Linking Strategy and Performance: Developments in the New Zealand Public Sector

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Abstract

In recent decades, many governments have sought to improve their systems of strategic management and priority setting. Few of these attempts have met with unequivocal success. In particular, the systems for "whole-of-government strategizing" have not been well integrated into the ongoing budgetary processes and departmental performance management systems. In 1993–1994, as part of its comprehensive reforms of the public sector, the New Zealand government instituted a new system of strategic management. The new approach—which in part grew out of the National government's attempt to outline its long-term vision in a document titled Path to 2010—includes the ministers specifying a series of medium-term policy goals, referred to as "strategic result areas" (SRAs), and then translating these into more detailed departmental objectives, known as "key result areas" (KRAs). More specific "milestones" are subsequently identified to serve as benchmarks against which the achievement of departmental KRAs can be assessed. This article describes and evaluates this new approach and considers its possible application in other countries.

INTRODUCTION

Since the mid-1980s virtually every aspect of public management in New Zealand has been redesigned, reorganized, or reconfigured in some way. Many of these changes, especially those relating to financial management, have attracted a great deal of interest and acclaim internationally. One important aspect of the reform process which, to date, has received relatively little attention is the new approach to strategic management and government priority setting. The new policy framework was developed during 1993–1994 in the wake of continuing concerns regarding the inadequate specification of the government's long-term political goals, the failure to integrate the government's strategic vision into the ongoing policy process (especially the budgetary process), and the inadequate interagency coordination within the public sector.
Under the new approach, the government specifies a limited number of major desired results for the public service as a whole over a three-year period. These are referred to as "strategic result areas" (SRAs). The SRAs are used not only to guide the overall process of setting budgetary parameters and priorities but also to inform the specification of annually determined key result areas (KRAs) for chief executives of government departments. More specific "milestones" are subsequently identified to serve as benchmarks against which the achievement of departmental KRAs can be assessed.

The new strategic management framework is still in its infancy, having been in operation for little more than three years. Nevertheless, it involves a relatively novel attempt to integrate the government's strategy-making systems (at both political and organizational levels) with its budgetary and departmental performance management systems. This article outlines the development of strategic management in the public and private sectors and the background to the new system of strategic management in New Zealand. It then identifies the key features of the new approach, considers its contributions to date, and highlights issues which need further consideration.

The material contained in this article is based on information obtained from published and unpublished government documents and a series of interviews with key ministers and senior officials. The interviews were conducted from October through December 1995. Draft copies of the article were sent for comment to a number of officials who had been heavily involved in the development of the new framework for strategic management.

STRATEGIC MANAGEMENT AS STRATEGIC PLANNING

The origins of the concept of strategic management can be traced to Drucker's [1958] classic text The Practice of Management. The strategic perspective emphasizes the following features of the organization: It is purposive or goal seeking; it has a coherent and integrating plan of action, designed to ensure long-term viability and some sustained advantage over competitors; it possesses unique and specialized resources; and it interacts with its environment in dynamic ways. According to this perspective, the task of the strategic manager is to identify appropriate goals and then to organize work, marshal resources, coordinate effort, and respond to both competitor maneuvers and environmental constraints en route to achieving the specified goals. Put very simply, strategic management can be distinguished from operational management in that it is concerned with the overall management of an organization rather than the management of individual functions such as manufacturing and marketing (or social welfare and defense in the public sector). It also differs from operational management in that it is concerned with the longer term rather than the immediate, day-to-day running of the organization.

The conventional wisdom of the 1960s and 1970s was to respond to environmental change through strategic planning. Strategic management was viewed as a linear, sequential process in which strategies were first "formulated" and then "implemented." To help formulate strategy, specialist corporate planning groups were established. In governments, all kinds of schemes, programs, and instruments were devised in an effort to enhance their capacity to think strategically, to give appropriate weight to longer term considerations, to set expenditure priorities, and to coordinate the disparate activities of govern-
mental agencies. New agencies established to assist ministers to better order their priorities included the Central Policy Review Staff in Britain, the Priorities Review Staff in Australia, and organizations like the Commission for the Future and the Planning Council in New Zealand [Boston, 1980; Plowden, 1987]. Other attempts to enhance the strategizing capacity of governments included the establishment of special cabinet committees to focus on broad, cross-sectoral issues.

The 1960s enthusiasm for planning, objectives-setting, and analysis also became evident in government in the form of new budgeting systems—notably Program Planning and Budgeting Systems (PPBS), perhaps the most ambitious attempt to integrate longer term cross-sectoral thinking with budgeting and performance measurement. The PPBS initiatives in the United States had a strong influence in New Zealand on a Treasury review team in 1967; as a result, planning and forecasting systems were introduced in central government while its management information system and the budgetary estimates of expenditure were structured along program lines [Pallot, 1991, p. 168].

In most cases, such initiatives bore little fruit. In both the public and private sectors, many organizations either found that the plans were ignored or that the institutionalization and routinization of planning systems resulted in strategic planning losing its strategic significance. Even in the best-managed organizations, formal planning systems seemed to degenerate into medium-term control mechanisms largely divorced from the issues of strategic choice and organizational action [Lewis, 1993, p. 6]. Governments faced additional problems including a lack of high level political/bureaucratic support, interagency rivalries, the tendency for longer term considerations to be crowded out by short-term political crises, and a failure to integrate strategic, budgetary, and performance management systems. Not surprisingly, given the sheer scope, scale, and complexity of governmental activity, the resources available to carry out the necessary analysis proved inadequate. What efforts were made drowned in a sea of bureaucracy and paperwork. Attempts to integrate the setting of objectives and programs with the ongoing budget process failed. The definition of objectives was plagued by politicians and bureaucrats unwilling to set goals against which they might later be held accountable, conflicting objectives both within and across agencies, and confusion between means and ends. Proposals to radically restructure programs tended to stir up antagonisms and create resistance to change. In the light of such problems, a reversion to "muddling through" or "partisan mutual adjustment" and "incrementalism" was advocated [Lindblom, 1959, 1979; Wildavsky, 1978].

FROM STRATEGIC PLANNING TO STRATEGIC THINKING

In the wake of disillusionment with centralized planning, governments throughout the world—no less in New Zealand than anywhere else—moved to a more "marketized" approach in which government was viewed as a series of contracts and the focus switched from macroplanning to improved managerial performance within individual organizations. The companion article by Scott, Ball, and Dale describes the new outputs-based performance management framework and the rationale behind it.

