Skills and people capability in the future state: Needs, barriers and opportunities

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Future State 2 is a research project being undertaken on behalf of state services chief executives as part of the Emerging Issues Programme (EIP). The project aims to identify how the 'centre' can support new ways of working that are required for the public sector to respond effectively to emerging complex problems, and how individual agencies could promote new ways of working. There are several strands to this work: 1) international perspectives, 2) emerging trends in governance, 3) joint accountability, 4) experimentation and learning in policy implementation, 5) skills and people capabilities, 6) agency restructuring, and 7) the authorising environment.

Abstract

This paper summarises views of key internal stakeholders of the New Zealand public sector about the capabilities required for the 'future state' in a jurisdiction which has, in the 1890s, 1930s and 1980s – early 1990s, been a major innovator in its policy and public administration responses. This paper also looks at barriers to, and opportunities for, developing those capabilities. This requires a stocktake of progress to date. Further development is likely to be 'and' rather than 'or'. In other words, it will need to supplement rather than replace existing structures, frameworks and values.

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Skills and people capability implications of future state 2:

Needs, barriers and opportunities

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Introduction

In February 2011, an earthquake struck Christchurch, New Zealand's second largest city, killing 180 people. Unpredictable episodes like this exemplify the challenges that face state sector organisations in the future state. In response to the earthquake, agencies have had to operate in a literally unstable environment, with limited resources, and where new, and complex, services were demanded. While traditional lines of control were diminished, people and relationships rose to prominence as quick adaptations were made on the fly to solve immediate problems. The challenge of rebuilding major infrastructure for a city of 400,000 has occurred alongside other cross-organisational challenges, such as health costs for an aging (and increasingly fat) population, and enhancing economic prosperity in a remote nation.

The formal system in New Zealand, which focused on improvement of pre-specified and auditable outputs monitored through detailed agency performance plans, may no longer be sufficient for this new, emerging environment. Instead, new individual and collective capabilities may be needed. Current state servants have been selected, developed and rewarded in an environment which has emphasised stability, control, linear accountability and outputs. In contrast, the emerging environment requires adaptability and the ability to work across public, private and non-profit public sector boundaries, locally and internationally. Bottom line accountability for the efficient operations of a tightly defined functional task is fundamentally different from the messiness of managing public sector responses to shifting social and economic challenges which have no easily defined finish lines.

Part One: The Present
The State of the State in New Zealand

New Zealand was an early and enthusiastic pioneer of public sector reform – commonly called New Public Management (NPM) (a loose term with no clear definition). Between the mid 1980s and 1999, the New Zealand government reorganised traditional bureaucracies into focused agencies, with chief executives given considerable managerial freedoms to deliver specified outputs. In 1992, New Zealand was the first country to adopt private sector accrual accounting reporting for the whole of government. At that time, net government assets were valued at just below zero. Nearly twenty years later, despite borrowing to cover the impact of the 2008 global financial crisis, the government's net assets were $NZ95 billion and net government debt as a percentage of Gross Domestic Product was 14 percent, one of the lowest ratios in the OECD (The Treasury, 2010). The recipe of managerial freedoms, tight accountabilities and transparent accounting helped a whole government system refocus and make major gains in efficiency and cost effectiveness.

Despite numerous reviews and much rhetoric, the formal New Zealand public management model remains largely that adopted in the late 1980s. It is highly contractual and decentralised. The reforms have been very positive for the financial health of New Zealand, as noted in the opening paragraph. Surveys of the New Zealand reforms generally show that reforms to date have improved service design and delivery (Gill, Pride and Norman, 2010). Managers have innovated and rationalised resources, rather than focusing on their accountability for implementing processes spelled out by standard operating manuals Tightly managed financial accountability has helped eliminate budget blow-outs which were previously a significant problem. Globally, the New Zealand state sector is among a small group of top performers (Gill et al. 2010).

The reforms, however, have had limitations. Gains in efficiency have not always been matched by gains in effectiveness. Commitment to specifying, measuring and meeting outputs has not always been matched by commitment to outcomes, particularly when those outcomes need cross agency collaboration (Gill et al. 2010). The separation of policy agencies from their related operational agencies somtimes cut policy makers off from the on-the-ground realities of service delivery. In sum, the results have been good at controlling costs and outputs but less good at providing value, effectiveness, and responding to change.

These weaknesses will be particularly important in the future. The nature of demand for state sector services is changing, with rising public expectations of speed, customisation, user engagement and openness (Gill, Pride, Gilbert, Norman and Mladenic, 2011). The public issues that the state sector is expected to address are increasingly complex, and consensus about both problem definition and solutions can be difficult to attain (Gill et al., 2010). The impacts of change are coming faster and becoming less predictable. The increasingly unstable, ambiguous and flexible environment will require the ability to develop and integrate diverse skills and mindsets, manage conflict and tension, and more openly manage different views between stakeholders. Sense making will be harder, and plans will need to be more emergent than predetermined (Gill et al.). This new environment stands in stark contrast to the orderly world assumed in the purchase of pre-determined measurable outputs delivered by accountable chief executives. The Global Financial Crisis, budget deficits and fixed funding for public organisations have led to a far more financially constrained environment. While the external environment is changing, there are questions about the current system's capacity to manage change. The original reform architecture was effective in gaining early wins, but it may be limited in it capability to meet emerging challenges.

Current people management in the state sector

There are a relatively large number of state sector agencies, based on the logic that narrow objectives provide focus and greater accountability. Agencies enter into annual purchase agreements with the relevant Minister to deliver pre-specified outputs (Scott, 2001). The State Services Commissioner employs and assesses chief executives for fixed terms. In turn, CEO's employ the agency's staff on a mix of collective and individual contracts. Compared to other jurisdictions, the central agencies in New Zealand are relatively weak, on the logic that agency and CEO agreements generally provide the needed accountability and that agencies should be free to innovate. The Commissioner does, however, have other responsibilities relating to the state sector that balance the decentralisation and contractualism underlying the New Zealand model.

These responsibilities include promoting and developing policies and standards for personnel administration, senior leadership and management capability and integrity and conduct (SSC, 2011). They also include advice on management systems and structures. Ways that SSC fulfils these 'soft' responsibilities include commissioning and publishing surveys, promulgating norms and codes of ethics, and providing information on the internet. An example of its approach to 'people matters' is its "Capability Tool Kit", designed in collaboration with Th Treasury and Department of proime Minister and Cabinet (SSC, 2008). This has good material on culture and other human resource management issues. Unfortunately, it does not seem to have been updated, as was originally intended, and its status and usage is unclear. As an example, the tool kit advises against frequent restructuring, as there are other means of raising performance. However, since its publication restructuring has been widespread. It appears that the SSC, and other central agencies, are aware of the importance of people management but lack a model to drive change in a coherent and sustained way (other then restructuring).

Scott (2001) noted that the New Zealand public management model paid insufficient attention to ownership issues, including personnel capability and the intellectual property residing in the workforce. Schick (2001) noted that purchase issues drove out ownership issues because of their immediacy and tangibility. Ten years later, despite some changes, existing performance management arrangements are still far from perfect, with frequent poor management behaviour apparently persisting over a number of years (Francis, 2011).

