PUBLIC MANAGEMENT SERVICE
PUBLIC MANAGEMENT COMMITTEE

SYNTHESIS OF REFORM EXPERIENCES IN NINE OECD COUNTRIES: CHANGE MANAGEMENT

GOVERNMENT OF THE FUTURE: GETTING FROM HERE TO THERE

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SYNTHESIS OF REFORM EXPERIENCES IN NINE OECD COUNTRIES:

CHANGE MANAGEMENT

Background

1.   This paper complements the synthesis papers prepared by the Secretariat. The paper takes a practitioner-oriented look at the lessons learned about approaches and strategies for managing change in governments, based on the experiences of the nine OECD countries[1] in the Country Reference Group convened by PUMA, in preparation for the Symposium on *Government of the Future: Getting from Here to There.*

2.   The Country Reference Group includes countries with a very broad mix of reform experiences and from different geographical locations, populations (size and composition), income levels as well as different historical, political, cultural and constitutional make-up. Most notably outside the scope of the survey are Asian as well as Eastern European countries.

3.   Information was drawn from country studies prepared by members of the Group, discussions at three meetings of the Group at OECD during 1998-1999, and Secretariat visits to seven of the nine countries in the study.

4.   Part 1 looks at the way the nature and scope of changes has evolved. Part 2 deals with the lessons learned -- strategies and processes-- about managing change, and finishes with a brief look at change capacities that countries believe will be required to manage into the future.

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[1] Canada, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Portugal, the United Kingdom

PART 1. EVEN THE NATURE OF CHANGE HAS CHANGED

Introduction

5.	Much has been learned about *how* to reform, i.e. how to launch, manage and embed change. While all countries have examples of successful reform behind them, none has a complete record of success, nor could they be expected to, and for some the barriers to reform have proved almost insurmountable. Even experienced reformers, in the countries surveyed, emphasised the need for governments to significantly lift their capacities to manage change: none rated highly their record in managing change.

6.	Countries in the study are strongly of the view that successful reform is as much about having a well-conceived implementation strategy, good leadership and carefully chosen tactics as it is about the design of reform. The complexities of implementation have been much tougher than expected; reforms have been known to falter or come to a complete standstill, especially during the transition stages, with far-reaching consequences. It is important to understand why this is so and find solutions to take into the future. There is as much to learn from the failures as the successes. While success is more likely to generate a willingness and confidence to embark on further change where necessary, failure more often leads politicians, the public and public servants alike to become cynical about the ability and willingness of government and their public administrations to make change. This can delay further reform efforts until that memory settles; at the worst, it can trigger unnecessary and deep resistance to future change. Yet even the most successful of reforms have aspects that go less well and from which learning can be derived. The political nature of a public sector environment can discourage learning as the threat that any problems, failings, and shortfalls surfaced during a review - internal or external - will be used by "interest" groups or the media to denigrate and embarrass government.

Change today: fundamentally different in nature, scale, volume and speed

7.	Change, though certainly not a new phenomenon for governments, has been fundamentally different in nature, scale, volume and the speed at which it has occurred than previously. Past operating environments were more stable and predictable; change tended to be spasmodic, and focused on single-issues as a response to niggling pressures, often involving minor adjustments to policies and existing public sector arrangements. Episodes of change were followed by a rapid return to "business-as-usual" for a further period of stability. As a product of this environment, public administrations were established with continuity, stability and longevity in mind; structural arrangements, rules and processes were there to endure and provide continuity, regardless of policy and staff changes.

From growth to retrenchment

8.	From the 1940s to mid-1980s, reforms more often than not involved "growth" of budgets and government services. But starting from the 1980s, the creeping, incremental adaption of reform, even when continuous, often proved insufficient, and did not match the prevailing conditions. Fiscal deficits and constrained budgets saw growth-oriented change shift to one in which the change emphasis was on "shrinking". Both sorts of change - growth and shrinking - involve the disruption and stresses associated with making any change; but there are some essential differences between the two. Change resulting in growth is welcomed for the opportunities it brings and can be interpreted as an affirmation and validation of past successes and performance; budgets, activities and infrastructure expand, and new job opportunities

open up. Change requiring shrinking - with a focus on doing more with less, cessation of some activities and divestment of others, major changes to forms, structure and size of government accompanied by shedding of jobs - carries a suggestion of past failure, poor performance, lack of confidence by government and the public generally. As such, it becomes far more threatening and easily triggers high resistance.

From occasional to continuous change

9.   Beginning from the mid-1980s, the notion of occasional change gradually gave way to a realisation that the future would require continuous change. Governments recognised that no longer was it feasible or realistic to delay change. More fundamental overhauls became necessary in countries where a stockpile of problems - social, financial, fiscal, and performance - meant that incremental adaptation was insufficient to respond to the pressures and address core issues involving fundamental changes in strategic management, service quality, structure, and human resource management, some of which demanded transformational cultural shifts which deeply affected people, the public and the public servants alike. Strategies for change had to be adjusted accordingly. Few of the issues addressed required only a one-off, once-and-for-all change. Instead, a continuum of reform choices emerged which opened up still further areas of reform. Change became continuous, often occurring on many fronts simultaneously, changing even as it was being implemented, and rarely proceeding in an orderly sequenced process.

