

Public management reform and lessons from experience in New Zealand

Graham Scott*

Graham Scott New Zealand, LTD., Wellington, New Zealand

Abstract

This article is edited from a speech delivered to the University of Victoria, Wellington—IPMN Workshop on the theme lessons from experience in New Zealand. The author articulates a number of lessons that have been learned, and identifies some lessons that should have been learned. Scott writes from the perspective of having been directly and centrally involved in the development and implementation of what has been characterized as “the New Zealand model” of public management for more than twenty years, a record of service that continues to date. The views expressed also benefit from extensive consulting by the author for governments around the world. Among the lessons learned are (a) the need for clarity of roles, responsibilities and accountability in the implementation of management reform, (b) the importance of matching decision capacity to responsibility, (c) the significance of ministerial commitment and clarity on expectations, (d) the advantages gained from structural innovations within the New Zealand cabinet, (e) the need to analyze disasters carefully for what they teach, (f) approaches to embrace and foibles to avoid in implementing performance specification, (g) problems caused by confusion over ownership and improper assessment of organizational capability, (h) the fact that actually doing strategic management in the public sector is hugely complicated, (i) that it is time to put an end to the notion that there is an “extreme model” of public management in application in New Zealand, and (j) that public management, government and governance innovations in New Zealand are no longer novel compared to those advanced in other nations. With respect to lessons not learned satisfactorily, many are simply the dark shadow of positive lessons, i.e., having not understood or implemented the successes achieved in some parts of New Zealand government into others. The author concludes with an admonition to avoid jumping too quickly, in response to post-electoral rhetoric, to the conclusion that past reforms in have to be modified quickly and radically, and that the New Zealand Model has failed. © 2000 Elsevier Science Inc. All rights reserved.

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* Tel.: +64-4-473-6090; fax: +64-4-473-6552.

E-mail address: graham@grahamscott.co.nz (G. Scott).

1. Introduction

There is the need at this point in the evolution of reform of the public sector in New Zealand to try to learn some lessons from experience and to put in place programs of analysis and research about what we have learned about New Zealand and public management more generally. This article attempts to derive and elaborate upon some of these lessons. However, I wish to begin by addressing public management and reform in a wider context. Initially, we may distinguish between the mechanics of public management systems, which are remarkably similar internationally, and the philosophical issues that academics and others have put around the debates for and against the New Zealand model.

Several issues about public management must be addressed in any context. First, a basic proposition applies to virtually all respectable systems of public management. There is the governance relationship between citizens with whom power resides and the people to whom they give power. Reformers everywhere are trying to align the relationships between the sources and uses of power in such a way that enables that relationship to be effective. In terms of some quite general principles of good government, the public management system is one module within that total framework of alignment.

A second issue of importance is: how much does public management matter? Further, do public managers leave faint footprints, as some political scientists suggest, so that it is difficult or impossible to answer the question whether management matters? My view is that management matters, but only in connection with questions about a larger set of governance relationships wherein other things obviously come into play, i.e., political processes and constitutional processes.

We are learning a lot about how public management systems can have substantial effects on efficiency and effectiveness, i.e., that management does matter, but as with any profession or trade, the people in it may tend to exaggerate their contribution a bit. With this in mind, I want to assess what lessons New Zealand has learned over a number of years that we should keep our minds on for the future. It is important to learn these lessons, otherwise we are doomed to repeat them. I wish to address lessons in seven areas, based in 23 years of practical experience.

2. Roles, relationships and accountability

The first area in which there are some lessons that we have learned is in the area of roles, relationships and accountability. At the outset, from a theoretical perspective, I continue to believe that institutional economics provides useful insights for analysis on public management issues and problems. Agency theory, which was a powerful tool in New Zealand for the development of state owned enterprises, needs to be replaced in thinking about many contemporary management issues by a much more sophisticated analysis, to account for networks of organizations rather than linear chains of organizations and accountability.