Most of New Zealand's state sector reforms have been regarded as highly successful, particularly in terms of improved efficiency [Boston et al., 1991;
Duncan and Bollard, 1992; Scott, Bushnell, and Sallee, 1990]. However, it was evident by the early 1990s that the shift to a much more decentralized system of public sector management, together with the heightened emphasis on vertical accountabilities (e.g., between chief executives and ministers), was intensifying the problems of horizontal coordination between government agencies [see Boston, 1992; Logan, 1991]. There was also concern that departments were failing to give sufficient attention to the collective interests of the government and a perception that there was a lack of coordination amongst the central agencies (the Treasury, the State Services Commission, and the Department of the Prime Minister and Cabinet) and the Audit Office. Some ministers believed that the reforms had adversely affected elements of the collective interest (such as the coordination of policy advice, support for collective decision-making, and efficient resource management) and advocated greater collegiality among departmental chief executives as a means of redressing this.

When interviewed by a review team on the state sector reforms in 1991, chief executives emphasized the constitutional responsibilities of the cabinet and ministers to provide leadership and strategy [Logan, 1991, p. 46]. Although the reforms had presumed that the government would have an agreed set of priorities in the form of policy goals or outcomes which would guide collective action on output purchases, many public servants felt that the cabinet had not developed, or had not articulated, an integrated view of ultimate policy goals (p. 47). In the absence of a clear statement of the government’s policy strategy, it was difficult for individual ministers and their departments to specify intended outcomes. Furthermore, many departments were dissatisfied with the emphasis on outputs and the relative lack of attention to outcomes. Some felt that their role had been reduced to one of mechanistic delivery of outputs (even policy advice is now viewed as an output). They argued that they had previously given considerable thought to why they were doing things and regarded the attention being given to outputs as a step backwards [Bushnell, 1989]. As a participant in one of our university courses on public management put it, “If you’re making bricks, it helps to know they’ll be used to build a cathedral.”

The 1991 review team on state sector reforms acknowledged that the budget process was a comprehensive look at the government's priorities and a central expression of the cabinet’s collective responsibility. However, the budget—and, in particular, fiscal considerations—tended to drive the government’s policy strategy, rather than the budget being driven by a previously enunciated strategic vision. Because the budget process was carried out in conditions of secrecy and haste, genuine strategic thinking and good decision-making were placed under pressure [Logan, 1991, pp. 47-50]. But if the budget were to be moved from center stage, it would be necessary for ministers to debate and identify their strategic objectives in advance of each budget round. In part, then, the question was how to ensure, on the one hand, that a “strategic conversation” [Fancy and Matheson, 1995] took place amongst ministers and departmental chief executives, and, on the other, that the results of this were translated into achievable performance targets for each department.

Meanwhile, in the private sector, research [e.g., Mintzberg and Waters, 1982; Quinn, 1980] had revealed that conventional planning-and-control models bore little resemblance to what successful organizations actually did in practice. Strategies in successful organizations appeared to follow a pattern of “logical incrementalism” and be emergent (resulting from a myriad of decisions and evolving through a process of organizational learning) rather than deliberate.
In the face of accelerating changes (such as the information revolution, globalization, and democratization in communities and workplaces), strategic planning has come under attack because the forecasting of discontinuities is virtually impossible, predictions are almost invariably wrong, and its calculating analytical style misses "soft" information and important nuances. According to critics, formal systems (computerized or otherwise) have not offered improved means of dealing with information overload [Mintzberg, 1994]. Although they can process more information (at least "hard" information), they cannot internalize, comprehend, or synthesize it. To cope with these difficulties, and to generate commitment to strategies at all levels in an organization, Mintzberg advocates strategic thinking (p. 109). Unlike strategic planning, strategic thinking is based on creativity, intuition, and organizational learning; strategies often cannot be developed on schedule and immaculately conceived but must be free to appear at any time and at any place in an organization. The role of planners is to "supply the formal analyses or hard data that strategic thinking requires, as long as they do it to broaden the consideration of issues rather than to discover the one right answer" (p. 108).

There is now widespread acceptance that thinking should not be divorced from action and that planning needs to be integrated with work processes. Asch and Bowman [1989] describe strategic management in a manner consistent with most modern texts in the field:

Strategic management is the process of making and implementing strategic decisions . . . (it) is about the process of strategic change . . . The task of strategic management involves both top management and managers at all levels in the organization. (p. xiii; emphasis added)

Strategic decisions concern the scope of an organization’s activities and are therefore likely to have a significant impact on the organization’s resources. Furthermore, because the availability of resources (e.g., people, technology, and finances) to meet environmental discontinuities and change is fundamental to an organization’s strategic development [Johnson and Scholes, 1993, p. 8], strategizing needs to be coordinated with resource acquisition and budgeting.

Recent articles in the public administration literature [e.g., Desvaux, 1994; McKevitt, 1992; Reschenthaler and Thompson, 1996] have suggested that there is scope for considering ideas such as emergent strategy and organizational learning in governments. McKevitt [1992, p. 47] contends that debates on the difference between the public and private sectors obscure a good deal of common ground and are often predicated on an outdated policy-implementation dichotomy and an outdated view of the private sector strategic literature. Both need to cope with uncertainty, the public sector manager with the additional uncertainty created by politics and the absence of clear means–ends relationships in public investment decisions. In the light of this uncertainty, McKevitt argues that "the dilemma of the central civil servants in such allocation decisions is a very real one. How to operate appropriate control while preserving appropriate autonomy and judgment at the point of delivery of the service?" (p. 37).

Admittedly, not all the more recent private sector concepts of strategic management, particularly those centered on notions of competitive environments [Porter, 1980] and constant innovation to maintain a competitive edge, can be transposed readily into government departments. Statutes, a government’s
political commitments, and its overall fiscal position place serious limitations on the extent to which individual departments or agencies can engage in “blue-sky” strategy-making [Martin, 1994]. Such factors are less constraining at the whole-of-government level, however. Indeed, strategic thinking is probably essential for small countries like New Zealand which are very much affected by external influences and therefore need to be able to adapt quickly [Fancy and Matheson, 1995, p. 5].

The next sections describe the shift that has taken place in New Zealand over the last five years from what was predominantly a financial and performance management framework for individual departments to one in which these issues are subsumed within an overall strategic management framework. Pallot [1996] argues that the shift to collective strategizing should not be seen, however, as a repudiation of the ideas and practices of the earlier phase. Rather, she suggests, it was necessary to change to a more innovative culture and to produce more useful information at the departmental and output level before it was possible to make significant changes at the whole-of-government level. Previous attempts by government to introduce whole-of-government systems, such as PPBS, without the necessary managerial changes had not been particularly successful. Rather than a repudiation of the outputs-based framework, New Zealand’s renewed interest in collective strategizing can be viewed as a combination of, first, a desire to restore the more traditional concerns for the public interest and unified public service and, second, a desire to incorporate ideas from the more recent private sector management literature to which the new management culture was now more open [Pallot, 1996, p. 4].

