STRATEGIC MANAGEMENT, PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

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SECTION 1 INTRODUCTION

1.1 THE PURPOSE OF THIS PAPER

This paper has been prepared for the State Service Commission to deal with definitional issues in three key components of public management:

- strategic management
- performance management
- accountability

in the context of government policy decision-making.

The paper draws out, generically, the fundamental distinctions between strategic management, performance management and accountability with a view to helping unravel the distinct role each component plays in public management and how they intersect.

The paper is intended to contribute to the Commission's work on sifting out the relationships among the key processes of government decision-making and clarifying what can be expected of strategic management, performance management and accountability in the overall system. If fundamental distinctions are not from time to time re-examined, it will be much more difficult to design and implement refinements to the system - for example, a move to further devolution would ideally be informed by some clear refinements to accountability that had regard to desired outcomes.

Being clear about the definitional issues is an essential prerequisite to ensuring that the public management system is developed in such a way as to correspond to its evolving purposes.

1.2   OVERVIEW OF PAPER

The paper takes a view of public management that sees strategic management, performance management and accountability as having the overriding purpose of helping government to achieve its policy objectives. It looks at each of these as means rather than ends. The focus therefore is on these as factors in determining whether government can succeed with its strategic goals.

The essence of the paper is contained in three highly important propositions:

- strategic management as 'the art of the possible': the matching of what an organisation/the government wishes to do (goals) with what it can do (capabilities), within what it might do (what the environment offers or requires) - covered in section 2.2

- performance management as the skill of managing the performance of all the elements within the organisation to deliver the optimal outputs from the mix of inputs that is available or can be cultivated within budgetary and organisational constraints - covered in section 2.3

- accountability as learning - covered in section 2.4.

A fourth proposition concerns the capability of providers of services outside government as an emerging issue in strategic management with implications for performance management and accountability. Public management systems need to be designed to accommodate third parties. A critical balance is required between aligning their focus and performance with the strategic goals of the government, and preserving the independence (and the benefits of innovation and risk-taking) that makes them desirable providers in the first place. Section 4 begins to raise some of the strategic issues for government.

1.3   CONTEXT

Three contextual factors underlie the paper's approach to the definitional issues in strategic management, performance management and accountability:

- lines of thought to be found in literature and commentary on public management[1]
- the fact that public sector reforms have changed public expectations about the quality of government
- the new emphasis on government "doing things through communities".

Literature

The literature on public management and in commentary on experience with reforms throw up the following[2]:

[1] In this paper the term public management is used to mean the bundle of systems and components that collectively make up the total system for managing the business of government.

- First, strategic and performance management systems are best seen as evolutionary, and developed as a 'learning' process. That is the approach taken in New Zealand, within a set of enduring concepts about institutional processes and relationships.

  As the corollary to performance management, the system for accountability has also evolved over time, but with the difference that the system we now have began life well-advanced, within a highly specific framework of legislation, direction, conceptual understandings, assumptions about incentives and relationships, and well-defined mechanisms and information requirements.

- Second, a well-functioning system of performance management will require the individual components to be well synchronised at the overarching level to ensure consistency and mutual reinforcement.

- Third, public management can only partly be learned and thought about by reference to what it means in generic international terms. It must also be understood in the specific context of the country where "surprising variables and combination of variables may account for …successes and failures …".[3]

- Fourth, public management is a distinctive endeavour. Use of private sector management theory and practice must be discriminating

Public expectations

Changes in public expectations about the quality of government have been brought about by public sector reform itself. The focus on performance management and accountability, in particular, has itself created demand for government agencies to demonstrate publicly that they have value, and work efficiently. There has been a substantial 'education' of the public which in turn has created a push for further improvements to performance management systems and is beginning to add some new quite challenging dimensions. Three examples are the growing emphasis on managing communities of interest within government and beyond (eg relationship management in contracting); working in partnership arrangements; and taking a 'balanced scorecard' approach to performance and accountability. (Note: these developments are already found in private sector thinking and practice.)

"Doing things through communities"

In New Zealand and in other countries we are seeing a growing emphasis on governments "doing things through communities". In Canada this is happening through the drive for alternative service delivery. In a number of countries the potential for it to happen has been laid in contracting with community and

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[2] This paragraph draws on Dr Gudfinna Bjarnadottir' commentary on a New Zealand paper presented to the OECD on strategic management in government. The same themes are to be found in other sources of commentary on public management generally.

