SECTION 5 MAKING MANAGEMENT MORE EFFECTIVE

5.1 Enhancing management skills

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5.3 Improving the management of external consultants

5.1 Enhancing management skills

The state sector reforms that have occurred in New Zealand over the past ten years have created an inherently more complex and demanding management environment. The separation of policy from service delivery functions, the contestability of advice and widespread restructuring have all been features of the state sector environment. The transition from a traditional public service culture to one more closely reflecting private sector practice has also imposed new demands on public service managers. A major management development programme is now under way that is designed to equip the public service with the skills and leadership style necessary for a highly decentralised public service.

This entry examines the background to the current management development programme, why it was considered necessary, its underlying philosophy and the approach taken.

The context for change

Management development may be defined as those steps that enhance the ability of managers to organise and direct resources to achieve agreed objectives. In view of the scale and diversity of the part played by the state sector in society and the economy, the efficient and effective management of its resources is of national importance.

Prior to the introduction of the State Sector Act in 1988, the State Services Commission was the formal employer of all public servants, and determined salaries and other terms and conditions of service. The impact of the State Sector Act, and the Public Finance Act passed 12 months later, was to transform radically the New Zealand state sector, effectively creating approximately 40 autonomous government departments each run by a chief executive. With the State Sector Act, chief executives replaced the State Services Commission as the employer of public servants.

In 1991, the Government undertook an in-depth review of the impact of the two key Acts. This review, officially known as the *Review of State Sector Reforms*, is more generally known as the *Logan Review* because of its chairman Basil Logan. The *Review* concluded that in general the reforms had been successful. One area of concern however was the issue of senior management development. The report declared, "the quality of senior management is critical to the reforms," and went on to recommend that, "immediate attention should be given to formulating a service-wide management development policy."

After the *Logan Review* was concluded, the Cabinet State Sector Committee directed, inter alia, that a steering group drawn from representatives of the central agencies, departments and ministries be convened by the State Services Commissioner to develop detailed policy proposals for senior management development throughout the public service.

The final recommendations from the steering group were put to government at the end of June 1993 and were accepted. As result, a major management development project is now under way to ensure that the public service will retain the capacity for effective management in the current and expected environment.

As the *Logan Report* and subsequently the steering committee found, there was no common understanding of what constituted a good manager in the new conditions and also no means of fairly assessing individuals against an agreed standard.

While some departments had launched individual management development initiatives, there was no sector-wide attempt to define what strategic direction the public service was likely to take or what specific managerial competencies would be required.

A Cabinet Minute of May 1988 defined Senior Executive Service (SES) positions as "those top management positions which have a significant responsibility for administrative and managerial functions and for formulation of advice to Ministers on higher level policy matters. Essentially they shall be in the top collegiate management group...who take collective responsibility for key corporate decisions. The skills applied and the experience gained in the position should be portable and applicable at the most senior level elsewhere in the public service."

This definition complements the State Sector Act, Sections 46 and 47, which places the requirement to provide and train the most senior level managers within the responsibility of the Commissioner *and* the chief executives. This joint responsibility has not yet fulfilled its potential.

Early experience with the SES has shown that it had not gained the membership originally envisaged. Neither had it been able to ensure the inter-departmental development initiatives which would ensure a long-term supply of high calibre officials able to maintain the fundamental ethos of the public service.

A number of factors have contributed to this. Part of the original concept had been the creation of short-term contracts for SES members. This was to allow both for recruitment from the private sector and to break the expectation of long-term tenure. Such arrangements, coupled with government controls on remuneration (in comparison with the private sector) have now proved to be an inhibitor, lessening the attractiveness of SES membership. The SES was set up at a time when devolution of responsibility to individual chief executives for personnel matters was taking place. The legislative requirements in relation to SES membership have been seen as a form of centralised control at odds with that relating to other employees.

Early SES-wide development initiatives were inhibited by lack of support from departments unwilling to release members for training. However, in more recent times, members have expressed a desire for some form of co-ordinated inter-departmental development opportunities, and departments are beginning to show active interest.

Some other factors were also instrumental in encouraging a major initiative on management development:

- The New Zealand public service has a diverse range of organisations. Many of the smaller agencies are of insufficient size to be able to sustain an independent management development programme from their own resources.