DEVELOPMENT OF THE NEW FRAMEWORK

The new strategic management system in New Zealand sprang from three sources: the prime minister’s concern to operationalize his political vision for the nation; the Treasury’s desire to lock in the gains that had been made through strenuous budget management; and the State Services Commission’s (SSC) concerns about departmental corporate management and chief executive performance agreements. The way in which these concerns were brought together is described next.

Following Labour’s election defeat in late 1990, the new National government was almost immediately faced with a severe fiscal crisis. Most of the energies of senior ministers were thus directed for the first year or two at the task of finding expenditure savings and reorganizing public services in the interests of greater economy. By 1992, however, the country had begun to emerge from its fiscal crisis, creating the opportunity for longer term thinking. A number of ministers were keen to ensure that the government was able to develop and articulate a strategic vision and link this to its expenditure priorities and its departmental purchasing decisions.

In early 1992, a project to improve strategic management was initiated and a model encompassing both social and economic strategies was developed. This model attempted to expand an earlier economic model (based on the World Bank growth model) which had appeared in an annex to the 1991 budget. The new model, however, was found to be overly complex, with a
tangle of interconnections between its elements, as every department strained to be seen as strategically relevant. As a simpler alternative, the prime minister’s political advisor, David Kirk, was given the task of preparing a policy statement setting out National's long-term objectives. The process involved lengthy consultations with ministers and, in collaboration with the Department of the Prime Minister and Cabinet (DPMC), senior government officials. It resulted in the publication of a 35-page “vision” document entitled Path to 2010 in mid-1993, about four months before the general election. The document attempted to:

Define the strategic path for New Zealand through to the second decade of the next century; to spell out goals, the sort of performance we’ll have to turn in to achieve them, and the benefits we can expect. . . (New Zealand Government, 1993, p. 5).

Although Path to 2010 identified the government’s major objectives—the central ones being economic growth and social cohesion—it did not enunciate a detailed policy program for their achievement.

National barely won the 1993 election. In a concurrent referendum on electoral reform, citizens voted to replace the first-past-the-post voting system with proportional representation [see Boston et al., 1996b]. Concerns had been expressed that the more loosely bound governments under the new electoral system—known as mixed member proportional (MMP)—might be less able to resist the temptation to adopt short-term fiscal strategies which were inconsistent with longer term goals [Richardson, 1994]. Such concerns motivated the development of the Fiscal Responsibility Act (1994) which sets out principles of responsible fiscal management (e.g., maintaining Crown debt at prudent levels by ensuring, on average, operating surpluses each year; providing a buffer against future adverse events; prudently managing fiscal risks; ensuring predictability in future tax rates) and requires a series of accrual-based budget policy statements, economic and fiscal updates, and fiscal strategy reports. Any departure from the principles must be both transparent and temporary. The idea is that a government will find deviations from good fiscal management more difficult if it has to report, explain, and justify any such deviations. At the same time the Public Finance Act (1989) was amended to require monthly whole-of-government financial statements on a full accruals basis (i.e., requiring reporting of all assets and liabilities and not just cash received and spent). Such initiatives reinforced the quest for a more robust approach to strategic management within the public sector.

In any event, the strategic management framework which emerged during 1994–1995 was the product of both top-down and bottom-up processes. With respect to the former, the problem facing National following the 1993 election was how to translate the broad vision contained in Path to 2010 into more specific policies and to delineate a clear set of priorities for its second term in office. Although Path to 2010 had been addressed to all New Zealanders, there was a need to identify the particular contributions to be made by the public service and to ensure that senior officials took the document seriously.

At the same time, the State Services Commission (SSC) was proceeding from the other direction. It had become increasingly clear during the early 1990s that the new regime for specifying, monitoring, and assessing the performance
of departmental chief executives had some deficiencies. In particular, it was felt that the existing performance agreements were of variable quality, that they lacked specificity, and that, as a consequence, it was difficult to assess performance [Boston, 1995]. In order to improve the chief executive performance management system, the SSC was keen to broaden the focus to include ownership issues and to ensure that attention was given to the most critical areas. To this end, the Commission developed the idea of key result areas (KRAs)—the most significant objectives to be achieved by chief executives during each financial year, against which they would be held accountable. However, there was nothing to which KRAs could be linked. The SSC wanted to shift from a quantitative management focus to something more qualitative and focused on policy outcomes while chief executives, as mentioned earlier, were keen to see the delivery of outputs placed in context. In addition, it was recognized that the initial efforts in developing purchase agreements in relation to outputs, which in the majority of cases have an annual (or relatively short-term) focus, had not been matched by an equal attention to the ownership interests of government which by nature tend to be longer term.

During an exercise early in 1994 in which chief executive performance agreements were being reviewed, the SSC and DPMC introduced the concept of strategic result areas (SRAs) to provide a bridge between the broad vision contained in Path to 2010 and KRAs. Under the direction of the DPMC, all of the departmental chief executives were asked what they thought their minister(s) most wanted to achieve in their portfolio area; what were the two of three things that their department needed to do if the goals set out in Path to 2010 were to be realized; and whether the items they had identified corresponded to the known priorities of their respective minister(s). Chief executives were also asked to identify what would cause the most serious risk to the government's collective interests and key policy goals if their department failed to undertake its tasks properly. Senior DPMC officials then met with individual ministers to check whether they concurred with the key issues and potential risks identified. This process resulted in a paper which set out a new strategic management process and identified specific SRAs. The prime minister took this paper to the cabinet in May 1994 and, having been referred to the Cabinet Strategy Committee for consideration, it was eventually endorsed with only minor changes.\(^1\)

The initial set of SRAs were seen as an internal management tool rather than a document for the public at large. The SRAs were first made publicly available in February 1995, a month before the first budget policy statement was produced under the new Fiscal Responsibility Act. The government has also developed the practice of publishing an annual vision statement concurrently with the annual budget policy statement. These vision documents—The Next Three Years [New Zealand Government, 1994], Investing in Our Future [New Zealand Government, 1995b], and New Opportunities [New Zealand Government, 1996]—are related to Path to 2010, and the SRAs for the following three years are based on these documents.