[3] Bjarnadottir, p 22.

voluntary organisations, now perhaps more able to be realised as understanding of the scope for relationship contracting, over transactional contracting, improves. The present Government in New Zealand has signalled its strong intention to work collaboratively with sectors representing the community interest, in concrete partnership arrangements. (Section 4 below deals speculatively with some aspects of this.)

Changing public expectations and community-based delivery both lead towards the idea of the public as stakeholders in the public management system. 'The system' has a wider constituency to satisfy than just government itself.

SECTION 2   DEFINING STRATEGIC MANAGEMENT, PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

2.1   OVERVIEW

This section takes each of these in turn, and for each one covers:

• definition

• purpose and components

• some observations.

Some general observations that apply across all three are:

• Systems depend for their success on the ability of organisations to execute each part of them. The capacity to execute therefore needs to be part of the big picture, not an addendum to it. If it is not, the opportunity may be missed to make an informed choice between a "second best" strategy that can be executed well, and "ideal" strategy that may be beyond the capabilities of the executing organisations. By way of hypothetical example, an ideal strategy for a goal of finding ways to 'close the gaps' for Maori might be to enter into full partnerships. The so-far limited experience among government agencies in working in partnerships might suggest a more immediate focus on operational excellence so that programme delivery is very well managed, while skills in partnership relationships are being built.

• Informal systems are as important as formal systems - they tie things together and are critical to making formal systems work. Informal systems comprise webs of relationships, unstructured networking, dialogue, peer monitoring (at the organisational and individual level), shared values, trust, perceived contestability and good people working together. These are non-contractual and cannot be captured in formal contracts.

- The connections between strategic management, performance management and accountability are as important as the distinctions. Section 3 below draws these out.

2.2   STRATEGIC MANAGEMENT

Defining strategic management

Strategic management can be described as the art of the possible, or:

the match, within the universe of what an organisation might do (environmental opportunities and threats), between what it wants to do (desired goals) and what it can do (organisational capabilities, capacities and constraints).[4]

This makes the alignment of organisational strategy and capability with conditions in the environment an important three-sided cornerstone of strategic management.

This notion is highly central to government's use of strategic management because of its emphasis on strategy as selecting from a vast range of possible actions those that are consonant with the ability to achieve them, ie the ones they can realistically pursue. Strategic management must comprehend the capability of the organisations "doing it", as a strength in or constraint on the choice of strategy.

In public management terms this is the ownership interest - ie, the government's interest in strategic alignment, organisational capability, cost effectiveness in the long run and integrity in performance and delivery.

Strategic management requires a stream of decisions which must be adaptive to the environment, experience with past decisions and the changing availability of resources. The key components of strategic management in government are:

- having a long term focus in setting priorities

- establishing a common space between ministers and officials for strategies to translate into policies and implementation, iteratively with capability strengths and constraints

- the coordination of departmental contributions to long term priorities

- a focus on effectiveness and therefore commitment to managing for outcomes.

Strategic management concerns the execution of strategy. It is also iterative with strategy making, because of the part it plays in clarifying strategy in a

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[4] Adapted from Collis and Montgomery, Harvard Business Review.

feedback loop. The components of strategic management inevitably require defining and describing the components of strategy, and identifying the areas that need to be worked on to fill gaps or refine its expression. One way of defining strategy is that it is the results of thinking through and experiencing the logic of cause and effect, hence the growing interest in the use of intervention logic as a tool in strategic management.

As is well known, strategic management is not planning - the specification that goes with traditional planning is the antithesis of effective strategic management which needs the flexibility to encompass strategic thinking, strategy formulation and implementation, in a dynamic environment. But it is useful to define it at the 'working model' level as something with planning in it, which is as:

- priority setting against criteria of effectiveness and outcomes

- underpinned by sound strategy

- reflecting the government's policy directions

- linked to expenditure plans and constraints

- identifying contributors and contributing activities, and

- understanding their capabilities.

Unlike the private sector, it is not competitive markets that create the drive for strategic management in government or influence how strategic management is thought about. In business, the drivers are competition for markets or competition within markets. In government, the driver is the achievement of outcomes that rely on a complex set of political, economic and legal considerations and constraints.

Another dimension to strategic management is strategic issues management. Strategic issues are the potentially important developments, usually specific to a particular strategy, which are likely to affect the government's ability to achieve its objectives. An important element of public sector capability is the ability to manage (recognise and take action on) emerging issues so that strategy can stay on track.