Other identified shortfalls in the current New Zealand state sector model include a short term focus and accompanying lack of strategic capacity, fragmentation, neglect of ownership issues, lack of evaluation, and gaps between what services are needed to do and what they do. The need for more integrated service delivery, and an improved public service culture has been recognised for a decade now (Halligan, 2007).

The extremely task and mission focused formula of the New Zealand system has also had a predictable 'shadow' side in a loss of employee commitment and engagement, both of which are major sources of organisational innovation and contribution beyond the job description (Belanger, Giles, & Murray, 2002).

Employee commitment and engagement

In their drive to achieve targets, have managers who have thrived on delivering outputs undermined the adapative capabilities of the public sector system? An employee survey commissioned using the Gallup Engagement Scale found relatively few public organisations with high staff engagement and many with low engagement compared with international benchmarks (SSC, 2010a). Surveys about issues of integrity and conduct commissioned by the SSC in 2006 and 2010 identified that State servants are, by and large, satisfied with the organisation they work for (SSC, 2010b). In 2010 seventy-four percent agreed or strongly agreed that they were satisfied, in general, with their organisation, and the majority responded that the organisation kept them adequately informed. The same survey, however, found that 38% of staff had witnessed abusive or intimidating behaviour toward other staff, improper use of the internet or email, or lying to other employees in the previous year (SSC, 2010b). In other research, 43% of New Zealand women state sector survey respondents reported workplace bullying in their careers (Proctor-Thomson, Donnelly, & Plimmer 2011).

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The disparity of these findings will partly reflect measurement issues, but they share a common theme that, while most responses were generally positive, about one third of responses were negative (dissatisfaction with organisation they work for, or reports of intimidation or abuse). Thus, it may be that where most work environments are 'OK', many are not; and where on balance they are generally satisfied (perhaps partly through adjusting expectations) there are some problems around over-controlling leadership, abuse and intimidation.

Workplace incivility, such as that reported in these surveys, negatively affects productivity by undermining motivation and the trust needed for innovation. The effects extend beyond those most directly involved (Estes, 2008). Process innovations and 'good ideas' tend not to deliver the expected payoffs unless managers explicitly encourage innovations, workers can exercise discretion, and are allowed to feel responsible (Baer & Frese, 2003). Discretionary behaviours are important to innovation and collaboration because they encourage the use and sharing of tacit knowledge – a feature of more complex, knowledge based work (Belanger, Giles, & Murray, 2002). In addition, workplace incivility can result in unresolved conflicts which make it more likely that employees will purse private interests that are contrary to organisational interests (McGregor & Cutcher-Gershenfeld, 2006).

Lack of employee commitment and engagement can also be the result of negative management styles. Research by Human Synergistics Ltd about the effect of leadership styles on the cultures of New Zealand public organisations found they tend to be unconstructive, with an emphasis on control, power and covert criticism whereby "Security is then achieved by retreating into conventions and procedures" (McCarthy, 2008: p. 295). While many state sector managers record that they would like a supportive work environment, McCarthy's sample of public organisations shows staff commonly rate government work places as aggressive and defensive.

Such a culture has not gone unnoticed by the Ministers of State. Political concern about a risk averse public sector has been raised by the Minister of Finance, Bill English, who commented that the "the culture of caution and risk management in the public sector has been deeply embedded in the last 10 years …. officials were not encouraged to think or speak freely, or to take risks" (English, 2010).

The International and New Zealand Evolution of NPM

Internationally, at the start of the millennium, a new wave of NPM sought more joined up government and a stronger focus on relationships (Lindorff, 2009). While NPM makes the case for soft people management practices like engagement and empowerment, in practice the international evidence is that the rise of managerialism led to more control, monitoring, rigidity and gaming (Diffenbach, 2009). Early on in the New Zealand reform process, human resource management responsibilities were delegated to state sector organisations on the logic that they were best suited to develop their own policies, and that market mechanisms would encourage development. By the late 90s a new breed of hard driving managers had emerged that were good at pursuing outputs but poor at capacity building. They assumed that all skills could be purchased in the market (Schick, 2001).

The New Zealand system does show signs of evolution. Collaborative, rather than control-based approaches are emerging, but are constrained and at times deliberately made invisible because of

the control orientation of NPM within agencies, and output (rather than outcome) accountability between principals and agencies (Gill et al, 2010). However, such reforms have been half hearted and treated symptoms rather than causes, possibly a result of reform weariness and rigid mindsets (Christensen & Lægreid, 2007; Gregory, 2006). Government reform processes seem 'stuck', with considerable problem definition and limited solution finding. Lindquist (2011) queries whether current debates about reform can move past sense making to genuine change. Overload and scarcity, uncertainty about what is critical, and the role of unique organisational contexts all represent barriers to moving beyond knowing what should happen, to being able to make it happen.

Conclusion

In sum, although there have been many improvements in efficiency, longstanding ownership problems persist, reflected in limited people capability. Risk aversion and the tolerance of staff victimisation are two markers of these problems. The current state sector environment, and management models, have valued control, competition and continuity to deliver pre-determined outputs. These problems are becoming less tolerable in a more financially constrained environment with rising public demands, instability, harder to define problems and harder to find solutions.

Future solutions are likely to require both new models, values, and tools. Collaboration as well as competition, managed risk taking rather than risk aversion, and the ability to work within networks as well as though hierarchies are likely to better meet emerging needs. Although changes are evolving, they are happening slowly. Reform processes seem half hearted. The core incentives created by short term output contractualism seem unchanged.

Part Two: The Future

Introduction

A revised system would need to supplement, rather than replace existing arrangements and their achievements. In many ways the current model has been effective, so reform is likely to be 'and' rather than 'or'. Clearer accountabilities for people capabilities, and a more transparent and networked system would build both a common state sector platform of values and leadership, and allow more differentiation and innovation in both service delivery and people management.

A revised state sector model would address incentives (currently neglected) and also provide the means to change (such as the tools already available). As the desirability of different models is likely to be uncertain and varied, and more transparent and networked state sector management model about human factors would also help.

What would an ideal system for the future look like?

People capabilities would be hard wired and incentivised in accountability frameworks, instead of exiled to fragmented soft tools and exhortations. Strengthened accountability for such capability issues would rebalance attention away from the near singular focus on short term 'purchase issues'. This is not a new recommendation, but current processes are still clearly inadequate (Scott, 2001).

Information sources and evidence quality would need to improve as well - the existing tools are a good starting point. Although engagement surveys are useful, how organisations respond to survey results are what determine their impact. Current incentives are to turn a blind eye. Information

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channels would identify underskilled leaders and problems would be addressed. Currently, there is not much evidence of any consequence or action for poor results. More transparency might help, such as more open information about good and poor places to work, and the underlying reasons. More focus on employees as the consumers of human resource practices would drive the needed productivity change (Paauwe, 2009).

Although ways of organising production vary widely across the state sector, there would be a common base of effective leaders and meaningful ground rules around acceptable behaviours. Regardless of whether organisations or business units were regulatory in orientation and consequently required tight process control; or conducted service design and delivery and maybe required innovation; or did cognitively demanding and contentious policy analysis, poor behaviours would be sanctioned and management skills would be high. Managers would effectively differentiate between how production is managed (formal processes, often control oriented) from how work is organised work (social processes, such as teamwork and the sharing of tacit knowledge) (Belanger et al., 2002). A hierarchy and control orientation to both work production and organisation would not be the sole default option, but would co-exist with more networked and transparent approaches where information was freer, even if decisions ultimately depended on hierarchy.