From the perspective of theory and practical experience, roles and relationships concern the allocation of decision rights and the environment in which decisions are made. They establish what kind of relationship exists between people with decision rights who must deal

with each other, and the constraints that are put on people when they exercise their decision rights. What are the incentives that people find themselves reacting to when they are making decisions? What information is there that informs others around them, in a 360 degree circle, about what they're doing when they exercise those rights and with whom they might be required to consult and participate? All of this is within the purview of the new institutional economics, (or what is rapidly becoming the old institutional economics), but is also now understood to exist within a more complex network of relationships than was the case fifteen years ago.

At that time we perceived the possibility of great disasters, which my colleagues and I thought illustrated problems about lack of clarity in roles and relationships. One that we talked about was the Maniatoto irrigation project. Critics have commented that we had nothing more than a few scraps of evidence, an anecdote here and there, upon which to base our decisions. I would respond that the Maniatoto scheme was not based on just a scrap of evidence and an anecdote, but rather was representative and symbolic of an entire system of public management. For those not familiar with this case, Maniatoto was a large and complex, planned public works project that fell afoul of a totally inadequate system of project and financial management. It demonstrated that lack of clarity about responsibility created a great mess. Politicians stood aside and blamed public servants, public servants blamed each other. Standing back from all of that, it was clear what the problem was from the perspective of New Zealand's contemporary practices in public management at the time.

Many years ago there were Treasury officers on the Boards of many public organizations, and some quasi-private organizations, that created tensions inside the senior management group in the Treasury. Often, there were differences in view between the Treasury officer who was actually sitting on the Board of an organization seeking more public money (and carrying the responsibilities of a Director under company law) and another senior manager who was responsible for investigating this organization. Some of the conflicts that came about from such a lack of clarity about Treasury's role led to an undermining of the Treasury's clarity of thought about program and policy issues. I am referring here about some of the "Think Big" projects.

Bringing this into the present, have we solved all such problems or do we still have messes that we can attribute to a lack of clarity about roles, relationships and accountabilities? I think we have done an enormous amount to improve the quality of thinking about these things and their definition. However, I would suggest that some of the problems that caused public management to become a political issue in the last election, i.e., the Tourist Development Board and the Fire Services Commission, can be seen as problems about roles, relationships and accountabilities. In the case of the Tourist Development Board (TDB), a minister went to two directors on the board of that Crown entity and said, in effect, if you don't sack the chairman, I'll sack both of you. He reached right through the board of this organization to try to make managerial decisions and attempted to override the responsibilities of the board in relation to the chief executive. The ministry concerned and a shadowy unit attached to the minister also had unclear roles and rights. This would cripple any organization.

The TDB should not be held up as a reason why we need to completely rethink our public management. It is a well sign-posted 'bear trap' that people walked into in error. We know that these kinds of behaviors cause poor performance in any organization. There is nothing

to learn from this instance that we haven't already known for years. Similarly with the problems in the Fire Services Commission, there was a lack of clarity about the relationship between a minister, a board, the chief executive, the ministry and others.

Looking to the future, we still have a number of major issues in large areas of the public estate where we don't think about these things clearly enough. Our universities are sinking down the international ratings, they are tangled with internal politics because of vetoes that all sorts of people have conceded to each other that make it very difficult to get things done. A good dose of clarification about responsibilities inside universities would be a good thing. I do not have a complete model in mind, but lack of clarity about the roles of councils of vice chancellors, of deans, of professors, of schools and so on, undermines the performance of universities. Just at a time when we are saying that we need a knowledge economy, we need to find new ways of bringing the technologists inside universities, and other people of academic excellence, more out into the entrepreneurial world, into the knowledge economy. Universities are not organized to be able to do this well at present.

In health we are about to test some propositions about roles and relationships and it is going to be a very interesting to observe. The Ministry of Health is recreating a 1970s style conglomerate bureaucracy that incorporates into one organization the purchase interest, the ownership interest, the monitoring of other organizations in the area, the policy advice and the servicing of the minister. We saw in prior organizations such as the Justice Ministry, the Ministry of Works and many others, that this conglomeration of activities is very hard to get right. That is not to say it is impossible to get it right, but it does seem that hard tests will come at some point in the future, certainly when the fiscal policy gets tough, as inevitably it will at some point. Then the Director General of Health will be required to trade off her interests in the ownership of hospitals against her interests in promoting to the government that they should spend more money on the purchase interest in health. The internalization of that tension does not make the tension go away, it is just that it gets played out inside an organization instead of across two organizations. We will see how it works out. Unless the loss of transparency is compensated by greater efficiency and effectiveness, then this is a backward step.

