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Demos is a greenhouse for new ideas which can improve the quality of our lives. As an independent think tank, we aim to create an open resource of knowledge and learning that operates beyond traditional party politics.

We connect researchers, thinkers and practitioners to an international network of people changing politics. Our ideas regularly influence government policy, but we also work with companies, NGOs, colleges and professional bodies.

Demos knowledge is organised around five themes, which combine to create new perspectives. The themes are democracy, learning, enterprise, quality of life and global change.

But we also understand that thinking by itself is not enough. Demos has helped to initiate a number of practical projects which are delivering real social benefit through the redesign of public services.

We bring together people from a wide range of backgrounds to cross-fertilise ideas and experience. By working with Demos, our partners develop a sharper insight into the way ideas shape society. For Demos, the process is as important as the final product.

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The Adaptive State

Strategies for personalising
the public realm

Edited by
Tom Bentley
James Wilsdon

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Tom Bentley and James Wilsdon
December 2003

Transforming public services

A Demos work programme

Demos is actively engaged in generating new ideas and strategies which can help public services adapt to a changing world. Through our work with organisations of every size and scale – from government departments to FTSE 100 companies, local authorities to charities – we have developed rich insights into what drives economic and social change, and how organisations can respond.

Our multidisciplinary approach to research and strategy enables us to work across policy, sectoral and disciplinary boundaries in a creative and imaginative way. We are experienced in the complexities of partnership working, and have undertaken numerous projects for public agencies, both in the UK and internationally.

Currently, our public sector partners include: Centrex; the Netherlands Ministry of Justice; the Department of Premier and Cabinet in Victoria, Australia; the National College for School Leadership; Creative Partnerships; Newcastle City Council; NHS University; the Department for Education and Skills; Neighbourhood Renewal Unit; Department for the Environment, Food and Rural Affairs; and the New Opportunities Fund.

By bridging the artificial divide between policy and practice, Demos has placed itself at the forefront of a new approach to transforming public services. Our aim is not only to generate new ideas through research and publications (see opposite), but also to create strategies through which new practices can merge. Core themes of our public services programme include:

- *Systems thinking* – this is a mature discipline in science and technology but is only now being applied to public policy-making, as a way of coping with complexity.
- *Networked learning* – fostering collaboration and knowledge-sharing between clusters of service organisations.
- *Personalisation* – constructing public service pathways designed around the profiles, capacities and motivations of individual users.
- *Leadership* – developing new leadership models for distributed capacity-building, and strategies for workforce development.
- *Public value* – identifying new methodologies which allow organisations to measure and enhance their contribution to the public realm.

We would be pleased to talk to organisations with a commitment to public service transformation.

For more information, please contact James Wilsdon, Head of Strategy (james@demos.co.uk ; +44 (0) 20 7401 5335)

Selected publications

Open Source Democracy • Douglas Rushkoff, 2003

Online, peer-to-peer communication have created new forms of interactions, which could revitalise democracy.

Education Epidemic • David Hargreaves, 2003

Instead of acting as hubs through which all new policies are routed, education departments must enable innovation networks to develop.

Beyond Measure • Paul Skidmore, 2003

The time has come to ditch the high stakes approach to school assessment which produces exam stress for all involved and fails to ensure improved performance.

People Flow • Theo Veenkamp, Alessandra Buonfino, Tom Bentley, 2003

Only by understanding the drivers for international people movement can a management system be developed to absorb the pressures they create.

Other People's Children • Gillian Thomas and Gina Hocking, 2003

Children have become 'invisible citizens' who live in a privatised world controlled increasingly by adults. A new agenda for children's quality of life is required.

Mobilisation • James Harkin, 2003

The next wave of mobile technologies could give rise to new location-based public services, and new forms of m-democracy.

Innovate from Within • Charles Leadbeater, 2002

Civil service reform is a prerequisite for transforming public services.

System Failure • Jake Chapman, 2002

The law of unintended consequences will always prevail in any attempt to change organisations by command or clever public policy instrument.

Classroom Assistance • Matthew Horne, 2001

The progressive transformation of the education system means harnessing the professional capabilities of teachers, and tackling recruitment problems in the process.

It's Democracy, Stupid • Tom Bentley, 2001

Political disengagement should not be mistaken for voter apathy; the public can be re-engaged by giving them a more direct role in democracy, or self-governance.

Foreword

Paul Steels

Public services matter to us as citizens, as members of our community and as the bedrock of business and economic success. The benefits of good education, high-performing healthcare, reliable local government and effective anti-crime measures are fundamental to a thriving society. In a world where risk is more and more individualised, the need for a public infrastructure that can underpin the common good is increasingly crucial.

But the ability of public services to deliver in a world of new opportunities, challenges and threats is being put to the test. People are less deferential and rightly demand greater accountability and higher quality of service. Choice is a given not an option, rights only come with responsibilities, and services are decentralising. Effectiveness is often found through the empowerment of citizens as co-producers. These dynamics are played out against a background where governments are struggling to maintain the trust of their citizens and continually have to demonstrate value for money.

