

7. A TRANSITION IN OUTLOOK FOR GOVERNMENT: A CULTURE OF SUCCESS

The platform:

- The Rt. Hon. Dr Edward Fenech-Adami, Prime Minister of Malta
- The Hon. Gordon M. Draper, Minister of Public Administration and Information, Trinidad and Tobago
- Tan Sri Dato' Seri Ahmad Sarji bin Abdul Hamid, Chief Secretary to the Government, Malaysia
- Mr Rob Laking, Chief Executive, Ministry of Housing, New Zealand
- The Hon. Simone de Comarmond, Minister of Tourism and Transport, Seychelles (Chairperson)

This was an exciting session not the least because the four authoritative speakers, each from a position of extensive achievement in reorienting the public sector, captured the energy and vision which underpin far-reaching reforms. It was no coincidence that in addressing the question of a "culture of success", two common threads ran through the presentations:

- *they were aware of the difficulties faced by public servants, particularly as they seek to improve a system which they must, simultaneously, continue to operate – they had respect for the existing work of the public service;*
- *the speakers were positive and optimistic in their view of the capacity and potential of the public sector – they had faith in the ability of the public service to improve and succeed.*

Those themes of respect and optimism formed the backcloth to the successful changes introduced in Malta, Trinidad and Tobago, Malaysia and New Zealand. In all these settings, this perspective on the public service has enabled a balance to be struck between determination and realism in achieving change:

- *Dr Fenech-Adami described the powerful organisational change agents within the Public Service of Malta — while emphasising that their success could be seen in the changed perspective of public servants.*
- *A concern for staff empowerment and improved morale ran through the detailed reform deliverables identified by the Government of Trinidad and Tobago and described by Minister Draper.*

- *In describing the depth of the changes within the Malaysian Civil Service, Tan Sri Dato' Seri Ahmad Sarji noted that shifts in all the key elements of organisational culture – values, knowledge, skills, attitudes and practices – have been made possible by a balanced approach ensuring that change, while driven from the top, is owned by all levels.*
- *Rob Laking identified political trust of public servants as fundamental to the move from sloganising to reality in reforming the New Zealand public sector.*

The discussion following the presentations explored points of pragmatism and of principle. The significance of the right people in the right jobs was emphasised in the context of the need for strategic alliances between change drivers at political and administrative levels. The difficulties imposed by constitutional rigidities was also noted, particularly in relation to the changing roles of the Service Commissions and the need for new points of balance to be found between managerial autonomy and political accountability.

The session offered the outlines of a virtuous circle in which the public service earns increased public respect and gains self-confidence not by running away from its shortcomings, but by emphasising that there are successes amongst them and that these can be built on. If optimism is a crucial ingredient of progress, the establishment of CAPAM as a professional association fostering debate amongst administrators and between administrators and politicians provides a remarkable opportunity to share successes, building strategies for enabling change.

Public administration: a culture of success (Malta)

Edited extracts from a presentation by the Right Honourable Dr Edward Fenech-Adami, Prime Minister of Malta

In 1964, Malta became independent with the attendant challenges this poses in breaking away from past traditions and dependencies and forging a new future.

Although the overriding influence in our Civil Service has no doubt been British because of our long association, there are other aspects which are continental European, such as our Roman-Napoleonic legal structure and frameworks for conducting business.

Malta's Civil Service has a long and much respected tradition. Its structure, until quite recently patterned on the Whitehall model, is structured and hierarchical with its main general service stream complemented by discrete departmental grades in certain areas of specialisation such as engineering, law, medicine and information systems.

Public sector reform

It was in 1987 that my Government initiated what is probably the most radical re-think of the Civil Service in its history. A Public Service Reform Commission was appointed with the mandate:

"to examine the organisation of the Public Service, and to recommend means by which the Service can efficiently respond to the changing needs for effective government".

Coincident with this, an Operations Review was undertaken with a view to examining the structures of Government in order to determine the extent to which these were conducive to the effective delivery of public services; and to make suitable recommendations for the improvement of these. Another objective of this Review was the development of an Information Systems Strategic Plan for the Government which was intended to look at the Government's range of information needs and the opportunities for the application of computer technology, and propose a way forward.

The two initiatives, the Reform Commission and Operations Review, were very closely linked, sharing a common research team, and secretariat to ensure complementarity of their outcomes. Both initiatives were broadly participative seeking inputs and ideas into needed changes from a wide spectrum of audiences

including civil servants, elected officials, unions, constituted and professional bodies.

The initiatives had as their primary focus the three major components of public administration: organisation; human resources; and information. In other words: What are the most effective organisational structures to effect optimal service delivery? What are the most appropriate human resource policies and practices to achieve this? and what is the optimal information systems infrastructure to support government operations?

The reform exercise identified a myriad of issues which needed to be addressed ranging from organisational structures that were not consonant with the needs of the day, to human resources policies that were out of line with the times. It pointed to a new empowerment that was needed to systematically break away from our past and institute systems more suited to the present and future. As Osborne and Gaebler very aptly put it in their landmark text *Re-inventing Government*:

"We believe that people who work in government, are not the problem, the systems in which they work are. To make our governments more effective, we must re-invent them".

The context for change

The imperatives that are driving this change process are in no way unique to Malta, and it is for this reason that fora such as these and the CAPAM concept are so valuable. Pressures that we all face are:

- the emergence of a post-industrial, knowledge-based, global economy;
- the end of the Cold War and developments in Eastern Europe;
- the need to reduce the cost of government;
- improved quality of services to our citizens;
- increased accountability through delegation, decentralisation, devolution or empowerment whatever the peculiar circumstances dictate; and
- the increasing trend towards the separation of the policy and executive aspects of government.

In short, the pressure is to achieve more and spend less without government abdicating the need for continued co-ordination to achieve coherence and integration. In the end, it is our public administrators who face this challenge, for

while government policies may come and go, the civil service represents the corporate memory that is needed to provide the continuity to a nation's administration and sustain its well-being.

Achieving change

The plethora of changes proposed as a result of this reform exercise pointed to the need for catalytic agencies to propel the public administration into a new orbit. Key among these was the setting up of the Management and Personnel Office (MPO) within my portfolio. The role of the Management and Personnel Office is to implement new human resources policies and practices aimed at decentralisation, increased accountability, and motivation for the service. We recognise that the key to success lies in the development and nurturing of our human resources and it is with this in mind that the Staff Development Organisation was established. Its role is the co-ordination of all development activities ranging from senior management training to specially focused programmes aimed at a broad range of occupational groups in the service. The Management Systems Unit is an agency that has been set up to facilitate the breadth of changes proposed by the Reform Commission and Operations Review. It has a dual role functioning as an in-house consultancy as well as the Government's information systems agency responsible for the implementation of the information systems strategy.

Progress to date

So, what has been achieved so far? The journey we have embarked on is a long and ambitious one, but I feel that we have come quite a distance:

- Ministerial portfolios have been realigned and consolidated to reflect a more logical grouping of business functions.
- Role delineations of ministers, parliamentary secretaries, permanent secretaries and heads of departments have been better defined and implemented.
- The top structures of ministries have been revised and permanent secretaries, director-generals and directors appointed.
- Each ministry now has a functioning management committee to aid the internal consultative process both in policy matters as well as operational issues.