Managing for results generally is about clarifying responsibility for results and giving freedom to make decisions. It seems to me unquestionable that the basic idea of "letting managers manage" is non-ideological, because we see it all over the world. I have worked in communist countries that are more enthusiastic about it than we are in New Zealand. You simply cannot ask people to achieve results if you don't give them the freedom to manage. Put bluntly, if we don't give them the necessary freedom, we can forget about results-based management. If we are going to be clarifying roles and responsibilities and giving people freedom to manage, we need to be very careful, very careful indeed, about how we specify their objectives exactly. There is more to be addressed on this subsequently.

3. The performance of ministers

I would now like to focus on the performance of ministers and what we have learned. First, we have learned that it is critical. We have learned that no matter how well set-up a

management system is, a marauding minister can make a complete mess of it. We have learnt that ministers who have a skill and an orientation for effective management of a public organization can have huge motivational influences and massive effects on the efficiency and effectiveness of organizations. This is to say that in the design of systems, we have increased the risk of trouble from a bad minister and increased the upside potential gains from a good one. The system is a bit more exposed to the behavior of ministers. Ministers are not chosen for their managerial skills; they get into cabinet for all sorts of reasons and managing is only one of them. Most are pretty ordinary at management, and some are awful. It is very difficult to get ministers to establish clear expectations unless they have the self-confidence and courage to be publicly committed to what they actually ask of public organizations. It is much easier for a minister to “fudge” on expectations because it makes it easier to hide behind the ministry later if things go wrong with the policy.

When we introduced the [new] system, the people who in theory might have been most afraid of it, the permanent heads, as they were going to be held accountable for producing demonstrated results, were in fact the people who were most enthusiastic about the system. The people who were most leery about it were the ministers because they realized they were going to have to be committed to performance specifications and many did not want the process to be that transparent.

We have learned a lot about how to get this right. The clumsiness that we saw back in the 1980s and in the early 1990s before the Right Honorable Bill Birch took control of a lot of this, has now been replaced by what I think is a clear, *de facto* model of a two tiered cabinet. I think we should simply make it *de jure* as well. There should be an inner cabinet that takes control of making sure the government’s program is delivered. A lot of the work that was done under the Shipley administration to establish clusters of ministers that was beginning to bring clusters of votes, was a very positive move. It enabled cabinet to be a political organization, with people in it to cover party factions and other political issues, and at the same time, to manage the risks of the incompetent or rogue minister in the outer circle.

The codification of good practice could be increased. We saw some tangles with the last coalition government about whether a coalition agreement overrides the cabinet manual, or vice versa. There is work to be done in clarifying how this all works. Ministers should be more open, as many already are, to training and induction. Being a minister is a very difficult job, particularly in an MMP environment where people find themselves sometimes in cabinet having never been in the parliament before, and having never had a management position in their lives. We need to face up to the fact that there is a process of training and induction for new ministers that is necessary.

4. The ‘hard edges’ of accountability

The third area to be addressed is what may be termed the ‘hard edges’ of accountability. There is a huge amount of learning to be drawn from accidents, from those hard things that happen when something horrible hits. Theory is all very well, but case law is what finally sets the precedents and is what the older public servants pass on to the younger ones as the

folklore, the wisdom and the rules of thumb about how to keep yourself productive and out of trouble. I want to emphasize the need to analyze disasters very carefully.

One area that has caused confusion is the proposition that somehow ministers can stand back from being held politically accountable for managerial messes. It has always been recognized by senior public servants, both before and after the reforms, that if they caused their minister a political problem, then they would find themselves on the receiving end of a political solution. You cannot expect non-intervention in the event that you have embarrassed your minister.