The only constant is learning to live with change. How public service institutions and programmes adapt and learn to transform themselves from within is the critical challenge facing policy-makers, practitioners and public sector partners such as Hewlett-Packard (HP).

Following its recent merger with Compaq, HP has been a test case for successful transformation on a massive scale. At HP we know that

technology can be a major enabler of change, if it is designed to support transformation as it develops. There are of course differences between the private and public sectors that have to be respected, but we can and must learn from each other.

Public services must be based on agile and adaptive platforms if they are to meet the challenges of continuous change. We are only now starting to learn what this means in practice, which is why this publication is tremendously helpful. It includes important contributions from the UK and across the world, from thinkers but also crucially from front-line practitioners. I am delighted that HP, working with Demos, has been able to make this contribution to thinking about the next stage of public service modernisation and renewal.

Paul Steels is director, public sector division, Hewlett-Packard.

1. Introduction

the adaptive state

Tom Bentley and James Wilsdon

Our new environment compels commitment and participation. We have become irrevocably involved with, and responsible for, each other.

Marshall McLuhan, 1967¹

Even when a market is inappropriate, old command and control systems of management are not the way forward but, instead, we are seeking and should seek – in the NHS and other public services – a decentralised, not centralised, means of delivery compatible with equity and efficiency.

Gordon Brown, 2003²

Across the world, the quality of the public realm is now the central battleground of politics. For two decades, elections revolved around the competition for private wealth and individual freedoms. Today, our agendas are dominated by security, legitimacy and solidarity.³ People want to know how government can help them face the uncertainties and insecurities that surround them. At a national level, the authority of public institutions is subject to increased scrutiny and pressure. In the international arena, dilemmas are framed by the interface between public legitimacy, personal belief and collective violence.

In this febrile atmosphere governments stand or fall on their

effectiveness at renewing public goods. The task of reforming public services has become the most visible symbol of this wider challenge. In Britain, one of New Labour's greatest political achievements has been to shift the axis of domestic debate towards the quality and fairness of public service provision.

But efforts at building on this achievement have been undermined by a paradox. Measured by their own performance standards, there is no question that most public services in Britain have improved over the last six years. Yet nobody is satisfied. The 'invest and reform' message that defined New Labour's initial strategy is now widely acknowledged as insufficient.⁴ So far, alternative promises to cut bureaucracy and extend individual choice do not add up to a widely convincing platform. As such, at a critical moment in the struggle to define the next period of politics, efforts to refresh the core services that voters regard as their priority have reached an impasse. Reformers are caught between the modesty of incremental improvement and the unpredictable effects of unconstrained diversity.

Two questions stand out. First, what will convince people that the quality and responsiveness of services has really improved? Second, how do existing reform strategies generate the legitimacy required to sustain more radical, ongoing change?

In this collection we argue that these questions can only be answered with a sharper moral and political vision of the role that public services play in people's lives. There is a need to revisit the purpose and shape of government itself, and explore models of organisational change for which the state is not currently equipped.

Radically different models of service, organisation and value are required. But these must also be compatible with the effort of sustaining and managing existing commitments in the here and now. As this collection shows, a set of principles, practices and strategies is emerging through which the simultaneous tasks of radical innovation and outcome improvement can be achieved. It remains to be seen which political party or set of institutions will make these new approaches its own. Welcome to the adaptive state.

Turning on a sixpence

All major parties are searching for formulas that offer their citizens security and reliability while also providing ‘choice’, ‘diversity’, ‘flexibility’ and ‘responsiveness’. Political orthodoxy is also gathering around the need to devolve discretion closer to the front line. As Jackie Ashley has observed, ‘If there were two buzz words which summed up the message from the 2003 party conference season they were “choice” and “localism”. Everybody’s spouting them.’⁵

But politicians everywhere are struggling to show how their promises convert into coherent action and tangible outcomes – that their particular version of the story can really be different from anybody else’s. The problem is that the narrowness of the rhetorical space around public services restricts the range of organisational possibilities through which politicians can identify solutions. In an era where there are few clear-cut ideological alternatives, the moral and organisational principles underpinning reform remain foggy. The ideology of pragmatism gives rise to a ‘pick and mix’ approach to selecting policy tools and interventions.

All the main parties now recognise this challenge. And each is straining to establish its credentials as the natural home of the ‘new localism’. For New Labour, several ministers have now acknowledged the limits of command-and-control approaches to reform.⁶ For the Conservatives, Michael Howard used his inaugural speech as leader to reassure voters that he would ‘cut the fly-by-wire controls that lead straight back to a dashboard in Whitehall Central control stifles initiative and innovation’.⁷ And for the Liberal Democrats, Charles Kennedy has proposed scrapping five entire departments. His rationale: ‘Save at the centre to get more help and services for people in the local community.’⁸

But this debate is being cast in the wrong terms. A false choice is on offer; a zero sum game between localism and central control, between diversity-through-choice and equity-through-standardisation. Both the advocates of the new localism and the defenders of centralism have missed an important dimension of the argument.⁹ Successful

reform does not only depend on the level and scale at which decisions are taken or performance is measured; it will require greater *adaptive capacity* in organisations at every level of the system.