- All senior appointments are for three years and incumbents are required to enter into performance agreements setting out specific operational targets for each year.
- A performance review system is being implemented across the Service.
- Collective agreements reflecting more equitable terms and conditions for all public servants are now in place.
- A three-year business planning cycle has been introduced with inputs into the Cabinet's Policy and Priorities Committee and the Estimates and Budget Allocation Process.
- Financial regulations, policies and procedures are being overhauled with the aim of effecting increased delegation to line ministries.
- Procurement procedures have been reviewed once again to enable improved delegation while at the same time ensuring that disciplines are in place to provide value for money.
- An internal audit function has been instituted in each ministry as a vehicle to measure programme and service effectiveness.
- Several operations reviews or business re-engineering activities have been conducted or are in process leading to significant restructuring, streamlining and downsizing, where appropriate.
- Other traditional functions of government have been hived off and executive agencies established to afford greater management latitudes and efficiency.
- Public cleansing, road maintenance and a host of other services, previously the domain of Central Government, are being devolved to local councils.
- Government has divested itself of holdings in which it had commercial interests to the private sector.
- A Planning Authority has been established with a view to implementing the Structure Plan which has been developed to bring about more orderly land development.
- A very significant investment has been made in the development of an integrated and cohesive information technology infrastructure.

Information as a resource

One of the unique characteristics of government is that it is a very information intensive business. Our Strategic Plan is premised on maximising the information resource through the sharing of information where this is within the confines of our legislation to avoid duplication in information collection and maintenance. In order to achieve this we have established an open client server architecture platform that makes for seamless access of application systems from a single work station, needless to say with appropriate security safeguards. This infusion of technology has been very significant in a relatively short space of time with application systems in place or in the course of development in most major areas of Government. Notable in these are systems designed to support the disbursement of social security benefits, the collection of national insurance contributions, the collection of income taxes, customs and health administration, vehicle and driver licensing, and civil registration, to name a few.

Having established technology standards as a first priority, we attempt to acquire packaged software, where this is available, which we can then customise to our needs. Coincident with this, our policy is to out-source most of the development as well as the support while ensuring that we retain the responsibility for all project management. In every instance we try to ensure that technology is introduced in the context of re-organisation or business re-engineering with a clear customer focus.

We feel that in a relatively short space of time we have been able to develop a computer literate service that can use these tools to access information and to improve and expedite decision-making.

Looking forward

Quite possibly what marks our Public Service Reform in Malta is our holistic approach to it. To quote Marcel Proust: "The real voyage of discovery consists not in seeking new lands, but in seeing with new eyes".

I feel that our two very focused initiatives, the Public Service Reform Commission (PSRC) and Operations Reviews, helped us in looking at what we were doing and how we were doing it with new eyes. A view which our Public Service is increasingly sharing and a new order of business which it is gradually adopting.

I will not lead you to believe that the transition from the old to the new has been completed or that it has been an easy trek. However, with the commitment and leadership of the major players much has been achieved, yet a great deal remains to be done.

I would like once more to thank the Commonwealth Secretariat and CAPAM for this Conference. I find CAPAM a very exciting concept enabling us to share our experiences and our common wealth. Malta is indeed co-operating with the Commonwealth Secretariat on many fronts. Included in this is the Compendium of Good Practices that CAPAM is putting together with the participation of a few member countries. Malta is also contemplating playing a key role in the development and support of COMNET-IT, the vehicle that will be used by public administrators, consultants, students and researchers to access much of this information.

I would like to once again thank the organisers of the Conference both for the initiative as well as inviting me to participate. I augur CAPAM success and look forward to a long and productive association.

A transition in outlook for government: a culture of success (Trinidad and Tobago)

**Edited extracts from a presentation by the Honourable Gordon M. Draper,
Minister in the Office of the Prime Minister Responsible for Public
Administration and Public Information, Trinidad and Tobago**

A new outlook for government

Many of the world's governments are in one stage or another of reviewing the role of the state and of government. There are many common elements emerging from those reviews. The following central themes can be discerned:

- an increased concern with output measures and performance targets and a corresponding movement away from reliance on input controls and bureaucratic procedures;
- increased devolution of management controls and the corresponding development of new reporting, monitoring and accountability mechanisms, and consequently increased emphasis on the development of management skills and competency in the Public Service;
- increased focus on contracting out of services previously done within the public service;
- the introduction within the public service of systems which were previously seen to be the domain of the private sector, including strategic planning, performance-based reward systems and management information systems; and
- increased focus on cost-efficiency, effectiveness, reshaping and customer-orientation.

Ten core elements can be seen in this new outlook for government:

(i) *"Steering not rowing"*

This element encapsulates the growing vision that governments cannot be all things to all people. It is a recognition that government needs to play a facilitator and catalytic role rather than a role of delivery of all services. This shift does not suggest a "withering away of the state" – but a movement away from big impotent government to one which provides direction, policies and environments within

which others can deliver services. Governments are therefore actively reviewing existing services being provided to determine candidates for contracting out.

This element points to a government that is first facilitating and monitoring. Second, to a government that should be the head of a network of social partners engaged in a process of continuing interaction for the purpose of policy formulation and implementation. Third, to a government which plays a catalytic role in strengthening the knowledge base of the country. Fourth, to governments which, given their leadership role, must ensure that the country develops an appropriate culture of standards and values. Fifth, to a government that continues to have a leadership role in a country's international relations and among other things ensure market access for goods and services.

Prime Minister P. J. Patterson of Jamaica sums this up well when he says:

"What is new is that the state has been compelled to face the realisation that it cannot do everything itself, nor be the great and sole provider for all.

I do not envisage that the new role of government is minimalist or will result in its eventual disappearance. Rather, it suggests government of a somewhat different nature and better kind.

It certainly implies movement towards catalytic government: One that concentrates on facilitation, regulating, and monitoring; one that owes more to "steering than rowing". This does not mean, however, that government does not have to row in certain situations rather than only steer.

There are areas where either the size of the investment or the special facilities that are peculiarly available to the state, means that some government involvement is both logical and inescapable".¹

The fundamental position is shared by the Government of Trinidad and Tobago, and provides a foundation on which its Public Sector Reform initiatives are built.

(ii) *An increased utilisation of the strategic planning process.*

One element of the vision of the new Public Service in Trinidad and Tobago is the development of a strategic planning culture. This recognises that not only are strategic plans critical in the management of the new Public Service – but that the process and culture of strategic planning must be imbued in the organisation. This points to the need for involvement and participation of staff in the process to ensure the development of shared visions and the knowledge and understanding of

the organisation's objectives. All Government departments in Trinidad and Tobago have now developed five-year strategic plans as part of the on-going Public Service reform activity.

(iii) New approaches to accounting and accountability

The following are among issues which impact on this element:

- the need to move to accrual-based budgeting and accounting and away from cash-based systems;
- the need for clear specification of intended outputs and a focus on budgeting and allocations based on outputs;
- the need for a relaxation of input controls, and increased delegation to managers to permit their control over resource allocation;
- the need for improved costing of government activities;
- the need for improved reporting to parliament;
- the need for strengthening internal audit functions; and
- the need to develop and strengthen comprehensive auditing in the public service.