Watching for the window of opportunity for change

10.   Even the best attempts to predict future circumstances have proved unreliable, even though retrospectively the signs were often obvious. Usually a crisis of some kind occurred, forcing hard thinking about how to deal with the crisis. Countries were able to identify examples of lost opportunities due to the fact that the thinking had not been done prior to the time when an opportunity for change opened up. The time delay between when advice was needed and when it was delivered by the public sector can see an opportunity fade and close up.

Prospective thinking

11.   Countries in the study all recognised the need for governments to have a capacity to "look ahead" and develop the necessary thinking to help governments respond to change. The pervasiveness of dominant mindsets and paradigms as well as being absorbed with the day-to-day realities can mean that the need for change, and opportunities to do so, are simply not recognised. Strategic policy groups within departments, strategic management initiatives and scenario planning are improving government capacity to look ahead and prioritise change initiatives. The public sector can be a key source of prospective thinking about the most pressing problems and how these can be prioritised and dealt with, without stepping into the political domain. The political sensitivities involved may mean that this advice is not written down as even a suggestion of change can galvanise resistance from key interest groups and frighten off government. In one country, for example, a central agency with good strategic capacity had undertaken preliminary analysis which offered an incoming government a coherent set of ideas for reconsidering its activities and the way it was managed. The new government, of course, could have ignored the advice from the central agency. But the proportions of the crisis, combined with the availability of a credible analysis on how to solve the problems, saw a large-scale reform launched and implemented. In summary, it was a matter of having done the thinking, watching for interest, testing receptivity to the ideas and, once decisions were taken, having the capacity to implement.

12.   The challenge is for governments to see their roles and functions differently and to see how functions could be done differently. Countries in the study found this was more likely to occur with an

incoming government, particularly where this combined with a "crisis" sufficient to shake belief in the status quo. New challenges are often met with defensiveness or strong denials of the need for change, at least initially. The known, even if not perfect, can be preferable to the unknown. At times someone outside a situation can see more clearly what needs changing, what could be in place, and how to achieve the desired change.

Improved capacities for looking ahead

13.   But there are positive signs indicating that during the last decade, governments and public administrations became more willing and better at looking ahead. Governments now accept there is a need for a capacity to, if not anticipate the future, then at least read "changes in the air" and make good use of the changes as they occur, and to try to adjust quickly. Many governments and public administrations acknowledge there is a need to become more flexible and able to recognise and adapt to changes in the domestic and global environment.

It takes more than an opportunity: it is as much about knowing how to use the opportunity

14.   It takes capability to use an opportunity well. Without a doubt, the ability to achieve implementation objectives as quickly as possible in a way that gets the best results possible is just as important as defining the right objectives in the first place. Even if reform is initiated, the intensity and scale of the change varies. Some countries reported using reform to make minor adjustments to cope with the immediate crises and pressures, and then delay deeper reform effort, while others took the opportunity to plunge into deeper, more comprehensive reform. Countries were not clear why this was so. For instance, some governments in dealing with the need to reduce spending introduced cuts across the board - while others used the opportunity to reduce spending as well as applied a set of principles and/or tests to reassess what it is that government should and should not do (through programme reviews).

PART 2. THE LESSONS LEARNED ABOUT IMPLEMENTING CHANGE

15.   The experiences of the surveyed countries offer important learning about managing change. While there is no easy set of "dos and don'ts", there are some key ideas and processes that will be widely applicable to other countries wanting to reshape or enhance their approaches to managing change.

Political Commitment and Leadership are Important

16.   It is impossible to overstate the importance of strong and visible political support to reform, ideally throughout the reform process but especially in the early stages. While true for public management reforms, this is especially so where reforms affect government roles and functions. Reform often means fighting the tide of opinion especially where this wrenches the status quo -- groups wanting to protect long held privilege, entitlements and concessions. But achieving sustained interest and involvement of the political level of government has often proved difficult to achieve. Reform seldom brings acclaim to governments as the general public is often not that interested. In fact reform may be a politically hazardous undertaking especially where it impinges on the interests of the core support for a particular government.

Opportunities for reform rarely just happen

17.   Opportunities can be "created", but the status quo will endure unless there are political leaders with a clear vision of the way things could be, and a willingness to set priorities, give clear direction to reform efforts and be absolutely committed to turn that vision into reality. Where moments of "natural" opportunity do occur, it is essential that the ministers recognise and use them well before the window of opportunity disappears. Without visible and sustained political support there is no power to initiate, drive and sustain change, which easily leads to minor adjustments as opposed to more extensive necessary change.

18.   Political intervention is essential for securing cross-party support to reform especially as most reforms take longer than one electoral cycle to fully implement and achieve the gains sought. In the countries surveyed, there were instances where reforms almost stopped with a change of government, even though until that point the reforms had had bipartisan support.

Keeping the pressure on

19.   Ministers are important for keeping up the pressure to achieve reform by countenancing no slidebacks on promises of better service, or whatever else the reform is intended to achieve This pressure can usefully extend to the expectation for regular progress reports against clear and agreed implementation timeframes.