Public services in diverse societies must offer far greater flexibility to meet personal needs, while keeping the ability to connect resources and activities across entire systems of governance. This is the only way to serve diverse needs equally well, and to make specialist knowledge and resources available to everybody. Services must also contribute to shared social contexts that enable people to thrive; performance within closed systems will be inadequate, however much improved.

In other words, we need systems capable of continuously reconfiguring themselves to create new sources of public value.¹⁰ This means interactively linking the different layers and functions of governance, not searching for a static blueprint that predefines their relative weight. The central question is no longer how we can achieve precisely the right balance between different layers – central, regional and local – or between different sectors – public, private and voluntary. Instead, we need to ask *How can the system as a whole become more than the sum of its parts?*

This question casts present arguments over foundation hospitals or specialist schools in a slightly depressing light. Despite the importance of increasing the operational autonomy of provider organisations, the focus on rewarding above-average performance with formal permission to take a few more decisions seems a modest proposal. It certainly fails to justify the level of controversy that the proposed reforms have generated. With this kind of structural reform, gains in performance and innovation are likely to be constrained by the organisational models still implied by frameworks of accountability and measurement. As Jake Chapman argues in his essay, if new styles of management are developed without abandoning existing notions of control and predictability then the new styles will fail as surely as the old. ‘Once the myth of control is abandoned then the debate about granting autonomy to hospitals is transformed – simply because control is recognised as not being an option.’¹¹

State and society: reform versus innovation

Scientists working in the field of biodiversity have contrasted the speed with which an iso-temperature line is moving northwards, with the speed with which plants can naturally adapt and migrate. So it is with public institutions. Left to themselves, can they adapt as fast as the external environment is changing?¹²

Roughly once in every generation, a major question re-emerges about the shape, effectiveness and legitimacy of the state. And every time, a wave of reform seeks to adapt the existing structures of the state to meet the needs and expectations of society in a better way. These needs and expectations are themselves dynamic; driven and shaped, though not predetermined, by wider patterns of innovation. As Chris Freeman and Francisco Louca have shown, over the past two centuries, five separate technological revolutions have successively transformed the societies in which they were developed: water-powered mechanisation; steam-powered mechanisation; electrification; motorisation and computerisation. These can be understood as long waves of innovation, growth and institutional change which diffuse over time throughout whole societies.¹³

In the public sector, each burst of reform has sought to harness the potential of innovation in other sectors in order to re-equip government. In the mid and late nineteenth century, professionalism and meritocracy updated the voluntaristic, ramshackle and patronage-based model of administration. In the mid-twentieth century, the principles of Fordist mass production were applied to make welfare services universally available. During the 1970s and 1980s, neoliberalism offered a new mix of privatisation, agency-based delivery and arms-length regulation. In the 1990s, the 'reinventing government' agenda sought to import the tools of contract-based accountability and performance management from the private sector.

The current approach to reform therefore rests on a curious hybrid, combining:

- the nineteenth-century liberal administrative state, embodied in central government departments and local authority structures, and the model of financial accountability represented by Parliament's public accounts committee
- the postwar welfare state, which introduced mass-production service management and procurement, from universal schooling to the NHS
- the neoliberal legacy of agencies, performance indicators, contract-based accountability and arms-length public bodies
- the performance culture of modern public sector management, a unique and intriguing mix of mandarin wisdom and 1980s business performance techniques.

The effort to improve performance raises the question of how to make the state itself more effective, rather than simply bigger or smaller, more centralised or localised. The danger, however, is that in the rush to find means of improvement the wrong set of external innovations and techniques becomes the basis for new strategies. It is all too easy to neglect the assumptions and beliefs that lie submerged beneath the surface of government, what Mary Midgley describes as the 'philosophical plumbing' of any system or organisation.¹⁴ Yet it is often these hidden choices, and the powerful cultures that they give rise to, which determine the prospects of radically better outcomes.

So, while government and public services certainly need to import new practices, innovations and tools developed elsewhere, there may also be a great deal to learn from their own extraordinary resilience. Public institutions, from the central civil service to the local school, have adapted repeatedly to changing conditions in ways that have preserved their core internal values and underpinning structures. Despite decades of reform, we still have a health service organised through hospitals, GP practices and professions. Even in towns and cities where services have failed chronically over a generation, local councils and other civic institutions have survived.

If citizens are to thrive in the same way, they need more of this adaptive capacity in order to achieve the right outcomes for their lives. The challenge is to harness the adaptive potential of public organisation more directly to the task of creating public value. And the way to do this is by linking processes of organisational change, within and beyond the formal boundaries of the public sector, more closely to positive outcomes. Government must absorb new capabilities to achieve this. But it must also turn itself inside out, becoming more responsive and connected to the distributed processes through which social outcomes are actually generated.