(iv) Devolution of managerial authority

Traditional bureaucracies have been characterised by a high level of central control and direction. Increasingly it is being accepted that managers must be allowed to manage. In some countries such devolution requires legislative change and even – as in Trinidad and Tobago – constitutional change.

Those elements also underscore the importance of management training for public service managers, and therefore has implications not only for in-service training and promotion criteria, but also for curriculum design in universities and other institutions involved in public administration changes.

(v) Governments must become customer-oriented

Some governments in recognition of this have moved toward establishing service standards. In Trinidad and Tobago, customer contact officers were established in ministries and departments to serve as focal points for monitoring service quality.

Prime Minister Patterson of Jamaica argues the point as follows:

"The expectation of every citizen for efficient and courteous service from the agencies of government with which he has to deal must be reasonably met.

All public services are paid for by individual citizens, either directly or through taxation. Citizens are therefore entitled to expect high-quality services, responsive to their needs, provided efficiently and at reasonable cost.

For proper delivery, public services must be organised from the standpoint of the user. Too often public sector organisations operate as though the customer or taxpayer exists because of them and fail to realise instead, that their *raison d'être* is the customer or taxpayer. The citizen-user is best regarded as a *customer* whose needs come first. The customer always comes first.

Public sector employees must be obliged to improve the services that they provide. They should have the freedom and motivation to do so".²

He goes on to suggest that the Citizens' Charter rests on the following five basic principles of Public Service:

- Standards;
- Information and Openness;
- Choice and Consultation;
- Courtesy and Helpfulness; and
- Value for Money.

(vi) *Rewards for performance*

In many traditional public services, rewards for performance do not exist. This new outlook demands the development of standards of performance as well as providing managers with the authority to provide incentives and rewards for good performance. One must also recognise that since new behaviours are being demanded – we have to reward these behaviours.

(vii) *Transparency*

The public needs to know and understand government procedures and must be assured and feel confident that transactions are done to the highest standards of ethics and integrity.

(viii) *The need to restructure and reshape governments*

When done from a customer satisfaction perspective, functions and departments may be brought together which will lead to improved service. Governments seem generally now committed to reviewing old structures and designing new structures more appropriate to the demands of our time.

(ix) *Recognition that transition in government demands holistic change*

This recognises that changing one element of government functioning requires changes in other elements. One cannot ask for managers to manage without ensuring that their training provides them with appropriate skills. The interdependent nature of organisation systems requires that transition programmes address a number of changes simultaneously.

(x) *The development of a more people-centred approach to government*

The days of the faceless, mindless bureaucrat are gone. The Human Resource Philosophy and Policy Framework of the Trinidad and Tobago Government states:

"Given the Government's belief that its human resources are the key elements in the goal achievement process, the Public Service organisation must at all times seek to attract and retain persons of the highest calibre regardless of class, creed, race, sex, colour, material status, age or political affiliation. It must therefore establish and ascertain recruitment, selection and placement procedures that promote equity, fair play, justice and consistency".

These core elements in the transition in outlook for Government have provided the basis for reform efforts, and vision statements for the new Public Service. A Caribbean Roundtable on the Public Services held in Jamaica in 1992 urged Caribbean governments to:

- (i) acknowledge that the region's human resources are the most important development asset;
- (ii) confront structural inefficiencies and determine the proper dimensions of their administrative machinery, evaluating the performances of institutions and personnel;
- (iii) evolve a more proactive role in the design of macroeconomic and financial management policy; and

- (iv) implement a new managerial orientation and strengthen the competence in the public service, modernising training curricula, materials and methods to encourage responsiveness, creativity and the new orientations while evaluating public servants on the basis of performance criteria.³

The Roundtable also sought to alert Caribbean Governments to recognise:

- (i) the character of the changing managerial culture in governance;
- (ii) the need, greater now than ever, to streamline public service manpower;
- (iii) the need for organisational systems leading to excellence in public service;
- (iv) that competition for available skills was greater than before;
- (v) that demographics in the public service were undergoing change;
- (vi) that the new managerial culture represented a change from economic to people-centred arrangements; and
- (vii) that management practice had to be sharper and innovative, yet accountability conscious.⁴

All these elements for a new outlook led the Trinidad and Tobago Government to adopt the following vision for the Public Service in its current Public Service Reform activities. A Public Service which:

- demonstrates a sense of caring for both its members and its customers;
- is client-driven, always conscious of the needs of its public;
- produces prompt results;
- constantly seeks motivation;
- promotes and demands high standards of performance from its members;
- provides for the growth and development of its members;
- has a "high-speed" processing capacity;
- is results-oriented;
- has a high-profile leadership; and
- is adaptable to the changing external environment.

Managing the transition

In large corporations culture change and significant transitions may take over seven years to accomplish. Most of our governments would have workforces perhaps ten times the size of the largest corporations in our countries. It will, therefore, take time to complete the transitions which we describe.

Change strategy requires that members of the organisation feel a sense of involvement in the process, share the new vision and own the change. In Trinidad and Tobago, a series of departmental retreats were held to facilitate this process of buy-in and involvement. Over a period of one year, approximately fifty per cent of the public servants participated in these retreats – usually of one-day duration. In addition, change teams were established in each department to facilitate the change process. These teams comprised of persons drawn from all levels and led by a senior manager.

One model of the change process envisages organisations going through the stages of unfreezing, transition or change and then refreezing. Governmental transition may be seen as going through the same path. In organisational change, unfreezing is accomplished by creating a climate where people are motivated to discontinue some aspect of their behaviour. The transition represents a phase of change where people are no longer acting as they used to, but neither are they set in a new behaviour pattern. At some point the uncertainty of the transition phase – in conjunction with the need for stability, begins a process of stabilisation – the refreezing stage.

Three important roles may be identified in this process. The first is the *change sponsor*, who is the individual or group that uses organisational power and influence to legitimise the change. Given the nature of government transition, the cabinet or a key minister ought to be identified as the sponsor. In Trinidad and Tobago, a Cabinet Minister was appointed in 1991 for the first time and given a mandate to implement Public Service reform. It is critical that someone of appropriate stature be clearly seen as the sponsor.

The second role is the *change agent*, this is the individual or group responsible for implementing or helping to implement the change. This change agent clearly must be possessed of a range of skills and competencies and should have the trust of the organisation. One issue which impacts on governmental transition is the availability of sufficient numbers of trained change agents. Part of the process itself may therefore involve training change agents. A core of change agents therefore needs to be identified some from within the government itself and some working as consultants from outside. The mix of these and their relationship is itself one critical element of change management.

The third role is the *change target*, the individual or group that as a result of change will alter their knowledge, skills, attitudes or behaviour. These would be the public servants.

The process also needs to ensure the involvement of trade unions and associations representing workers. In Trinidad and Tobago, this need has been pursued

through involvement of various representatives in planning committees and task forces at every stage of the reform process.

The management of the transition must also recognise the importance of identifying *short-term successes* along the way to the realisation of the ultimate vision. These successes would help boost morale in a period of uncertainty. The short-term successes must be acknowledged and celebrated.

The design and implementation of a *communication plan* is also a critical element in the change process. Change targets must at all times be aware of the goals and status of the reform programmes.

