

Stewardship of the System:

A New Zealand public sector leadership imperative in a digital age

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The recent examination of New Zealand public sector senior leader capability through the Leadership Insight initiative returned some interesting findings about the common strengths and development areas of the individuals who are leading the strategic direction of New Zealand's public service.

An analysis of the leadership sample found that 34 per cent of leaders who went through the Leadership Insight initiative required development in the *Leading at the political interface* capability. In addition, 19 per cent of leaders assessed required growth in the area of *Enhancing organisational performance* and another 17 per cent required development in *Enhancing system performance*. Together these three capability areas comprise the System Leadership section of the Leadership Success Profile (LSP).

If a significant proportion of our senior leadership cohort are recognised as needing to increase their capability in one or more of these three capability areas of System Leadership, then we need to consider why the System Leadership area of the LSP is significant and what we can do to improve it.

Leading at the political interface

"Bridge the interface between Government and the public sector; to engage political representatives and shape and implement the Government's policy priorities." LSP, 2015

Given the demand for change placed on public servants by the Government and by New Zealanders, public sector leaders need to be aware of the environment they operate in, links with other stakeholders across the broader system and the activities they are undertaking. In short, they need to be in tune with the bigger picture to operate effectively as stewards of the public sector, delivering services to everyday New Zealanders.

What is system leadership and how does it relate to stewardship?

System leadership in the LSP is recognised as building sustainability, resilience and connections. Public sector leaders need to ensure that capabilities, assets and initiatives are built with regard to New Zealand's future needs. These leaders must have the necessary skills and knowledge to know when and how to use relationships as well as disciplines such as digital technologies and finance to achieve outcomes for New Zealanders, and they need to manage the tension between conflicting priorities. At its core, this is stewardship – of people, functions, organisations and systems.

More generic and traditional definitions of stewardship commonly include reference to the careful and responsible management of something entrusted to one's care. According to Bell (2015) a steward is someone who receives responsibility and authority from another to look after that individual's property – and in that individual's best interest.

In an organisational environment, the sentiment of Bell's definition of stewardship remains the same, however, the environment becomes more complex as leaders seek to reconcile competing priorities and objectives with multiple stakeholders. According to Bell, leaders who demonstrate stewardship in organisations "must keep in mind values, ethics and sound business practices with every decision they make". Executives must look to the future and work in the best interests of all stakeholders, including future stakeholders (Bell, 2015).

But in the public sector it might be argued that stewardship is slightly more complicated. Macnamara (2004) states that stewardship in the public sector is represented by politicians and civil servants who are empowered through the citizenry who entrust them to oversee and create a return from the resources they control while in office.

Macnamara argues that it is important to recognise that power, responsibility and requirement for accountability in return is conferred by citizens – and these privileges can also be removed by citizens. In addition to these dynamics, there is also another relationship that must be balanced between the leader and their responsibilities, their organisation and its outputs; that is the broader public sector system they operate in and, of course, the Minister to whom they are responsible. This is where the LSP positions its idea of stewardship – in an environment marked by tension, change and multiple stakeholders.

The significance of stewardship to the public sector

While the LSP indicates that good stewardship is important to leaders in the public sector because of the long-term sustainability it brings to the system, there are more fundamental drivers behind it. In the New Zealand public and State sectors, the notion of stewardship is enshrined in legislation.

The State Sector Act 1988 (the Act) defines stewardship as the "... active planning and management of medium- and long-term interests, along with associated advice".

Furthermore, the legislation states that, in addition to their role in providing leadership and oversight of the State services, the Commissioner has a responsibility to promote a culture of stewardship in the State services.