However, we have to be very careful about the details of how this works in practice because hard cases often make bad law. The fact that a minister will be all over you about your management, if you cause him or her a problem, does not lead to the proposition that the minister should therefore be involved in day-to-day management. It is something that should happen by exception only. People who run public organizations, either from the boards of Crown entities or through government departments, know that if you can't predict reasonably well when your minister is going to be fussing over your management and when you are going to be left alone to get on with your job, that you become cautious. Your staff starts to check everything upstairs before they do it, and in a steady progression the freedom that you gave them, together with their accountability, erodes. More decisions come up the line, accountability becomes confused and everything slows down. Successful top managers and ministers know that their interventions must be very selective.

The main point is that ministers have a legitimate accountability and concern about management but, on a day to day basis, they should stick to their business and managers should stick to theirs. Let's look at a couple of hard cases to illustrate this point.

There is the circumstance of strong disapproval by a minister of a personnel decision. Perry Cameron's experience in appointing Frank Sharp to the Civil Defence position is an outstanding case. I think Perry Cameron did the right thing. However, he had appointed a person who plainly was politically embarrassing to his minister. I believe his minister stepped outside the provisions of the State Sector Act, which made it an offense for him to interfere in a personnel decision. Perry Cameron was right to say that it was his decision to make and he had made it, but that he had lost the confidence of his minister and he was resigning.

What is the lesson that goes forward from this case? To me there is the question whether Perry Cameron should have consulted his minister about the decision before he made it. To what extent would he have allowed himself to be influenced by the minister's views, given the presumption that he knew what those views would be, when he came to the opinion that Sharp was the best man for the job? He should have consulted about the decision and taken the minister's reaction seriously, while at the same time preserving his jurisdiction over the decision. At some point, most chief executives make personnel decisions that their ministers do not like.

The second case study is Cave Creek, which is rich with lessons that senior public servants should not forget. Still, the lessons are not all that clear. They are a bit cloudy because the two Inquiries into Cave Creek were not definitive in clarifying the managerial issues involved. In the Noble Inquiry, the magistrate decided he was not going to highlight public management issues and, instead, addressed the whole question from another perspective. He

seemed to have come up with good clarification of the facts of why a platform had failed and what the consequences of that failure had been, but then drew a conclusion which seemed to not follow logically from the facts, or at least headed off in another direction.

In a management situation, it is quite clear that managers are entitled to delegate responsibilities to subordinates. They are accountable for doing that well and clearly, and for monitoring it and for ensuring that the person to whom they give the delegation is competent and properly resourced to carry it out. But that is all a top manager can do. The State Services Commission (SSC) Inquiry focused on the wrong questions. It seemed to me to be asking whether this department was generally well-managed rather than focussing on the critical issue as I have characterized it.

However, the SSC Standards Report that followed from that was a very good document and helped codify an incredibly hard edge of what might be termed “vicarious accountability.” When you may not be proved negligent as a minister or manager, but the reputation of your department is seriously affected by what has happened, you need to resign simply to clear the air. Jim Bolger’s comments, made after he left the prime ministership, indicate that he should have accepted resignations at an earlier stage. This is evidence that we have learned something about accountability. I think the Standards Report and Bolger’s comment are helpful lessons that have become part of our folklore.

5. Performance specification

The fourth area that I want to address is specification of performance. Doing this well really matters if you want results based management. However, it seems to me there is a persistent criticism about performance specification for which there is a suitable technical response. There is criticism, particularly from academics, to the effect that the process of specifying performance “rinses away” something else that matters. My response is to agree with this criticism and to think about how we can fix this problem. Their response might be, in effect, that there is a problem with performance specification that cannot be repaired because the whole philosophy of performance specification has created an ethos and ethic that is against the public interest. I do not see a common ground that will permit this issue to be debated to a conclusion. What I am sure about is that if we are not careful to specify performance correctly, then we do get distortion. I will go as far as to say that we may be far better off not to specify performance than to do it badly. A loosely specified performance requirement between a minister and a chief executive, who get along well and continually exchange views, may be superior to a badly designed performance agreement, particularly if the relationship between the minister and chief executive is distant and lacking in frankness or richness.