To match the role of people in organisational capability, human resource managers would be higher within organisational hierarchies than they are currently. The critical role of senior and line managers would be recognised though extensive development, vetting and performance management. Other human resource management practices would include more openness to configured management practices such as team appraisals and development. This stands in contrast to current norms of fairly standardised and habitual procedures. A summary of environmental shifts and its implications for state sector people capability management follows.

A way forward

Figure 2: Environmental shifts and the consequent changes in values and people capabilities

Environmental shifts	⟹	To
Stable with goal clarity		More unstable, sensing and learning
Predictable – plan the way forward		More unpredictable learn the way forward
Resource adequacy		Do more with less
Values- Continued emphasis on	⟹	*Values* Increased emphasis on
Control, competition, consolidation continuity		Collaboration, flexibility, creativity
Capabilities focused on	⟹	More supports focused on
Centralisation, integration, and output maximisation		Differentiation, decentralisation, human resource development, ambiguity

Source: Gill et al (2010)

Changes to the public management system necessary to support 21st century public services may be different in type from the changes of the late 1980s. Rather than altering the 'hardware' of the architecture of government, or discreet formal and structural components of public management

systems, the changes will be subtle and multi-faceted modifications to the 'software', or mental models. used in the public sector. They emphasise soft rather than hard systems, matters that are below the waterline, which are less tangible and measurable.

Collectively, these changes mean a bigger tool kit, than say, reporting, compliance and accountability. Synthesis or integrated management and a whole-of-system focus are some suggested names for this tool kit (Lindquist, 2011). Successful implementation would require new values, skills and competencies at collective and individual levels. Thus there are system wide capability challenges, and also more specific challenges nested at each level.

Quinn's (1988) framework of competing values and culture types provides a lens in which to look at these collective capability challenges. Close collaborative clans, creative networks, controlling hierarchies and competitive market values can all contribute to effectiveness, but if overdone, any one quadrant can create serious dysfunctions. Each style of management has its positives and 'shadow side' (Cameron & Quinn, 2006; Quinn, 1988). There are also inherent tensions, between, for instance, adaptability and consistency, and between collaboration and competition. A tightly focused, compliance and efficiency-oriented hierarchy can become tunnel-visioned, unable to detect environment changes fast enough to adapt. Equally, an over-reach of the network model (sometimes called ad-hocracy) and collaboration can mean low organisational identity, a lack of accountability and clarity about roles (Norman, 2009). In sum, there are strong tensions between innovation and flexibility within a public sector with strong control and accountability systems. Arguably, a focus on control and accountability makes innovation and flexibility difficult as:

- staff avoid taking risks,
- compliance becomes more important than innovation
- staff who are good at control and accountability get ahead, and others don't.

The Competing Values framework helps identify that capabilities associated with the 'soft' values of relationships and networking across organisational boundaries can be the most powerful sources of innovation for a period in which results cannot easily be pre-specified (Cameron & Quinn, 2006). These soft organisational capabilities are also reflected in identified individual level capabilities. SSC's capability toolkit uses the Lominger framework to posit that future state sector leaders will need 'mental, people, change and results agility' (SSC, 2008). However there is no mention of 'creativity' or the 'coping with ambiguity' competencies that the future state seems likely to equally need, but which are more challenging to incumbent operating styles (Lombardo & Eichinger, 2004). Furthermore, although these creative, agile and social competencies have been identified, it is unclear how common they currently are, and whether there is sufficient impetus to make them more widespread. Doubts about whether 'human factors' really make a difference, and belief in the old ways may be some of the reasons why capability development has been so half hearted.

Does people management make a difference to productivity?

People management does make a difference according to the emerging New Zealand and international research on high performance workplaces. The difference can be large, and New Zealand is something of a laggard (Birdi, et al., 2008; Fabling & Grimes, 2010; Green & Agarwal, 2011). While it is important to get the basics right—like hiring the right staff— bundles of practices that encourage staff autonomy, development, rewards and teamwork seem to have meaningful positive impacts on organisational level outcomes (Fabling & Grimes, 2009; Gould-Williams, 2003).

It is also critical to integrate internal and external strategy, and execution - including middle managers' actions as crucial links between formalised strategy and actual practice (Guest, 2011; Becker & Huselid, 2006). Crossing the 'knowing/doing gap' – a particular issue in the current stasis of public management reform - may require more open systems that encourage people to tell (even unpleasant) truths, and to experiment. These activities might also be characteristics of more network-styled organisations.

If future state sector organisations are to operate more as networks (or clans) in order to enable adaptability and resilience, *and* to continue to operate hierarchies to enable compliance and efficiency, more diverse and complex skills will be needed to challenge incumbent operating styles *and* manage risks. For example, a shift to networks will expose organisations to more feedback, possibly making traditional hierarchical approaches unable to respond quickly enough. A stronger focus on innovation will carry greater risks of error and corruption, but a traditional focus largely on process compliance will neither enable innovation nor manage corruption risks. Better soft people skills (as opposed to the hard transactional skills) might help avoid the rigid and unadaptive interpretation of rules common in traditional control environments, but a focused mindset, and an analytical orientation will still be needed (Mastracci, Newman, & Guy, 2010). Using the Competing Values framework, the authors suggest that the major people capability challenges for the New Zealand public are likely to be those skills associated with a clan held together by common values, collaborating in a network style across organisational boundaries. This is in contrast to being caught in static and difficult to change market-like contracts and hierarchical accountability systems.

While useful for forcing changes in delivery patterns and putting a focus on costs, such contracting is much less likely to foster anticipatory thinking and cross boundary work, as the staff involved follow specified outputs. Thus, the hierarchies and market models that seem to predominate in the mature New Zealand system may be insufficient to meet the needs of the future. The next sections in the paper looks at alternatives and how they might (or might not) emerge.

Emerging people capability needs - feedback from practitioner focus groups

Three focus groups of practitioners were run in April and May 2011 to define the people capability challenge in more depth. To get past the pro-forma, rehearsed positions that sometimes characterise public management discussions, groups met in a computer suite and used decision-making software which enabled participants to quickly contribute ideas anonymously and then vote

on those ideas1. Three focus groups were held – one with 18 senior human resource managers, one with 14 workplace representatives and union organisers nominated by the Public Service Association and a third with 5 CEOs and senior executives of state agencies. Sampling was as follows: CEOs and senior executives were recruited via a professional forum, senior Human Resources Management (HRM) managers by using a snow ball method, and worker representatives from nominations from the union.

To encourage a considered conversation, all participants were sent, in advance, a three-page summary of the ideas contained in the introduction to this chapter. To gauge consensus and disagreement, focus groups began and ended with anonymous, electronic votes on core ideas and emerging themes.