20.   A public promise by a Minister is a powerful way to signal and set in train change, not only as a way of keeping the Public Sector on track in implementing change but also for the public sector to keep Ministers engaged in a reform effort by reminding them of the commitments made to the public at large.

So too is Leadership from within the Public Sector

21.   Motivated and experienced leaders at the highest level in the public sector is vital for implementing all types of reform. In the case of public management reforms visible political commitment is necessary, but responsibility for implementation rests more within the public sector. Leadership is important for preparing the way for change, communicating compelling reasons as to why change is necessary, developing coherent strategies, assessing the level of risk that strategies will not achieve the desired change, actively managing the identified risks, energising and co-ordinating change efforts, ensuring the continuity of services during transitions, and keeping morale high during and after the change.

22.   Allocation of responsibility for leading change needs careful attention to secure the necessary competencies and institutional capacities. As important is the need to ensure there are sufficient incentives on an individual or group to see a change through to completion.

23.   The "developers" of the ideas for reform (the substantive changes) have not necessarily been the ones to lead the implementation of the changes. It is important to choose the people best suited as the quality of leadership makes a dramatic difference to achieving outcomes - leaders need to stay focused on the outcome sought, stay visible, communicate effectively on why change is necessary and what it will achieve, be engaged throughout the process, and communicate what is happening along the path of implementation.

24.   The reality for some countries in the survey was the need, on occasions, to draw on sources of expertise outside the public sector to supplement those within. This was especially so where the reforms represented a radical departure from the status quo and there was concern that the mindset within the Public Sector was "captured" or "blinded" by past practices and hence likely to oppose change, making it difficult to be open to new realities and possibilities. Even so, it was important to get key senior officials engaged, as soon as possible, for the "ownership" of the reforms and the process to transfer to public servants and take hold.

25.   More than ever before, the capacity to lead change is recognised as an essential, perhaps the most essential, attribute required of chief executives. Leadership within the public sector is essential for giving effect to the vision and goals sought by reform change. The challenge will be to "grow" leaders of the future capable of operating successfully in rapid change environments.

Be clear about the purpose of a reform

26.   For governments to feel confident of selling and carrying a reform through to completion, they need to be clear on the nature and size of the problems, the possible solutions with some analysis of the different options, and well as assurance that the capability is available to implement. They need to be realistic about the receptivity by different audiences to the changes; how much can be done in the time available and whether the change is "an idea whose time has come".

27.   If government receives advice that is confused or incomplete, they are understandably reluctant to press ahead with reform. It is critical that the right reforms are selected -- the ones with the best chance of making a difference -- to not do so only results in wasted energy and reduces commitment to change that, even at the very best, can deliver only minimal gains.

28.   Countries were critical of reform initiatives launched too quickly to implement a popular solution with little or no analysis of the nature of the problem and the costs, benefits and impacts of different solutions. In these circumstances it was often during the implementation stage that it became apparent that the relevant questions had not been raised about why the changes were necessary. This could mean

additional costs, loss of momentum and confidence if a reform was paused in order for a retrospective analysis to be done. Sometimes, however, for tactical reasons, it is not possible to spell out the full objectives; this is when doing so creates an opportunity for resistance to be organised to block a change.

Strategy, context, management style and tactics make a difference

29.   Understanding change - the political, organisational and human dimensions - and how it is achieved was thought by the countries surveyed, to be a crucial starting point for reformers. So too was conceiving and putting in place a strategy that gave coherence across the reforms, matched the comprehensiveness (scope, scale, depth, pervasiveness and nature) of the changes sought, the speed at which the changes must be in place, and the size of the window of the opportunity for change -- created or otherwise.

30.   Reformers have to confront strategic questions such as when and how much change to introduce at any one time, how fast, and where to locate responsibility for driving reform as well as questions of prioritising and sequencing change. Thought has to be given to how much adaptation and "patching up" is possible of what is there, and at what point a complete overhaul of a system or aspect of a system is required. Each strategy has potential drawbacks. Incremental change and constant patching may only achieve change at the margins and be insufficient to deal with problems and so just delay more major change required. But transformational change, on the other hand can be costly, not only financially but also in terms of human costs and political careers. Furthermore, it may not achieve what is required, or may not be necessary. In other instances, change may be profound but limited to a single sector or organisation or involve continuous small changes which, in total, can produce major change.

31.   Distinctions need to be made between reforms which impact on the relationship between government and citizens, particular social groups or a region or society as a whole. On the other hand changes, that are essentially internal, may deeply affect the culture, structures and processes of public management -- for example service delivery, budgeting, performance management, and contracting out. There are impacts for the public, but these are likely to be positive, for example, better service delivery. Change strategies need to adjust accordingly.

32.   Strategies need to be tailored to the uniqueness of different country circumstances, including how much change has gone before, how much change has to be achieved and in what time-scale, as well as taking account of opposition that might come from various "interest groups". But according to country experience, reformers face the difficulty of having scant information available to them on the conditions, consequences and the respective critical success factors of different change strategies and instruments. Often it becomes a matter of judgement as to what will work in a particular setting.