This problem is self-correcting in some circumstances. When a chief executive has a poorly framed performance specification, he or she typically ignores the performance agreement and does what the informal direction from the minister says to do. Thus, the distortion may not cause the problem in reality that it causes in theory, but it does leave problems related to transparency and coordination within the government. Also, in New Zealand, the organization cannot completely ignore the performance requirements, so in

some cases there is compliance with performance agreements that are not actually driving the organization. If the performance agreement also governs the internal management systems inside the government department, then you have the staff formally expected to do one thing and the chief executive doing something else, and the result is dysfunctional. I would much prefer to strip back the performance specification, keep it simple, and focus in on a few key objectives than see compliance with objectives that staff are not taking seriously or, alternatively, that they are taking seriously whereas the minister and the chief executive are not.

It is important to keep the output concept in place in my view. This is a powerful organizing concept, but it is not an alternative to outcomes, which are what public management is or should be about. [Editorial note: Elsewhere in this symposium this assumption is questioned seriously, and the Australian national government prides itself in that it has never attempted to derive outcomes measures, believing that the lesson from New Zealand and elsewhere is that satisfactory outcome measures cannot be developed and applied]. The problem is that nobody has yet designed a comprehensive outcome-based management system that actually works. This conclusion includes the Government Performance and Results Act (GPRA) in the United States, which is by the far the most ambitious statement in the world about how to run a government to outcomes. Still, if we look at what the US is actually doing, it is similar to what New Zealand does now.

I have compared the occupational safety and health corporate plan in the United States with the one that we have in New Zealand and they are almost identical. In fact, in my view, the New Zealand one is a little bit superior because it does not confuse outputs and outcomes in a way that I think undermines the effectiveness of the performance objectives. In both the U.S. and New Zealand, organizations are trying to lower accident rates. In neither case have they made the silly mistake of focusing all their “fire power” on places where accidents do not happen, which would occur if the performance objective was the output of factory inspections. Instead, they have aimed at reducing accident rates.

There are many examples of outcome-based management, but I do not think it is possible to have a complete, outcome-based, comprehensive management system. It is, however, possible to have a complete, output-based, comprehensive management system and add to that everything you possibly can in the way of an outcome orientation. In the case of health, it is possible, with something as carefully defined as an immunization program, to drive this program based upon indicators on the incidence of the disease. It does not make sense to pay doctors just for giving injections, because they will give them to people that are not likely to get the disease anyway, but that come to their surgery and pay them five bucks for a shot. Managing to outcomes is about finding the people who have not been identified and who are likely to get the disease and are unlikely to pay for the injection. We know how to do this, but to ask the Department of Labour to be accountable for the unemployment rate, or to ask the Treasury to be accountable for the economic growth rate, or any of these larger propositions that at various times have floated through the academic discussion, is not helpful. You have to build outcome-based management one step at a time, whereas outputs provide a clear link between organizational management systems and the government budget process and are superior in general to inputs for resource decision making.

To move away from theory, let us use the example of the Customs Department, and the trouble it got into with Neil Kirton, when he attacked his own department over the

inspections of imported motor cars and whether their speedometers had been altered. In this case, the solution should have been for the performance specification of the Customs Department to have been clear about what the output paid for was buying in reducing the probability that a motor car had a speedometer that had been altered. A statistician could have taken a fair shot at this type of analysis. It would have been clear, as a quality dimension in the Estimates or in other management documents, that the effort the government was putting into investigating these cars when they crossed the wharves gave you a probability of one in ten perhaps that you had bought a car with a speedometer that was altered. Instead, the department was attacked on an implicit basis to the effect that if there were any cars coming in with speedometers that had been tampered with, the department was not doing its job. The fact is that the department was never resourced well enough to do this, and it never could have been funded adequately to do it. I think the attack on Customs was unreasonable and could have been resolved by paying better attention to performance specification, and by adding quality dimensions that moved the output towards an outcome. This case teaches an important lesson about output and outcome measurement.