This process engaged practitioners in reflecting on the following:

- Rating the extent of agreement or disagreement with statements from the background paper
- Commenting on, and discussing, how well accountability, control, innovation and flexibility were balanced in the public sector
- The effectiveness of HR practices in managing the balance
- Underlying assumptions and beliefs
- How to build on strengths and address weaknesses
- Commenting on, and discussing, what should happen to improve the skillls and people capability of the public sector
- Rating the level of agreement on what needs to be done.
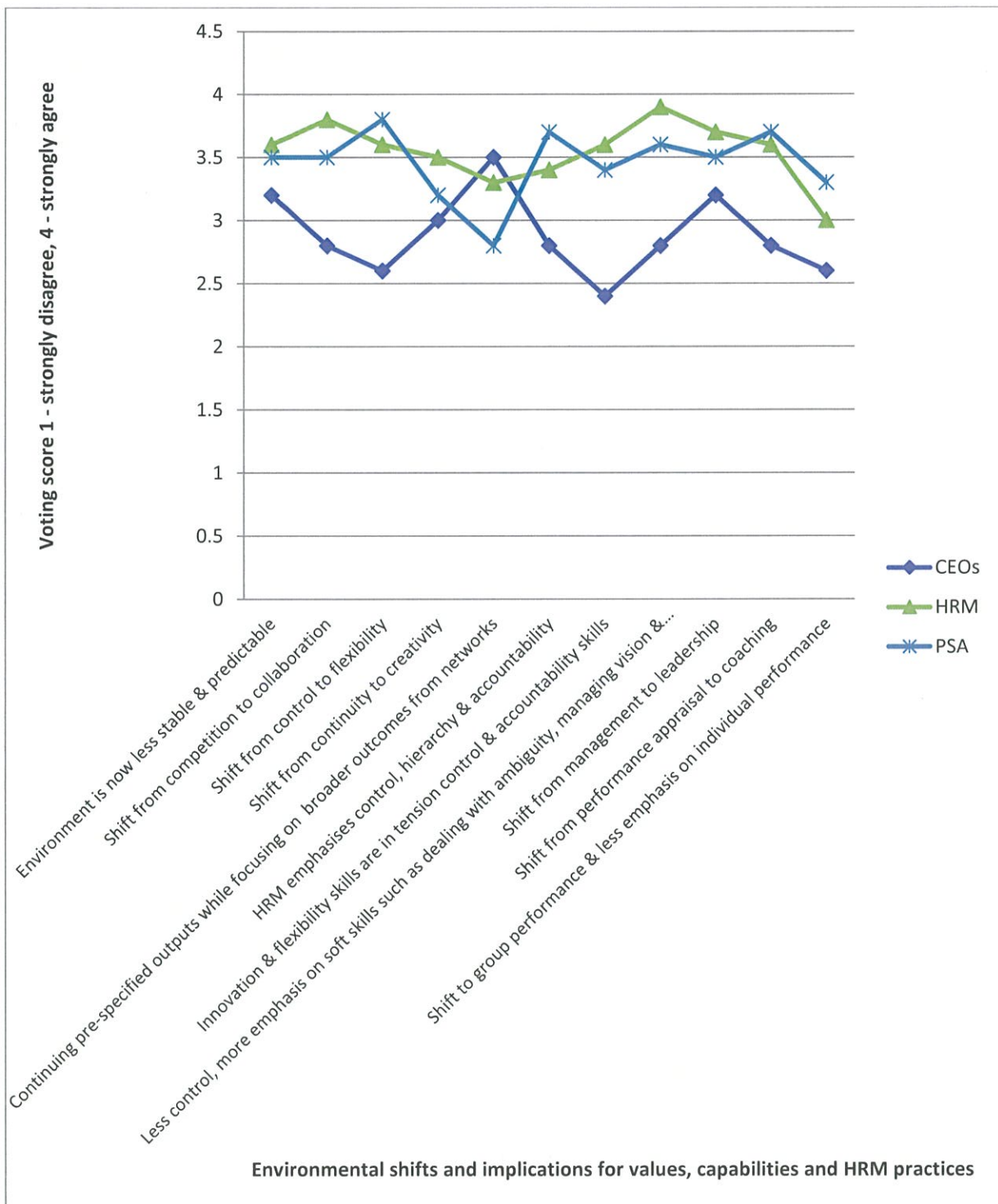
Theme 1- The future state: shifts required

The first theme concerned which shifts in ways of working could be expected if the future state is to deliver effectively to citizens and businesses. These were gauged by rating the extent of agreement or disagreement with statements from a background paper which was circulated in advance. A summary of responses are discussed below.

There was a high degree of consensus within groups, but slightly less consensus between the groups on the need for change. Results are in Figure 4. As can be seen there were consistently high scores about propositions extracted from the literature.

Figure 4: Implications for HR Practices of Environmental Shifts

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[1] WIQ software, from
http://www.gowiq.com/WIQ/servlet/WIQ?REQ=FRONT&SESSIONID=&GROUPID=&OTHER=0.95059
884035653840.27619015057994633&MEETINGID=&EXERCISEID=

Environmental shifts and implications for values, capabilities and HRM practices

The chart shows voting scores (y-axis: "Voting score 1 - strongly disagree, 4 - strongly agree", ranging 0 to 4.5) for three stakeholder groups (CEOs, HRM, PSA) across the following propositions:

- Environment is now less stable & predictable
- Shift from competition to collaboration
- Shift from control to flexibility
- Shift from continuity to creativity
- Continuing pre-specified outputs while focusing on broader outcomes from networks
- HRM emphasises control, hierarchy & accountability
- Innovation & flexibility skills are in tension control & accountability skills
- Less control, more emphasis on soft skills such as dealing with ambiguity, managing vision &...
- Shift from management to leadership
- Shift from performance appraisal to coaching
- Shift to group performance & less emphasis on individual performance

Although all three-stakeholder groups converged on the propositions that the environment was now less stable, senior executives saw the least need for the type of change suggested in the background paper. An exception was the strong endorsement for continued delivery of pre-specified outputs while focused on broader outcomes delivered by networks. Human resource managers, and worker representatives, were in general agreement about many of the changes sought, including the need for soft skills, collaboration, performance coaching and group performance. The largest divergence was between CEOs and human resource managers, and concerned the belief that innovation and

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flexibility was in tension with control and hierarchy. Human resource managers believed in this tension most strongly.

The workers representatives sought a greater emphasis on innovation directly, while human resource managers sought a greater emphasis on management skill to enable innovation. Within each group there was a high degree of consensus, with standard deviations less than one. The only exceptions were in the senior executive group, where views modestly diverged about the need to rebalance from continuity to creativity, and to focus more on group performance and less on individual performance.

The uniformity of participant views can be explained in many ways, including suggestion and peer effects. It may also be explicable as a form of institutional isomorphism, which seems to particularly apply to government agencies (Frumkin & Galaskiewicz, 2004). State sector organisations espouse innovation but act 'isomorphically' – imitating each other and differentiating themselves only in superficial ways. This happens in part because measurement of outputs is difficult and also because herd following is internalised and is a protection against cuts in funding and other forms of negative backlash.

In discussing the need for change a senior executive wrote:

> "Carefully and responsibly, build public expectation that senior public servants will express professional / analytical views. Will change expectations of Ministers / public servants / society towards longer-term stewardship."

Theme 2- Managing the tensions between control and flexibility

The second theme explored how tensions are managed between flexibility and control and the implications for skills and capabilities.