Universal personalisation

This massive reorientation of government cannot be accomplished without a clear moral and political vision. Despite its commitment to public services, New Labour has so far failed to provide this compelling, long-term vision. The myriad efforts to improve and ‘modernise’ too often look like hyperactivity without purpose. In part, this is because New Labour has taken the function of services for granted and built improvement strategies around ‘common sense’ definitions of performance, which are only indirectly related to the outcome values of public service investment. Hospital waiting lists, and even the new focus on waiting times, are only a proxy measure for public satisfaction with health outcomes. Reducing class sizes only makes sense if the organisational context of schooling is already fixed and standardised.

Public services matter because they can provide a sense of security and solidarity, a partial sanctuary from exposure to the global marketplace. We all depend on public services, not only to meet our concrete individual needs, but to provide a space in which everyday social interactions occur – in parks, libraries and playgrounds, or through improved housing and support during major life events like pregnancy or retirement.

But as society becomes more diverse, personal aspirations are changing. Describing the modern corporation, Shoshana Zuboff and James Maxmin observe that ‘People have changed more than the

business organisations upon which they depend...The chasm that now separates individuals and organisations is marked by frustration, mistrust, disappointment and even rage.¹⁵ If this applies to companies – usually perceived as highly responsive to consumer needs – how much more so does it apply to public services?

As our aspirations change and diversify, we increasingly want a form of connection to the public realm that reflects our outlook and circumstances. We still rely on a shared social context that is bigger than ourselves, but we are less ready to submit to standardised relationships with large, impersonal organisations. The more we learn about the factors shaping mobility, achievement, and wellbeing, the clearer it becomes that services that genuinely engage with the particular needs of users are more effective in creating positive outcomes. To use resources effectively, services must be personalised. But for the experience of personalised public services to meet and reinforce shared expectations and principles of social justice, they must also be genuinely universal.

This is the vision that politics should offer; of a public realm that treats each individual as having equal worth by adapting its support to their unique needs and potential. But having evolved through the frames of mass production and contract-based accountability, how can the myriad forms of public service develop the capacity to offer this kind of personalised experience to users?

The key to unlocking this potential is the recognition that public value is created, not delivered.¹⁶ As Patricia Hewitt has admitted, in this context it may have been a mistake to stress ‘delivery, delivery, delivery’ as Labour’s second term priority for public service reform: ‘You actually can’t deliver good health or safe streets in the way that commercial companies can deliver pizzas.’¹⁷ Solutions rely, at least in part, on the users themselves, and their capacity to take shared responsibility for positive outcomes. In learning, health, work, and even parenting, positive outcomes arise from a combination of personal effort and wider social resources. An implicit understanding of this is already built into the way we behave. For example, the competition for places at popular schools is based on a tacit

understanding that learning is co-produced, not only by pupils and their teachers, but by pupils and their peers.

The challenge is how to define more systematically the processes of ‘co-production’ through which public value is created, and then to connect different co-production activities to generate economies of scale and wider systems of support. For this to occur, we need to move beyond the negative definitions of Beveridge’s welfare state, which saw public services as the means to eradicate ‘evils’ from public life, towards a set of positive outcomes. The time is now right to replace Beveridge’s five giants – want, disease, ignorance, idleness and squalor – with five core dimensions of wellbeing for the early twenty-first century:

- shelter
- nurture
- learning
- health
- work and livelihood.

These arise from the same basic human needs. But they can be expressed as positive aspirations that are dynamic and take many forms. The quality and definition of these public goods are constantly evolving, and public service organisation must continuously adapt to meet them. For example, personalised health care requires treatment pathways that apply the best available knowledge about clinical effectiveness to the profile of the individual patient. But it also means making medical and care support available in a way that complements home care and family needs. And it means addressing the environmental and behavioural factors that impact on health and wellbeing. As Anna Coote has argued, the government ‘needs to open up a new kind of dialogue with the electorate about what health means, how it is secured and what to expect from others, including the NHS...this new conversation would aim to develop a wider understanding that health is not something we get from the NHS, but a resource that we and our fellow citizens own and must nurture and protect’.¹⁸

In education, personalisation means constructing pathways through a flexible curriculum, which is crafted to reflect the intelligences and capacities of the individual learner. But it also means linking the professional input of teachers and mentors to wider sources of support for independent learning. In a forthcoming Demos pamphlet, Charles Leadbeater describes personalisation as ‘rewriting the scripts’ of public services. ‘At the moment, most children in this country have their education fitted into a standardised script of stages and tests...Personalised learning needs to provide children with a far greater repertoire of possible scripts for how their education unfolds.’¹⁹ The script for personalised learning would be based on the user being far more active in determining their own timeline for learning, involving a mix of ingredients that suits their aspirations and abilities.

Personalisation means far more than being able to choose between different service suppliers. It requires services to be actively shaped in response to individual profiles. This does not mean separate, isolated programmes; many of the activities involved in being healthy or learning effectively are collaborative and intensively social. But it does mean that provider organisations must be capable of adapting and reconfiguring what they offer to ensure that it fits the profile of individual needs. This in turn requires structures of governance, resourcing and accountability that reward improved outcomes and support the flexibility required to offer personalisation on a mass scale.