- One of the risks of a highly decentralised public service system such as is the case in New Zealand is that of fragmentation into distinct and perhaps unco-ordinated "fiefdoms". A service-wide management development policy is one mechanism for fostering a consistently high standard of management practice as well a sense of overall collective or public interest.

Implementing change

The Senior Management Development Project steering group started by first establishing a number of key assumptions and propositions:

- that public service managers, like their counterparts in the private sector, were capable of development, learning and changing;

- that it was important to get things right at the top if management development was to be firmly established throughout the public service;

- that it was important to work within the accountability framework established by the state sector reforms;

- that it was necessary to restate and in a sense revive the concept of the collective interest of government which had been given less emphasis in the reform process;

- that it was possible to reconcile department autonomy with co-operation and that management development was one area where a collegial approach was preferable;

- that if any lasting improvement derived from the management development initiative it would be because those chief executives and senior managers involved in it were themselves committed to it.

The approach adopted by the steering group had a number of components. First, it was necessary to develop a broad statement of the vision, purpose and principles and values for the New Zealand public service. Secondly, it was necessary to discern the trends that would shape the future managerial environment. The third phase was to establish the particular mix of experience skills and attributes that would be required to meet the vision.

In more detail, the steps involved in the senior management development initiative were:

(i) The steering group identified all key stakeholders – those who had a legitimate interest in the management capacity of senior public servants. This group considered what was expected of senior managers and how the public service might develop over a 15-year period. From this the steering group distilled an initial draft statement of purposes and principles.

(ii) The draft statement was considered by a major conference of senior public service managers who also added their insights into how the public service might develop. Cabinet endorsement was sought and obtained for the resulting statement of vision, values and fundamental principles.

(iii) In a separate but associated exercise the steering group established a special task group to look at the prevailing managerial environment and identify emerging trends for the next 15 years. The futures task group ran two seminars using the machine-assisted decision-making system at Victoria University, Wellington. The results of those sessions were used to generate three fields of information:

  - the existing national environment;
  - the current public service senior management environment;
  - key trends likely to emerge over the next 10 to15 years.

(iv) Another sub-group to the steering committee worked on the competencies issue as recommended by the Logan review. It was decided to test this issue as recommended by the Logan review. It was decided to test this approach which had been followed by a number of departments on a public service-wide basis. As the Treasury had already introduced competency-based management development, it was decided to test this approach to see if it were more generally applicable across the public sector. As part of the pilot project, a group, including ministers, members of the Government Administration Select Committee, and influential private sector people, was asked to differentiate between good and bad managerial performance and to describe the behaviour that made the difference. The grouped behaviours were then converted into core competencies. These were competencies that were considered to be the skills and qualities every chief executive should have. They would be used as a basis for managing and developing activities centred on chief executives and senior managers.

(v) The steering group went on to position management development within an overall strategic human resource development framework. Within this framework the steering group have considered other issues such as job design, recruitment, performance evaluation and management training and development.

(vi) The specific responsibilities for senior manager development were clarified. It was agreed that Chief Executives would be responsible for the development of their senior managers. They are to take account of both the needs of their own departments and the broader needs of the public service as a whole. The State Services Commissioner is responsible for ensuring that they do it.

(vii) The steering group developed the idea of a Centre where chief executives, working collegially, could agree on the core competencies for senior public service managers and develop strategies for recruiting and training them. The State Services Commission would still retain a role in the provision of policy advice on senior management development. Work is now under way by a group of chief executives to establish the Centre.

(viii) As a result of the restructuring of the SSC in 1993, a newly established Strategic Human Resource Development Branch now provides a focus for senior management development issues. This branch is co-ordinating the implementation of the Senior Management Development project. In addition, it will work closely with the Management Development Centre.

(ix) The Senior Management Development project has progressed to the stage where the intention is to modify the present SES into a wider and more loosely defined group. Its particular focus will be on public service-wide development. In due course, the State Sector Act, specifically where it relates to the SES, will be changed to reflect this evolution.