The issue of *rewards for the new behaviour* is another important consideration. As early as possible in the change process one must, therefore, identify those new behaviours and develop a regime of incentives to encourage them. Effective management ultimately is about empowering people to take initiative within a framework of incentives and accountabilities.

The issue of critical points of *leverage or intervention* must also be a consideration. One of the real lessons of the New Zealand experience is the power of appropriate legislation to provide the environment for changed behaviours. This introduces the political dimension because, in Trinidad and Tobago, some of the required legislation will involve constitutional change. The Public Service Commission in Trinidad and Tobago controls appointments, transfers, promotion and discipline in the Public Service. Any meaningful reform to empower managers in this important human resource management area therefore will require constitutional amendments – which needs a special three-fifths parliamentary majority voting in favour. It is interesting to note that when one looks at public service reform in a number of countries, there was active support which cut across party and ideological divides. In the United Kingdom, Conservatives led the way. In New Zealand, the Labour Party revolutionised Government. In Australia, both Conservative and Liberal Parties embraced fundamental change.

Perhaps in addition to legislation one other area of intervention which may lead to frame-breaking change is through the *budget process*. This process provides an opportunity for more parliamentary review of achievements and objectives of government departments and it also allows for allocations of resources to those agencies which are better managed. The budget process also provides an opportunity to move departments to linking their budget requests to strategic plans, and to outputs. Given the critical roles of this budget process and the Ministry of Finance, it could be a vital point of leverage to ensure fundamental government reform.

Underlying this issue of transition management is *political will*. It is the political leader who must be change sponsor and who most therefore clearly demonstrate an appreciation of the transition and a commitment to provide the resources for the change. This could even include special preparation and training for our political managers. In Trinidad and Tobago, this has taken the form of regular team-building retreats for Cabinet Ministers since 1991.

It is also important in this process of change to recognise the diversity that exists within our organisations and to do all those things which value and celebrate that diversity. One issue on the organisational agenda in both the private and public sector relates to differences, whether based on age, sex, race or other differences. Reform efforts must take account of this diversity issue and respond appropriately.

Towards a new look government

Much of the thinking and models shaping the transition in outlook for government are rooted in management and organisation development in the private sector. The climate and culture of the public services differs from the private sector and must therefore inform the transportation of the systems and approaches across the sectors. It is important that the public service should develop structures and systems which are appropriate to its unique political, constitutional and legal environment. Notwithstanding this however, the public service must explore the full menu of possibilities, and in that regard private sector-generated approaches have much to offer.

One of the issues relating to the new outlook of government deals with the question of what range of functions ought government to perform. Clearly the restructuring and re-shaping which is a core element of transition will lead to a public sector that differs markedly from the one which has evolved to this point. In exploring this dimension, Osborne and Gaebler argue that "public sector institutions tend to be best at the following:

- policy management;
- regulation;
- ensuring equity;
- preventing discrimination or exploitation;
- ensuring continuity and stability of services; and
- ensuring social cohesion".⁵

In contrast, they argue "even 'entrepreneurial' public service providers are less adept at:

- performing complex tasks;
- replicating the successes of other organisations;
- delivering services that require rapid adjustment to change;
- delivering services to very diverse populations; and
- delivering services that become obsolete quickly".

This view seems consistent with public service reforms throughout the world. The new government, focusing on what it can do best, will also be characterised by:

- a customer orientation;
- use of performance standards for service delivery;
- empowered employees;
- more transparency and improved accountability mechanisms; and
- better government for less.

Accepting these trends in a transition in outlook for government, the current Trinidad and Tobago Public Service Reform initiatives have identified the following as deliverables:

(a) *Decentralised management through:*

- delegation from Service Commissions to line Ministries;
- decentralising the Organisation and Management Division;
- establishing human resource management units in each Ministry thereby decentralising that function;
- decentralising the Property Management Unit;
- decentralising management of the health services;
- decentralising the Ministry of Education; and
- decentralising the procurement function.

(b) *Improved morale and productivity through:*

- improved office accommodation;
- reduction in length and number of acting appointments;
- new pension arrangements;
- performance-based remuneration;
- improved technology and work systems; and
- improved management systems.

(c) *Improved human resource management systems through:*

- new classification system;
- human resource information systems;
- management development;
- performance management;
- new regulations;
- new human resource management structures; and
- a new human resource policy and philosophy.

(d) *Improved quality of service and delivery through:*

- new information systems and structures;
- work-flow modification;
- police service reform;
- customs reform;
- health service reform;
- education system reform;
- customer contract officers and training; and
- contracting out of services.

(e) *Improved budgeting and accounting systems through:*

- strategic planning;
- increased public information at budget presentation; and
- activity-based costing.

In the Republic of Trinidad and Tobago, as in most other countries, this process of transition is accompanied by many ambiguities and paradoxes which include the following:

- The need to balance the imperatives and pressures for change which suggest speed with the reality that meaningful change tends to be a slow process and does not always proceed along a straight line.
- The increased demands for quality service at times raises questions about the perceived loss of control from contracting out of services. The issue here of course is whether control necessitates ownership.
- Some smaller states do not have a well-developed private sector which in some places have provided models for efficiency and effectiveness. In some countries, the private sector has led the way in implementing organisational change. This issue also affects the availability of alternative delivery mechanisms.
- The issue of accountability raises questions about the new role for Parliament and the impact on the time available to parliamentarians to participate in new vehicles for accountability. This issue also at times focuses on the relative role of the Cabinet as opposed to the wider Parliament.
- The transition to empowerment of people creates fears of loss of power and control among those who have set their sights on remaining career public servants.

- This transition in government like other change efforts presents a challenge of maintaining service delivery while implementing change.
- The empowerment and freeing up of the public service has to come through legislation given the rule orientation of the public service.
- Some have argued that one way to speed up the transition is to reward ministries and departments which reach significant milestones through increased allocations in the budget and withholding allocations from those which are not achieving milestones. This could however have the effect of punishing some ministries which are critical for the social economic development of the country.
- The transition also raises issues about the role of the politician in the management of the public service and the need to re-examine the relationship between the political directorate and the administrative directorate.
- In the transition process often those with positional power and who therefore should lead the process have most to gain by maintaining the status quo.

The transition must be made but countries must proceed differently given the peculiarities of their political and socio-cultural environment. The destination is less significant perhaps than the road which we take on this journey to a new dawn in government.

Notes

1. Prime Minister P. J. Patterson: *The Emerging Role of the State* delivered at a Ministerial Roundtable, Ocho Rios, Jamaica, August 12, 1993.
2. Prime Minister P. J. Patterson: *The Emerging Role of the State* delivered at a Ministerial Roundtable, Ocho Rios, Jamaica, August 12, 1993.
3. *The Kingston Declaration Report of a Caribbean Roundtable*, Jamaica. February 1992.
4. *The Kingston Declaration Report of a Caribbean Roundtable*, Jamaica, February 1992.
5. Osborne and Gaebler: *Reinventing Government*, Addison Wesley, 1992, pp 344-345.