Beyond factory re-engineering

Each large system of public services contains huge variations in performance and effectiveness. Each generates a spectrum of innovations, ranging from incremental to revolutionary. The current reform programme employs a panoply of methods, from workaday improvements to the creation of entirely new services and delivery channels. But the dominant paradigm of organisation remains an ‘input–process–output’ model, which regards ‘performance management’ and formal restructuring as the main avenues to better outcomes.²⁰

The current preoccupation with setting national standards as a basis for accountability obscures a tension that the process of adaptive reform must address; the specification of performance standards often narrows the scope for organisational innovation. This is partly because it encourages risk aversion, but more importantly because it establishes rigid parameters of organisation and formal responsibility. In fact, some of the most significant performance gains may arise from cross-boundary collaboration – something that is hard to design into the formal functions of bounded organisations. This does not mean that targets and standards are not essential. But they must be used judiciously, and owned by the participants, rather than used primarily as an instrument of control.

The same applies to the process of restructuring. Often this can be necessary to achieve new objectives and develop new capabilities. But anyone who has lived through a restructuring process knows that organisations do not stick to the formal specifications of their redesign for very long – the processes and relationships that hold them together are far more complex and powerful, and cannot easily be transformed by a new organogram.

So why is restructuring such a popular solution? The simple answer is that the formal structures and functions of organisations are one of the relatively few aspects of organisational performance that politicians and administrators hold directly in their hands. Restructuring is often presented as a straightforward solution to a complex problem. Take the recent example of Lord Haskins' review of rural services. Although Haskins is probably correct in identifying the need for better integration between rural delivery agencies, his proposed solution – combining English Nature, the Rural Development Service and parts of the Countryside agency into a new super-agency – seems likely to be a recipe for five more years of organisational chaos and inertia.²¹

Think tanks too must bear some responsibility for this tendency. Bold calls for institutional redesign are too often the refuge of the lazy pamphleteer. Such proposals frequently obscure as much as they illuminate the real causes of improved performance. Process re-

engineering cannot by itself generate more capacity for mass personalisation because the methods of planning and resource allocation used in the frameworks of public accountability no longer work in complex operational environments. As the growing problem of unintended consequences shows, command and control methods are incapable of coordination over any significant period of time. Organisations, especially those responding to local pressures, already rely on other patterns of response in order to solve problems as they arise.

In all major areas of public policy Whitehall departments must contend with highly distributed fields of organisation, which spread beyond formal lines of control. The Department of Work and Pensions has a client base of millions, and seeks to influence the behaviour of thousands of financial service providers. The NHS is a vast, heaving ecology of interlinked organisations and groups. The criminal justice system consists of many different agencies with separate cultures, histories and incentives, all striving to operate as part of a single system.

The reality with which all governments are struggling is the uncontrollable, dynamic nature of human activity. The success of modern capitalism in generating wealth and choice for most people, and of earlier social reforms in improving their levels of health and education, have helped to create demands that are increasingly diverse in their expression. Not only do these demands require more sophisticated responses, but they also contain the seeds of future demands – the more access to knowledge and learning we have, for example, the more likely we are to seek more of it.

From a patient's perspective, the range of influences that affect personal health is not bounded by the framework of 'clinical governance' or the standard procedures for diagnosis and treatment. For the school student, most of whose time and attention are devoted to situations other than lessons, the forms of knowledge that can influence their learning and aspirations are far more extensive than those which are channelled through the formal curriculum. For the commuter, the reliability and cost of a public transport system are

only one factor influencing their means of travel and the way they structure their journey.

In each of these cases, and in many more, the factors influencing our efforts to achieve an outcome are varied and unpredictable. The consequences of these processes can be unintended and counter-intuitive. For example, a concerted effort to drive down street crime may have the unintended effect of displacing some forms of criminal activity into other areas. The decision to raise National Insurance contributions in order to fund public services may have a knock-on effect on teachers' salary costs, which unintentionally makes it harder for schools to balance their budgets. The decision to incentivise rail service providers to maximise the number of services may create new pressures on the crumbling rail infrastructure.

The point is not just that individual policy decisions will produce a range of effects that far-sighted policy-makers ought to anticipate, but that the interconnections between different systems make it inevitable that use and need will follow unpredictable patterns. Public service providers will always be faced with a continuous evolution of demand. Equally, the interconnections between different aspects of life can mean that the pressures on public service organisations arise from shifts elsewhere in society. So, for example, growing stress in working life may impact negatively on the demand for health services. Changing working hours may make it increasingly difficult for parents to ensure their children's readiness for school.

