

# Developing Governance and Accountability: Adding Results (Outcomes) to the Mix

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## Introduction

My presentation covers some changing aspects of governance and accountability in the context of Better Public Services. These apply to public funders and non-government providers that accept government contracts.

I want to start with a proposition.

The monitoring of and accountability for compliance, probity and efficiency is only half the story. The other half is monitoring of and accountability for outcomes, for effectiveness. That's the half that's badly underdeveloped in New Zealand. That's where the real and urgent work needs to be done; and that's where the directions of change are headed.

The general context of the moment is given by the Report of the Better Public Services Advisory Group. Amongst other things, this report demands a step change in public management in this country. It includes a shift in management focus toward 'results' (where 'results' mostly means 'outcomes').

In this respect, the BPS report is just one sign of a broader trend occurring in public management internationally – a major shift in thinking that is going on in Western countries. Some call it the 'next stage'. Others call it 'post-New Public Management'.

BPS proposes a major shift beyond just outputs, efficiency, probity and compliance. It adds a strong focus on results; i.e. effectiveness – more generally, achieving the policy goals of the government of the day.

This means that, in future, in a context where government out-sources service provision to an NGO, the agreements between funders and providers will:

- Focus not just on managerial and financial aspects of service delivery but also whether services are making a positive difference for clients.
- Terms of the funding agreement and the accountability framework attached to it will be multi-dimensional. They will be focused on the substance of policy as much as the process of its implementation.
- The agreement will express a joint, collaborative approach to making happen the desired policy goals.

In principle, this is a welcome move. From an observer perspective, it is timely. Many in the non-government sector including many professionals also see it as positive – not surprisingly, since many in that sector are driven by a real desire to improve the well-being of their clients. They are frequently disposed towards an '(client) outcome' orientation. Interestingly, of course, some officials, especially amongst those at the front line, think and act the same way.

But there are several unresolved issues in realising this vision. At present, many contracts contain performance measures that focus on inputs, throughputs, activities and outputs. There is also a heavy compliance load on non-government providers, often across multiple, small contracts. I frequently hear complaints from those providers that the pivotal indicators need to be more outcome-focused. Some officials say they agree but that the existing system is biased towards control. And both groups recognise how difficult it is to create outcome-oriented performance indicators. My want to begin with those issues and discuss what is needed to move forward.

## The Absence of Strategic (cause-and-effect) Thinking

From where I sit, the disconcerting thing is that neither funders nor providers have a clear idea about how enact 'results-based management' or even where to start. But that step should be easy. The theory has been well-known for 30 years or more. Various labels have been used; I will use the oldest and most obvious, namely, 'strategic management'.

Forgive me for a moment for going into 'lecture' mode and talking abstract theory. I do so to provide a sketch of the big picture of change that is required.

Strategic management represents a holistic and cyclical framework for guiding collective, purposive action in realising desired goals. In its simplest ('text book') form it prescribes a set of interrelated activities:

- Creating a vision of the desired end-state – in the public sphere, this will include political and legislative mandates, history and government goals and priorities.
- Out of the vision, empirical and achievable long-term goals – which may be described in institutional or population terms.
- An analysis of the general ('external') and specific ('internal') environments.
- An evidence-based cause-and-effect theory (singular or plural) that explains the problem and from which effective strategies can be developed – often labelled a 'results chain', 'logic model', 'programme logic' or, in New Zealand, 'intervention logic'.
- Backwards mapping to identify the medium and short term objectives which, if achieved, will signal progress towards the long-term objective – often described as 'intermediate' and 'immediate' (or 'service level') objectives.
- Particular actions specifically designed to achieve ('cause') those immediate and intermediate objectives – 'strategies'.
- Outcome indicators for the immediate, intermediate and ultimate objectives to be used in monitoring and evaluation. Note two things. First, the nexus between the immediate and intermediate outcome indicators is critical to strategic success (and provider contracts). Second, immediate outcome indicators must be focused on change ('strategic') as much as ultimate outcome indicators.
- Implementation – bringing everything together and making it happen.
- Outcome monitoring and evaluation – as implementation proceeds, extensive and constant review to ensure strategic learning, adaptation and (re)planning. Immediate, intermediate and ultimate results can also be used for budget (re)prioritisation and accountability.

Note also several important principles that should underpin enactment of the strategic management cycle:

- It must be treated precisely as a *cycle*, a constant reiteration of emergence and learning.
- The model and its methods should be used as heuristics, as logics of action, not as toolkits or instruction sheets.
- In the 21<sup>st</sup> century world of governing, it is a framework for collaborative, collective action, not technocratic (or political) fiat.
- It is a framework for enabling and generating evidence/theory-based change in the real world, not listing 'good ideas', activities or outputs.