Government in transition: building a culture of success: the Malaysian experience

Edited extracts from a presentation by Tan Sri Dato' Seri Ahmad Sarji bin Abdul Hamid, Chief Secretary to the Government of Malaysia, Head of the Civil Service and Secretary to the Cabinet

There is a rethinking on the mode of operations of the Civil Service in Malaysia. The shift from a rule-bound bureaucratic tradition to a more proactive, flexible and adaptable mode of operations has become an imperative under the Malaysian Incorporated Concept. In the past, the public-private sector relationship was characterised by arms-length dealings. Under the Malaysian Incorporated Concept, the new reality has placed the public and private sectors now as partners in development. The Civil Service now operates in an era where the customer is paramount. We have to come to terms with the fact that our people are no longer content to just grumble and receive below par services.

Achieving change

A paradigm shift in the Civil Service is being effected through the following strategies:

- improvements to the structure, systems, rules and regulations, and information technology; and
- inculcating the values of quality, productivity and accountability in the Civil Service.

We have moved towards greater meritocracy in respect of the reward system. The New Remuneration System (NRS) came into effect on January 1, 1992. Consideration for promotion, salary increments, training and placement of government officers are to be based on performance on the job and contribution towards the organisation and the Civil Service.

The more significant aspect of the NRS is the restructuring of the Civil Service in Malaysia. The NRS reclassified 574 schemes of service into 19 service classifications. These in turn were divided into three service groups: Top Management; Management and Professional; and Support Group, compared to the previous four groups. The service groups are divided into salary grades. The Top Management has seven grades, the Management and Professional Group has three grades each, while the Support Group has a maximum of 13 grades. The number of grades under the old system for Group A was 30, Group B was 16, Group C was 20, and Group D was 47. The NRS has, therefore, significantly reduced the

number of grades in the public sector pay system in Malaysia. With fewer grades, the Civil Service has a flatter organisational structure.

The NRS is basically a performance-based pay system. The performance-related pay system under the NRS was made possible through the introduction of the Matrix Salary Schedule (MSS). With the MSS, the pay increase of a civil servant is related to his or her job performance. Panels formed under each government agency will review the job performance and decide on one of the four possible types of salary movements or increments:

- static (no increment);
- horizontal (normal – one increment);
- vertical (merit increment, which range from greater than one to double the normal increment); and
- diagonal (merit increment which range from double to triple increments).

The new performance appraisal system evaluates performance according to targets or goals set. Under the new performance evaluation exercise, close supervision of the performance of officers is done on a frequent and regular basis. Interim performance reports are done on a half-yearly basis. This will enable the reporting officer to write a good and accurate annual report. This system demands open communication and close interaction between the supervisor and the subordinate. The officer concerned will know clearly the system adopted for the grading and evaluation of each critical factor. The new performance appraisal system contributes towards the requirements of the personnel management system in the areas of salary progression, promotion and placement of staff, as well as determining annual work targets of the staff and establishing performance standards. Civil servants in the Management and Professional Group have to attend specific courses before being considered for promotion.

A focus on quality

The Civil Service in Malaysia has embarked on a journey towards developing a quality culture. Total Quality Management (TQM) has been adopted as an approach to mobilise all available resources in public sector agencies to meet customer requirements. These agencies have to institutionalise a distinct customer orientation in the delivery of services. The Client's Charter was introduced in 1993. This is a written commitment made by all agencies pertaining to the delivery of outputs or services to their respective customers. It is an assurance by agencies that their outputs or services will comply with the declared quality standards, as required by the customers. The customer is also in a position to evaluate the performance of services rendered as well as to make comparisons between agencies that provide similar type of services. The Client's Charter provides public sector

agencies with performance indicators that can be used to continuously upgrade the services rendered.

The moments of truth in our Civil Service are multifarious. Given the vast array of services rendered by the Civil Service to an equally diverse set of constituents, the pace of the moments of truth is fast and relentless. Each and every encounter the civil servant has with the customer is indeed a moment of truth. What are some examples of these moments of truth? Serving a citizen in processing his or her travel documents; discussing policies and programmes with an elected representative of the Government; providing a technical or an advisory service to a farmer or fisherman; or providing information to a potential foreign investor — all these represent moments of truth for the Civil Service. Each occasion is a moment of truth simply because it is a crucial point of evaluation for the customer as to the *raison d'être* of the Civil Service as an institution. The impressions formed at these crucial moments, and many others throughout the length and breadth of the nation, each and everyday, contribute to the sum total image of the efficiency, effectiveness and the accountability of the Civil Service.

Our Civil Service has taken initiatives to ensure those moments of truth would create and uphold the good image of the Government. We have introduced guidelines for quality counter services whereby the Government agencies are required to provide the necessary facilities so that the customers can wait in comfort. Proper directional signs, guides pertaining to the forms used, procedures, work-flow and process are prominently displayed for the convenience of customers.

The application of information technology

The Public Service Network and the Civil Service Link are two administrative reform measures. These two initiatives constitute the electronic delivery of information and services, and the facilitation of electronic commerce. The Public Service Network is a facility which enables a few government agencies to offer their counter services on-line to the public using the computer and network facilities of the post offices. Currently, two types of services are offered namely the renewal of driving licences and the renewal of business licences. The target is to provide these two and a few other services in a network comprising the major post offices throughout the country.

The Civil Service Link is an information centre designed for the needs of the private sector, and the information will include the procedures in obtaining permits and licences, taxation rates and others. It is hoped that the Public Service Network and the Civil Service Link will develop, evolve and later converge into a cohesive infrastructure to support the provision of "one-stop, non-stop" services to the public. The establishment of One-Stop Centres for licences, use of composite forms

and the issuance of composite licences, have further streamlined the delivery system of the Civil Service.

With respect to the use of information technology in public sector agencies, we have undertaken a major office automation programme to replace existing manual systems. Computerised-text processing, information storage and retrieval and communications systems have been introduced to increase efficiency and enhance productivity. Our objective is to move towards an era of paperless bureaucracy.

Institutionalising success

In building a culture of success, major changes need to occur to the main components of culture, encompassing values, knowledge, skills, attitudes and practices. The enculturation process will occur only when these components are adopted by the individual civil servant and practised routinely in the course of his or her daily duties.

To engender this process various strategies have been used as follows:

- the issuance of Development Administration Circulars which provide detailed guidelines to implement the administrative improvement programmes, disseminating information through documents and video tapes to agencies; and
- the establishment of an Inspectorate System to ensure follow-up and follow-through on the implementation of administrative improvement programmes.

In order to develop and upgrade the professional and managerial capabilities of Civil Service leaders, we would continue to emphasise and focus on management education and training in areas such as, strategic thinking, organisational development, negotiation skills and entrepreneurship. Workers will have to be given great autonomy to make decisions on the spot, without having to refer up the hierarchical chain. Employees need to be empowered to take charge of the performance expected of them. In this regard, we form Quality Control Circles. The focus of management has to shift from tasks to processes involved in delivering the final product or service. Management's role has to be one of facilitating processes and supporting process teams. One implication of this is that the structure of organisations has to change. Departments and divisions have to change from functional units to process teams.

Several Public Service Quality Awards, such as the Prime Minister's Quality Award, have been introduced to give due recognition to agencies that have shown excellence in quality management. The Public Service Innovation Award has also

been introduced to provide recognition to individuals who have contributed innovative ideas to improve the quality of services or outputs of their respective organisations. These programmes in essence represent an improvement package with which we expect to stimulate and energise Civil Service personnel to think and act quality at all times. The Civil Service must institutionalise an approach of managing for results.