Diversity and complexity make it more difficult to govern services through hierarchical coordination. Yet this basic method still lies at the heart of our conception of government, and conditions the behaviour of politicians, regulators, managers and professionals. Across the public sector, as Jake Chapman points out, mental models have been based on the use of mechanistic metaphors: 'Phrases such as "the machinery of government", "driving through change", "stepping up a gear" and "policy levers" are all based on images of machines.'²²

Principles of adaptive organisation

In these complex circumstances, people and organisations have to become adaptive. Something is said to be adaptive when it responds to changes in its environment without central direction or control, while retaining some core structure or values.²³

Beehives are an interesting example. For many years, biologists assumed that the queen bee directed all the other bees and coordinated the hive. In fact, the key to the hive's success lies in the fact that no individual bee has to understand the system. Rather than awaiting orders, bees pay attention to their neighbours to decide what to do next. As a result, hives successfully feed and protect themselves, evolving as they go.²⁴

It is a central argument of this collection that public services should be understood as complex adaptive systems and not according to the mechanistic models that have traditionally dominated government thinking. Paul Plsek likens this difference to that between throwing a stone and throwing a live bird. The trajectory of the stone can be calculated precisely using the laws of physics. The trajectory of the bird is far less predictable.²⁵

The question is whether policy-makers can embrace this shift in perspective, and redefine their role as supporters of adaptive processes of change. They need to stop pretending they are throwing stones, and acknowledge that the management of public services is far more akin to throwing birds. Such a shift would require government to become adept at shaping diverse sets of activities and providers, regardless of whether they are introduced through market competition. A capacity to enable 'disciplined innovation', where the discipline is a relentless quest to create new manifestations of public value, would become the central challenge.

There are many possible routes through which progress towards an adaptive state is possible. The essays in this collection illustrate several viable elements of a new, dynamic settlement. For us, eight principles stand out as fundamental to the formation of adaptive governance systems.

1. *Accountability for learning* The principle of formal accountability for public spending remains fundamental. But there is no reason why vertical accountability systems should stand in the way of greater flexibility and adaptability. As Riel Miller argues in Chapter 9, there are many ways in which governments can encourage learning through experimentation. Alongside the need for probity and transparency in the use of public funds, public servants should also be able to account for their responsiveness to what can be learned from multiple efforts to innovate and improve effectiveness.
2. *Open governance* Learning, adaptability and flexible coordination are encouraged by transparency. Too many management and policy functions are still shrouded in institutional mystery for reasons of tradition and culture. The design of governance structures should reflect the values of openness and transparency as the basis of a new generation of organisational templates. Open innovation strategies treat the whole field of practice as a base for generating useful innovations, rather than treating innovation as a specialised supply line with fixed points of entry into strategic decision-making.
3. *Modular innovation* As Charles Leadbeater demonstrates in Chapter 2, modularity provides a way for organisations to gain the benefits of scale and specialisation without succumbing to unnecessary standardisation or fragmentation. Adaptive organisations need to delegate responsibility for specific outcomes and link these through clear rules of interaction and interoperability.
4. *Richer analytical frameworks* Government should be able to draw on a far richer repertoire of conceptual models and analytical techniques in undertaking policy development and implementation processes. As Jake Chapman

argues in Chapter 3, systems thinking and futures methodologies should become part of the standard repertoire of skills development and management training in all large public agencies. In Chapter 7, Kate Oakley makes the case for new forms of local knowledge and a greater recognition of the value of that knowledge by central government.

5. *Participation by design* Public services need to be developed through interactive processes that give practitioners and users a direct role in shaping the end result. Experimentation with participative processes should be given equal priority to the current emphasis on the speed and economy of implementation. The planning of public spaces and public buildings, such as schools and hospitals, should be undertaken with user participation as a central dimension of the development process.²⁶ As Barry Quirk describes in Chapter 8, local authorities are ideally placed to pioneer these new approaches.
6. *Interdependence through networks* Positive interdependence between groups of service organisations and policy-making bodies should be fostered through the creation of knowledge sharing and learning networks. ‘Open source’ approaches to sharing strategies for innovation and effectiveness should become a staple part of professional development, audit and evaluation. In Chapter 6, David Hargreaves outlines how this can be applied within the education system. And in Chapter 11, Robert Watt describes the role that technology can play in enabling networked approaches to transformation.
7. *Prioritising people* The need for adaptive organisations reinforces the urgency of avoiding any drift towards a two-tier workforce. As Bob Fryer argues in Chapter 4, workforce reform should place greater emphasis on

learning and skills development, increase the scope for lateral progression of public service workers through a range of roles and organisations, and create more opportunities for career progression, irrespective of skill base or starting point.

8. *Leadership for public value* Adaptive change demands sustained leadership of particular kinds. As Ron Heifetz argues in Chapter 5, a new generation of leadership strategies for distributed capacity-building is needed across the public services. This needs to take place simultaneously in political, public service and community roles in order to have a cumulative impact. Adaptive leadership enables fragmented constituencies to mobilise around common objectives; a prerequisite for focusing reform and adaptation around challenging outcomes.

Identifying a set of immediate priorities

The analysis in this collection does not lead directly to traditional policy prescriptions, in part because it suggests that the structural separation between policy and implementation is one of the barriers to system-wide transformation. Rather than defining a new set of measures to be implemented through the familiar model of linear change, we need a set of priorities and strategic approaches that can help to increase the spread of excellence and adaptive capacity.