Supporting material

(i) Institute of Personnel Management New Zealand, 1993, Developing Managers: Managing Development, *Proceedings of the Institute's Annual Conference,* Auckland

(ii) *Public Service and the Public Servant,* Martin, J. 1991, State Services Commission, Wellington

(iii) Scott, G, Bushnell, P, Sallee, N, Reform of the Core Public Service: The New Zealand Experience, *Public Sector* Vol. 13, No. 3, pp 11-24, September 1991

(iv) *Review of State Sector Reforms (The Logan Report)*, Steering Group, 1991, State Services Commission, Wellington

5.2 Improving information technology support

This entry looks at information technology and information systems in the New Zealand state sector. The entry draws on a booklet entitled *Getting the Bits Right – a Guide to Best Practice in the Provision of Information Systems in the State Sector.*

The context for change

Government departments are major users of computers and management information systems which are a major items of government expenditure. Such systems were estimated to cost the New Zealand taxpayer $400 million annually in 1992. Ensuring that this expenditure is used to best effect has a significant impact on the overall efficiency and effectiveness of the state sector.

Government departments are now able to exercise considerable autonomy in the development of their management information systems. In a decentralised situation it is important that managers in the field of information technology have adequate training and guidance in order to make cost-effective decisions.

The New Zealand economy is highly deregulated. There is ample opportunity for departments to seek innovative solutions to their IT requirements.

Effective computer systems can transform the way a service is provided. For example, the computer systems introduced in recent years by the Department of Inland Revenue (known as the FIRST system) and that introduced by the Department of Social Welfare (known as the SWIFT system) have had a major impact on the way the departments operate.

Implementing change

In 1991 the State Services Commission (SSC) undertook a review of computing in the State sector. The report which resulted from the review found a number of areas where management of information systems could be improved. To assist chief executives and managers in the area of management of information systems it was decided to provide guidance on what constituted best practice by means of an explanatory booklet.

The key points made in the booklet are:

- Senior management must accept responsibility for management of the IT resource.

- The organisation needs an IT strategy which is compatible with the business strategy.

- All the key components and activities, as shown in the list at the end of this entry, require effective management.

- Managers must know what level of service is expected and be able to monitor actual performance against this expectation.

Those developing management information systems in the state sector need to take account of the statutory requirements that apply to IT. For example in New Zealand, under the 1957 Archives Act, government departments are not allowed to destroy records without the permission of the chief archivist.

There are also requirements under the occupational health and safety regulation that affect IT; for example, the correct methods of deploying and using visual display units (VDUs).

Government purchasing and procurement policies need to be complied with in the acquisition of IT. In New Zealand, there are policies which are designed to ensure that competitive NZ (and Australian) producers are given full and fair opportunity to supply goods and services to government departments. The New Zealand Ministry of Commerce issued a booklet in 1991 entitled *Government Purchasing Guidelines: Opportunity for Suppliers*. It is important to note that these guidelines are not mandatory and government departments have a great deal of freedom in developing their systems.

The New Zealand Government has recently set up three bodies to advise it on information technology policy.

(i) Inter-departmental Committee of Information Technology made up of representatives from six departments and convened by the State Services Commission. Its function is to advise on issues relating to the government's role as a user and purchaser of IT. It considers the collective interests which cross departmental boundaries. Currently these cover standards and what will happen to GOSIP (Government Open Systems Interconnection Profile), and information management practices and purchasing guidelines in the public sector.

(ii) IT Policy Unit housed in the Ministry of Commerce, whose scope is to advise on IT issues relating to the government's role as a social/economic policy-maker. These have included copyright and education.

(iii) IT Advisory Group made up of 10 leading private sector people. Their role is to advise the Minister for IT on issues relating to the government as economic policy-maker from a supplier and user perspective. It is particularly charged with developing a medium- to long-term strategy for IT in New Zealand.

(iv) Other governmental bodies include the Government Communications Security Bureau which has an advisory role on matters of computer security.

The New Zealand guidelines provide, in outline form, a generic set of steps that are commonly necessary when putting a new IT system in place. The guidance is intended as a framework rather than a rigid set of procedures that must be adhered to.

To install a new system the following processes are recommended:

- allocate responsibility for managing the project;
- produce a scoping statement that specifies the objectives of the project;
- specify each operation in detail, including:
  - descriptions of the functions of the staff involved
  - how the management procedures will operate
  - what other procedures will interface with this one
  - when monitoring is required
  - logistic and support requirements
  - budget details;
- review current procedure for managing the above operations;
- analyse the gaps and identify the differences between the current and proposed procedures;
- determine the most appropriate approach to achieving the goals;
- determine the staffing and budget requirements for implementing the new procedures;

- produce a project plan for introducing the new procedures;
- specify staff requirements and activities;
- define the procedures;
- select any tools which will assist staff;
- select and train new staff;
- promote the new procedures;
- train users;
- introduce new procedures;
- set up reporting mechanisms;
- monitor the process.