Chief executives are represented as key players in stewardship. The Act states that, chief executives have principal responsibilities for:

- the stewardship of the department or departmental agency, including of its medium- and long-term sustainability, organisational health, capability, and capacity to offer free and frank advice to successive governments; and
- the stewardship of—
 - (i) assets and liabilities on behalf of the Crown that are used by or relate to (as applicable) the department or departmental agency; and
 - (ii) the legislation administered by the department or departmental agency

In a 2013 speech, Gabriel Makhlouf, Secretary and Chief Executive of The Treasury, stated that all State sector leaders had a responsibility to look after the Crown's medium- and long-term interests. Makhlouf stressed that good stewardship was important to all the civil service, not because of self-interest but because of the legacy that was being cultivated for the longer term.

"We don't go to work to tell our Ministers only what they want to hear, save our face, cover our backside and get through each day as it comes. As the effective owners of our own State sector system, the onus is on us all to make sure it is sustainable well into the future." Makhlouf, 2013

Gluckman (2015) recognises that although public and State sector stewardship normally refers to the responsibilities of planning and managing resources over the long term, there are also responsibilities in the area he calls 'soft resources'. Soft resources include New Zealand's democratic system and its structures, processes and values.

Gluckman states that public sector stewardship has a duty to maintain integrity in processes and roles as well as the growth and use of knowledge.

Makhlouf believes that information and education make up an important area of the public servants' stewardship role – an area that involves collecting and disseminating knowledge to support citizens and Ministers in understanding the opportunities and challenges that exist. Public sector leaders can use their stewardship not only to educate and inform society but also to form solutions from the diversity they find within society (Makhlouf, 2013).

It would seem that this is the perspective shared by our current Government. In his 2013 speech to IPANZ, the then Minister of Finance, Rt Hon Bill English, spoke about creating an environment where Ministers and public organisations had the opportunity to consider the future and their shared sense of purpose for public services.

According to Mr English, a change in public expectations around the use of technology and how it can be harnessed to inform business decisions now provides an impetus for all senior management and most leaders in middle management to come to terms with these advances (English, 2013).

If the public service is to carry out its stewardship effectively in the 21st century, then perhaps leaders need to focus more on understanding the potential of digital transformation. Recognising and seizing on the capabilities of the digital era could lead to greater connectivity between agencies and citizens.

In addition to our democracy seeming more interactive and responsive, large amounts of real-time information can be gathered, analysed and used to shape better policy and services while also helping create a more educated and informed society. Stewardship in a digital era could serve to not only improve an agency's outputs but also build democracy through great citizen engagement with governance.

What's happening in our sample of public sector leaders?

As mentioned earlier, there are three capability areas that form the System Leadership section of the LSP framework: *Enhancing organisational performance*; *Enhancing system performance and Leading at the political interface*. Participants in the Leadership Insight process highlighted *Leading at the political interface* as in the greatest need of development.

In follow-up research, LDC found that leaders seldom have any face time or interactions with Ministers or political representatives. In many cases, they felt no need to meet with the Minister or form an enduring relationship with them – indicating that, in some instances, this role was taken by their chief executive.

For some organisations, and possibly some Ministers, this arrangement has arisen out of practicality. Currently there are around 60 ministerial portfolios, managed by 21 Ministers within cabinet, a handful of Ministers outside Cabinet and support party Ministers.

Most Ministers are juggling at least two portfolios, and many are also responsible for associate portfolios. It is understandable in such instances that a single point of contact would be preferable, providing the opportunity to build a relationship where individuals can speak openly to each other and, not surprisingly, setting up a foundation of trust for the relationship.

Kathyola (2010) states that a productive political-administrative interface is critical if the public sector is to be effective. According to Kathyola, this can only be achieved when there is trust and respect between Ministers and the public sector leaders. For those senior leaders who are expected to front their Minister on any number of issues, there is no room for misunderstandings, unsound advice or the appearance that they are out of touch with what's going on.

Perhaps this is why leadership at the political interface becomes the exclusive domain of a trusted few; for the bulk of the public sector, this key function of stewardship may seem inaccessible – and for many, it may not even be a requirement of their role.