Purposes of a strategic management system

The straightforward purpose of a strategic management system is to improve the quality of decision making and increase the effectiveness of implementing decisions in order to achieve strategic goals.[5] (It may also, at least in the long run, encompass goal selection.) It is a purpose achieved by producing better alignment between government's priorities, the work undertaken by

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[5] This is the purpose most frequently cited for the New Zealand government strategic management system. See for example SSC 1997.

departments and the quality of chief executive and departmental performance, to support progress towards strategic goals. In this formulation the strategic management system is connected integrally with the performance system.

Its purpose can be seen more fundamentally as being to cut through uncertainty and complexity as far as possible, and to give focus to desired changes by using present knowledge.[6]

The knowledge required for strategic management systems to play this role is knowledge acquired and refined over time. Seeing it this way further reinforces capability as central to strategic management, making the 'knowledge factor' of particular relevance to government given the current concern with re-building capability. "Those who know more can add value by directing those who know less."[7]

A summary of other, no less important, purposes of strategic management systems follows.

- The focus of strategic management on effectiveness and outcomes means that where a strategic management system functions well, it will help direct management effort towards managing for results and make these more likely to be achieved.

- Within a devolved environment[8], strategic management strengthens the coherence of government's actions. A strategic management system provides a 'whole of government' perspective both in setting priorities and identifying who is expected to do what.

- Strategic management systems serve as a potentially useful discipline by introducing a rational, and to an extent technical, perspective, into the politicised processes of government. They do this by creating the basis for allocating resources, resolving conflicts, recruiting support and explaining decisions to the public.

- Strategic management merges a longer-term focus in setting priorities and allocating resources to them, with short term responses to immediate issues, by making the trade-offs apparent.

- By clarifying the strategic objectives of government, a strategic management system supports greater coordination of departmental activity

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[6] This point is drawn from Campbell-Hunt, pp 19-20. He argues that when the foundations of strategic management were laid in the 1960s, thinking was based on the world being predictable. This is now true only in some cases where organisations and systems have evolved to a stable state, or where organisations and systems are in a stable state for the mean time. The relationship with future time is now one of unpredictability and complexity, where policy problems and actual policy outcomes, for example, are the result of many uncertain, non-linear forces and feedback loops "most of which will dissipate and lose their energy".

[7] Campbell-Hunt, p 21.

[8] Devolved management is the key to understanding the New Zealand strategic and performance management systems, as it is in other comparable countries.

- Strategic management systems ought to highlight alternative forms of structure and delivery as a consequence of the process of investigating and refining strategic goals. In some instances it will become obvious that existing structures will not 'do the job', once the nature of the task is fully understood. In other instances it may only be through the ex post performance process that it will be seen that a different structure is needed if the goal is to be met.

- Especially in an output-based system of accountability and budgeting such as we have in New Zealand, the strategic management system gives chief executives and their departments a stake in the realisation of government's high-level goals which they would otherwise not have, or have only weakly.

Observations

None of these purposes are inconsistent with the drive behind adopting a strategic management system in New Zealand, which was to strengthen the government's decision-making model.

The strong feature of the New Zealand strategic management system is its sharp separation between strategic management in terms of selecting and achieving desired outcomes on the one hand, and delivery of the outputs to support the desired outcomes (and then accountability for delivery) on the other. Is this separation that has motivated the introduction into the New Zealand public management system of mechanisms to establish linkages between the strategic management and the performance management and accountability components of the overall system. The model that has evolved is the connection between the government's priorities, departmental commitments in pursuit of these, and centralised coordination of, and review of performance against, these commitments.