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\(^1\) One such change, the product of pressure from the minister of defense and his senior officials, involved the inclusion of an SRA regarding the maintenance of a "credible defense force." In the original document there had been no specific reference to defense matters. This, of course, reflects the lack of attention to such matters in Path to 2010 and the absence of significant threats to New Zealand's territorial integrity given the country's geographic isolation.
INTEGRATION OF THE GOVERNMENT'S STRATEGIC OBJECTIVES WITH DEPARTMENTAL PERFORMANCE

As noted, one of the key features of the new strategic management system is the integration of the government's strategic objectives, as specified in SRAs, with the performance of departments. The prime minister has described the new regime as follows:

The Strategic Result Areas set out the contribution that the public sector will make to achieving the Government’s strategic vision for New Zealand. They form the link between the Government’s long-term objectives and the operational activities of departments. They aim to bridge the gap between the broad vision of a future New Zealand as stated in the 1993 document Path to 2010, and the one-year focus of existing departmental budgets and chief executive performance agreements. The Strategic Result Areas identify activities in the public sector that must be done—and done well—over the next three to five years to achieve the longer term strategy. These feed into “results” focused priorities within departmental budgets and work plans, and are part of the accountabilities set down in the performance agreements of departmental chief executives. (New Zealand Government, 1995a, p. 3)

The first set of SRAs were grouped under nine broad policy areas: Maintaining and Accelerating Economic Growth; Enterprise and Innovation; External Linkages; Education and Training; Community Security; Social Assistance; Health and Disability Services; Treaty Claims Settlement; and Protecting and Enhancing the Environment. The SRA document contains a description of each policy area and its objective in largely outcome terms and a listing of the activities on which particular emphasis will be placed during the next three to five years. An example (the SRAs under the heading “Enterprise and Innovation”) is set out in Table 1. Notice that the SRAs embrace items of varying degrees of specificity. Some are very broad, long-term objectives, such as the development of “policies that promote the open flow of goods, services and ideas between New Zealand and other countries.” Others are of a more specific nature (e.g., the “completion of the electricity and gas reforms and their effective implementation”).

On the basis of the government’s SRAs, ministers and officials each year confirm, and revise where necessary, a series of KRAs [see Birch, 1995]. The objective is to identify a set of concrete policies and programs that will assist the government in achieving its SRAs (see Table 2). Where applicable, chief executives specify in their performance agreements the particular SRA (or SRAs) to which their department will contribute. This is not always a straightforward process. Although some of the government’s SRAs relate directly to the work of particular departments (e.g., the Ministries of Commerce, Education, Environment, and Health), in other cases the linkages are much less obvious. The SRAs are linked to the operations of departments, and departmental accountability systems, through the KRAs. These are developed from, and take account of, the SRAs for the public service as a whole as well as an assessment of the critical management issues affecting a department’s performance. In the case of departments which do not undertake activities directly related to SRAs, greater emphasis is given in the KRAs to the responsible minister’s priorities and the strategic effectiveness of the organization. The KRAs are not meant to encompass every aspect of a department’s business but rather to focus on critical matters. In addition to the delivery of goods and services in
Table 1. Strategic result areas (SRAs) for the public sector, 1994–1997 (SRAs category two: Enterprise and innovation).

Reinforcing a successful enterprise economy through maintaining and progressing an open trade environment that:
- is conducive to the fair and efficient conduct of business;
- is conducive to the efficient operation of markets;
- rewards work, enterprise, and innovation;
- enhances investor confidence.

Particular emphasis here includes:

i. Develop policies that promote the open flow of goods, services, and ideas between New Zealand and other countries, and which contribute to the most efficient level of international investment.

ii. Establishment, implementation and monitoring legislative frameworks for the fair and efficient conduct of business and the operation of markets, which rewards innovation, promotes efficiency, and enhances investor confidence.

iii. Development of a simplified and viable fisheries management regime that sustains the development and enhances the contribution of the sector to the New Zealand economy and that provides for the effective management of the traditional and non-commercial fisheries.

iv. Ensuring that the public investment in science and research is well targeted, and that policies are in place for associated human resource development and uptake of technology.

v. Improved efficiency of, and confidence in, systems for assuring domestic and international customers of the quality and safety standards of New Zealand’s primary production and processing industries.

vi. Completion of the electricity and gas reforms and their effective implementation.

vii. Development and implementation of programs to enhance the performance and capabilities of small- to medium-sized businesses.

viii. Development of policies for the sustainable growth of the tourism sector based on avoiding, remedying, or mitigating adverse effects on the environmental attractions on which the industry depends and upon the development and maintenance of an appropriate infrastructure.

Source: New Zealand Government [1995a].

Support of SRAs, KRAs may include high-priority aspects of management (e.g., structure, governance, investment/divestment, organizational development, financial and human resources, key relationships) critical to the department’s performance and its strategic capability to deliver goods and services [SSC, 1994a, p. 9].

Although KRAs are part of an annual contract, the SSC generally expects KRAs which support SRAs to take a three-year focus and not to vary greatly during that time unless ministers agree on a major change in strategic direction. The SSC has further stated that progress towards achievement must be defined in terms of observable and verifiable milestones (including target dates) for each CRA. These milestones form the basis for assessing chief executive and departmental performance [SSC, 1994a]. The new model of strategic management in New Zealand, then, is a two-tiered one: The SRAs address cross-portfolio matters. While KRAs provide major objectives for individual departments, thereby playing an analogous role to strategic objectives such as profit and market share in private sector companies.
Table 2. Key result areas (KRAs) for Ministry of Commerce.

1. Vote Commerce
   • Further reduce barriers to the free flow of goods and services by facilitating an effective interface between New Zealand’s regulatory and border regimes and those of other countries.
   • Establish and monitor programs to reduce compliance costs and develop proposals to improve the quality of regulation.
   • Develop and improve the corporate and commercial law framework in the areas of companies, insolvency and personal property securities law.
   • Improve the effectiveness of small- and medium-sized enterprises (SMEs) by identifying barriers to growth and implementing enhancement programs.

2. Vote Business Development
   • Improve the growth prospects of firms, in particular SMEs, by identifying barriers to performance and options for addressing these barriers.

3. Vote Communications
   • Continue to promote a regulatory framework which will increase the quality, value for money, and variety of telecommunications, broadcasting, and postal services available to users.
   • Promote a regulatory framework which will improve the value to society of the radio spectrum.
   • Develop policies which will enable New Zealand to take best advantage of the capabilities of Information technology.