33.   Countries found that not all strategies worked exactly as planned – some achieved very little; others exceeded expectations and opened the way to further change. Retrospectively, some countries observed that a set of tactics, rather than a coherent strategy, had been employed to push through reform. Tactics were recognised as a critical tool for smoothing the path of reform, but not a substitute for good strategy. An absence of strategy can lead to reforms being ad hoc, unconnected to other initiatives, and resulting in wasted effort. This lowers commitment to the changes and makes reform initiatives difficult to implement.

34.   Well thought through tactics can smooth a reform pathway, and Ministers have a crucial role to play in this regard. Tactics can be applied, among others to timing, to considering which aspects of a reform to highlight, and to management of stakeholders. In one instance, continuing and strong opposition to reform from the Public Sector was countered by not announcing proposals for structural change but by,

instead, announcing to the general public new service standards (greater coordination of government services, reduced waiting times, less red tape, fewer process steps) that could be expected in future. The announced policy change had flow-on effects to structures. But the new reform initiative surfaced little resistance as it would have been untenable to object to the announced reform objectives, i.e. better service delivery. Public servants were quickly involved in planning how the changes could best be achieved.

Different approaches to reform

35.   Approaches to reform used by countries in the study tended to fall within the broad categories of " transformational/comprehensive", "selective radical", "opportunistic incrementalism", "evolutionary", or "finetuning". The management style appropriate to each differs markedly. The tighter the time scale for achieving change and the broader and deeper the scope of change, the more likely a directive, top-down approach will be, especially at the beginning stages. This is so particularly where the outcome sought calls for coordinated change across large departments, systems, networks and beyond. On the other hand, incremental change responds well to a more bottom-up, consultative, participative style of management. Regardless of whether a top-down or bottom-up approach is used, careful thought must be given to how to cascade ownership of and commitment to the changes, down through all levels of an organisation - across government and out to parties affected by the change. In deciding on a reform strategy, the benefits relative to costs need to be considered, and a careful identification and assessment made of the likely risks that might threaten the successful completion of the reform, and how these risks will be actively managed and monitored during the transition stages and during the course of implementation.

36.   Countries found that the strategy adopted for introducing change was largely determined by the comprehensiveness (scale and scope) of the changes made as well as whether there were changes to the nature of the outputs, the way an organisation did its business, the culture, or whether reform affected single or multiple organisations/sectors. In addition, the speed at which the changes were introduced, the size of the window or wave of opportunity for change, and whether changes were being imposed or voluntarily taken on, all affected the strategy design and management style for implementing the changes. Seldom was a strategy fully formed prior to launching a reform; in most cases, aspects of a strategy emerged during the course of implementation.

Sequencing of reforms

37.   Comprehensive change requires a capacity for oversight, careful sequencing and co-ordination to achieve coherence and alignment of the various changes. Sequencing can ease the reform pathway. For example, strengthening the accountabilities and the incentives on senior managers can be an effective way of improving the sustainability of reforms especially where existing arrangements are weak and increase the risk that the full implementation of reforms will not occur. Before devolving responsibilities, it may be desirable to first strengthen the basic administrative and control systems.

38.   Where agencies are the focus of reform --structural, programme review, budget reductions or downsizing - sequencing can send important messages. For example, in some countries an influential central agency was reformed first (downsizing and recruitment to strengthen strategic capacity), which sent a powerful message to the rest of the Public Sector about what lay ahead. Decisions such as these need to be taken most carefully to protect essential capacities if the agency concerned is required to lead change. In another country, a short-term appointment was made from the private sector to lead an agency, heading the Public Sector, to take it through major downsizing (from a staff of 900 to approximately 200). This sent a strong signal about what was to come and prepared the organisation to lead major change. The principle of "shared pain" applies also to internal organisational change: while there is a need to protect essential

capacities for achieving change, it can be detrimental to protect the whole, including parts of an organisation that require change.

39.   In reality, sequencing of reforms is difficult. It requires a measure of confidence that timing and speed of particular changes can be controlled and this is far from being the case. Where multiple changes are underway, some changes might be intended to be introduced with urgency, but because of resistance encountered may move more slowly, putting at risk other changes that are to proceed incrementally following the first set of changes. Instead of relying solely on sequencing, it is better to recognise and give attention to the linkages and interactions between different changes and the use of appropriate incentives.

40.   As important as sequencing, is an understanding of the linkages between the various reforms planned and major the systems undergoing reform (fore example, budget and performance management and human resources), and managing the flow-on effects.

Coherence

41.   At any one time governments may have multiple reform strategies in train. To achieve the best results it is essential to build in some sort of coherency across the whole. A set of principles, agreed at the highest level, is one way of achieving this. Each of the strategies needs to be assessed for coherence with others, for mutual synergies and for identifying possible conflicts of, for example, objectives or processes. Reform initiatives need to dovetail in together, with each reform supporting and reinforcing previous and on-going reforms and, ideally, establishing a platform for future change. If new systems are introduced it is important that they have a good "fit" with existing systems. If the new system is not compatible and used to inform key management decisions such as budget, promotion, HR policies, and if it does not link well to day to day work, the new system is quickly treated as a "shadow system", not the real one. In effect this creates extra work with no gains. After this sort of experience in one country, a follow-up reform initiative gave special attention to questions of coherency to ensure alignment with factors such as financial and human resource management systems, the rewards and sanctions operating, competency requirements, and training required for very different jobs. The lesson learned was that it is important to consider and manage the impacts across the whole system.