Senior executives focused on the configuration of accountability/ control with innovation/flexibility systems. Senior executives mentioned the Government's strategy for the drug 'P' or methamphetamine as an exemplar for setting accountability for results, and a mandate to come up with new and innovative (cross- agency) solutions. In contrast, the debate about education highlighted a sector which was seen by this group as unsuccessful in managing innovation.

> "In the education sector, there is little accountability and huge scope for innovation - but there has been little impact on improving learning outcomes over the last two decades since the devolved system was introduced. I would argue the lack of accountability means there is little incentive to focus on/specify desired performance."

Another participant responded

> "I agree. We run the risk of confusing accountability with overt control. They are very different, at times opposite concepts."

Thus, creating innovating environments is difficult, often unpredictable, and it is easy to look in familiar, but wrong, places for improvement. Accountability and control are easily confused, one does not lead to the other, and enabling innovation does not necessarily lead to improved performance.

An evidence-based approach to education might have instead seen teacher quality as more critical than structural arrangements, enabled by an environment where error is welcomed as a learning opportunity (Hattie, 2009). While policy and structural changes in education create the appearance of change (and can mediate it), they often do not reach the practices of teachers on the classroom floor. A parallel argument, applied to the wider state sector, would be that structural reform may be necessary and provide some benefit, but the marginal return diminishes quickly. In the education sector, a revised configuration might have earlier focused on teacher people capability and skills.

In the case of the generally successful "P strategy", people capability implications included co-ordination between agencies and training (DPMC, 2011). The "P strategy" known as 'Tackling methamphetamine: Indicators and progress report', is also notable for its cross-sector coordination; its extensive, but cautious use of data; as well as the s use of data as a performance dashboard for tracking outcomes and learning. Its central co-ordination by the Department of Prime Minister and Cabinet may be one reason for its success as an example of 'joined up government'.

At a face level, complicated social problems will require more networked approaches such as the above , which will in turn require feedback information that is both essential and ambiguous and accountability enhancing. Both cross-agency collaboration and intra agency delivery will be needed. In the language of the Lominger competency framework, required skills include coping with ambiguity, influencing through others and structured but reflective learning (Lombardo & Eichinger, 2004).

Theme 3 – What does risk aversion and ambiguity have to do with success?

A third theme concerned risk aversion and ambiguity about what success looks like.

All three stakeholder focus groups supported the propositions about the need to balance conflicting imperatives. Risk aversion was seen as a constraint on change, and an inhibitor of flexibility and innovation. Senior executives mentioned limited political (Ministerial) accountability for outcomes, and the need for Ministers to champion innovations to get headway. This suggests a mix of incentives that makes agencies dependent on Ministers to innovate but leaves agencies responsible when things go wrong.

Further down the chain, senior executives saw incentives for middle managers as encouraging risk aversion rather than innovation. Human resource managers also saw poor incentives for managers as barriers, and resource constraints as forcing a focus on business as usual. Worker representatives saw human resource management systems as focused on reducing risks and accountability to the business by using set formulas that worked poorly for employee wellbeing. Remuneration and performance management were seen as controlling rather than developing.

Lack of managerial interaction with staff in service design, and a lack of stretch assignments were innovation barriers. Understanding of risks, and low value attached to enhanced skills, were seen as

barriers to more risky stretch assignments. Rigid application, and over application of out-dated HR practices in the state sector was also mentioned by HRM practioners as a constraint on reconfiguring innovation/consistency dilemmas. Human resource managers attributed the durability of dated practices to the organisation and its managers.While, private sector managers were seen as quickly grabbing ideas from elsewhere and applying them, by constrast in "the public sector HR people might get really excited but nothing happens". Instead, old practices were followed in laborious detail.

Other reported 'institutional constraints' on people capability development were insufficient credit for risks but heavy penalties for failure, a perception that productivity gains equated to cost cutting, and organisational designs that focused on 'safe wiring diagrams' thus discouraging team work.

Although the New Zealand system may have evolved into a control-oriented system, arguably this mirrors the rise of managerial control in the private sector identified by Mintzberg (2010). The practice of selecting CEOs as a "safe pair of hands" permeates down the organisation, and may discourage innovation. A senior executive wrote:

> "Some of the lack of innovation I think reflects senior public servants' views of their role, i.e. implementing ministers' wishes once the minister has said what s/he wants versus giving frank advice. In agencies dominated by the former view, a censorship process tends to operate - closing down ideas that the minister has not yet raised herself/himself."

Senior executives were sanguine about the real level of risk that was politically tolerable, but acknowledged the need for ideas to be voiced and rewarded, even if in practice few would be adopted. One recent innovation was that some "CEs are actively encouraging 'fast failure' and 'exploration' cultures within parameters of risk determined by the exec team". Managers were seen as poor at articulating what success looked like. A senior executive wrote:

> "Managers often do not have the people capability to articulate or communicate what success looks like - either in output or process terms, so the HR tools largely go unused. "

Ambiguity about what success looks like (and consequently what measures mean) can combine to create office politics where performance information is used (or not used) as power plays rather than performance improvement exercises (Courpasson, 2000). This in turn leads to a concentration and centralisation of power and influence, which presumably also means a lack of employee participation and voice. New Zealand workers generally have higher levels of participation and influence in workplaces than elsewhere, but managers often lack the skills to capitalise on these characteristics (Haynes, Boxall & Macky, 2005). In Lominger terms, enhanced people capability would include better management of vision and purpose to clarify what success looked like (Lombardo & Eichinger, 2004). Strategic agility and managerial courage to deal with risk aversion, and self and organisational censorship might also help.

Theme 4- Ministerial demands can both hinder and (sometimes) encourage people capability

The fourth theme concerned the impact of Ministerial demands on people capability building.

The convention embodied in the Cabinet Office Manual (2008 para 3.5) is that Ministers are responsible for policy and priorities for departments but "should not be involved in their departments' day to day operations". The reality is more complex and messy than that (See Hitchiner and Gill Part 3 from Gill 2011; Eppell 2011).

In practice, short term and even day-to-day demands from Ministers shape both skill needs and skill requirements. CEO participants reported risk aversion restricting more creative, flexible arrangements; the need to bring Ministers along and the need for control, as well as resistance on the part of Ministers to collaborate with other agencies (and other Ministers). Worker representatives commented that "Political risk to the minister is taken as a very serious guiding factor in assessing whether to proceed with a decision even if the risk is negligible. This is stifling innovation".

Others commented that although Ministerial control inhibited the innovation, the public service responded if a Minister promoted a particular initiative. Some Ministers supported long term people capability building, whereas others were focused on a few discreet successes during their time with the portfolio.

One senior executive commented that few innovations came from central government, where Ministerial control was strongest. Most innovations came from parts of government that had very strong focused goals and were distant from Ministers, so had more flexibility. A human resource manager commented that "Ministers are more focused on being able to allocate blame - there is no mechanism for holding Ministers to agreements they have reached with their CE". As the State Sector Act and the Public Finance Act makes the Chief Executive responsible for the delivery of outputs but the Minister lacks a similar responsibility for outcomes.

The need to "keep Ministers happy" had downstream impacts on leadership development. Ministers were reported as often being reluctant to invest for future Ministers. Human resource managers inferred that the ability to influence Ministers (managing up) may crowd out the presence of people with leadership (managing down) skills. In one discussion of the SSC, a human resource manager pointed out that demand for a particular skill profile came from the political level too:

> "Fit for purpose issue - what I worked out if you are interested in the policy space, the commission actually wants a chief policy adviser. At Cabinet the issue is - will I be happy about this adviser. It is never about CE competencies at that level - always about policy. An element which is about being honest about the core requirements".