6. Ownership and organizational capability

The question of ownership and organizational capability is the next area in which to note some lessons learned. I am a bit perplexed about this issue. Some extravagant statements are now being made by academics and an incoming government about how the capability of the public sector has been destroyed. My view is that it has been seriously neglected, and there is some damage in some places, but that the language being used is extravagant. I work in countries all over the world and if we benchmark our capability against other nations, you should not use this kind of language. Capability has not generally been destroyed across the whole of the government of New Zealand. Rather, the challenge is that capability has not grown in line with escalating demands. Also, there are places where capability was always inadequate and remains so. Much needs to be done.

Accrual accounting had a positive impact on measuring and maintaining the capability of assets measured in balance sheets in dollars and cents. The introduction of decent balance sheets into the hospitals in this country has provided a basis for measuring and protecting physical capability in those organizations that was never there before. Buildings that should never have been built have been valued at what they are worth, which is almost nothing. On the other hand, depreciation provisions must be made to reflect the consumption of capital assets over time.

There is no accrual accounting for human capital, however, and methods to assess human capability were not developed. I suppose this view is controversial, but it seemed to me that when Ruth Richardson left office, the National Party tried to hold on to her fiscal policy without her agenda of changing the role of the state. The coalition government then was hit with the Asian crisis, and other problems of its own making, which undermined tax revenues. As a result, a financial squeeze came to the public sector and all sorts of areas where money should have been spent in training, recruitment, human resource development, even information technology systems, were squeezed. Investments were made, of course, and there is

no way quantitatively to judge whether the net effect of investment and attrition has been positive or negative. However, it seems to me that gaps between capability and requirements are identifiable in a number of areas and should be addressed.

In my view, the State Services Commission should have developed more systems for assessing the human resource and other capabilities in public organizations. The SSC should hold chief executives more to account for capability and, if necessary, debate with the Treasury about how much money should be spent on this. I think Simon Upton was right in principle when he pointed out late in the term of the last government that this is a problem our ministers need to address. I am concerned about the idea that the SSC is to be given the entire scope of the ownership interest, which I believe is what has been indicated recently by their minister. If I were a minister of finance under the present circumstance, I would not have the Treasury excluded from consideration of the ownership interest in hospitals, schools and large areas of investment in public organizations. The Minister of Finance is responsible for the government balance sheets and must expect the Treasury to take an interest in the big numbers in them. We may term this the ‘wholesale’ interest in the ownership question. Another very important area of ownership responsibility is the management of the government debt through the New Zealand Debt Management Office in the Treasury. However, with these qualifications, I strongly agree with the idea that the SSC should strengthen its role in deliberating about the ownership issue. I think it should have absorbed what I call the ‘retail’ interests of the Crown Company Monitoring Advisory Unit instead of having it sent to the Ministry of Health, which I think submerges a conflict in the interests of the government that should be out in the open.

Thus, a lesson we have known about for a long time but been slow to do much about, is getting on top of the capability issue and addressing it seriously. Some of this is easy, some quite hard. I think it requires the SSC to develop benchmarks and templates for what is good public policy, what is good human resource capability, what is good IT capability. In doing so, the SSC would become better able to make well-founded and professional comments to chief executives about how they are doing. But, anything short of this and the chief executives will understandably brush off comments.

7. Crown entities

I will offer only a few comments on Crown entities to illustrate the importance of getting roles and accountability clear and consistent. The job I did with the New Zealand Symphony Orchestra illustrates the points I made earlier about the importance of clarification of roles. In that case the Orchestra board thought it had the authority to decide where, what and when the Symphony would play, and how many musicians to employ. A senior minister, but not the minister in charge, pressed an influential view that this orchestra should only play in Auckland and Wellington and not in the provinces. The ministry, correctly in my view and in accordance with the opinion of everybody I spoke to, said that if we are going to subsidize this orchestra at all, it should bring music to all of the people of New Zealand, and not just play in Auckland and Wellington, where the Symphony could pay for itself. The Minister of Cultural Affairs did not own the orchestra’s statement of corporate intent and saw himself as

just presenting it to parliament, but not presenting it as his document. He saw it as the board's document. The purchase agreement for the symphony orchestra was in conflict with the views of the board about what should be happening, and reflected the views of the ministry.