Strengthening this adaptive capacity, and linking it directly to the creation of public value, is a priority that can be applied to existing systems and policies. This requires strategies to amplify the value of localised effectiveness and excellence, and to encourage its rapid spread across larger national or regional systems of health, education, welfare and business support. Several priorities do stand out, however, as having universal relevance and urgency.

First, there is a need to incorporate public value objectives directly into the performance goals and accountability systems of all service providers. This means there must be a renewed focus on outcome

indicators and the ways they are collected, and techniques that could put outcome information directly in the hands of users and practitioners, instead of it landing on the desks of policy professionals, academics and auditors.

Second, the debate about control and autonomy must not purely be focused on the formal autonomy of public service organisations in relation to central government. Self-governance is another important dimension of autonomy that public services should display, which is rooted in the ability of people and communities to shape their own priorities. They cannot do this without the support of a responsive public realm, constituted in large part by the rich ecology of public organisations and resources.

Third, the central focus of the 'capacity-building' agenda, which is already gaining momentum, must not be power, money or organisational models, but knowledge and learning. Effective organisations mobilise resources through the creation and application of practical know-how. They become effective in their field through an ongoing process of learning, which, in the most inspiring organisations, becomes embedded in their culture. National institutions need new ways to learn from the evolutionary processes through which local service organisations develop their capacity.

Fourth, the strategic use of networks is probably the most compelling opportunity for reformers to accelerate positive change. Networks can underpin the lateral transfer of innovation, support cultures of mutual accountability, and enable the clustering of delivery organisations. Networks are also a strong feature of the 'collaborative governance' models through which more responsive and transparent local systems could evolve. Successful experiments are already under way; for example, NHS collaboratives allow networks of clinical practitioners to exchange and refine ideas about how to solve common problems, such as the improvement of cancer or coronary care. They spread the best knowledge available through a series of lateral 'waves' rather than through hierarchical structures.

Fifth, demand is the root of radical change. Supply side reform, however serious or inspired, will not generate the responsiveness that

every politician now feels compelled to offer. Personalisation is pivotal to effective public services because it offers individuals the chance to shape the course and outcome of their public service experience. Only by sharing the power to allocate and sequence organisational resources will public services be able to legitimise the investment they represent. This will often mean choice by consumers between different suppliers and delivery channels. But, more importantly, it means letting the voice and behaviour of everyday service users drive the reform efforts of local public institutions.²⁷

In search of politics

This entire process must be led by politics. Politicians have a formative responsibility to reflect public aspirations and project new possibilities. The challenge for them is to focus the next stage of public debate on the social outcomes to which reform should be addressed, without reaching too fast for rigid definitions of performance or tools of intervention that restrict the potential for adaptive self-governance. As several of our authors point out, the outcomes and values that public organisations create will often conflict. Politics is the arena in which those conflicts and choices should be played out.

Our current definitions of successful political leadership require elected politicians to grapple with a level of organisational detail and overload that is unsustainable. Nye Bevan once famously said that the sound of a bedpan dropped on an NHS ward would reverberate around Whitehall. Today, despite the rhetoric of the new localism, too many ministers remain seduced by Bevanite myths of omniscience and control. The reality is that they cannot be in control of the organisational systems that they nominally head, even though they retain responsibility for them.

So what practical steps could politicians and others take to realise the vision of the adaptive state? Politicians could:

- focus their commitments on outcome goals that go beyond the output targets of existing organisations;

goals such as eliminating child poverty, reducing obesity, increasing the quality of working life, and giving every child the capacity and motivation to learn successfully

- acknowledge the limits of their powers, and focus on mobilising wider constituencies for change
- champion more radical forms of bureaucratic renewal by resisting the pressure to launch interventions through existing structures, and mandating a smaller, more agile and transparent civil service
- learn and champion new skills and methods for sustaining organisational change and promoting accountability
- create an expectation that direct user participation is a required feature of the design, delivery and evaluation of public services and public infrastructure.

The civil service could:

- be bolder in acknowledging the extent of institutional renewal needed for effective government in the twenty-first century
- develop a broader range of learning and modelling techniques with which to diagnose and shape the management of complex systems
- promote cross-functional and team-based learning, and make a fundamental commitment to greater transparency in organisation and culture
- develop clearer distinctions between the different skill sets required for policy development, strategic and project management, evaluation and organisational learning, innovation and cultural change, procurement and contract negotiation
- learn and share more systematically across the experiences of parallel efforts in different countries.

National policy could:

- incorporate public value measures and indicators, including levels of trust and wellbeing, into the regulatory frameworks for audit and inspection
- create formal accountability for learning, by requiring national agencies and departments to share transparently how they seek to learn from the wider systems they are responsible for
- dedicate ICT and e-government investment to creating a supportive infrastructure for lateral knowledge transfer between delivery organisations and citizens
- reshape research and development frameworks to prioritise distributed innovation and real-time, user-led forms of knowledge alongside the evidence and technical knowledge currently emphasised
- accelerate the shift in information policy towards providing local as well as national aggregated datasets, covering a wide range of wellbeing and outcome indicators, which can act as tools and resources for public service providers.