42.   The speed at which reforms must be completed influences the range of initiatives to be introduced and how best to introduce and interlock them, which is a huge task. But if there is lack of clarity and lack of co-ordination, and if reformers, especially senior managers "don't walk the talk", reforms will not succeed.

Points from practical experiences of managing change

–   *"Read" the public and political willingness to accept change.* The strength and multiplicity of the pressures for change determine the size of the opportunity.

–   *A clearly articulated and communicated vision* can give a clear real focus and galvanise support for change.

–   *Prepare for reform by putting in place the necessary infrastructures* to plan, implement and sustain change strategies.

−   *Use the "wave of opportunity"* to introduce change by targeting reforms to the highest priorities -- those changes which in themselves have the potential to leverage other changes and provide a platform for further change.

−   *Match the scale of the changes* to the available capacities for implementing them. A sure step to disappointment or outright failure was for government to take on changes beyond -- either in volume or complexity-- the capabilities that could be called on.

−   *Build support -- but don't wait for consensus.*

−   *Actively manage key stakeholder relationships* to build support and minimise resistance.

−   *Unsettle the status quo* if the existing situation is resistant to change and has been in place over a long period of time, and reflects in the behaviours, practices, core beliefs and values.

−   *Create a sense of urgency.* Once started, move quickly and decisively.

−   *Keep up the momentum* -- even in the face of resistance.

−   *Keep sight of the "big picture"* and the multiple policy objectives at stake.

−   *Communicate clearly, openly and often* about the problems the reforms will address, the goals of the reform and the steps for getting there, the time-frame and short and longer-term effects -- across government, to Parliament, to affected individuals and groups, the media and beyond to the wider public. Open communication improves the chances that reforms will be seen as a shared experience even when reforms are uncomfortable. Where communication is strong fewer rumours circulate, or are believed, as people are confident that they know what is going on. Remember that communication also means listening.

−   *Identify and manage resistance.*

−   *Manage the transition phase and the impacts of the changes.* Transition costs and longer-term effects of change can be high. Take care of people affected by the changes. Commonly there can be job losses, business disruptions and even failure, reduction or cessation in Public services; this is especially so where a group is experiencing accumulated effects from multiple changes. At the very least, change challenges basic instincts of people to keep on doing what they are already doing and in the same way.

−   *Monitor and review progress and the continuing relevance of reforms.*

−   *Inform and involve the* public. The general public can make or break a reform, especially those involving a change to service delivery. By listening to the views of the public reforms can incorporate broader, richer perspective. Efforts to inform the public of the benefits of a particular reform can reduce the uncertainties accompanying change, and provide a balance to counter the often vocal views of those with vested interests opposing change.

−   *Take care of the change managers* to spread the work load and reduce the likelihood of burn out.

- *Bring a reform effort to a deliberate close.* Communicate the gains, and then launch a new initiative if further reform is required. The worst of all possible outcomes is a reform that "grinds or dribbles" to a halt., short of its objectives.

43. In the following sections, a selection of the most critical elements (above) are discussed separately

Prepare for reform

44. Whatever the driver for change, governments and organisations recognised the need to prepare for reform in order to have the necessary infrastructure in place to design, plan, implement and sustain their change strategies. To put in place the necessary capacities, the countries surveyed reported similar needs, difficulties, and frustrations. But they dealt with them in different ways. Improving capacity could mean bringing together a new group or unit to lead change (drawn from different parts of the public sector or central agencies) either within an organisation or for the whole-of-the public sector, or improving the flexibility and adaptability of an existing resource, or, where this was not possible, downsizing accompanied by recruitment of different more strategic capacities could occur. More often than not it involved moving resources and seldom an increase in numbers.

Develop a broad action plan - but not a detailed blueprint

45. A broad-brush plan can complement good strategy. It is important that the plan set out the broad assumptions about which it is based including the capacity of organisations, systems and culture to absorb change, as well as the financial assumptions about costs and the expectations as to how these will be met. Countries in the study observed that where financial implications are not addressed this raises questions about the level of commitment to reform and scepticism as to whether the changes will be implemented. Contingency plans should be developed for use should the need arise.

46. Major steps should be identified for achieving the changes; the time frame and key milestones; reporting requirements; and where responsibility for oversight of the "big picture" and monitoring will lie. As well, the plan needs to keep the big picture in mind, including the major policy objectives at stake. Countries emphasised the importance of planning for early and late deliverables. Early deliverables are crucial as progress markers for boosting confidence.

47. But countries warned that the use of old thinking about change in which a prescribed set of sequenced steps are set out that go in a clearly spelled out direction to a particular "end point" is inadequate to match today's conditions. Apart from assuming that the direction and end point of the change effort were absolutely clear at the outset, it is thinking based on a steady state premise without taking into consideration the dynamic nature of transitions. Plans need to be flexible to provide "space" for the changes that occur along the way

Identify the critical success factors

48. It is important to have a good understanding of the critical success factors that will see a reform either "fly" or "flounder" -- if not immediately, at some point in the future. The factors vary greatly between countries and individual reforms. For some, this could mean giving careful attention to sequencing and incentives or relationship management while, for others quite different factors.