4. Vote Consumer Affairs
   • Improve the framework within which consumers obtain credit including availability of information on consumer credit to both business and consumers.

5. Vote Energy
   • Facilitate continuing investment in petroleum exploration in accordance with the Minerals Program for Petroleum and establish a new management and royalty regime for Crown-owned minerals, particularly gold and coal.
   • Implement decisions on energy reforms, and implement and monitor the electricity and gas information disclosure regimes.
   • Implement the government’s long-term integrated strategy for energy efficiency and renewable energy resources.
   • Implement and extend the Energy-Wise Companies Campaign.
   • Implement and monitor government/industry voluntary agreement program for carbon dioxide containment.
   • Provide the government with a business and development perspective on environmental and conservation issues, including the international dimension.

6. Vote Tourism
   • Develop policy options in coordination with other agencies that contribute to sustainable tourism growth, focusing on the infrastructural needs of the tourism industry and impacts of tourism growth on New Zealand’s environment.

Source: Ministry of Commerce [1995, p. 6].

The budget in New Zealand consists of "votes," each of which is linked to a specific minister. Monetary amounts are "voted" (appropriated) by Parliament to ministers each year. Appropriations within each vote are for purchasing outputs, investing capital, or providing benefits and grants.

Before each performance agreement can be finalized and signed by chief executives and ministers, draft KRAs must be forwarded to the state services commissioner who reviews each KRA with the assistance of the secretary to the Treasury and the head of the DPMC (see Table 3). In addition to reviewing how well the KRAs have been specified, this process provides an
Table 3. Timetable for developing performance agreements and their relationship with other planning and accountability mechanisms, 1994–1995 financial year.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
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<tr>
<td>July–December</td>
<td>State services commissioner reviews the performance of each departmental chief executive against performance agreements for 1993–1994 financial year and other relevant documents.</td>
</tr>
<tr>
<td>September–December</td>
<td>Ministers begin to identify priorities for their chief executives in accordance with the government’s strategic results areas (SRAs), budget priorities, their own output and ownership priorities, and relevant departmental management issues.</td>
</tr>
<tr>
<td>Late February 1995</td>
<td>Provisional performance agreements for 1995–1996 completed and referred to SSC.</td>
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<tr>
<td>March–April 1995</td>
<td>Commissioner reviews provisional performance agreements and key result areas (KRAs) in conjunction with the chief executives of the Department of Prime Minister and Cabinet and the Treasury.</td>
</tr>
<tr>
<td>May 1995</td>
<td>Provisional performance agreements are amended where necessary, with the agreement of the relevant ministers and chief executives, to reflect the commissioner’s advice and any adjustments arising from the budget process. Revised drafts are forwarded to the SSC.</td>
</tr>
<tr>
<td>Late May</td>
<td>Commissioner reports to prime minister on the quality of KRAs.</td>
</tr>
<tr>
<td>June/July</td>
<td>Ministers and chief executives sign performance agreements and forward them to the SSC.</td>
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Source: Boston et al. [1996a, p. 112].

opportunity for overall coordination of strategy by examining whether each KRA is sufficiently specific and assessable and whether each is significant and appropriately linked to SRAs. The process also provides an opportunity to check that KRAs are internally consistent, that they are congruent with the KRAs of other departments contributing to a shared SRA, that they serve the government’s collective interests, and that all the relevant parties have been consulted.

In summary, the timetable for completing performance agreements [see SSC, 1994b] is currently as follows (note that New Zealand has a June 30
balance date and that the budget must be presented before the end of the first month of the new financial year). Preliminary meetings between senior officials and ministers are followed by an all-day meeting of the cabinet at the prime minister's official residence (Premier House) sometime in September or October. At the retreat, selected ministers present key policy issues while the minister of finance identifies resource constraints in light of the latest economic and fiscal updates. The cabinet agrees on its broad priorities which are then translated into SRAs. The priorities identified at the Premier House meeting also form the basis for the budget policy statement. By the end of February, responsible ministers (in consultation with their portfolio colleagues) and chief executives have considered the SRAs and the collective interests of government and prepared provisional performance agreements. These are then referred to the state services commissioner who, within the next month, reviews the performance agreements as a whole and the KRAs in consultation with the heads of the Treasury and DPMC. Where necessary, the draft agreements are referred back to chief executives with suggested amendments for discussion with ministers. By mid-May, performance agreements have undergone any necessary amendments and been forwarded to the commissioner who then reports to the prime minister on the quality of the KRAs. Responsible ministers and chief executives are advised of further action, if any, required on their performance agreements. All performance agreements are meant to have been signed by the responsible ministers and chief executives by June 30 in time for the new financial year.

THE IMPACT OF THE NEW FRAMEWORK TO DATE

It is too early to undertake a comprehensive assessment of the new strategic management framework. Respondents were quick to point out that the new approach is still in the process of evolution. Despite this, it has secured a high level of support, both from ministers (especially the prime minister) and senior bureaucrats. Indeed, the state services commissioner, Don Hunn, believes that the new framework is "perhaps the strongest feature of the new phase of the reforms" [SSC 1995b, p. 13]. The main benefits perceived by respondents are as follows.

First, the process has provided an opportunity for more focused discussions between ministers and officials. Chief executives feel that they are able to participate in wider policy issues, rather than being reduced to mechanistic deliverers of a narrow range of goods and services. Ultimate policy goals and outcomes are more clearly articulated and can be used to derive outputs; previously, departments tended to define outcomes in order to explain the purpose of outputs. Respondents also felt that the SRAs and KRAs are helping them to focus on the medium-to-longer term in a manner that was not encouraged by focusing solely on outputs. Although ministers vary considerably in the degree of interest they have taken in SRAs and KRAs, at least some ministers have taken them very seriously. Of those ministers interviewed, one who was in charge of a large portfolio had early on employed consultants to critique the existing KRAs, streamline them, and improve them. Subsequently, in consultation with the chief executive of the department concerned, each KRA was assigned to a specific manager who would be held accountable for its achievement or failure.
Second, the new framework is considered to have improved coordination within government. The SRAs have helped to identify cross-sectoral issues more clearly (e.g., truancy, crime prevention), thereby enhancing cross-portfolio integration amongst ministers and assisting departments to recognize areas of common interest. The process has also required, and therefore encouraged, cooperation between the central agencies. It has been possible to bring together the responsibilities of the Treasury for the budget process, the state services commission for managing chief executive contracts and performance, and the DPMC for overall monitoring and coordination of policies. The DPMC has also used the SRAs as an additional benchmark for checking the government’s legislative program for unintended overlaps or omissions.

