

WHATS WRONG WITH THE PUBLIC SERVICE

A Speech to Institute of Directors, Wellington Branch by Kerry McDonald - Tuesday 4 May 2004

Introduction

This speech was headed A Balanced Scorecard Assessment of Public Sector Performance, until the Marketing Department got hold of it. However, the content is still the same.

Improvement, including in the capability of employees and the performance of organisations, is a critical process in a modern society – it increases productivity and, thereby, living standards.

As the Public Service uses or controls a substantial part of New Zealand's resources, its standards of performance and rate of improvement have an important influence on the wellbeing of New Zealanders – a perspective emphasized by the State Sector Standards Board (SSSB) in its reports.

The SSSB reviewed the performance of State Sector organisations, including the Public Service. It commented favourably on many factors, including “the very substantial improvement in many aspects of performance over the last 15 years”, but also “highlighted areas of significant concern..... which..... continue to require serious attention” (June, 2002). These included:

- Quality of leadership
- Quality and effective use of performance management systems and processes
- Inadequate attention to the training and development of staff
- Lack of focus on succession planning and career development
- The need for a strategy on remuneration, particularly for lower level and front line staff
- Weak orientation to “whole of government” and an inclination to work in compartments
- Continuing emphasis on outputs at the expense of outcomes

A number of other “important points of concern” were also identified.

Others have drawn attention to similar issues, especially Graham Scott in his recent book.

My comments focus on subsequent progress with these issues. It highlights the negatives, not because they are pervasive, but because performance improvement comes from improving areas of relative weakness.

It focuses on the Public Service rather than the wider State Sector because the issues seems more pressing there, and the governance arrangements less encouraging of improvement.

My main conclusion is that while excellent progress has been made in many areas of the Public Service – and these improvements are significant and deserving of praise, overall progress has been too slow, particularly in dealing with some key areas of weakness.

Moreover, it seems that much of the progress is being led by individual Chief Executives, while the overarching ethos of the Public Service appears accepting of relatively slow progress and areas of evident weakness, in spite of the evidence of problems needing urgent attention, the high cost of delay and the ability to make change quickly within the existing legal and organisation framework.

The Board identified leadership as a critical issue - I think it is THE key one, and defined it as “including establishing direction and ethics, ensuring that staff have the encouragement, support, systems and

processes to work effectively, improving capability and performance over time and recognizing the opportunities, responsibilities and restrictions of working in the State Sector”.

In spite of its importance there are only limited overarching processes in the Public Service oriented to the development of leadership, which is disappointing.

Where leadership is strong improvement is evident and performance tends to be stronger, but where leadership is weak we typically see the consequences, sometimes frequently and often in the media. There have been notable recent examples of this.

A key leadership function is organisational improvement but, where ministers and/or Central Agencies do not give a lead in encouraging and valuing improvement, then it becomes particularly challenging for Chief Executives to show leadership and undertake the difficult and, in the short term, often thankless task of organizational improvement. It is even more difficult in a culture of minimising risk.

A key characteristic of the New Zealand Public Service now is the high degree of delegated authority given to Chief Executives. This is good, but there are a number of significant linked weaknesses and problems which were identified by the Standards Board:

- The need for cooperation, collaboration and a whole of government perspective.
- The need for a central or shared source of advice/support on the development and implementation of systems, policies etc which are widely used.
- The need for a strong overarching system for performance management, which is an essential complement to a high degree of delegation.

Unfortunately, progress in these areas seems to have been limited, partly because of a cautious approach from the Centre, and more because of a limited approach to performance management – which does not hold Chief Executives fully accountable for a failure to be efficient and effective and for failing to exploit the benefits of a more collaborative, whole of government approach.

Effective performance management is critical.

It must guide the offering of support and training to staff and, if necessary, counselling and finally removal from role if performance is consistently inadequate.. The latter should be rare, because of sound selection processes, and timely intervention and assistance when things are not going well.

Unfortunately, the signs that all is not well with an organization have often been evident for some time, through its performance failures, before there is an effective response.

This is unsatisfactory because it is such a fundamental, basic and simple issue, to manage performance efficiently and effectively – and so important from a performance perspective, and also now from a legal/employment relationship perspective.

I still think it would be valuable, as the SSSB suggested, if new ministers were given a concise and effective training programme, on the performance of organizations and performance management – several part days over several weeks.

At a general level I am disappointed that the Standards Board suggestions and recommendations have generally been lost sight of – neither refuted or used as a benchmark for improvement.

On the other SSSB areas of serious concern that require significant attention, there are no great signs of progress, yet I have a strong sense that they are still issues for serious concern.

While my views are generally anecdotal, the National Business Review (19March,2004) reported on a recent evaluation Report by Treasury (Tony Blackmore) on aspects of Public Service performance:

- “Managing for Outcomes” is part of a strongly worded State Services Commission aspiration to improve the effectiveness of government expenditure
- However, departments and agencies have managed to avoid many of the more onerous aspects of the new regime, according to an evaluation of the content and quality of the statements of intent prepared in the last financial year
- Now, quoting Blackmore “Departmental capacity to undertake meaningful organizational capability appraisal appears limited. Departments do not have a clear picture of the current state of or future capability requirements, or access to common capability appraisal metrics”
Outcome indicators or performance measures are virtually non-existent in the majority of 2003/04 statements of intent.”
- “Identification of risk and risk management was very limited.”
- “At the moment departments tend to assert linkages to each others outcome sets, rather than to describe how collaboration or shared outcome contributions will work.”
- Then SSC comment - we talk cooperation and coordination but don't practice collaboration. The extent to which we have collaborated is despite the system, not because of it. Where it has happened its because determined professionals on the ground made it happen.

I don't have grounds for suggesting that the situation in the Public Service is better or worse than in the Private Sector – its probably just as mixed, but there two important differences:

Market mechanisms work, sooner or later, in the Private Sector. The Public Service is not generally exposed to them.

The Public Service is a unified entity, subject to the oversight of Cabinet and the Central Agencies. It is possible to achieve substantial improvement by simple administrative actions – such as through purchase agreements.

There is much in the Public service that is good, but it is disappointing that its approach to improvement is so fragmented and collectively, so limited in scope and slow.