Theme 5 - Leadership from the centre is weak, but control is high

The fifth theme that emerged was the role of the central agencies2 and the need for sustained leadership on people capability building.

SSC was discussed mentioned extensively by both senior executives and human resource managers, but less frequently mentioned by employee representatives (who are less likely to have interaction

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[2] The central agencies in the context of public management in New Zealand particularly includes the Treasury and the State Services Commission and on matters of policy co-ordination the Department of Prime Minister and Cabinet.

with this employer of chief executives or use the HR practices guides issued by SSC). Criticisms clustered around leadership, lack of credibility within the HRM community, and the behaviours encouraged. One senior executive commented:

> "When 'keeping ministers happy' is the only objective, its hard to develop and lift organisational performance. SSC puts too much weight on this as an overriding basis for assessing CE performance."

SSCs own practices were criticised for focussing on short term accountability for outputs rather than accountability for results. These were then reflected in its expectations of the system. Similarly, workers representative saw the focus on "widgets" rather than "outcomes". Senior executives saw vertical accountabilities as hindering allocating resources to shared work, and SSC's short time horizon as limiting the attention that could be given to building people capability. Senior executives agreed that the formal accountability model did not encourage across system sharing and learning, and that informal arrangements were inadequate.

Human resource managers saw the need for more system-wide leadership. They were critical of SSC for not promoting a coherent vision of public sector management, and being compliance focused rather than leading. There was a strong consensus around comments that there was "no overall vision for future <organisational development and human resource> approach from SSC"; not recognising the need for "leaders rather than technical experts to manage people", that the "SSC had lost it leadership of public sector HR"; and that it "lacked credibility with HR practitioners".

Specific critiques included low attention to culture, creativity and innovation in CEO performance reviews (because they are harder to measure); lack of workforce planning, and a tendency to request information but not reciprocate. Human resource managers commented that the fixed term nature of CEO appointments3 was seen as limiting CEO independence, innovation and narrowing the time horizon for people capability building. Suggested improvements included more purposive leadership development, with more active cross-government career development and more "explicit prioritisation of the outcomes that really matter and transparency about what is being done, who is accountable and the progress that is being made". One senior executive suggested:

> "In <the> core public sector, capabilities and leadership very weak on communicating direction and strategies for achieving them. Review of policy expenditure a very short term focus, keeping ministers happy and one step in front as opposed to how to really lift performance."

The previous discussion has identified several barriers to people capability development. They include Ministerial interference and distraction, short term pressures to achieve, greater value placed on managing up rather than down, a low emphasis on people capability building and weak leadership from the centre.

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[3] New Zealand Chief Executives are generally appointed for an initial term five year terms with the option of a contract for a further three years .

Another explanation for the low emphasis on people capability building in the state sector is that traditional techniques such as restructuring have been largely ineffective. Answering this requires us to look more closely at what happens within agencies.

Theme 6 - Leadership skills within agencies are weak

The sixth theme concerned the need to balance conflicting imperatives.

Poor senior executive leadership skills were identified by human resource managers as a constraint on more effective configurations of innovation/flexibility and control/accountability. Managers were described as the 'checkers in the organisation', who were often unrewarded for innovation and, paradoxically, sometimes lacking in real accountability despite the plethora of control. Worker representatives identified line managers as critical bottlenecks in managing tensions between control/accountability and innovation/flexibility. Mismanagement of the tension included managers being reluctant to involve staff in decision making, not updating processes and systems in response to change, and having weak and unclear guidelines in which discretion could be exercised.

Human resource managers used different language, referring to limited real accountability of managers, limited skill sets, lack of communication with staff as well as poor self and collective reflection. Senior executives commented on the need to promote and recognise innovative leaders in a risk averse environment where there was often a "pressure" to first "do no harm":

> ..." we tend to replicate ourselves and this sameness is not conducive to diversity of thought and innovation - and reflects a view that there is a 'right' way forward."

This 'cloning' process means that skill and people capability weaknesses can persist in the face of failure. A narrow range of skills can be hired, developed and rewarded because they are similar to those of current managers, even if they are not what jobs and situations require. Developing and managing diverse teams takes effort and a complex mix of competencies.

Theme 7 – Restructuring as a substitute for people capability development

Restructuring is endemic in the New Zealand public sector with around two thirds of staff reporting being involved in restructuring in the last two years[4] . Restructuring quickly emerged as a key theme affecting people capability development. As a result, focus groups explored the people capability implications.

Restructuring was seen as a substitute for people capability development, and reflected behaviours at the top. Senior executives saw management expectations of staff as reflections of Ministers having low appetites for ideas that were not their own. Restructuring was sometimes needed to drive deep change including attitude change and softer skills and a focus on what counts. It was seen, however, to take place in environments harmful to innovators, trust and people capability growth characterised by poor and destructive people management.. A worker representative

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[4] SSC 2010b Explaining this restructuring in the subject of the accompanying paper **Restructuring – an over-used lever for change in New Zealand's public sector? IPS working paper 11/06**

commented, "major restructuring can be indicative of the failure of an organisation to adapt to change on an on-going basis".

Both human resource managers and worker representatives agreed that restructuring could be effective when it was well planned and implemented with "strong and early staff involvement". The effectiveness of restructurings were rarely evaluated, and even if they are well managed in terms of avoiding personal grievances, the people capability to convey vision, purpose and a rationale for restructuring was seen as poor. It was seen as a substitute for longer term and deeper investment in people and organisations.

Both human resource managers and senior executives reported that a major driver of restructuring was second tier level performance problems, and the need to address them quickly. Restructuring was also seen as an over-used technique that was expensive and prone to under delivering. Skill and people capability implications included increased pressure on staff to pick up extra work loads; a distraction from ongoing organisational business, and an avoidance of underlying culture and performance issues by those who have done well in the current system:

> "Soft skills are not soft- when will people get this... Someone from a govt agency said it was really hard to focus on outside and inside stuff at the same time. You won't get the outside stuff unless you build the inside people capability. We manage things down, don't take risks."

Theme 8- Human resource management lacks influence and is a follower in a transactional role

Senior executives saw human resource managers as followers rather than as strategy leaders. Human resource managers were aware of this and discussed the need to express HRM benefits in terms of financial outcomes; to move from being 'process queens' to organisational developers; to identify needed capabilities and focus on those; to being more systematic; to talk in business language rather than HR language, and to deliver organisational outcomes.

Excluded from a strategic role, their functional, development and leadership expertise was limited by poor clarity about what leadership means in the state sector and what success looks like. Both human resource managers and worker representatives saw line managers as over dependent on human resource staff. This overdependence by line managers, plus a limited political, strategic and change agent role, and an instinctive siding with those in power (as reported by worker representatives) limited the credibility of human resource managers.