Identify and actively manage risks that may jeopardise the reform

49.   Risks need to be identified, weighted in accordance with the likelihood of them occurring and the severity of the risk and a set of actions set out to actively manage and reduce the likelihood of risks (allocation of responsibility). For each reform contemplated it is not difficult to identify where the key points of opposition will be. This needs to be built into the plan as well as steps designed to address them. Ranking changes according to their political costs and benefits can help policy makers design tactical sequencing of a comprehensive reform programme whereby political costs and benefits of reform are weighed and tradeoffs made.

50.   Some countries used risk management techniques to identify and assess risks to the strategy being achieved, remembering that the transition stage from what is to what is to be is dynamic, not static, as set out in a plan, and then actively managed them throughout the stages of the implementation process - launching of change, the transition and bedding in process. Risks can be wide ranging, including non performance in current business, low morale, drop in productivity, and complaints from the public about disruption to services. In the face of such complaints, Ministers can lose their "nerve" or interest in reform.

Understanding change and resistance -- its human, organisational and political dimensions

51.   Reformers need to understand why change is resisted, the myriad forms of resistance and how to deal with them. Countries that have gone through significant reform know that the process is difficult and unpredictable. They also know that it demands tenacity to deal with attempts to block change, the taking of calculated risks, the insight and foresight to manage the many transitions from the "before to the after state" and to see a way forward when resistance is at its highest level.

52.   Reform introduces uncertainty as well as having the potential to redistribute resources from one group to another, leading to a mobilisation of powerful opposition of interest groups. With these sorts of changes there are "losers" and "winners". The nature of resistance depends on the reform in question, and whether the impacts are confined within public sector organisations or go beyond to the public. Political resistance is strongest when an interest group opposing reform is among the political leaderships core support. In the case of public organisations, the more stable an environment, the more difficulty there can be to effect change. Being well-fitted to a particular environment can sometimes become a major disadvantage. Rather than adapt, an organisation can focus its resources on opposing change. In these environments, a necessary first step might be to unsettle the status quo in order to get change underway

53.   Change programmes of any significant scale are threatening to most people and organisations. Change can expose anxieties about the ability to perform, future job stability or security, compensation, position, stature and working relationships. Where job security is in question, anxieties extend to families and communities.

54.   Resistance is highest when changes are imposed and where the interests of major groups are disturbed, including those of public servants. Where introduced by consensus, the response is different - and a different change strategy is required. Consensual or voluntary change is more likely to occur when an organisation is performing well - then change introduced is about enhancing the status quo, or in anticipation of possible deterioration or a situation where a crisis is welcomed to bring about much needed change. In these circumstances, the luxury of having time to design a participative change strategy can dissolve any residual resistances.

55.   Imposed change is more likely to occur where there is a back log of problems, a lack of awareness of the need to change, or a reluctance to introduce change either because of the uncertainties and consequences of change, or alternatively because there is an inability to put ideas into practice; change is

too hard and seen as an unnatural state. Even if there is an awareness of the need to change, it is delayed or left for someone else to do. No change strategy can present a complete picture of what will be the outcome and how it will affect individuals and organisations. Resistance can come from public servants and public sector institutions. A change resistant central agency can pose a major barrier to change. In some countries, a central agency could stop reform if Ministers get "nervous" about a central agency disagreeing with a reform, and even more so if central agencies have different opinions on the efficacy of a reform.

56.   The obstacles to reform can be many and varied. There is no easy set of "dos and don'ts" for overcoming obstacles just as there is not a pat list of generalisations or a recipe for success. For each point made there are caveats and exceptions. There are examples where a factor has helped some countries progress reforms and for others created difficulties. One such example is the involvement of unions. While all countries thought it vital to involve people, there were differences in experiences about how this was best achieved.

57.   But countries are noticing marked difference in Public sector responses to change initiatives in recent years. Resistance is lessening as public sectors take on the role of change agents, even at times promoting change that may work against their personal interests.

Building support for change is important - especially among influential actors

58.   Countries thought that it was unrealistic to expect consensus. It is only when people affected by the change truly understand the need for change, the direction set and are actively engaged in the process that change will occur. Views vary about when it is easiest to make change - -- when things are going well or badly?

59.   To get "buy in" from those affected by a change, communication needs to target particular "interests"of different groups. There need to be information given on the likely gains from the changes and how the downside effects can be minimised and dealt with. Change objectives, time lines, and critical paths need to be validated. Change agents need to know how a change will affect people as well as the flow-on effects in order to care about people going through change. Good change agents using good process are able to nurture a sense of confidence and trust --- which is critical to achieving change.