This is strategic management seen as a structured process of interaction on strategic issues among and between Ministers and chief executives and departments which results in long term, high level objectives being set (in current terms, "strategic objectives") and translated down into medium term, intermediate objectives ("KRAs") and into targets for chief executive performance ("performance agreements").
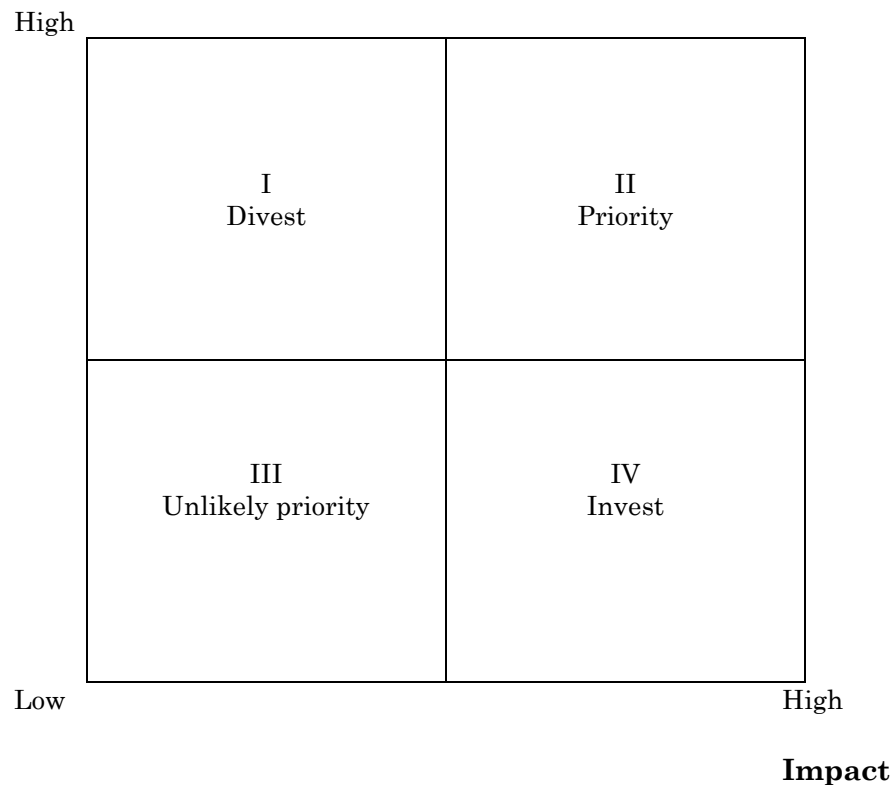
This formulation of strategic management misses out on a crucial aspect of what a strategic management system usefully can do, which making decisions about priorities and the resources needed to meet these. The following is a useful schema for making these decisions which ties in the link between the impact of government action (outcomes) and the ability to deliver (capability).[9]

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[9] Adapted from Perrott.

**Capability
to address**

High

I Divest	II Priority
III Unlikely priority	IV Invest

Low   High

Impact

In II, high impact coincides with high capability. Developing and implementing strategies is a high priority. Strategic management and performance management should focus here.

In IV, high impact coincides with a shortfall in capability. Strategies should include strategies to increase capability with particular attention to performance management during the process.

In I, capability is overgeared. There is the potential to shift resources - to IV.

The government ought not to be putting resources into III.

2.3   PERFORMANCE MANAGEMENT

Defining performance management

Performance management consistent with a system of strategic management would take a 'whole of government' perspective, rather than a 'unit of government' perspective - or at least blend the two, to avoid managers acting to meet their unit performance objectives in ways that undermined the

government's higher level objectives. For example, a chief executive can enhance the quality of policy advice by bidding people away from another department which may improve policy advice overall (eg if in the above diagram resources are shifting from I to IV), or may not (it is just robbing Peter to pay Paul).

A whole of government approach to performance management would see performance management defined in the broad sense of:

the use of performance-related information to help set performance goals within agreed strategic goals, allocate and prioritise resources, inform managers to either confirm or change current policies or programmes to meet those goals and report externally on success in meeting them.

This definition emphasises both the development of performance information and how it is used by management for decision making and by external parties for accountability purposes.

It is consistent with the following established OECD definition, if the italicised words are made central, and hence offset the sense of narrowing down in the words "devolution", "contractual" and "incentives":

"the application of management tools such as devolution, contractual arrangements and the use of appropriate signals and incentives *to ensure that performance counts in the decision making process*."[10]

The 'narrowing down' words owe their prominence to the focus common in public sector reform internationally on improving the performance of government alongside containing or reducing its size, with fiscal pressures as a main driver behind the orientation to performance.

An SSC paper on integrated performance management[11] takes the broader view and usefully defines (integrated) performance management as "a unifying architecture for setting direction, planning, reporting and reinforcing performance at all levels in an organisation". That allows for performance management to be thought of as an umbrella for a range of components, including devolution of decision making, accountability for performance, measurement, review/evaluation and performance auditing, and the use of performance contracting.

