Systems notions of governance and real world challenges

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As members of various networks of concerned professionals the authors' foundational claim for proposing this symposium is that:

In all significant respects, public management falls well short of constituting a system of governance that is responsive to the needs and desires of its stakeholders. Furthermore as challenges mount, governance failures increase also. From a systems dynamics perspective, there is neither adequate modelling of delivery systems, nor sufficient attention to the likely systemic effects of the policy choices being made.

These claims appear to be true across a wide variety of political systems, of cultures, of scales, of management domains. The authors' networks are mainly western world and are concerned with compartmentalised *aspects* of policy such as climate change, education, drugs policy, finance and health. We are concerned with generalities because we think there are indeed general systemic failings that require systemic understandings of governance to address.

Not only is public management not successful in its own terms, it is seen to directly attack local experiments that may have led to partial improvements or solutions. The jargon of accountability leads to weird governance failures where strategies that cannot work are applied with some rigour to destroy strategies that maybe could work.

There are aspects of the functioning and mis-functioning of political systems in these failures. And there is good work around that analyses how aspects of the political system feed into the prevalence of failure with large projects. Here we are concerned rather with how aims and goals held by various stakeholders in public management, including, and perhaps especially, citizens themselves, can be identified and responded to with a reasonably transparent governance response mechanism.

Our observation is that the systems dynamics paradigm extends easily into the findings of autopoiesis and the informational closure of systems. Factors that in practice do not affect the outcomes generated by models, can be said to be irrelevant to the system, or equivalently that the system is blind to these factors. An aim of public management cannot be valid, if key factors in the necessary governance to achieve that aim do not affect the models used to govern the system.

A current case

To make our concerns concrete, consider the pensions situation in the UK. As a result of past policy mistakes, the majority of Defined Benefit (DB) schemes run by companies for their workers are being closed and transferred into large Defined Contribution (DC) schemes. As the names imply, DC schemes specify what you pay in, not what you get out. The rules for benefitting from a scheme in

your name are that you must buy an annuity, an insurance product that pays a pension for the rest of your life.

The scale of this shift is such that the DC schemes have become large, with assets in the £trillions. There is nowhere near the capacity in insurance companies globally to underwrite the annuities implied. So the second largest financial transaction that most people ever make, and on which their retirement depends, becomes radically insecure.

This situation is nobody's business. The trustees of the DC schemes don't see it as their business. The insurance companies just see inexhaustible demand. The politicians see it as something the dynamic finance industry will sort out. The point we are trying to make is that no matter how open-and-shut the need for public management to do things that citizens cannot do for themselves there is no default mechanism through which their needs will at least be recognised and where solutions can be brokered. In layman's language the delivery systems are blind to the needs they are supposed to respond to.

A long-running case

In the nineteenth century in the UK there were armed insurrections in public schools that were put down by the army. But over the second half of the twentieth century research consistently showed that all stakeholders with the possible exception of government wanted education to deliver students who could grapple with the reforms that their parents' generation had not succeeded with: students who could rise to new challenges.

And despite everyone being agreed on the priorities they wanted schools and the education system to address, the path taken has been the opposite one, to teach old verities. What we have had in the UK for some time now is Education Ministers making policy on the hoof[1].

For the sake of this paper, the issue is not education or pensions, but systems. It is not going to be a huge challenge to conclude that if an education minister is prepared to dictate what is best for a schoolchild, then there is no governance mechanism, and no prospect of a governance mechanism. There is what purports to be a governance mechanism, but it does not and cannot, because it does not have sufficient responses, regulate the mechanism. Governance, as stated above, must be responsive: it must deal with the actual requirements and it must deal with the actual variety of situations and needs[2].

The education of children to meet unknown new situations is a worthy and authentic goal. It has intrinsically high, almost infinite, variety. We know that if we had a governance mechanism responsive to this it would result in diverse educational establishments and non-establishments. Thanks to the unschool movement and schools like Sudbury Valley, (Gray, 2013) we know that the option of simply letting children educate themselves is as good or better than the existing curriculum based schools.

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[1] It is not irrelevant at this point to note that one of the specific provisions of Thatcher's Great Educational Reform Bill was to remove responsibility for children's education from parents to the minister for education.
[2]

We may wish that we had not, but we have in front of us vast experience of running aspects of public management like education without a governance mechanism that could possibly work. In the rest of this paper we want to describe the bones of a mechanism that could work.

What is the governance of public management?

The heart of this paper is the question of what governance in this context is. How can we tell if the public sphere is managed, and what is the role of governance in promoting or ensuring management?

