government mode of working; and
- the consequential demand on the public management system for a workable approach to whole-of-system performance accountability.

Box 1. Ocean governance: the New Zealand dimension

The focus of this two-year project starting in 2010 is to explore the policies and institutional arrangements New Zealand needs to put in place to protect, manage and harness the resources of its marine environment. Overall, marine governance remains sector-based and fragmented among a range of policies, programmes and agencies with marine responsibilities. There are 18 main statutes, 14 agencies and six government strategies for marine management and planning (Vince and Hayward, 2009). New Zealand has also signed over 13 international conventions with marine implications, including the 1992 Convention on Biological Diversity and the United Nations Convention on the Law of the Sea (Foster, 2003). Effective

ocean governance is difficult for a range of reasons, including the dynamic and complex relationships and connections that exist in coastal marine ecosystems, and the increasing human demand on these ecosystems. Governance, however, is made more complicated by the fractured framework of laws, regulations and practices that exist at different government levels. The mandates of various agencies that implement and enforce existing systems often conflict with each other. No institutional framework exists for establishing a common vision and a common set of objectives. What is needed is a systems perspective that facilitates thinking about interactions among multiple biophysical and human drivers and directs management attention that can reflect these interactions.

Ocean governance

Ocean governance provides a clear illustration of an extremely complex policy area where a large number of public sector and non-state actors have substantial conflicting interests and different political agendas, and where new, systems-based ways of organising, working and monitoring within the public management system will be essential if a successful integrative approach to policy development and implementation is to be formed (see Box 1).

Reframing the practice of policy

This project, which is scheduled to start in 2011 and conclude in 2012, will examine the challenges for policy development in fast-paced, complex and unpredictable environments. Current approaches to policy development are primarily designed to respond to 'technical' problems that are solvable by 'expert' solutions. That approach on its own will not be sufficient for emerging challenges that require not just a technical fix but engagement, behaviour change or other sorts of co-contribution. Are techniques such as co-design and co-production viable responses to better engagement and more effective outcomes? If policy practices need to be reframed to include these modes, what are the changes that need to be made to policy processes, conventions and ways of working to enable this?

Post-Treaty settlements

In addition to the ocean governance project, the post-Treaty settlements project provides examples of the kinds of

Box 2. Post-Treaty settlements issues

This IPS-led project is being undertaken as a joint venture with Te Kawa a Māui (Māori Studies) at Victoria University of Wellington, beginning in 2010 and lasting for up to two years. It aims to provide the policy community and the wider public with a better understanding of emerging Crown-Māori relations, and help inform the design of institutions and policies that support the continuing development of a prosperous, cohesive and fair society for Māori and non-Māori. In particular, the project seeks to bring together a diverse set of high-quality analyses which focus on a small set of topics that are considered of importance in the emerging Crown-Māori rela-

tionship, and stimulate informed public debate around these issues. The project will be forward-looking in the sense that its focus is not on the resolution of past grievances but on issues such as social service delivery, resource management and constitutional arrangements, including the status of ongoing Māori parliamentary representation and the Treaty of Waitangi. The issues that will continue to arise in the Crown-Māori relationship are all large, complex and often very difficult conceptually and politically. In relation to many of them there are strongly entrenched viewpoints, and in some cases there will be major difficulties in finding consensus.

complex issues where a reframing of the current policy practice could benefit the outcomes achieved (see Box 2).

Citizen-centred alternative service delivery

This 12-month project, commencing later in 2010, will consider the impact of population diversity on the effective delivery and implementation of public services. It will investigate the extent to which customisation of services, such as in the health and welfare sectors, is needed to meet different needs, and alternative options for service delivery. Customisation options may include the use of co-design and co-production approaches, alternative funding mechanisms, various modes of production, and tailoring the nature and mix of providers.

Conclusion

New Zealand is part of an increasingly fast-paced, heterogeneous, complex and unpredictable global environment. How this country responds will determine its future prosperity and the well-being of its citizens. The capability and capacity

of New Zealand's public sector will have a significant bearing on our ability to adapt and flourish.

The current public management system, designed for relatively stable and predictable conditions, has served New Zealand well over the last 20 years. The evidence suggests, however, that it will not provide the optimal platform for addressing the challenges of the 21st century. The Future State Project identified the need for a rebalancing of public management settings to strengthen overall system coherence. At the same time, there is a need to broaden the range of policy and delivery approaches supported, whilst retaining current system strengths. In approving five new research projects, the EIP is seeking to contribute to a deeper understanding of how the public management system needs to change in order to support a step change in performance.

- 2 For the purposes of this article, the public management system comprises the arrangements for governing a country, including the means by which policies are developed and implemented by public sector organisations and the processes for funding, managing and monitoring those organisations.
- 3 A more detailed account of the Future State Project is contained in Gill et al. (2010).
- 4 This recognises that New Zealand's democracy is highly centralised, with over 90% of public expenditure being allocated through central government.
- 5 'User engagement' or 'user generation' refers to the active involvement of users in defining and generating products and services.
- 6 'Co-design' harnesses the knowledge of citizens and staff in creating solutions. Co-production occurs where both public organisations and citizens/clients must perform tasks if results are to be achieved, such as revenue collection.
- 7 Learning the way forward, discussed below in more detail, is a response to complex problems involving acting learning and then responding.
- 8 Circuit-breaker teams were developed in response to the Review of the Centre to address complex cross-cutting issues (see Minister of State Services, 2004). Although the approach showed initial promise, efforts were not sustained and the initiative withered and died.
- 9 These public management projects are being led by Derek Gill, a senior fellow of the IPS. Any enquiries relating to these projects can be directed to him at: derek.gill@vuw.ac.nz.
- 10 The project leader for the ocean governance project is Dr Mike McGinnis, a senior fellow of the IPS. For information and other enquiries about the project, he can be contacted by email at: mike.mcginis@vuw.ac.nz. The post-Treaty settlements project is being led by Associate Professor Paul Callister, who is Deputy-Director of the IPS. Enquiries about the project can be sent to: paul.callister@vuw.ac.nz.

1 The EIP is an initiative established in 2006 between public service chief executives and the School of Government at Victoria University of Wellington to carry out research into significant policy and management issues relevant across a range of public service agencies.

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