A different way of 'defining' performance management is to view it as "leadership and learning" - chief executives selecting from the resources available to them the mix that will best deliver outputs, and changing the mix according to experience with what works and doesn't. This requires a results (outcomes) focus, and application of the tools of systematic evaluation to learn about and understand the intervention logic that explains the link between outputs and outcomes and, at least over time, indicate the 'levers' most likely to exert the desired impacts. It also requires that the accountability system also be oriented to learning, so that there is a symmetry between performance

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[10] OECD, Performance Management in Government: Performance Measurement and Results-Oriented Management, 1994.

[11] Provided without references.

management and accountability for performance. The present symmetry is between performance management as delivering specified outputs, and accountability as demonstrating compliance with output specifications.

Purposes of a performance management system

Under any view of performance management systems, their role is to instil direction and a sense of purposefulness into organisations to which people tailor their performance. That is what makes performance management powerful.

Within that common ground are two views of purpose.

- If the end result of a good performance management system is better quality government decisionmaking, seeing its purposes as 'learning' has much appeal. This view of performance management is succinctly expressed in an SSC paper: "Improving the quality of government's role depends on enriching the flow of information and analysis upon which government can base good decisions, implement them effectively and intervene appropriately … Essentially this is a question of …how well it learns and adapts in response to information about the impact of past and current decisions and actions."[12]

- The SSC paper on integrated performance management describes performance management in terms of three dimensions which expand on purpose as it is more conventionally seen:

  direction - sending important signals about priorities and objectives, where the organisation is going

  motivation - pressure to perform

  control - establishing minimum standards of process, outputs and behaviour which the organisation deems to be critical to its health and wellbeing.

To both the above ways of looking at performance management system can be added performance management systems as the context for being able to measure performance. A performance management system should produce measures that cause departments (and help Ministers) to think reflectively as well as systematically about how to improve performance, including re-thinking roles and alternative sources of supply.

Introducing outcomes into performance management adds another measurement dimension, measurement of impact, which has to do with the world outside the organisation and concerns <u>why</u> an output is being delivered.

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[12] SSC, 1996.

Observations

The learning approach incorporates an orientation to outcomes which has not been part of the formal system in New Zealand. It contrasts with the shorter term focus on delivery of outputs.

A point well made in a commentary on the New Zealand system is that:

"Although the "output-outcome debate is often framed in terms of the question "should governments' formal systems of public management focus on outputs or outcomes?" it is more accurate and probably more helpful to consider instead what part of the output-outcome *range* (italics added) the government should focus on in managing its agencies."[13] The real question is where, on the range of outcomes and outputs, would the performance management system best focus?

Changing the key question this way seems a useful way forward, given that holding the performance management line at outputs is becoming increasingly out of step with reality.

2.4 ACCOUNTABILITY

Defining accountability

The corollary to seeing performance management system as 'learning' is that accountability would be similarly viewed.

The conventional definition can be summed up as "holding organisations responsible for the achievement of previously established performance goals" - a static view of a system which in so far as it deals only in outputs misses out accountability for alignment to support the policy needs of government.

Differentiating between accountability and responsibility helps fill this gap. In a just-published paper Gregory and Hicks point out the tendency to use accountability and responsibility as synonymous rather than the conceptually different and complementary notions of accountability as being about controllability or answerability, and responsibility as addressing obligation and trustworthiness. They develop the concept of responsible accountability to overcome the shortcomings this "conflation" has created.

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[13] Irwin, p 20.

Purposes of an accountability system

A narrow view of the role of accountability in the New Zealand system would see it as primarily a means of identifying performance in relation to expectations, and applying rewards or sanctions accordingly. A broader view would recognise that in any system in which a principal entrusts tasks to an agent, an accountability framework is simply a necessary part of the checks and balances required to underpin the alignment of the agent's incentives with the interests of the principal - in the absence of such a framework, the agent's obligation to act in the interests of the principal becomes the freedom to act as the agent sees fit.

A complementary purpose, and one which might become the primary purpose in a system in which the agent and the principal expect to be party to a series of ongoing transactions, is for accountability to form part of the feedback system by which both agent and principal seek to learn from experience and underpin continuous performance improvement.

Observations

Two shortcomings in the present accountability system Gregory and Hicks identify which would seem important in the further evolution of strategic and performance management are:

- equating holding an organisation accountable with 'taking the rap' for performance failure, ie accountability as culpability, which does not necessarily motivate better performance in the future (the learning purpose of systems)

- the emphasis on constraints, which is has potential to encourage avoidance of negative outcomes rather than achievement of positive ones.