It is always easier to say what these things are not. If we imagine there is a right answer about how to best educate children, we will never understand governance or public management. If there is a right answer, the job (of researchers and professionals?) is to find it and management consists of explaining to people that the answer is right, or the best available for the money, or if it is not quite right this year is will be by next year. This is not even in the ballpark.

What actually leads children out of ignorance like the preceding paragraph, is completely context bound. It changes with the individual child, with the local culture, with the national culture on for instance television. It changes with time, it changes with geography, it changes with language. If there is not consistently rapid innovation it will fail. The job of public management is to make sure that as much provision flourishes as it can. And the job of governance is to make sure that voices are heard and that conversations happen. Governance is there to stop public management becoming narrow, ossified, captured by factions, unresponsive to big changes in the world.

Now we can locate this as a question of the dynamics of the system as in continues to unfold. We can see a dynamic environment that needs to be kept in view by mechanisms that literally respond to need, to value, to change, to innovation. Of course there is a much-hyped 18th century invention that is supposed to do this, the market. But markets are singularly poor at foresight. To switch examples, the market will not solve our pensions problem: indeed the market, abetted by poor regulation, has created the problem.

To switch examples again, the attempted market reform of the NHS leads to a situation where large corporate service providers buy in to contracts they think they can milk and then walk away when there is no profit there for them. What we know about health provision and indeed education provision is that it takes time to build capability and it is not easily switched on and off. We clearly need a management system that is able to make sensible promises over a natural timescale – perhaps ten years for education and maybe longer for some aspects of health and social care. A government cannot promise healthcare if that healthcare is provided by a company that may choose to walk away and where the time taken to put an alternative in place is longer than the time available

So to reiterate, governance is about making sure that the right conversations happen: with innovators, with citizen customers, with the Treasury, with staff training providers, with the people driving change elsewhere, with technology providers. These conversations have to happen and keep happening while elements of change are introduced wherever they seem to be needed. What sort of a system is that? Where a market reduces things down to a simplistic number, this system will be innovating what is measured along with everything else. As we have said, the number one

requirement of the educational system is to produce people who are not trapped by the current mistakes. (It sounds as though we need them to build public management and its governance!)

Notice that in reality, the current system speaks to some people's need to impose practice on others, to know best. This has nothing to do with public management or governance, except that it must be the prime function of governance to make sure all such narrow interests are neutralised. To reiterate, factors that do not in practice affect outcomes, are factors the system is blind to. Imposition of practice tends to overlook a myriad of factors that the system must respond to in order to work effectively.

Change

Where markets score is in enabling bottom up change. They enable it principally by the objectification of market forces that clearly no-one can withstand. Change is supposed to just happen and be driven by consumer choice. Putting all doubts about this description to one side, in some markets, new entrants with innovative products can establish themselves in a fairly organic way and existing players must adjust their positions. From everything we have said, public management needs such a disruptive mechanism: new entrants are going to be the lifeblood of the system in the medium term. The significance of their newness is understanding the way the world is not the way it was. To use our pensions example, while it is not clear who can act or what can be done, new entrants are not going to base their business model on the old, broken, scenario.

The requirement for a public management system is to monitor, presumably at levels of granularity in a recursive fashion, a wide and adaptive range of indicators. Far from the regulatory approach of laying down guidelines and publishing measures up front, management is about encouraging potentially successful innovations to propagate within the system. We can now see that this is looking like an ecosystem – another conventional place to go but one that is far less understood especially in governance terms. Ecosystems solve the foresight problem by redundancy: there are lots of ways to achieve things and one of them will probably be suitable for an unknown upcoming change in the environment.

So if we imagine an education ecosystem it will have different sorts of education that compete for resources to some degree but which also regulate the environment for each other. The population dynamics will be what they are, based on the current conception of success in outcomes. We would never get dominated by irrelevant exams because providers who do not want to go in that direction can demonstrate their own success in other ways. Families who want to unschool would presumably find a much more gradual transition in services from school to no school.

From this description we can see that the central question for the governance of public management in the sphere of education is going to be "What is education?". That is surely right. The question is how to understand what outcomes are produced, why they are desirable or not desirable, what indicators might show important differences, what the range of approaches is that have something to offer in providing this highly redundant ecosystem. And what conversations are needed to keep the dynamics alive and fluid.

Understanding the dynamics

We have become accustomed and indeed inured to a hierarchy where people at the apex of the hierarchy purport to set direction without having the information to do so. Only 3% of strategic plans get implemented for the same reason: they are not rooted in capability. If we are to have governance of a mechanism the mechanism must be understood: it's not rocket science. There is no governance of a system whose dynamics are not in practice understood.