This kind of confusion is relatively easily resolved, and my preference is for what we used in the Health Funding Authority. HFA has a strategic business plan from which may be derived all of the accountability documents and the internal management plan. It forces the process into consistency *ex ante* and avoids the sort of conflicts that happened with the New Zealand Symphony Orchestra.

8. Strategic management

The final area to address is strategic management. In the public sector, actually doing strategic management is hugely complicated. The books on strategic management in the private sector assume there is a chief executive and a board that can impose coherence and consistency on the process of thinking, planning, implementation, communication, and so on. We must accept that governments will only be coherent some of the time about some of things that they do. They will create and live with contradictions between the programs of different ministers or contradictions between things they haven't attended to versus things they are attending to. It will never be neat. However, the basic idea of achieving strategic alignment in government is critical to performance improvement. Long after all the other issues I have addressed have been benchmarked and brought to world best practice, we will still have the problem of how to get the network of public institutions to lift itself from benchmarked good practice to real and dynamic excellence. That is to say, to create a government as a whole that can perceive risk and opportunity in its environment, focus its intellectual resources boldly and, if necessary, make changes, and then motivate the entire state machinery to do something to implement its plans. This is a huge and difficult task that goes far beyond the improvement and refinement of management systems and processes, although this is necessary for any sort of success.

New Zealand has created some interesting innovations in strategic management in the 1990s. Strategic Result Areas (SRAs), and Key Result Areas (KRAs) were an interesting start-up, but they are an incomplete strategic loop. There is no evaluation process that follows them, they are not tightly linked into performance specification, and they are not well linked into budgeting. Simon Murdoch made a very telling criticisms about them, which I agree with but cannot go into in this context. SRAs and KRAs were a good idea, and they started something that needs to be completed.

Agency coordination is where some of the greatest gains can be made to enhance the effectiveness of government, but many myths abound. We should drop the myths and focus on the reality. We may not do enough now in the way of purchasing common services between departments. The basic lesson about coordination is simply that a government gets as much as it wants. It reaps what it sows. We have seen a virtual ministry, led by the Ministry of Commerce, in the Bright Futures project, for example, because it became a key government priority. If politicians want good cross-agency coordination and good work done

collectively by public organizations, they will get it. The SSC can discipline the people who will not play ball.

9. Conclusion

In conclusion, I think there is much rich experience in New Zealand from which to learn. Also, we have had bad habits (see my paper on the SSC web site delivered to the public sector conference last year). For example, bad habits have included using structural solutions in attempt to solve process problems. It is bizarre that people in the health system are having to reapply for their own jobs for the third time in four years. We jump to conclusions too quickly. We think things will be easier to accomplish than they really are. We let problems rot and do not attend to them. The Crown entity problems have confronted us openly for years; similarly the problems related to ownership.

The New Zealand system is no longer unique. The distinction between the system in New Zealand and the system in Australia is technical and not of great significance. In Australia, the debate about programs [Ed. Note: and outcomes] versus outputs is over. Australia now has accrual accounting; they focus on outputs, and so on. What is likely to happen in the next few years in New Zealand is that we will adjust some edges of the New Zealand model. We will see trade unions put back into a more influential position. Before long, we will be completely indistinguishable from the Australia model. It is time to put an end to the notion that there is some sort of extreme model of public management in application in New Zealand. This perception has been a stimulus to our tourist industry, and also has assisted academic careers. However, I am sorry to say to our foreign guests and readers that New Zealand is not all that novel any longer. In many features it has become the international standard to inspire major local variations. There are innovative countries including the United States and others around the world that have pushed frontiers out beyond where we are in New Zealand, and we will have to evaluate these examples and pick up useful leads in the future.

We have neglected some things to which we should have attended. Still, I am a bit concerned about some of the critical rhetoric that has been expressed about New Zealand very recently here in our own nation and capitol. There are some half-baked criticisms, including personal attacks on individuals, that have gone too far in my view. There are populist nostrums abound about salaries and there is a lingering nostalgia for an idealized past that, in my experience, never really existed. What we need is a well designed agenda of evaluative research and well crafted improvements to government in New Zealand that are based on sound and valid concepts, but more particularly based on codification of the lessons we have learned, some of which are articulated in this article.