Audit and improvement agencies could:

- review and adapt their methods of data collection and intervention with the aim of supporting the continuous self-evaluation and peer review of delivery organisations
- strengthen their own peer review networks and promote more open debate about the commonalities and limitations of the methods used by different inspectorates in different sectors and industries
- investigate and deepen their understanding of the conditions under which practitioners and service users actually use the information created by inspection and audit

- develop frameworks for modelling and inspecting collaborative and interdependent networks and systems of organisation.

Public service practitioners could:

- expose themselves to a wider range of organisational environments and methods of practice
- lead the formation of new civic and community networks
- experiment with new team-based and modular structures within their organisations
- undertake knowledge and network audits to identify and redirect their existing stocks of adaptive and innovative capacity.

Towards the adaptive state?

At no point in the modern history of public services have there been more resources, or a better range of tools, to use in the creation of public value. But if public services are going to achieve their full potential over the next generation, they must be reshaped through an open, evolutionary process. This process will not arise from the perpetual efforts to restructure existing arrangements, without changing the dominant assumptions governing models of organisation. The opportunity now exists for systems that are flexible enough to personalise everything they offer, and responsive to the public they serve. To get the public services we deserve, ‘modernisation’ must acquire a new meaning. In the long run, adaptability matters more than performance within rigid boundaries, so long as it can be shaped towards better life outcomes for everybody. The challenge is to give practical momentum to this agenda amid the noise and pressure of tomorrow’s demands.

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Notes

- 1 M McLuhan and Q Fiore, *The Medium is the Message: an inventory of effects* (New York: Bantam, 1967).
- 2 Speech to the Social Market Foundation, 3 Feb 2003.
- 3 As Albert Hirschman notes in *The Passion and the Interests* (Princeton University Press, 1992), politics tends to swing through 30-year cycles of public versus private concerns.
- 4 See for example the recent Compass statement (www.compassonline.org.uk), and speeches by Alan Milburn and Stephen Byers.
- 5 J Ashley, 'Three parties, but just one reactionary mantra', *Guardian*, 11 Oct 2003.
- 6 See for example, Gordon Brown's speech to the Social Market Foundation, 3 Feb 2003, and John Reid's speech to the New Health Network, 15 July 2003.
- 7 Leadership acceptance speech, 6 Nov 2003.
- 8 Party conference speech, 25 Sept 2003.
- 9 D Corry and G Stoker, *New Localism: refashioning the centre-local relationship* (London: New Local Government Network, 2002); D Walker, *In Praise of Centralism: a critique of the new localism* (London: Catalyst, 2002).
- 10 The Strategy Unit in the Cabinet Office defines public value as 'an attempt to measure the total benefits which flow from government action'. For a fuller account, see G Kelly and S Muers, *Creating Public Value: an analytical framework for public service reform* (London: Cabinet Office, 2002), or Jake Chapman's essay in Chapter 10 of this collection.
- 11 See Chapter 3 of this collection.
- 12 Sir Andrew Turnbull, 'Beyond Sir Humphrey: reform and innovation in public administration in the 21st century', Speech in Portugal, 23 Oct 2003.
- 13 C Freeman and F Louca, *As Time Goes By: from the industrial revolutions to the information revolution* (Oxford: OUP, 2001).
- 14 M Midgley, *Utopias, Dolphins and Computers* (London: Routledge, 1996).
- 15 S Zuboff and J Maxmin, *The Support Economy: why corporations are failing individuals and the next episode of capitalism* (London: Penguin, 2002).
- 16 M H Moore, *Creating Public Value: strategic management in government* (Cambridge, Mass.: Harvard University Press, 1995); C Leadbeater, *The Man in the Caravan* (London: IDEA, 2003).
- 17 M White, 'We got it wrong, admits Blair', *Guardian*, 5 July 2003.
- 18 A Coote, 'A fourth way for health policy', *Renewal* 11 no 3 (2003).
- 19 C Leadbeater, *Personalisation through Participation* (London: Demos, forthcoming, 2004).
- 20 D Hargreaves, *Education Epidemic: transforming secondary schools through innovation networks* (London: Demos, 2003).
- 21 C Haskins, *Rural Delivery Review: a report on the delivery of government policies in rural England* (London: Defra, October 2003).
- 22 See Chapter 3 of this collection.
- 23 J Chapman, *System Failure: why governments must learn to think differently* (London: Demos, 2002).

- 24 J Jacobs, *The Nature of Economies*, (New York: Vintage Books, 2001).
- 25 P Plsek, 'Why won't the NHS do as it's told', plenary address, NHS Conference, July 2001.
- 26 Projects such as School Works are an excellent example of this type of participatory design (www.school-works.org).
- 27 C Leadbeater, *Personalisation through Participation*, (London: Demos, forthcoming, 2004).