If we have a situation where there is constant innovation at the front line, as there must be to match the changing environment and the diversification of need, then what must be understood is what that innovation achieves. What do the many stakeholders to each situation think is important about what is being done and the changes that are produced as a result? Why would you choose to follow that innovation path and why would you choose not to? And these results cannot, absolutely cannot, be measured against a standard framework because the notions of what is important need to evolve. What is education, remember, is the central question.

The general situation is that there will be conflicting results, conflicting notions of what education is and what is important. We will have schools and we will have unschools. The proponents of each will not agree. We will have people who think that the arts are fundamental to the development of human beings: music and drama, visual arts and creative writing, the unfolding history of human thought at its richest. And we will people who believe that rigorous scientific thought and the beauty of mathematics will save humankind. We need these contradictory beliefs and a thousand more. They create a tension and it is the role of governance to make sure that tension exists and remains generative. More specifically, it is to create a ferment of experimentation and learning.

The role of governance is not to produce answers or executive decisions but to keep the ball in play: to keep all the things that must be important factors present and relevant in management decision making. When Muhammad Yunus first developed his ideas on microcredit, he explained that his work was really easy: he just took all the fundamental assumptions made by the banks and reversed them: for instance lending to people who don't have money rather than people who do. Much the same comments apply to the governance of public management.

Since it is the dynamics that deliver the goods, not a static mechanism, then the role of governance is to maintain the dynamism. A static ecology is a complete oxymoron: stability is achieved by a myriad of local interlocking mechanisms that together mean there are many ways to maintain the health of the overall system. If there are a set of young people whose needs are not being met by the educational system the question must be what is barring local innovation to meet the need.

When there is an imbalance of power that unbalances the debate and thus threatens the dynamism, then the weaker voices can be coached, funded, given platforms until the important messages get properly heard again. This has always been an important tactic and one that shows the difference between real governance and a collapse into narrow management, bureaucratic administration and factionalism.

Characterising the solution space

Probably the most used and abused quote in the realm of systems is Einstein saying that you can't solve a problem at the level it was created. What would "level" mean to us here? We are talking

about the governance of public management. So for governance to solve problems it must not be the same thing as management: the notion of senior management or executive management or a management board or leadership is not what we are talking about. Those things, certainly as we see them in practice are more of the same.

What makes governance a different level as described in this paper is that it is concerned with the health of the mechanism, knowing that only a sufficiently dynamic mechanism with enough diversity and redundancy can deal with the sheer variety of the underlying task of educating the next generation. To abuse another systems quote, throwing a bird and throwing a stone produce quite different observed outcomes: too many management solutions concentrate on making the bird behave more like a stone. Governance is about life not about control.

So for governance the issue is not the national percentage of pupils gaining A-C grades at GCSE English. That is a mistake of gigantic proportions that leads to the failure of the education system. The issue for governance is whether people with insightful ideas can show the benefit to children and young people of those ideas. Where they can show benefit, whether the wider system can incorporate and use them, directly or indirectly. Governance is not concerned with how many rabbits there are and how many foxes there are. It is concerned with any sign that the ecosystem is not rebalancing itself. Even at the level of technical mathematics and statistics, so called management via exam scores is just wrong: my understanding of the significance of league tables in assisting parent choice of which schools to choose for their children is that the statistical predictive value between the top and the bottom is almost zero. Education anyone?

The chances are that someone is reading this and thinking "cost?". From a governance perspective we have maximally wasteful system. Approximately two thirds of the money spent on "education" is wasted so far as the development of human resources is concerned[3]. We force children and young people to go to institutions that have a stable pattern of benefitting about one third of pupils, achieving little for another third and damaging a third. The force used is important because of course it generate resistance: ask any teacher and any schoolchild about resistance. Resistance means precisely that you are spending resources on overcoming effects that you have created: Sisyphus. That is the result of our experience of governance that doesn't work or is missing altogether. I challenge anyone to say that the existing funds could not be better spent were there a basic systemic governance approach to keep the system healthy.

Conclusions

Governance is usually considered to be a matter of ethics and outcomes. Are we playing by the rules and are the results good enough? If we consider a systems dynamics model of an area of public management, these are not the appropriate questions for governance. The appropriate questions are whether the domain is in practice responsive to changing need and to changing ideas about how to meet the need. The conventional approach to governance actively prevents such responsiveness because it does not allow questions of aim and purpose to evolve with the system.

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[3] This is not necessarily a bad thing. It creates lots of jobs for teachers, school administrators, police, government advisory services etc etc. .. not to mention keeping young people off the streets. In fact, it is a huge boon to the economy.