Supporting material

(i) *Getting the Bits Right – a Guide to Best Practice in the Provision of Information Systems in the State Sector*, State Services Commission 1992, Wellington

(ii) *Information Technology Overview*, Wickes B. 1992, Paper presented at New Zealand Society of Accountants Conference, Wellington

5.3 Improving the management of external consultants

When a public service department decides to use external (private sector) resources to undertake a particular activity that activity is said to have been contracted out. This has been an increasingly common practice for public service agencies in New Zealand. The use of external consultants is the most widespread example of the use of contracting out.

No one set of procedures or rules can cover all the multitude of situations in which consultants are employed. This entry offers some general guidance concerning the employment of external consultants emerging from experience in New Zealand.

Contracting for consultancy services external to the public service involves a number of processes including:

- defining the purpose of the contact;
- selecting the consultant;
- developing the contract itself;
- managing the contract.

The practice of engaging external consultants by New Zealand departments has become more common as a result of the restructuring of recent years.

External consultants offer certain advantages:

- specialised expertise and experience;
- the flexibility to increase or decrease staff resources – often at short notice;
- because of the need to protect their reputation they have a strong incentive and commitment to deliver on time, to budget and at the required standard;
- they offer the prospect of skills transfer to the organisation's own staff.

The disadvantages of external consultants are that they require management oversight, they may not appreciate the nuances of the client 's organisational culture and they can be expensive.

Use of consultants during restructuring or if the departmental budget is under strain, can also cause difficulties with permanent staff. For these reasons it is important that consultants conduct themselves with diplomacy and tact during any consulting assignment.

Confidentiality is often a key aspect of consulting to the public service. In terms of the New Zealand Official Information Act 1982, consultants need to be aware that the information contained in their contract (as well as the project they are engaged to undertake) is official information and may be released to the public unless there is good reason under the Act to withhold it.

In engaging a consultant, three broad phases of contract negotiation can be defined:

- a pre-documentary stage;
- documentary stage;
- implementation.

All contracts involve the establishment of relationships. It is important that both sides understand clearly:

- the nature of the relationship and what is the purpose of the contract;
- the performance standards and requirements;
- the legal obligations;
- the obligations on both parties to meet the delivery or performance objectives.

New Zealand experience indicates that:

- Time spent on identifying the right consultant is seldom wasted. The tender process is commonly used for major projects. Care is needed to determine who should be invited to tender and what the evaluation criteria will be in selecting the successful tenderer.
- There is merit in involving the consultant at an early stage of a project before all the key parameters are "fixed in concrete". Unless the client only wants the consultant to implement what has been agreed it is better that the advice and expertise of the consultant is incorporated into the project at an early stage.

- Depending on the complexity of the project, legal advisers can play an important part in developing the proposal to engage consultants, particularly in determining the method of engagement, for example fixed fee or a daily rate, and in drafting the written contract.

- The exact form and content of the agreement with the consultant will vary according to the needs of the project. In some circumstances a simple exchange of letters recording the intent of each party will suffice to provide a legal contractual agreement between the consultant and client department.

- An important dimension of contracting out is risk management. To a large extent the process of contract negotiation is to reduce or manage the risks to the government in a project. The risks the organisation carries in engaging a consultant can include:

  Technical
  – risk of inadequate performance
  – risk of poor quality

  Cost
  – risk of paying too much
  – risk of failure to minimise funding costs

  Schedule
  – risk of delayed delivery

  Contract amendment
  – risk of excessive cost for contract amendments
  – risk of reduced performance
  – risk of amendment induced delay.

- From the consultant's point of view, the risks involve receiving payment and estimating correctly the time and other resources the contract will require. It is important to think about the risk inherent in any project requiring the engagement of consultants, particularly as these projects tend to be non-routine and one-off where there is no obvious pattern or precedent to follow.

- In the public sector those engaging consultants need to be aware of any legislative provisions that may be applicable.

Supporting material

Buyers and Sellers: Negotiating Contracts In the Public Sector, *Proceedings of NZIPA Seminar*, Research Papers Vol. VII No.2 1991, New Zealand Institute of Public Administration, 1991, Wellington