Managing relationships

60.   Perhaps the most important factor is the way relationships with key stakeholders are managed to build supportive alliances throughout the process --- at the political level, with the affected public, and at top levels of the public sector. It is important to know where support and resistance is coming from. Alliance building dilutes barriers to change and can transform resistance into energy for reform. One country representative put it this way: "Never embark on a change without first taking care of the F-factor". Classify the major players and factions to see where support and opposition might come from – the fanatics ("they will take you down with them"), friends of reform, fence sitters, foes (opposers), fools, ("stay away from them – they will align with the changes for the wrong reasons"). The challenge is to manage into the middle towards building more friends of reform.

61.   Devolution is adding to the complexity of relationship management. Multiple decision-making points in multiple networks, often extending beyond government, makes top-down change less likely. In highly devolved settings operating in consensual environments, there is often little oversight of the changes going on as no one agency or person has the lead. Change occurs but there is no sense of someone steering the change. There are signs that this will likely increase in future and needs to be factored into relationship management plans.

Validate the changes

62.   Every opportunity should be taken to validate the reform objectives to create a common understanding of the problems being addressed and the solutions. The motives for reform need to be clear. Often it is when the motives underpinning reform or any change are misunderstood that there is most resistance. An example from one country showed that reform motives had not been well understood. There was a common misperception amongst public servants about the reasons why a reform had been initiated. As a result that particular reform nearly collapsed before accurate reform motives and objectives were validated publicly.

63.   Several countries described the benefits of getting people together to "clear the air" where there are rumours, confused messages or misunderstandings about the changes (the objectives and process). "People are more likely to make change when they know why there is to be change, what the changes involve, and if they feel good about themselves and what they do -- but often a political tactic is to attack and decry the status quo in order to justify a reform. A politician may want to give the impression that the current lot (of public servants) is useless. This does not encourage commitment to change. Politicians and senior officials need to communicate clear and positive messages. The centre has a fundamental role here".

Monitor and report progress

64.   Reassessing the rightness of the changes at key points during the implementation process is essential. In rapid change environments, reform initiatives need to be reassessed along the way to reconfirm that the changes being implemented are indeed the right changes to make, and are being implemented in the best way possible.

Embed change

65.   No aspect of reform takes longer than "embedding change". Getting change into place is one thing, but sustaining it, bedding it in so that it is not person dependent is another. Durable change demands appropriate incentives and processes to be put in place as well as innovative use of formal and informal tools. Systems, performance reporting and strategic management tools are some ways of securing the changes remembering that what is measured is often what is done; so it is important to ensure that measurement focuses on key priorities.

66.   In some countries, public management changes are required to be embedded by law; for others, changes including machinery of government did not always require legislation. Both had their advantages and disadvantages. In the case of the former, changes were formally embedded but were time consuming and once in place more difficult to change. The latter situation can give greater flexibility, with changes able to be introduced and updated more easily and quickly but may not enjoy the same political support across parties and hence be vulnerable to change by a new government.

67.   If something is successful, people want to be involved. Celebrations at key milestone points including the completion point of a reform are important.

68.   And finally, there has to be enough time provided to make the cultural shifts required to support durable change. But what is enough time? How long does it take to get enduring change? Cultural change is difficult and not well understood; many reforms give little attention to this dimension. These questions are the ones that the surveyed countries had differing responses to. Several countries asserted that cultural change was continuous, and that good gains could be achieved over 3-5 years where there is a commitment to and understanding of what this involves including the alignment of incentives. Other countries were of

the view that it takes much longer. Still others considered that it is only when a new generation of public servants is in place that dominant, bureaucratic cultures would shift. But this overlooks the difficulty that new recruits entering the public sector will be socialised into the "old" ways and might themselves perpetuate these ways. In any case, governments and the public expect a more rapid adjustment. Delayed responses are no longer acceptable or necessary. Reform strategies need to be designed to include the necessary cultural shifts required for deep change.

Essential differences in managing structural change

69.　　Managing change processes associated with reforms of government structures (machinery of government) call for specific consideration in addition to the fundamentals outlined above. Structural reform can involve the creation of a new organisation. Alternatively it can involve a reallocation and integration of specific functions across several existing departments, or, splitting out certain functions from existing organisations and integrating them into a new organisation. Integration of functions is by far the most difficult to achieve, because of the challenges involved in merging organisations with different thinking and ways of working, different operational practices, as well as vastly different cultures (for example scientific, technical compared to values driven, policy compared to service delivery). If these are in conflict, there can be a struggle for survival and ascendency.

70.　　This section concentrates on structural reform involving integration because of the complexities and difficulties involved.

71.　　Structural changes can be difficult to "sell". Often they are undertaken to realign portfolios or for political purposes, and are less likely to be expressed as a means of improving outcomes. In the face of staff disbelief that the changes will deliver significant benefits, resistance can be high, commitment to change low and slow to build. There are plentiful examples of structural solutions being decided without the benefit of an identification and analysis of the problems or possible options until well down the implementation track. It is common for one, or both, of the agencies to believe that its resources and business focus are under attack.

72.　　A further complexity arises when structural change is undertaken in tandem with policy changes.

- Leadership and facilitation of structural change process are critical. Countries have striking examples of success where a leader understood the complexities and did what it took to achieve cultural shifts over time; committed the necessary time to the exercise; listened to staff concerns and explained the changes -- to groups and individuals. Innovative approaches such as "transition workshops", led by the departmental head, were used to integrate the two "groups".