They link these characteristics of orthodox accountability to the use of contracts as the main tool of accountability, arguing that the 'contract' limits the exercise of judgment and dominates decision making and effective action, with its 'checklist' approach - "if its not specified, its not my responsibility".[14]

Effective accountability is commonly associated with requiring tight control. In some cases the advantages of control in achieving effective performance management may in fact be outweighed by the motivational advantages of outcome-like accountability. This will be the case when the best results are achieved by bringing the goals of the provider closer to the goals of the purchaser (government). Accountability then needs to reflect goal achievement rather than output delivery.

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[14] P 8.

The key point to take the performance management system forward is perhaps to treat accountability as a component of performance management rather than as itself a system. Sometimes this difference is blurred.

SECTION 3   LINKAGES AND A BALANCED SYSTEM

3.1   LINKS BETWEEN STRATEGIC MANAGEMENT, PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

The factor that most strongly links these three dimensions is the principle of "letting managers manage" in public sector management reform. It is encapsulated in Senge's notion that empowerment without alignment equals chaos.[15] Changes made by managers need to be focused by defining the parameters of change government wants. Without a framework to align changes made by managers to desired goals much of the change achieved may cancel itself out.

It is usual for commentary on the New Zealand public management system to describe it as an integrating system comprising the three components of strategic management, performance management and accountability.

A question an external observer might pose is what is meant by integration, ie what are the linkages and how do they ensure the three parts of the overall system work together most effectively to achieve government's objectives?

Answering this question increasingly means asking whether the distinctions we make (between strategic management and performance management, between outputs and outcomes, between ownership and purchase interests) has sufficiently focused public management on the impact of government action on the community at large and the groups intended to be served by government policies.

At issue is the appropriate relationship in each of the set of relationships in public management. The following diagram suggests an extended system from the existing one, which extends:

At **A**:   to the role of policy advice in advising the government on the choice of outcomes and the strategies to deliver these, hence the case for chief executive output accountability to encompass the effectiveness of policy advice on the choice and specification of, and on strategies for achieving outcomes
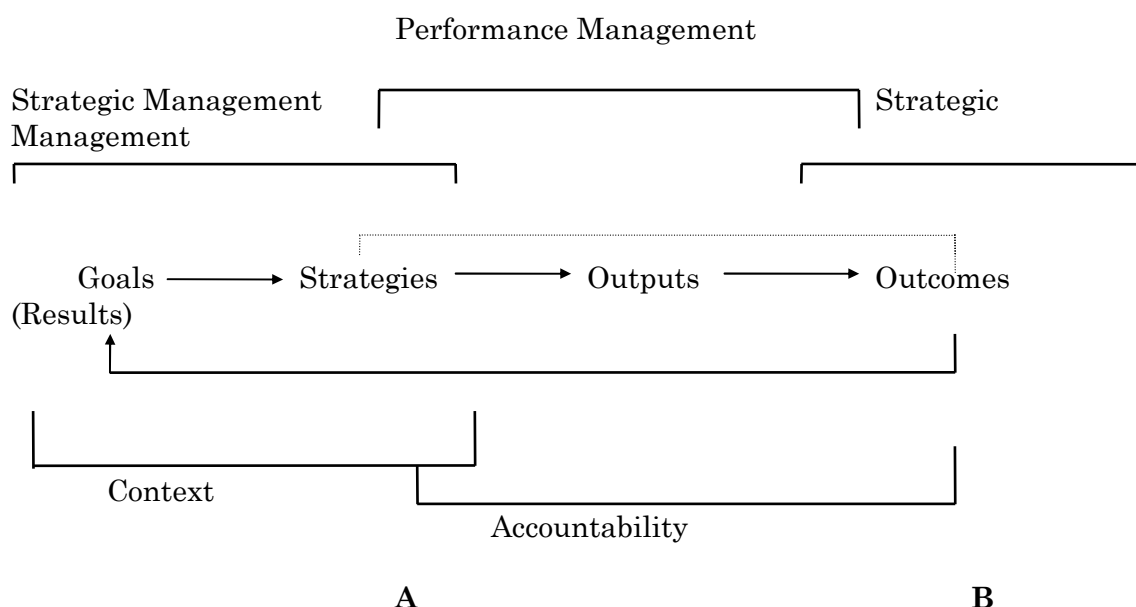
At **B**:   to the operational relationship between outputs and outcomes where the way outputs are delivered influences (positively or negatively) the actual

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[15] From Peter Senge's work on The Fifth Discipline.

outcome as against the intended outcome, hence the case for chief executive accountability to encompass the link between output delivery and outcomes.