Third, the new framework has had implications for the budget which can now be developed within a more clearly articulated set of priorities. Whereas in the past, strategy emerged as a consequence of developing the budget, and often in conditions of secrecy and haste, there is now a formal strategic phase prior to determining microlevel budget allocations. Initially, the process of developing what became known as SRAs during the early part of 1994 was run parallel with, but separate from, the budget process (indeed, the final determination of the first set of SRAs was not fixed until almost the end of the budget process). Subsequently, the SRAs have been used to guide the initial determination of budgetary parameters and priorities. As Fancy and Matheson [1995] put it:

These new strategic management processes are designed to ensure that wider policy issues are more consciously reflected in the formation of the budget and in appropriation decisions. It is an attempt to enrich the budget process and create incentives for more strategic thoughtfulness amongst both politicians and public servants. The present Government gives strong emphasis to the annual ‘Premier House’ retreat to allow ministers to more deliberately set the budget parameters and their strategic objectives within them. (p. 5)

OUTSTANDING ISSUES

Although support for the new framework seems widespread, a few issues may require further attention. Chief amongst these is the appropriate level of specificity and detail required in SRAs and KRAs. Related questions are the desirable frequency of changes in SRAs and KRAs and whether they should comprehensively cover all government activities or focus on matters of strategic significance. Other issues emerging are the organization and resourcing of policy advice to support collective strategizing and the possible impact of MMP on the policy process.

The criticism most frequently identified by respondents was that some of the SRAs and KRAs are too vague and general. The less specific the goals, the easier it is to “fudge” the links between SRAs and KRAs with a resultant lack of clarity in departmental purpose. Herein lies a fundamental tension. Conventional wisdom suggests that specific goals and objectives should be stated clearly, explicitly (and preferably quantitatively), and that they should be assigned to individuals or organizational units along with quantitative performance measures to facilitate accountability and control. However, observations of actual practice, in the private sector at least, have found that successful executives (that is, those who consistently maintained a competitive edge)
announce relatively few goals to their organizations and that these few are frequently broad and general [Nanus, 1992; Quinn, 1980]. The reasons seem to be that specific goals can discourage consideration of alternatives, promote rigidity through a reluctance to change, and provide focal points against which otherwise fragmented opposition can organize. Broad goals, on the other hand, can promote cohesion by ignoring detailed differences and emphasizing widely held common values. One of the most frequently cited strengths of the new process is the degree of support both it, and the goals within it, have obtained. Some respondents were of the view that other political parties would support most of the SRAs. It is conceivable that adding more specific dimensions to these broad concepts might not only make the system more complicated but might also result in the loss of support of some key participants and generate unhealthy disputes.

One minister who favored clarity and simplicity in SRAs and KRAs over detail (while suggesting that outputs and outcomes would provide the detail under the strategic goals) emphasized the dangers of the framework being captured by officials and being viewed as yet another piece of "bureaucratic technology." The minister stressed the importance of educating politicians in the use of such systems and pointed out that time was needed for politicians to become familiar with them. Because lack of understanding of government systems was particularly a problem when there was a change of government, the minister suggested that backbench and opposition members of Parliament should receive briefings on how the framework operates.

A related issue is the frequency with which SRAs and KRAs should be altered. In a rapidly changing political and economic environment, adaptation is essential. At the same time, there is need for stability in the framework so that departments can develop and implement their medium-term business plans without the added complication of uncertainties created by changing government priorities. The short descriptions of the nine major policy areas in the SRA document are general enough not to require change. The activities to be given particular emphasis within each policy area, however, differ in their degree of specificity and, consequently, in their need to be changed. Already some of the more specific SRAs have now been implemented (e.g., "development of a simplified and viable fisheries management regime"). Although too many changes run the risk of damaging the credibility of the process, the DPMC believes that a stocktaking in the middle of the three-year period is useful to remove those SRAs whose implementation has been completed or those which are no longer deemed to be government priorities. Such a stocktaking was carried out in 1996.

Another area of tension relates to whether SRAs should be comprehensive and cover all departmental activities or focus on a few which are of genuine strategic significance (e.g., significant changes in policy necessary to cope with new threats or opportunities in the economic and social environment). Proponents of greater selectivity argue that at any given moment only a few specific goals can be given the attention and force they need to have hold. The essence of strategy, in their view, is to identify this small number of truly strategic thrusts or concepts so that resources and capabilities can be marshaled toward them. Too many additional goals can obscure the overall vision and inhibit responsiveness to change. Proponents of comprehensiveness (a "corporate plan for government")—mainly those with a concern for overall accountability and control—view activities which are not related to SRAs as
unnecessary and unworthy of funding. Yet it is arguable that the activities of some departments (e.g., Customs, Valuation, Inland Revenue, or Statistics) are routine and of operational, rather than strategic, significance. Unfortunately, if strategic is confused with important, all departments will strain to be seen as strategic with a resultant loss of clarity and thus in the overall framework. The same applies at the political level; the omission of some activities such as defense or housing from Path to 2010 because they were not essential to the strategy brought objections from the respective portfolio ministers. If SRAs are more focused, there needs to be sensitivity towards departments on the fringes of SRAs who might suffer a loss of morale if an A team versus B team mentality were to develop.

In short, SRAs must be selective and must rise above the level of dull and toothless platitudes. Yet they must not become so rigid or detailed that they suppress the ability of managers to apply creatively the efforts of their staff [Fancy and Matheson, 1995, p. 5]. Hence, the challenge is to ensure that, in the quest for greater specificity in objectives, the strategic management system does not regress into rigidity, centralization, and excessive formalism with the associated bureaucracy and compliance costs. In this context, the natural tendency for public administrators—in their quest for direction and control—to make the system increasingly comprehensive and elaborate must be avoided.

A fourth issue is the ongoing resourcing of the strategic management initiative. At present, the central oversight of the new system is remarkably lean. That the DPMC is the appropriate location for matters "strategic" at the governmental level is undisputed. However, the DPMC is a relatively small department with barely a dozen policy advisers, all of whom have broad and demanding advisory responsibilities. Outside the central agencies, departments typically do not put many resources into blue-sky policy research and advice preparation; one issue here is the extent to which tight policy output specifications encouraged by the Treasury limit such activity [Boston, 1994; Corban, 1994].