In truth, this model of strategic management can be subjected to significant criticisms – in particular, that it is too simple and technocratic for the complex real world. But even after

these concerns are accounted for, the purposive logic of the model remains valid. It is based on the assumption of instrumental, goal-oriented, collective action – which is what ‘governing’ is. That’s what ‘achieving desired policy goals’ is all about; it is about causal action, ‘making things change’.

In doing so, it demands a systematic relationship between planning and implementation, between thought and action. And purposive action is always temporal and path dependent – there will always be short, medium and long-term objectives to be achieved. So the long-standing model remains valid for application in New Zealand as the core of ‘results-based management’ in the future.

As I said, the theory is well-known in academic circles. But it is also in some practitioner worlds. It (or something like it) underlies many forms of professional practice. It has been explicitly adopted in Canada and Australia (e.g. the Financial Management Improvement Programme) and Britain (e.g. the ‘Strategy Survival Guide’). It may not have been fully and entirely implemented but it is certain recognised as part of public management in those jurisdictions.

The same cannot be said of New Zealand. There is some recognition within professional communities of practice in the community and private sectors but precious little in the public sector – other than the rare few who are ‘strategic’ by instinct or learning. (By ‘recognise’ I don’t just mean, ‘know the theory’ but who think and act in this way, regardless of what label they apply).

So why isn’t this way of working recognised and adopted in New Zealand – especially given the very strong emphasis on ‘accountability’?

I can think of many reasons – several of which are interconnected. Some of the more significant ones include:

- The New Zealand model of public management introduced in the late 1980s dichotomised strategy and operations, policy and delivery, outcomes and outputs. Even now, the *operational* ‘production’ model of public management remains deeply embedded in the daily routines and the system frameworks. How deeply – and the extent to which it creates a barrier to the future – is not sufficiently recognised (even amongst some at the forefront of BPS).
- There is limited strategic leadership and capability at the ministerial and senior official levels. If vision is absent, operational preoccupations fill the void – other aspects of strategising are difficult to enact.
- Our ‘accountability’ system is focused on meeting needs of the institutions not citizens (inward not outward).
- A lack of time, resource and capability to do the hard, collective thinking needed to convert the model into reality (there is also a tendency to grab branded ‘tools’ as solutions to the present management problem).
- A preoccupation with ultimate outcomes and insufficient recognition that the immediate outcomes are strategically the most important in achieving real change over time.
- Very little proper outcome or impact evaluation in NZ (a critical part of accountability) so there is little opportunity for strategic learning.

Another connected issue relates to extensive fragmentation within the public and non-

government sectors. The result has been multiple tiny players and multiple small and limited contracts. This reduces the possibilities of effective collective action especially over the long term.

All of these are hinted at – in some cases, stated explicitly – in the BPS report. So now, various activities are underway at righting the wrongs and improving practice.

Certain experiments, pilots and full-blown initiatives are emerging as we speak. These include rolling up contracts, multi-agency and multi-year contracts, relational contracting, reducing compliance load, increasing use of the language of partnership rather than principal and agent, and so on.

All of these offer some promise – although, to the outside observer, some of them seem to be more about the form than the substance.

### **So what might be done?**

What lies ahead? What needs to be done to realise the promise of results-based management for governance and the accountability of both public and non-government organisations which accept public funding? What need to be done to realise the underpinnings of the BPS agenda?

Clearly, from what I have said, an important place to start is in relation to developing *outcome-oriented* service level objectives and indicators that sit within funding agreements. But note that doing so implies that both providers and the funding agencies are already enacting the whole strategic management cycle. That too implies a dramatic shift in practice and culture of both funders and providers in this country – a massive shift for some.

So, for those who are ready to move, should they wait for the golden day when everyone is practising strategic management? Should they wait for top-down change, a cabinet or central agency command, designed ex-ante and presented fully-formed?

I have no doubt that the public sector – and significant parts of the community sector – *do* need to engage in first-principles review, to put in the hard intellectual and practical yards in going back to basics, getting rid of what is problematic and building anew. That may or may not happen.

But Better Public Services does offer an immediate window of opportunity, which outcome-oriented and strategically-minded officials and providers can and should grab. In spite of the limitations surrounding them, without waiting to be told, those two groups should work away at the practical and theoretical learning required – a determined campaign that works from the middle-outwards rather than top-down. Some of the action will needs be under the radar; other bits will be on the surface and in public gaze. And every moment of it will be a struggle.

Many of those individuals and organisations are tired of fighting the existing system but have taken heart from BPS. There are further grounds for optimism: there is an incoming tide internationally in relation to results-oriented public management.

And the more that idea takes shape and becomes established practice, the more prospect there is that governance and accountability for government and non-government

organisations will be driven by the thing that is ultimately the most important, achieving results that benefit the clients of their services and the citizens of New Zealand.

Thank you.

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