- Placement of the "unit" for managing change is critical. Location in one or other of the existing organisations can unintentionally signal priorities and preferences.

- Careful attention needs to be given to blending management philosophies, operational processes, and cultures to reduce the likelihood of competition for supremacy.

- Creative tension can be used during the transition stage as a positive driver to generate new approaches to operations and management of the new organisation.

- Planning and implementation should involve senior managers from both organisations. Any plan should include a critical pathway with demanding but realistic milestones and reporting

requirements. How the financial costs will be met need to be made clear. Decisions on what systems (financial, performance management, information technology and human resources) should be adopted by the new organisation can generate hard line positions. But decisions taken should ensure compatability and good interlinkages. Planning should also cover communication, property and the identity (branding) of the "new" organisation.

− Staff transfer matters need to be well-handled. Regular communication is essential to minimise uncertainties and resolve conflicts, as they arise.

73.   Where a successful blend of the business and cultures of two organisations were not achieved, more often than not the "blended" department was split apart again, sometimes only two or three later.

Learning the lessons from failure

74.   All countries have experienced some sort of failure -- either a reform has not been fully implemented or the reform itself has not delivered the intended benefits. Though none understandably wanted failure, all thought that failure experiences, if well used, could be a pre-condition to future change. Failure was described by some countries as a critical defining moment, providing a useful step along the way to the next set of changes. One country, where the desired change did not happen mainly because of opposition from public servants, described a sense of "shame". There was much questioning by public servants about how the situation had occurred, especially as it became obvious that the intended reforms would have positioned the country to better cope with economic and social problems. This led to a change of attitude, and acclimatised the public sector to future major change initiatives in which public servants were fully engaged. A reform is eventually only a complete failure if the lessons are not learned.

75.   The following factors are what countries attributed "failure" to -- partial or complete.

− Goals can be unrealistic and set too high, or strive to do too much in too little time. Countries found it better to plan for many small successes than one big step unless there was certainty that the necessary capacity was there to implement a large reform.

− An inadequate strategy may be in place to deal with resistance - including that from within the public sector.

− There may be a failure to achieve a critical mass of support from key stakeholders.

− Reforms may be driven through on a superficial level by one or two individuals with powerful personalities, and then collapse as the "personalities" move on.

− Lack of consistency can stop reform. This can occur when the level of resourcing (people and financial) does not match the scale of the reform programme. This situation is then easily used as an excuse to do nothing.

− One-size-fits-all and "old and overworked" solutions may be used to address new problems.

− Either the incentives for achieving the reforms sought are insufficient to see the changes through to completion, or the incentives are poorly aligned with the changes and eschew behaviour. Incentives are essential for coherence and need to be compatible with the behaviours sought and the direction of the reforms. Generally countries felt that the rewards were not strong enough in the public sector.

- Non-shared goals can be a problem. The "selling" of a reform need to focus on shared interests that a reform will achieve.

- Insufficient attention to communication about the "big picture" of the reforms and the stage along the way for getting there may prove a barrier to change. There needs to be explicit acknowledgement that the changes might cause hurt in the short run, and be difficult, but that over the medium to long term there will be gains. People need to understand the short and long term ambitions for reform.

- Unconvincing documentation to government and the general public that the reform will work may stop a reform. Cost-benefit analysis is difficult to do, as not only is expertise in this field limited but also the uncertainties make it impossible to make accurate assessments.

- Insufficient attention is given to co-ordination in the case of large-scale change.

- Change is initiated without a thorough analysis of the situation - its constraints and the incentives for change - and the individual and collective impacts of reforms. This is especially so with structural change (machinery of government).

- Certain interests take over and use the change process to advance their own individual interests.

Looking to the future

76.   The signs are encouraging, with many countries in the survey reporting that their public sector cultures are much more open to change. This report outlined the menu of strategies, processes and tools employed by the nine countries in the study, but the limitations of applying past lessons to future reform need to be borne in mind. The ambition for reformers should be to select the best practices from the present and recent past and meld these with innovative practices emerging in the field of change management. Knowledge and experience of the past should not be allowed to make reformers captive to past successes and blind them to new realities and new solutions.

77.   Countries in the study reported using, to varying degrees, a mix of reform strategies. But most had relied heavily on a particular approach and were finding this insufficient to meet future needs. The surveyed countries believed that in future it would be important to have the flexibility to run different types of reform strategy, in order to have a selection to choose from, appropriate to the situation. For example, those countries that had mainly adopted top-down, rapid change strategies identified a need to strengthen capabilities to manage sustained, incremental change. And those countries with a history of incremental or ad hoc change considered it important to have the capacity to implement major change quickly should the need arise. Countries believed there was much to learn from each other.

78.   Reforms to date have largely been about governments and their administrations catching up and realigning with new operating environments. Given the widespread view that the pace and scope of change will if anything quicken, the choice seems clear, governments need to deepen their capacities for change, build cultures that are change-responsive, or risk the criticism and discomfort of having disruptive, reactive change forced upon them. Change capacities and a willingness to respond quickly will if anything become even more vital for governments to meet citizen expectations and use the opportunities offered by globalisation and technological innovation.