Developing a culture of success: reflections from New Zealand experience

Edited extracts from a presentation by Rob Laking, Chief Executive, Ministry of Housing, Wellington, New Zealand.

Success: definition and conditions

Success is defined as the achievement of the outcomes desired by government from public service activity.

There are three necessary conditions for a culture of success:

- knowledge of what success is;
- the ability to achieve success; and
- the incentive to achieve success.

Build organisations with clear purposes

In New Zealand, good performance in the public sector has been significantly impeded by mixed and muddled objectives for public agencies. There were many cases in New Zealand where major trading activities, delivery of “social services”, sector regulation and policy advice to the Government were all combined in the same organisation.

The first major wave of reform in New Zealand was therefore the separation of all major trading functions into state-owned enterprises with clear commercial objectives and the eventual privatisation of many of them. The separation of most major commercial functions from the core public sector was the biggest single organisational change of the last decade. It resulted in a reduction in those employed by departments of the Public Service from 88,000 in 1985 to 36,000 in 1993. (A substantial proportion of the 52,000 reduction was matched by jobs in the new trading enterprises but many staff did lose their jobs in the process).

The prime objective of this change was to create the conditions for successful commercial performance by these entities. However, it was also impelled by a strong conviction in the New Zealand reforms that a major impediment to performance was the conflict of objectives in many multi-purpose Government agencies.

Many of the Government departments which remained were still characterised by a mixture of service delivery, regulation of the competition for one’s own services, and policy advice to the Government on both service delivery and regulation.

For example, the Government's public housing functions were formerly all the responsibility of one organisation – the Housing Corporation of New Zealand (HCNZ). The Corporation owned the 70,000 state houses let at generally subsidised rents to low-income people, made low-interest loans to low-income home-buyers, administered tenancy law and advised the Minister of Housing on policy.

In its 1991 Budget, the Government announced some basic reforms to housing policy. These were to deliver all housing assistance to low-income people via an enhanced social security benefit related to housing costs, to raise state house rents to market rates and to move all mortgage interest rates to market levels.

These changes were coupled with a restructuring of HCNZ which resulted in three agencies. The Crown's rental housing assets were vested in a new company, Housing New Zealand (HNZ); HCNZ was left with the mortgage assets, a stock of land and commercial buildings, and responsibility for a very small "lender of last resort" function; and the Ministry of Housing was created to deliver the outputs of policy advice and administration of residential tenancies law.

The Government, therefore, no longer gets its policy advice from an organisation with a vested interest in delivering state assistance for housing through subsidised public housing and cheap loans. The old Housing Corporation's responsibilities for rental housing and home loans strongly influenced the advice that it gave.

There is a risk in the separation of policy from delivery that the policy adviser may not have an understanding of the practical issues of service delivery. But advice in New Zealand is clearly contestable. The Government receives advice on policy issues from HNZ – the company which owns the state houses and from other agencies with responsibilities for social policy.

The creation of a Ministry of Housing also meant that the responsibility for settling tenancy disputes is no longer vested in the country's largest landlord. The Ministry has a responsibility to hold the ring between landlords and tenants in these disputes in an impartial manner. Many of the Ministry's staff who came from the old Corporation have said that they felt compromised belonging to an organisation whose prime business was letting rental properties and that becoming part of the Ministry gave them a clearer identity and impartiality.

The changes have been paralleled elsewhere in the Government either by the creation of separate policy agencies or by divisionalisation of agencies so that the policy advice function is clearly separated internally from service delivery or regulatory activities. Changes of this nature have been or are being made in our Departments of Social Welfare, Labour, Justice, Health and Education.

Specify clearly what agencies produce

The other key aspect of getting the mission right in New Zealand has been the precise specification of accountabilities. The financial management reforms have clearly distinguished between:

- “Outcomes” – the purposes of government activity, and “outputs” – the goods and services that departments produce.
- The money that the Crown pays to its departments to produce outputs and the payments made by departments to others on behalf of the Crown (such as social security benefits or transfers to other quasi-government authorities).
- The Crown’s “purchase” interest in its departments – the outputs that it wishes to buy from them – and its “ownership” interest: the capital that it has invested in the departments as producing entities.

In New Zealand, the pivotal concept for accountability is the output. In my Ministry’s case, for example, our outputs are the provision of policy advice for the Minister of Housing, the safe lodgement and repayment of tenancy bonds, and the provision of disputes resolution services for landlords and tenants.

For all three outputs, output specification is the apex of our management system. It defines our management information requirements and the specification of our internal contracts with subordinate managers. Our internal reporting is completely consistent with the external reporting requirements for outputs.

The major issue is “quality”, or the attributes of good performance apart from volume and cost. For our service delivery outputs – the bond custody and disputes resolution services – we can define important elements of performance quantitatively. It matters to customers how long it takes us to repay a bond at the end of a tenancy; and our mediators’ timeliness in attending to disputes and “success rate” in resolving disputes without having to go to arbitration are important quality measures. We also survey customer satisfaction with our services. However, these outputs both have other less tangible quality attributes.

For policy advice, most numeric measures are obviously trivial but there is the added difficulty of the lack of objective measures of the outcomes of “good” policy advice, at least in the short-term. To cover this risk, we try to conduct our business in a way which gives the customer (the Minister) some assurance that we are providing him with quality advice. We have some clearly defined internal standards for good advice and we try to subject our analysis to both internal and external peer review. Our advice is also contestable in officials’ committees and by outside experts.

For our service delivery functions, the issue of “quality” is rather more complex and relates to that central question of what “value” public servants add in the delivery of service. It is usually not possible to describe this value precisely in contracts. From day to day, public servants have to be trusted to know what is required to produce quality. Specification of outputs is not going to replace this ethical requirement of public service.

The New Zealand reforms have been criticised for concentrating on specifying outputs perhaps at the expense of defining (through outcomes) what these outputs are for. Neither do we have any overarching “planning” framework which ensures that all these outputs are considered together to identify joint products and contributions to the Government’s ultimate objectives.

I am confident that we did the job that could be done and left aside the one which couldn’t. It is possible to add value to public management by careful specification of outputs; I am yet to be convinced that grand designs of the ultimate objectives of government would add as much value. They tend to get submerged in hopelessly general platitudes. Similarly, overall long-term integrated planning of government (and this from a country which has made as much fundamental change to public policy as any in the Commonwealth) is a task fraught with peril. Policy development and implementation – the interface between outputs and outcomes – tends in our experience to be a series of successive approximations to the ideal, always constrained by the feasible.

This doesn’t mean that we aren’t concerned with the link between outputs and outcomes. As a policy manager, it is my constant concern. However, we rely on the methods of “formative” and “ex-post” evaluation which are driven by policy priorities rather than planning calendars.