Worker representatives saw HR groups as bloated and representing an offloading by executives of workforce issues. HR people were seen as having limited freedom to contribute, with their advice often ignored by managers with "no sanction for poor judgement". Incentives to develop and measure talent were said to be poor. Very poor line management behaviours are also sometimes tolerated with impunity, which further damages human resource managers' credibility as employee advocates:

"HR need to recognise bullying in the worksite rather than sweeping issues under the table. … Managers must receive guidelines and training to identify examples of this and also realise the enterprise does not condone it. Many managers who display such stuff again and again are never challenged and this perpetuates the issue.

At XXX we had two different parts of HR working in different ways with a manager - one to help correct the poor behaviour and the other enabling it. Which do you think won? Yep, the enabler."

On a more positive note, a CEO of a large operational department commented:

"Most important areas we have our HR people working on are leadership support and development, and then through leaders, building a strong, positive culture in the organisation .... these are the key challenges in times of big change ... still have to get the basic HR practises done well, but we do know that stuff reasonably well now."

Systemic problems identified by human resource managers included patch protection, selection focused solely on a 'safe pair of hands', control mechanisms being seen by staff as a lack of trust, and a perception that productivity enhancements equalled cost cutting.

Each of the workshops did, however, report a culture shift in recent years toward collaboration (particularly in sector groupings), but vertical accountability, and weak incentives, constrained its extent. Human resource management has been reshaped in recent years by growing awareness of the critical role it can play in high performance, a desired elevation in the stature of HRM from process managers to strategic partners, and growing awareness of the role of line managers in implementing HR policies because they are where the 'rubber meets the road'.

What needs to happen?

Workshops concluded with a session on 'what needs to be done'. Senior executives identified the following:

- more focused development of rising stars
- interchange between public and private sectors
- explicit prioritisation of outcomes
- transparency of progress and accountability
- stronger central agency leadership.

Many suggestions are embedded in the criticisms made previously. There was some cynicism about the extent of change possible, indicated by the scope of suggested changes.

Senior executives emphasised configurations of control and innovation, rather than an either/or choice. They identified the need to reframe accountability as a return on investment and decision making tool, rather than as a means to hold individuals to account.

The need to focus on outcomes, rather than control of processes was also mentioned. Poor feedback loops were another problem, with consequent higher spending but deteriorating outcomes (e.g. domestic violence). Strong, focused goals were also seen as helping innovation.

Ministers influenced both public sector dynamics, and consequent skill and people capability implications. A clearer distinction between Minister's rights to determine spending directions, and public servants freedom to manage, innovate, and give free and frank advice to Ministers was mentioned. Ministerial championing was seen as effective, but central government was seen as a poor environment for innovation. Innovations were more likely to occur away from central government, where there was more flexibility.

Skill and people capability implications included larger scale engagement with staff, toolkits for managers, role clarification and cascading HRM initiatives downwards. One mentioned that coordinated initiatives across large numbers of managers were needed. Capabilities and leadership in the core public sector was "weak on communicating direction and strategies for achieving them".

Human resource managers sought a clearer end state for the overall system, with the central agencies providing better oversight and modelling best practice. Stronger change people capability within the sector, through sharing of information and centralised expertise was suggested. Human resource managers suggested a compelling vision for the state sector: better selected, more skilled and divergent crop of CEOs and second tier mangers; tighter reward – performance links for desired behaviours and more human resource manager influence.

Worker representatives sought better interactive processes for change and development, sharing of agency innovations, a fundamental rethink of workplace culture, and involvement of the union. Greater voice in decision-making and planning, more coherent state sector wide training and development, and stretch assignments were also sought.

Worker representatives identified the Christchurch earthquake response as an example of innovation, though with mixed results. Positives concerned collaboration whereas , minuses concerned poor consultation. Human resource managers saw technology as a means of outsourcing transactional activities, thus freeing HRM staff up for strategic activities. Participants, in particular HRM practitioners, recognised that there had been a shift to capabilities clustered around flexibility, innovation and ambiguity in recent years.

Conclusion

Current people capability management practices sit within a state sector system characterised by strong Ministerial influence, and by short-term delivery rather than longer-term people capability development. Within organisations low management skills, and the demand for output delivery, have created a cycle of control orientation with low tolerance of ambiguity despite changing external environments. These characteristics may be embedded in the authorising environment and reinforced by new Zealand's contractualism. Elsewhere, recognition that public sector employees had lower participation, management information and voice than private sector comparators, and that public restructuring and change management was less effective that the private sector, have added to disillusionment with the contractualist approach and sparked a search for new, more balanced and better configured approaches (Lindorff, 2009). Locally, the search for solutions is characterised by formalised, repetitive position taking focussed on structures and contracts. A relatively small number of influential voices continue to tinker with worn out tools.

System wide people capability challenges

Across the system, change is currently constrained because of risk aversion and inherent dilemmas and tensions in the authorising environment and the public management system. Likely needed system-wide changes include a rebalancing of:

- Sector/organisational coherence AND the ability to choose and assemble more idiosyncratic and experimental configurations of skills and capabilities at different levels.
- Soft AND technical skills - i.e. greater valuing and demonstration of soft skills, and less tolerance of failings in those areas
- Ambiguity AND goal directedness – i.e. the ability to set a clear direction, with less prescription about the means to reach goals

The New Zealand state sector's dependence on restructuring as a substitute for people capability development rests on the assumption that the next restructuring will be better than the last, that the underlying problem will be solved, or that the problem is unsolvable and that restructuring is the best stopgap. When NPM was introduced in New Zealand over twenty years ago, an open market was envisaged in which it was assumed leaders would be tested under fire and if unsuccessful not be reappointed. Although early versions of NPM made the case for high capability and pro-innovation people practices, in practice it has led to control, monitoring, rigidity and gaming (Diffenbach, 2009).

System people capability challenges

The State Services Commission was criticised widely in this study. A longer term, and more meaningful, people capability orientation would more actively counter–balance the downsides of short term demands from 'purchasers' (Ministers), focus on selecting and developing a diverse range of leaders, improve information flows within internal labour markets, and strengthen the role of human resource managers as strategic people capability managers rather than transaction managers. More transparency and feedback about people capability and 'people issues' would help.

Those looking for change levers could consider a greater focus on, and valuing of, long term ownership issues at the state sector system level, supported by a coherent people capability framework to evaluate human resource management and its consequences. There are several models available –the Harvard model of commitment, competence, cost effectiveness and congruence with goals might be useful because of its durability and configurability to diverse situations (Beer et al., 1985). Solutions are likely to be contextual.

Collaboration between state agencies and other non-state sector agencies may be one of the most pertinent areas of desired change. Although there are circumstances where collaboration works well, factors such as risk aversion, ambiguity about what success looks like, disturbance from restructuring, and weak leadership could all be possible causes of limited people capability in this area.

Conformity, or 'isomorphism' poses another set of people capability challenges and stands in contrast to the market innovations sought in the original the New Zealand system reforms. Central

agencies, such as SSC, the Treasury, Department of Prime Minister and Cabinet and OAG5 may act to encourage uniformity (or alternatively innovative distinctiveness) of practice in the state sector by 'soft' methods such as promulgating norms or peer imitation, or 'harder' coercion through regulatory means. The reforms advocated here could fall into the same trap – of superficial and repetitive rhetoric about engagement and empowerment, or inappropriately styled HRM models that sacrifice desired compliance for undesirable 'innovation'. The balancing of loose/tight configurations, or inputs, outputs and outcomes in this area requires some thought and careful delineation between management styles, work processes and human resource processes.