(Neither of these extensions to accountability diminish ministerial responsibility for outcomes.)

Performance Management

Strategic Management
Management   Strategic

Goals ——→ Strategies ——→ Outputs ——→ Outcomes
(Results)

Context

Accountability

A   **B**

This approach is consistent with, and could help bolster, the use of KRAs given that 'key results' contains the ideas of both achievement and assessment and already connects strategy and accountability.

It preserves the distinction currently in use in some departments, but with a workable overlap, between:

•   strategic management as context (for departmental activity)

•   output responsibility as accountability (for what the department delivers).

Links between strategic management and performance management

One of the roles strategic management often has is to move organisations into new priority areas and require something different of them.

It is obviously important that the performance management system does not present a barrier by locking the organisation into existing operational systems and behaviour. What is put in as the heart of the performance management system will determine how the organisation responds. If the heart of the system is financial (the budget), responses are likely to be short term focused. If the heart of the system is strategic (say, results-based), responses are more likely to

be longer term focused (assuming there are no short term pressures to dominate over the inherent longer term focus).

This has to do with adaptiveness as a competency associated with outcome-oriented management - the need to be prepared to do things differently and explore alternatives in the search for better achievement of outcomes.

3.2   A BALANCED SYSTEM

A balance system will permit strong alignment between what government os seeking to achieve strategically, and the inherent abilities of its agencies to execute what strategy requires. This has in the past been a neglected factor in determining whether strategies succeed.

The following are three possible ways of moving towards this balance. Each involves a degree of unbundling existing concepts in public management, and refinement.

Outcomes

A focus on using outcomes in connection with strategic management would seem to be a valid and reliable way of moving down a balanced path. The accountability implications cannot be entirely set aside, as the question of where accountability for outcomes lies will inevitably arise if outcomes become a formal part of Government's strategic and performance management. But there is sense in regarding the accountability issues as a consequential rather than a primary consideration in any move to introduce outcomes into the systems. In other words, design the accountability system around a system with outcomes in it rather than vice versa.

To avoid getting bogged at the level of specifying high-level outcomes, there may be scope to move ahead by focusing effort on the more practical level of specification of output results, or intermediate outcomes, as has happened in some other countries. This brings the management focus to the output **mix**, and to reporting performance on how well any given or changed output mix achieves the expected results.

Balanced scorecard

The balanced scorecard approach to performance management is used in the public management system in the USA, and has been referred to in New Zealand in performance management.

The balanced scorecard is advanced as a way to address a deficiency in traditional management systems - the inability to link long term strategy with short term actions. It also addresses the over-emphasis on financial

performance as the main indicator of performance. Budgetary concerns and outturns remain squarely in performance management but alongside other equal measures of performance.

Thinking on the balanced scorecard approach is moving on from the original Kaplan and Norton version with its focus on measurement, to its use as a management system that aligns capabilities with achieving long term strategic goals. It purportedly can be used as a framework for goal setting, resource allocation, budgeting and planning and strategic feedback.
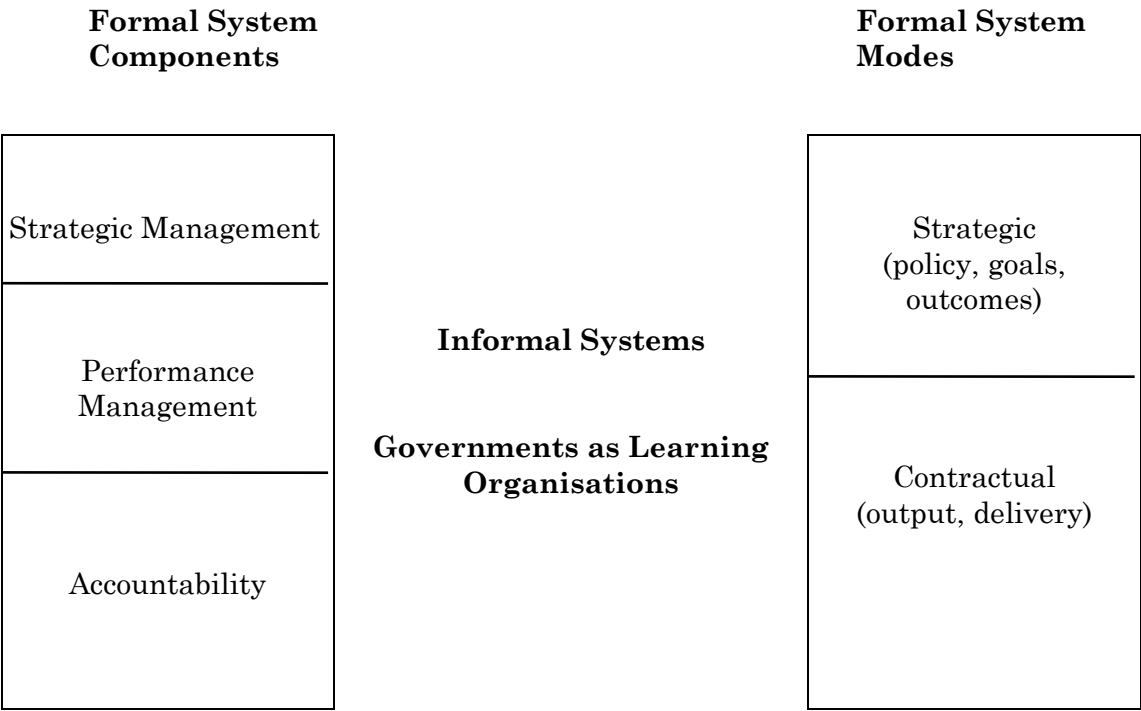
Importing the balanced scorecard approach or some modification of it into the public management system may be a tool to use in the already growing attention being given to public sector capability for meeting the strategic interest of government.