A fifth, and arguably much more important issue, centers on the possible impact of the introduction of proportional representation in 1996 on the new strategic management framework [see SSC, 1995a]. Some commentators have argued that proportional representation will result in greater political uncertainty and governmental instability. This is because single-party majority governments—which have been the norm in New Zealand during the postwar era—are much less likely in the future. Instead, governments are expected to be comprised of two or more parties, and in some cases may not enjoy an outright parliamentary majority. In these circumstances, it is contended that governments will have greater difficulty both developing and implementing a strategic vision. If this view is correct, then the future of the current SRA/KRA framework may be in doubt.

Against this, however, it can be argued that governments under proportional representation will still have a pressing political need to set priorities and

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1 For a discussion of the importance of strategic thrust see Collins and Porras [1994]. A different view about the merits of few goals is provided by Miller [1993]. He argues that, over time, successful organizations will come to focus more narrowly on a single theme, activity, or issue at the expense of all others. This conformity decreases flexibility, engenders myopia, blocks learning and adaptation, and ultimately triggers failure. Miller's arguments seem to apply more to specific goals. Broad and general goals (even if few in number) are capable of multiple and changing interpretations over time and therefore need not result in organizational rigidity.
consider issues of a cross-sectoral and longer term nature. Moreover, where formal coalitions are established, it will be necessary for the parties to negotiate an agreement of some kind covering the policy direction of the new government and procedures for resolving differences. In this context, the current SRA/KRA framework may well provide a valuable basis for the development and implementation of such an agreement. From this standpoint, therefore, the introduction of proportional representation may serve to entrench the new strategic management framework rather than undermine it. At the same time, there can be little question that proportional representation will complicate aspects of the new system. For instance, elections and changes of government will not necessarily fall at convenient moments in the current strategic management cycle. Hence, there may well be greater difficulties synchronizing and integrating the strategic, budgetary, and performance management systems.

The politicians and officials interviewed were largely optimistic about the continuation of the framework under MMP. Although some cosmetic changes in terminology might be made, they considered the underlying logic of the SRAs and KRA to be too compelling to be rejected. Several mentioned the relatively bipartisan nature of politics in New Zealand and believed that this would make it reasonably easy to pull together a coalition agreement and that SRAs could contribute to this process. The similarity between the Labour party’s 1993 manifesto commitments and the 1994 KRA was noted. One long-serving senior minister suggested that governments would always need a “corporate” strategy and that the framework would work under MMP and mesh with any coalition document because there was no alternative. In his view, politics is always about consensus, irrespective of whether that is within one party or across several parties. He suggested that most politicians at present tend to relate primarily to the vision document and consider SRAs to be more for public servants. Another minister thought that there was still considerable scope for SRAs to be brought into the wider democratic decisionmaking process, particularly under MMP. If SRAs were to capture the interest of the public, their continuation would seem assured.

REINVENTING THE WHEEL?

Despite previous failures, the quest for better systems of strategic management in government continues. Governments are forever striving to do better and to find new “technologies” to assist them. For some observers, the new approach to strategic management which has been developed in New Zealand since 1994 might be interpreted as just another form of PPBS, or PPBS with a different gloss and a different set of terminology. Accordingly, it would be open to all the standard objections and criticisms which PPBS has attracted over the years. In our view, such an assessment is mistaken. There are some important differences between PPBS and the new strategic framework which we have described; the New Zealand reformers have not just reinvented the wheel but have developed a qualitatively different system for strategizing, priority setting, budgeting, and managing performance. As a result, at least some of the objections to which PPBS-type systems have been subject—confusion about objectives, lack of political “buy-in,” lack of support from the bureaucracy, a failure to think long term rather than in crisis mode, “paralysis by analysis,” and a failure to integrate planning with budgeting—do not apply. Among the differ-
ences evident in the new approach to collective strategizing, the following are worth emphasizing.

First, the new approach has been able to build on the achievements of the preceding phase of reform under the State-Owned Enterprises Act, State Sector Act, Public Finance Act, and other legislation. As Scott, Ball, and Dale point out, the new performance management framework addressed the problem of confused objectives and clarified accountabilities. The new era of devolved management established a more innovative culture, open to new ideas (including ideas from the private sector). It is unlikely that the new approach would have taken root had departments not already broken out of the bureaucratic command-and-control mentality. The strategic management system also builds on vastly improved information in terms of both quality and flow. Regular, reliable, and strategically relevant information flows are needed for early identification of issues, to provide a sound basis for strategic decisions and for oversight of overall performance. Information on the quality, quantity, and cost of outputs has better enabled ministers to make choices between outputs and assisted them in ordering priorities. Within departments, the quality of information and the ease of its flow have been enhanced by the streamlining of management structures while the whole process of establishing SRAs and of linking KRAs to SRAs provides an arena for extensive discussion across departments.

Second, the recent developments in New Zealand enjoy a level of political and bureaucratic support not evident in previous unsuccessful attempts at strategic management. In part this is a consequence of the new culture that has been established. Also important has been leadership from the prime minister, the minister of finance, and the central agencies acting in unison. Earlier corporate planning initiatives by governments throughout the world have certainly not lacked endorsement from political leaders. However, this seems to have been more in the form of support for new systems like PPBS or Zero-Based Budgeting (ZBB) designed to achieve "better government" rather than a commitment to articulating a clear vision which could then form the basis for action. Much private sector management literature [see Leavy and Wilson, 1994; Nanus, 1992; Stogdill and Bass, 1981] stresses the importance of leadership, in particular chief executives with a vision that provides a galvanizing, motivating drive for their organizations. Reschenthaler and Thompson [1996, p. 3] point out that "[d]emocratic governments seem to often have problems with vision." Such problems include the focus on obtaining and retaining power, a multiplicity of conflicting goals and external stakeholders, changing leadership, the agency problem with management, and time horizons lasting only to the next election. If a government lacks a shared vision and purpose, Reschenthaler and Thompson argue that there will be problems in motivating people.

A clear vision, together with processes of extensive debate and discussion, help to ensure coordination and secure buy-in from those required to make the strategy work. At the political level, the annual cabinet retreats in September or October are an important forum for obtaining agreement amongst members of the government. Whereas formalized systems, such as PPBS, were criticized for trying to impose a bureaucratic mentality which was out of tune with political processes, and therefore not worthy of the necessary buy-in from politicians, the approach recently taken in New Zealand proceeds from a simple vision statement with which politicians can readily identify. Moreover, the
prime minister was keen for the vision statement to be given practical effect within the public service and to be kept alive through annual follow-up documents. Within individual departments, the State Sector Act provides each chief executive with the freedom to develop the leadership style appropriate for his or her particular organization.