The tendency for convergence of practice is surprising, considering that New Zealand is characterised by a relatively weak centre in comparison with comparable jurisdictions such as Canada, the UK and Australia at federal and state levels (Norman, 2009). The centre does, however, have teeth. For instance, it conducts CEO performance appraisals, and chooses whether or not to reappoint CEs after the standard five year term. In using these levers it apparently amplifies rather than manages Minister's concerns, and pays little attention to outcomes but considerable attention to organisational actions such as restructuring. The tendency for isomorphic behaviours emerges originally from an authorising environment that discourages risk taking and learning and encourages risk minimisation. As a result there are strong incentives to stay close to the norm.

Poor information flows might also be problems, where lack of knowledge about both inputs and outcomes conceals the true level of quality. The SSC's recently introduced Performance Improvement Framework, and the evaluations that accompany it, are a much needed step in the right direction (SSC, 2010c).

Organisational people capability challenges

Organisations and business units will need a wider and deeper toolkit in which to make and implement change where values must co-exist in a state of tension. Organisations will need the ability to choose and assemble more idiosyncratic and experimental configurations of skills and capabilities between business units, teams and hierarchies.. Localised adaptation such as . configured to business unit drivers, performance management and pay systems that are more discriminating risk taking and accountable are examples of the complexity of change needed. Team appraisals for development, more nuanced blends of hard and soft HR, and development activities that integrate into working life are other examples of possible people capability building approaches. However these are time consuming, are not always practical, and need to be done well.

In particular, selection, training and development, performance management and rewards will need to value wider and deeper skill mixes within both individuals and teams. Collective as well as individual competencies may require more focus. Workers will need to know the 'rules of the game' to exercise discretion wisely within hierarchies, and will need new skills to work more autonomously.

The supplementation of hierarchies with 'social networked' systems implies reconfigured accountability and feedback systems that are more reciprocal, systemic and transparent and less hierarchical. The inclusion of learning and performance goals at business unit and agency levels may

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[5] Strictly speaking the Controller and Auditor General is an Office of Parliament not a central agency but for the current purposes they perform as part of the centre (see Gill 2011 p38 footnote 13)

be another avenue for change, particularly in managing the tensions within public management. Generalisations are difficult, but evolution of the public management system has been accompanied by aspects of market cultures and hierarchies (with hard driving but underskilled managers, and an emphasis on control) (Schick, 2001). A shift to more 'clan' elements may encourage the staff development and commitment needed. Care, however, would be needed as to what was the unit of the 'clan' to be developed– to ensure horizontal clans (such as senior managers), did not self protect and were open to feedback, and that vertical clans (organisations) were able collaborate with each other. The innovation and agility of network approaches is appealing but unlikely to be entirely realistic across the context of state sector work.

Organisations, however, do not fit into the neat categories commonly provided by culture theorists. Instead, cultural types are complementary and coexisting rather than competing or paradoxical (Hartnell, Ou, & Kinicki, 2011). Organisational cultures might be better described as idiosyncratic constellations or configurations of assumptions, values, beliefs and norms. This better reflects the 'bandwidth' of organisational culture. It also means organisations can pick and mix aspects of culture within some form of coherent framework.

The belief underlying the New Zealand in a quasi-market for management of public services assumed leaders would be tested under fire and if unsuccessful would not be reappointed. Subsequently, Schick observed the emergence of hard charging managers adroit at resource acquisition and at leading change, but poor at focussing on outcomes and investing in human resources. This view reflected the "notion that government can purchase all the information it needs in the marketplace of ideas" (p. 12, Schick, 2001). Elevating human resource managers in organisations to second tier positions would better reflect human resource costs and the power dynamics that take place in organisations.

Manager people capability challenges

HR managers will need to manage more complex mixes of risk management and innovation and juggle different roles including strategic partner, change agent, administrator and manager of employee contribution (Ulrich & Brockbank, 2005). Within organisations, elevation of human resource management to 'people capability management' both in hierarchical rank and in scope would assist. Human resource managers may need to be more sophisticated, activist, business oriented and generally 'strategic' as it is defined in the literature. Clearer processes, and possibly ethics, around bullying and victimisation issues would enhance their credibility.

Growing confidence in the effectiveness of human resource management has occurred alongside a deepening and widening of the role of human resource staff in organisations, as they have moved from process managers to people capability developers. Ulrich & Brockbank's (2005) revised typology of human resource manager roles differs sharply from HRM's traditional process management function.

Figure 5 - Ulrich & Brockbank's (2005) revised typology of human resource manager roles

Strategic partner	Change agent, business expert, planner and knowledge manager
Functional expert	Admin efficiency policy and intervention design

Employee advocate	Needs of current workforce
Human capital developer	Preparing employees to meet future challenges
Leader	Leadership of HR function, collaborate with other areas, effective in other 4 roles.

Human resource professionals carry much content knowledge, but face barriers to thinking and acting strategically, specifically to be more than process managers (Ulrich & Brockbank, 2005).

Managers will need new skills to convey and manage the shifting levels of discretion required in different business units and between different job tasks amongst workers and. The 'system' (including line managers) may resist change. In many ways the current system has performed, and decision makers have often done well under current arrangements. Recent research has identified line managers as critical to high performance and to organisational credibility with staff (Boxall & Macky, 2009). Line manager selection, development and performance management is likely to be a fruitful area for change.

The ability to integrate internal and external strategy, and execution - including middle managers actions as crucial links between formalised strategy and actual practice will require a shift from the technical policy orientation of many senior managers (Becker & Huselid, 2006; Guest & Conway, 2011). Better integration of strategies, culture and HRM might be useful starting points. Feedback loops will be crucial to address shortcomings in the information flows that markets need, and the tendency of hierarchies to cut themselves off from what they most need to know.

This might also reduce the need for restructuring, if performance problems at the tier two management level is indeed a driver for restructuring. As others have commented, a shift in mindset from short to long term and from being 'architects to gardeners' is likely to be difficult because of the entrenched mindsets of senior public servants (Gregory, 2006). Incentives will need to change. Drawing from the emerging recognition of the capacity for mixed cultures and values, and from the sector's need for formalised processes as a necessary means to drive change, the following practical recommendations might help:

- A re-articulation of a public sector ethos beyond servicing Ministers
- Stronger weight toward ownership and capability issues in CEO performance contracts
- A more balanced and nuanced echoing of Ministerial purchase concerns by the State Services Commissioner
- Elevation in organisations of strategic human resource management from process operators to positions of influence
- Better measurement, more transparent more accessible, and more reciprocal information about agency capability issues
- More coherent line and senior management selection, development and accountability
- More procedurally just processes for victimisation complaints

The limitations of this research need pointing out. Obvious ones stem from dependence on a relatively small sample of three focus groups comprising a total of 41 participants, as well as

bandwagon or suggestion effects. Less obviously, the issues covered in these groups were particularly complex and played out in diverse ways across the state sector. Drawing generalisations is difficult.

The results of this research suggest room for more systematic and less tentative development in skill and people capability, and the 'unlearning' of some bad habits. The New Zealand model of bottom line efficiency and pre-specified results is insufficient for management of cross-organisational complexity. Calcification is likely to remain if the state sector continues with its current recipe of control, reviews and restructurings.

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