Balancing accountability as between answerability and responsibility

Section 2.3 above covers this issue.

Balancing formal and informal systems and modes

The following schema sets out the components that make up the formal and informal systems of public management, where better balance can be achieved by understanding the part each plays in relation to the others:

Formal System Components

Formal System Modes

Strategic Management		Strategic (policy, goals, outcomes)
Performance Management	**Informal Systems**	
	Governments as Learning Organisations	Contractual (output, delivery)
Accountability		

SECTION 4   AN EMERGING ISSUE IN PUBLIC
MANAGEMENT

This section refers back to an emerging issue identified in section 1.3 above that may call for adjustments to the public management system and its tools, and touches on what definitional issues these raise: that of "doing things through communities".

This issue is chosen as a way to finish this paper because of the tests it poses the present public management system in each of the three components of strategic management, performance management and accountability.

Doing things through communities and public management

Extending to community interests a role in policy initiatives and in devolved decision making is one way to improve the outcomes Government desires, eg by improving responsiveness. It is in a sense an aspect of improving the performance of government.

Conversely, it will require different things of government. Some of these are:

• Extending concepts of what comprises effective management, eg to include the skill of managing across levels of government, where government wishes to work with local government in the design and delivery of major policies (such as transport, employment, housing and health) managing relationships in a network of relationships in the overall 'system', including managing the tensions in how direction is set, fiscal responsibility and how citizens participate in decision making

• Re-thinking accountability - issues arise from the challenging need to balance control with independence, the latter being one of the very qualities other sectors bring to enhancing outcomes. Means need to be devised for allocating responsibilities and accountabilities, assigning degrees of autonomy, establishing mechanisms for coordination and applying performance management techniques to the management of these external relationships. There may be a trade-off between the search for greater flexibility in developing and implementing public programmes and maintaining clear lines of accountability.

• Dis-entangling governance and management and dealing with inter-dependence between levels of governance. In an area such as *Closing the Gaps* for Maori the problems to be addressed are too complex and difficult to resolve (at least, cost-effectively) unilaterally. The direction in which this leads might be towards making local government and the community sector more important players in the broad system of governance. If this is critical to achieving better social and economic outcomes it will require a

very high degree of coherence in strategic management to bring together objectives at all levels. It will also be very demanding of the skills of managers in government, and their performance in the use of the tools of coordination, consultation and accountability.

• In his discussion about strategic management, Campbell-Hunt suggests (page 21) that systems facing complexity (the increasing norm) will "adapt best to their evolving environment if they are allowed to organise themselves." One of his conclusions (p 23) is that in New Zealand "we may find ourselves giving increasing autonomy to organisations to structure and adapt their own activity from the ground up".   This points to working in partnerships, to work together at all. 'Strategic management' may move towards 'strategic partnership' in which there is shared responsibility for performance rather than a devolved and contractual performance relationship.

The ability to coordinate all of these may become the most critical capability needed in the public sector.

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