Third, the new strategic management framework was developed in manageable chunks making it less unwieldy than efforts to implement an entire system all at once. The main components—the government's strategic vision, the chief executive performance agreements, and the new budget process—were developed in parallel and later brought together. Very little deliberate planning and design of the framework as a whole took place in advance. It was not subjected to detailed policy analysis and justification—perhaps if it had been, it would never have gotten off the ground. Rather, to use Mintzberg's [1987, 1994] terminology, it "emerged" or was "crafted" from component parts (within a general atmosphere where policymakers wanted to think more holistically and longer term) and it continues to evolve.

Fourth, there is much better integration between strategy development and budgeting than was evident in earlier approaches. Important in this has been the shift from a cash-basis to a full accruals basis of accounting for budgeting, management, and reporting—not only at the individual departmental level but also for the whole of government. One of the reasons why planning systems were not well integrated with budgeting systems (at least in New Zealand) in the past may have been that the latter were cash-based and therefore did not provide the information needed to monitor net worth or manage fiscal risks over the longer term. Pailot and Ball [1997] discuss some of the advantages of moving to a system of accrual-based budgeting and monthly reporting. For example, a commitment to spend $1 billion in installments over the next 10 years now shows up in the public financial statements in, at most, eight weeks. Hence, politicians can no longer obscure the economic effects of their political decisions or defer them until after an election. In short, the Fiscal Responsibility Act, together with the Public Finance Act (1989), has improved the quality and flow of economic information and the challenge is to match this with a similar quality of information on social and environmental impacts. The Fiscal Responsibility Act, by establishing enduring principles, also helps to foster more stable fiscal policy conducive to longer term thinking.

Finally, there is increasing recognition that strategic management is more about processes than about documents and plans. Strategic decisionmaking depends on good quality information, including soft information, on outcomes. Furthermore, it is not intended to cover every aspect of the government's business or a department's business but rather to focus on critical matters. If this focus on critical matters can be maintained, the system is less likely to collapse under its own weight than its predecessors. The emphasis in New Zealand's initial public management reforms on hard information, quantifiable measures, formal "contracts," and logical structures brought about much-needed rigor and improved managerial efficiency. It remains entirely appropriate that ministers hold departments accountable for outputs because outcomes will always be significantly affected by factors outside the control of any individual department. Attempting to build a strategic management system on an information system designed for accountability purposes, however, runs the risk of being backward-looking and unnecessarily overdetailed or bureaucratic. This is not to downplay the
importance of accountability in government or the need to translate strategies into operational performance; rather, it is to appreciate that performance measurement functions within the context of overall strategizing and is not a substitute for it. Pallot [1996, p. 23] suggests that one way forward would be to eliminate confusion by explicitly recognizing that accountability and strategic decisionmaking are different, although complementary, systems requiring different sorts of information (e.g., information on outputs and information on outcomes respectively). Both are needed, but information designed for one purpose may not be suitable for the other. Drawing such a distinction may help to overcome criticisms, on the one hand, that focusing accountability on delivery of outputs ignores outcomes and, on the other hand, that SRAs and KRAs are not sufficiently specific and measurable.

The new strategic management framework suggests that the importance of soft information and soft analysis, which seeks to pose the right questions rather than find the right answers, is now also beginning to be appreciated. How well the balance between hard and soft, analytical and intuitive, technical and political, will be struck and maintained remains to be seen. As Mintzberg [1994] states in respect of strategic planning:

We human beings seem predisposed to formalize our behavior. But we must be careful not to go over the formalization edge . . . strategy making is a process interwoven with all that it takes to manage an organization. Systems do not think, and when they are used for more than the facilitation of human thinking, they can prevent thinking. Three decades of experience with strategic planning have taught us about the need to loosen up the process of strategy making rather than trying to seal it off by arbitrary formalization. (p. 114)

CONCLUDING REMARKS

As a result of the state sector reforms of the late 1980s, chief executives of departments are now in an unprecedented position to influence departmental performance and to initiate necessary change. Within departments, many of the management tasks are not dissimilar to those in the private sector and some private sector practices and techniques can be, and have been, usefully applied. However, there are problems with a simplistic application of the managerialist approach to public administration in that it decouples management from the political process and undermines cross-sectoral coordination. The new approach to strategic management in New Zealand attempts to address these problems by providing an overarching framework for departments to carry out their own strategizing. It is an instrument of both vertical integration between the political and managerial realms and horizontal integration and alignment across sectors, requiring collaboration and exchange of information.

If the new approach is to prove successful in the longer term, at least two significant challenges will need to be overcome. The first is the temptation to make SRAs and KRAs ever more comprehensive and inclusive. There is a natural tendency for each minister to want his or her portfolio area to receive appropriate political recognition and hence to be adequately represented in the government’s list of SRAs. Likewise, there is an incentive—in terms of added status and reduced vulnerability to cutbacks in expenditure—for every branch in a department to have their own KRA. Yet the more comprehensive
the lists of SRAs and KRAs become, the less useful they will be in giving direction and focus to the government's policy objectives. To date, the designers of the new strategic management system have been successful in avoiding cumbersome specification of SRAs and KRAs. Whether this achievement can be sustained over the long haul remains to be seen.

The second challenge is the introduction of proportional representation beginning with the election of October 1996. The resultant possibility of greater governmental instability creates a risk that ministers may focus more on the immediate and pressing so that the new strategic management system may be overwhelmed by short-term political crises. In addition, it may be harder to maintain a unified approach to strategic planning under the coalition governments that are probable in the new political environment. Nevertheless, thus far, those most involved with the development of the SRA/KRA framework appear optimistic that it will survive the additional rigors of MMP.

But what of the relevance of New Zealand's approach to strategic management for other countries? It is seldom that one country's governmental practices can be readily transposed into another jurisdiction. Differences in constitutional structures and conventions, size, political culture, administrative ethos, available technology, and bureaucratic expertise all make the transfer of systems and ideas anything but straightforward. Countries also differ in their motivation or readiness to change. New Zealand is a small country which is always likely to be a niche player in the global marketplace and as such has a compelling need to be able to adapt quickly and respond to new ideas and opportunities. For the New Zealand government, this makes strategic thinking a matter of critical importance [Fancy and Matheson, 1995, p. 6]. Other countries may have a lesser need for adaptive capacity. Nevertheless, governments are constantly seeking new "technologies" to assist their priority setting, and the recent public administration literature discussed earlier suggests that some of the newer thinking in the private sector could have application in government. Accordingly, we believe that New Zealand's recent experience with its new model of strategic management bears close scrutiny by policymakers in other jurisdictions.

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