Create the ability to succeed

“Let the managers manage”

Many reform efforts founder because of the reluctance of politicians and their central agencies to give up their control of staffing and resourcing to departmental managers and by their insistence on retention of monopolistic and inefficient central supply agencies. In New Zealand, only a decade ago all our establishments and gradings were approved by a central staff organisation; we had to assess and reward staff according to one centrally-determined formula and could not negotiate salaries with them direct and we couldn’t appoint staff on contract. All computer services were either supplied by a central IT organisation or had to be approved by the same agency (in theory – although in the 1980s it got swamped by the PC revolution). We had central supply agencies for everything from office

accommodation to printing to bulk-purchasing. Expenditure on capital was tightly controlled: just about everything of any significance had to be approved by Cabinet. All that has now gone.

Labour

The most significant changes have been to employment of staff. We came from a system where:

- You had to give preference to existing public servants when making appointments.
- Staff were employed by the State Services Commission under special legislation for the state services.
- Wages were generally set by systems of annual general adjustments (based on “fair relativity”) for all state servants coupled with negotiated increases for specific occupational groups.
- Salary ranges and promotion rules for groups of staff had to be approved by the State Services Commission.

The rules all changed so that now:

- The Chief Executive (CE) of each department is the employer subject to some general provisions in the State Sector Act, such as, appointments on merit, publicly advertised vacancies and equal employment opportunities for traditionally disadvantaged groups.
- Private sector employment law (the Employment Contracts Act) applies in the Public Service. This means principally that there can be individual as well as collective contracts and that staff can nominate their own “bargaining agent” – there is no statutory preferred position for any union or unions in general.
- Wages and all other conditions of service are fixed by negotiation on collective or individual contracts between employer and staff in each agency although the State Services Commission provides “guidelines” for negotiation and exerts some overall surveillance of the negotiations themselves.

These changes have led to the following situation today:

- Most departments have significant portions of their staff on collective employment contracts, although many also have their senior managers, perhaps the next layer of management, and some other key positions (say key HR personnel) on individual contracts.
- In collective employment contracts negotiated in the last twelve months, employers have generally made lump sum payments to staff in return for concessions in conditions, such as (part of the Government guidelines) less generous redundancy provisions or replacement of automatic progression scales by broad “ranges of rates” and merit-based, broad-band salary scales which give employers more discretion as to when and on what criteria they award salary increases.
- Membership in the principal Public Service union (the Public Service Association) has actually increased over the period since the introduction of the Employment Contracts Act.

There has also been scope for experimentation with new forms of employment and systems of reward. This has been for a variety of reasons. In times of budgetary restraint (and indeed apparent arbitrary cuts in expenditure allocations), it has clearly been prudent for employers not to make commitments to more permanent staff or to irreversible increases in wages bills. But there has also been a willingness to tailor employment and reward systems (particularly given flatter management structures with less opportunity for regular promotion) to the differing requirements of different groups of employees. This might include:

- Greater flexibility in hours of work and “casualised” employment. This may have had benefits for both employer and employee in recognising the realities of today’s labour market and the work preferences of staff, such as, those with responsibilities for children. Departments often now offer dependent care leave provisions and child care facilities as conditions of service in negotiations.
- A shift away from the annual salary increment as the main means of reward towards performance bonuses or even salary at risk. The last round of collective agreements tended to provide one-off, lump-sum payments instead of salary increments. This experimentation has sometimes raised concerns amongst staff as to the “fairness” of such pay systems, which seem to place much greater weight on the personal views of managers than upon "objective" standards.

The fundamentals of employment conditions, employee performance management, and reward systems have, however, not been changed in our Public Service just because the rules have changed. To get high-quality performance from staff you have to have a real concern for their welfare and development, and manage and

reward them in ways that they perceive as fair. High rates of unemployment for clerical and skilled workers during the recession may have masked this for some short-sighted employers, but they will reap the costs of insensitive employment policies as the market for skilled labour tightens up.

Capital

The effect of the new regime on departmental capital formation has not (in my experience) been a blow-out of asset formation. Capital used to be regarded as a free good by departments. If you could convince Ministers that you needed to build new offices or buy more cars you got some capital budget without having to give up anything. (There were attempts at trading-off current for capital budget on various rules of thumb but they were rarely effective).

Now capital has a cost to the departmental manager. If the department's total assets in its balance sheet increase, so do the taxpayers' funds in the balance sheet, and the capital charge we pay on them. Depreciation is also an expense that we have to account for in the budget. As a result, in our case, we have often found leasing to be a better option than buying. The Ministry owns no buildings or cars. Our major assets are office furniture and IT hardware and software.

The New Zealand Government's use of generally-accepted accounting principles (full balance sheet and accrual accounting) in the public sector has attracted international attention for its effect on the form of the overall Crown accounts. But it has also had a significant effect on management decision-making. There is now a clear distinction between management of cash and management of costs which enables efficient management of cash balances to be consistent with appropriation accounting. It has also enabled consistent internal pricing of services. It is possible now to give all cost-centre managers information to assist pricing of services, assets decisions and spreading overheads in a way which is consistent with the agency's overall financial objectives.

Competitive buying and outsourcing

Removal of the requirement to buy from central agencies has given us many more opportunities to seek competitive tenders for our inputs. We are a new Ministry, and in our start-up phase we had to acquire and fit out office space in 23 different locations throughout New Zealand. With regard to leases, we had to give preference to vacant government-owned office space. Downsizing of Central Government plus the recession left the Government in vacant possession of a lot of floorspace. But while Cabinet required us to consider vacant Government space we were under no compulsion to lease it if we could get better premises at a reasonable cost in the private sector. We had complete freedom to seek competitive bids for leases and for design and fitout.

Departments are also free to (and many do) outsource services, such as, cleaning or maintenance. There are also numerous contracts with the private sector for facilities management and other services. We have leased a computer centre manager from a private sector firm (although we eventually took him onto our own staff), and we currently contract with Arthur Anderson to provide us with an internal audit function.

All of these arrangements are governed by our purchasing procedures which have been given a clean bill of health by the Auditor-General. They require competitive tendering on all contracts above NZ\$10,000.

Change makers

During the period of major restructuring of Government function, there was a concerted attempt to import “change managers” into key departments to take responsibility for restructuring. Some of these were deliberately quite short-term appointments. This phase has probably passed as the need has become more to ensure that managers who are appointed will stay to see reforms consolidated.

At chief executive level there have been some signs of change in the appointments:

- From the situation ten years ago when appointment to a permanent head’s position outside the service was virtually unheard of, nine out of 37 CE’s as at the end of June 1994 had been appointed from outside the Public Service, including three from outside New Zealand.
- It is impossible to say clearly how many have not continued as CE’s because of the fixed-term nature of their contracts because those who did not seek renewal may have done so for a variety of reasons. There has been one well-publicised case of non-renewal of a contract.

For the future, we will probably see some continued appointment of non-Public Service CE’s. However, this does not remove the necessity to develop a “pool” of potential senior managers inside the service. While many of the competencies expected of a Public Service senior manager are similar to those of executives in the private sector, there is a comparative advantage for an “inside” candidate in knowing the business of government.

There are also significant disincentives for private sector applicants: the closeness to politics and the generally poorer remuneration for the bigger jobs. There is effective control by Cabinet on wage adjustments for CE’s with their rates of remuneration lagging further and further behind equivalent rates in the private sector.

The statistics for appointments from outside the service below CE level are not available. However, my impression is that a significant number of senior management positions are now being filled from outside. There have been a number of particularly high-profile appointments to key service functions. It seems likely that in the future this will become a more common route from outside the service to CE positions.