In the Leadership Insight sample of public sector senior leaders, the other two capability areas of stewardship (organisational and system performance) were identified as areas in need of development for about 18 per cent of individuals respectively. These two areas relate to improving service delivery through innovation, continuous improvement and working collectively across boundaries.

If we again consider the message of the Rt Hon Bill English from his 2013 IPANZ address, could there be a link between making innovative, collaborative improvements at the agency and system levels and the current digital capability of senior leaders in the public sector?

Digital literacy

In 2015, the Academy of Digital Business Leaders (ADBL) published a report that stated that less than one-quarter of organisations in the United Kingdom are what ADBL term 'digitally literate' (AVADO, 2015). The ADBL finding is significant because digital literacy relates closely to customer understanding. Of even more interest is the ADBL finding that organisations with senior leaders who articulate a clear digital vision are likely to hold a higher level of digital literacy. However, senior leaders tend to estimate a higher level of digital capability than anyone else in their organisation. If we consider the New Zealand public sector in the light of these ADBL findings, could we say that our senior leaders truly understand their customers and can act in their interests as good stewards?

Enhancing stewardship in the public sector

While System Leadership comprises three capability areas, we can recognise two distinct areas of stewardship where public sector leaders can grow their capability – in their interactions with Ministers and in their digital capability.

What you can do to lead more effectively at the political interface

You might not be the primary go-to person when it comes to fronting the Minister for your organisation, but there are other experiential opportunities that will allow you to start building your familiarity with both the political environment and the people who operate in it. Here are a few suggestions:

- **Shadow** an expert in this area – Identify someone you feel excels in this area. If possible, shadow them when they are engaging with political figures or invite them to give you feedback after seeing you engage with political figures.
- **Seek** a role or secondment to an agency with greater ministerial exposure.
- **Attend** a Select Committee at Parliament to observe the personalities, process and politics that operate in this environment.
- **Enrol** in a programme to learn about the New Zealand government and the New Zealand constitution, Te Tiriti o Waitangi / The Treaty of Waitangi, legislation advisory guidelines, central government agencies, the Cabinet Office and the Crown Law Office.
- **Attend** an Office of the Clerk programme, for example: *Introduction to Parliament*, *Introduction to select committees* or *Advising select committees*.

Growing your digital capability

The role of a public servant remains to carry out the duties of government for the benefit of the country and its citizens. However, the environment in which public servants operate has changed considerably (and continues to change rapidly). Advances in digital technologies now mean that senior leaders must build their own digital capabilities so that they maintain responsive and relevant to their customers.

Here are some of our suggestions to get public sector leaders started on their digital stewardship journey:

- **Focus** on working out what 'digital' means for your organisation – How can your agency be digitally relevant in its service delivery? How will this benefit your customers? What are their expectations of how you should operate with them?
- **Aim** for radical efficiency – If you consider conventional approaches, you're likely to remain in a conventional place. What are the emergent technologies that could change the way your agency interacts with your customers? What are some alternative perspectives on potential solutions?
- **Talk** with the next generation – Our youth are the tech-savvy customers of tomorrow. What sort of services do they expect from the future public sector?
- **Encourage** online and offline collaboration – Get involved in virtual communities, social media and digital networks that relate to your work. Bring together diverse groups; share challenges and potential solutions; grow your understanding of what's happening beyond your organisation.
- **Develop** the right people – Identify the individuals who possess the digital capabilities your organisation needs. Develop and promote team members who are agile, collaborative and actively learning and applying new ways of working.
- **Allow** careful experimentation – Promote an environment where ideas and new approaches can be discussed and trialled. Value errors as critically important to the learning process.

- **Keep** learning and evolving – View your agency as an evolving business in a digital age, and encourage a culture of continuous learning.

LDC has toolkits available online for leaders from member agencies to support them in growing their leadership in these capability areas. Interested in talking further with us about this topic?

Contact us on research@ldc.govt.nz or call us on 04 473 2222.

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