Provide the incentives for success

Get the accountability right

Historically, New Zealand had a confused dispersion of responsibility for outcomes amongst departmental managers, central agencies and ministers. This often left managers in the position of not knowing what they were accountable for and able to shed responsibility to "the system". If you couldn't hire or fire your own staff, you didn't feel as responsible when one of them didn't perform. If your computer system was selected for you by another agency, it wasn't your fault if it fell over.

The clarification of accountabilities in the New Zealand system has been brought home clearly to the CEs of government departments. They are appointed by the State Services Commissioner on fixed-term contracts and made clearly accountable to their Ministers for their performance. At the same time, they have been given the authority to employ staff and have been freed from most of the central input-based controls formerly administered through a variety of central agencies.

Reviews of the reforms have shown that it was this aspect – the clear definition of their responsibilities and the ability to get on with the job – that most senior managers in the Public Service welcomed most about the change. They saw limited tenure as a fair price to pay for this freedom.

The new accountability has focused CEs more precisely on serving their ministers, to the detriment, some say, of a concern for the wider objectives of the Public Service. There was certainly evidence of this when the new system first came into place and CEs were naturally strongly inclined to resist any return to central control by central agencies. This manifested itself most clearly in the CEs' refusal to support the development of a "Senior Executive Service" for the development of non-CE senior managers in the Public Service.

Since then the pendulum seems to have swung back somewhat. There is indeed now a general recognition that Cabinet Ministers collectively share the risks of Government. Ministers have reasserted the "collective interest of Government" in some of the dealings of the Public Service: consultation on policy issues; use of under-utilised assets (such as, office space); common IT communication standards, and so on. The CEs themselves have also recognised that there are some areas — like the development of the Service's future managers — where they do have a common interest.

Make external accountability effective

This is actually about “responsiveness” as well as formal accountability. It covers aspects such as:

- an effective external reporting and review framework;
- forms of customer accountability; and
- contestable functions.

External reporting and review

This is not as well-developed in New Zealand as it could be. The main forms of formal external accountability are the traditional ones of regular reports to the Minister, annual reports to Parliament and scrutiny by select committees.

The extent of external reporting has not diminished as a result of the shift from inputs to outputs. Far from it. We produce regular, detailed, monthly reports to the Minister on our financial performance both in terms of financial measures and in terms of the non-financial measures which define performance in our purchase agreement. Departments complain about the increase in reporting requirements under the new accountabilities.

There is no trouble sustaining Ministers’ interest in the quality of policy advice they receive because it is a daily concern for them. However, Ministers’ interests in the service functions of departments – or the “ownership” interests such as efficient management of labour and capital – vary. They are not inclined to worry about performance in these areas until something goes wrong. They need assurance that there is adequate quality control and risk management in these functions. Also, they need support and independent advice in evaluating the performance of their agencies, particularly when making purchase decisions on outputs. This can come about through review functions of central agencies. I have to say that of all means of external scrutiny, review by central agencies (although far from perfect) is probably the most effective because they build-up a working relationship with you over a period of time and tend to form more intelligent views of where your strengths and weaknesses are.

However, because the role of central agencies has been redefined to reflect their responsibility to the collective interest, we have been looking for ways of providing input more directly to Ministers'. In New Zealand, Ministers' do not have large staffs of personal advisers but they are now empowered to employ “purchase advisers” directly in their offices to advise them on the quality of the outputs they are receiving and to help them make budget decisions. One or two Ministers have also shown interest in the concept of “Management Boards” (advanced by Logan) to oversee the management operations of the department and advise them on these functions.

Scrutiny of service functions by Parliament remains weak. The committees don't get enough time or advisory support to do it properly. The scrutiny of votes concentrates on matters in which opposition MP's can make political points rather than a close investigation of departmental operations. The situation may well change if New Zealand's shift to a form of proportional representation enhances the relative power of Parliament.

Customer accountability

When a department has a monopoly power to supply an output, "customer accountability" is a qualified notion. Yet there are many ways in which departments can be responsive to customers and add value to their outputs as a result. In most mass services or professional service functions, there is a significant element of value added by the quality of customer service.

Some measures that we have taken to improve responsiveness to customers include:

- regular customer feedback surveys;
- regular meetings between senior management and local customer groups;
- a customer-service council;
- a published Customer Charter with precise service standards;
- publicly available complaints escalation procedures; and
- customer participation in departmental output evaluations and in output redesign.

Contestable functions

Truly contestable functions in the longer-term probably don't belong in the core public service. There can be conflicts between the advisory and regulatory responsibilities of core public service departments and their responsibilities for profit-making activities. However, as a transitional phase, there may be scope for creating fully contestable service functions within departments. One example in New Zealand are the contestable quality management services provided by the Ministry of Agriculture. These are where the Ministry is providing non-compulsory advisory and product-testing services as opposed to exercising its regulatory powers of control over primary production and animal and plant products.

The risk for Ministers

A shift of emphasis in accountability from inputs to outputs does not mean that ministers are freed from responsibility for the management actions of their CE's, or that those CE's can do what they like inside their departments without exciting

ministerial or public interest. The Logan review of the New Zealand reforms made the fundamental point that:

"Ministers believed that all accountability – and hence risk – is ultimately political. To the extent that bureaucrats expose them to political risk, then the issues will be dealt with politically".

This axiom of accountability applies whether the issue is excessive civil service salaries, escaped prisoners, or incorrectly assessed benefit entitlements. However, our experience in New Zealand – certainly with the state-owned enterprises – is that the line of comfort for Ministers can be shifted. Basically this turns on being able to give the public and Ministers confidence that, while there may be errors and blunders, the system is sound. When things go wrong, Ministers should be accountable for satisfying themselves and the public that the controls are in place to prevent or limit recurrence of the problem.

Conclusions: some conditions for getting real change

The lessons for change processes from the New Zealand reforms include the following:

- probably that there needs to be a political or economic shock or crisis of sufficient magnitude to force a widespread acceptance of the need for responsive change in government systems;
- political support for and understanding of change has to go beyond empty slogans, like, “more business in government”, to an understanding of how reform can produce better results – better public service and lower taxes – but only if politicians will take some risks and trust their public servants;
- there needs to be very clear objectives and well-integrated basic principles that address all aspects of public management;
- change needs the support of fundamental changes in the basic laws of public management and public finance;
- key players who understand, support and can drive through change need to be strategically located in key positions, particularly in agencies (such as, departments of finance and public service boards or commissions) which could otherwise subvert change;
- a time-table which enables the momentum of change to be sustained;

- good information about, and marketing of, the changes to build constituencies both inside and outside the public service; and
- something in it for departmental managers: there needs to be an expectation that in return for tighter external accountability and real pressures to be more efficient and effective, departments are going to be given the authority to manage.

From a departmental point of view, I would add the following:

- being able to convince one's own managers that the Government actually means it: too many so-called reform programmes have turned out to be political hype;
- an understanding of what can be done in a reformed environment: new approaches to management;
- a willingness to learn lessons from others (including the private sector) and, probably, a willingness by CE's to import new blood into their senior management to spearhead change; and
- not losing sight of what is unique about public service: its ethical basis and its constitutional role.