

SYSTEM STEWARDSHIP

The future of policy making?

Working paper

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About this report

This working paper is one of three reports the Institute is publishing as a result of its research into policy making government. It sits alongside our evidence and analysis report, *Policy Making in the Real World*, which looks at attempts to improve policy making over the last fourteen years and its look at the future of policy making informs our recommendations in *Making Policy Better*.

This report is the work of the Institute for Government's Senior Researcher, Michael Hallsworth. The Institute is keen to open up the ideas in the report for the more general discussion. Further information about the Institute's better Policy Making theme is available on our website at www.instituteforgovernment.org.uk/policy

Institute for Government

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1. Introduction and Summary: The Case for System Stewardship

“Clearly, if you are not setting targets and your job is just to establish a system and a set of incentives within which local actors then operate, that requires a different sort of mentality, or skill set, or approach, than if you are setting targets from the centre and trying to make sure they are driven down to the local level.”

Jeremy Heywood, permanent secretary, Downing Street (2011)

“It’s having the leadership and the confidence to lead forward a system you don’t control – and that feels very uncomfortable for politicians, and feels even more uncomfortable for Civil Servants.”

Senior civil servant (2010)

1.1. The future of policy making

Whitehall faces big changes. Departmental administration budgets are being cut by a third on average over four years, and the Prime Minister has promised that decentralisation, the ‘Big Society’, and payment by results will create *“a total change in the way our country is run”*.¹ Many of these ideas are not new; even their proponents recognise that similar promises have been made in the past.² But they have radical implications for the way public services are organised.

¹ David Cameron’s speech to Civil Service Live, 8 July 2010; available at: <http://www.number10.gov.uk/news/speeches-and-transcripts/2010/07/pms-speech-at-civil-service-live-53064>

² “Many of the strands within David Cameron’s Big Society have been a familiar part of the public-service reform narrative for many years.” – Andrew Adonis, ‘The Road to Reform’, RSA Journal, Winter 2010; available at: <http://www.thersa.org/fellowship/journal/features/features/the-road-to-reform>. For a presentation of similar ideas from a progressive perspective, see Charles Leadbeater and Hilary Cottam, ‘The User Generated State: Public Services 2.0’, in Patrick Diamond (ed.), *Public Matters: The Renewal of the Public Realm*, Politico’s, 2007. In terms of previous promises, Nick Clegg recently acknowledged that “Most national governments are formed with a promise to give more power to localities. Most completely fail to deliver on this promise.” – Hugo Young Lecture, 23 November 2010; available at: <http://www.guardian.co.uk/politics/2010/nov/23/nick-clegg-hugo-young-text>

How *policy making* will support this new vision is less clear. The main thrust of reform so far is a rejection of top-down mechanisms that involve policy makers controlling 'delivery chains'. Rather than formulating specific plans to achieve outcomes, policy makers will "*create the conditions in which performance will improve*".³

Such a change will require a significant shift in our conception of policy making. For example, Oliver Letwin has said that the adoption of payment by results indicates that "*we don't claim any kind of monopoly of wisdom about what will work*": how results will be achieved are up to providers.⁴ Previously, policy makers would have been seen as the main source of wisdom about 'what will work' – but this does not mean they now have no role. Instead, the adoption of a system of payment by results itself (rather than any other approach) becomes the policy on which they have to advise.⁵

Although we know the broad intent and significance of these reforms, we lack a more developed account of the future scope and nature of Whitehall policy making.⁶ This is a problem: the ongoing reforms raise pressing questions about the future role of central government in achieving social outcomes. For example:

- **The level of devolution.** For each policy issue, how much power should be given away, to whom, and how? While the political vision is developed, the practical, technical details are still being established. The Prime Minister has set the challenge that "*it will be up to government to show why a public service cannot be delivered at a lower level than it is currently*"⁷ Similarly, Oliver Letwin has said that the task for central government is to "*vary the policy solution to best reconcile the desire to empower local people with the need to*

³ David Cameron's speech to Civil Service Live, 8 July 2010.

⁴ Oliver Letwin, Minister of State for Government Policy, giving evidence to the Public Administration Select Committee, 12 January 2011; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpublicadm/693/11011202.htm>

⁵ The Institute for Government has analysed the new commissioning skills that these changes may require, see Ian Moss, *The State of Commissioning: Preparing Whitehall for Outcomes-Based Commissioning*, 2010; available at: <http://www.instituteforgovernment.org.uk/publications/21/the-state-of-commissioning>

⁶ For example, there has been talk of embracing 'open source policy', but to date this has amounted mainly to widening the inputs to the policy process, along the lines of an enhanced consultation. Lord Wei, 'Building the Big Society', presentation to the Institute for Government, 6 July 2010, available at: http://www.instituteforgovernment.org.uk/pdfs/Building_the_big_society_lord_wei.pdf. The Treasury Select Committee has recently raised concerns about the limited impact of the Spending Challenge website, which operated along this model of 'enhanced consultation'. See Treasury Select Committee, *Spending Review 2010*, pp.17-18; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/544/544i.pdf>

⁷ <http://www.telegraph.co.uk/comment/8337239/How-we-will-release-the-grip-of-state-control.html>

develop an effective and workable national policy".⁸ Currently, this is being done on a case-by-case basis; how can policy makers adopt systematic ways of making this judgment that reflect the current realities of government?

- **Oversight from central government.** Despite the drive to decentralisation, local accountability still has yet to flourish widely; at the same time, central government still collects and distributes the vast majority of tax revenues.⁹ In such circumstances, central government is likely to continue to have a role in achieving social outcomes. Until local accountability is entrenched, decentralisation, the 'Big Society' and payment by results will continue to be (and be seen to be) policies overseen by central government. But what does such oversight mean in practice? How can central government direct without resorting to top down controls?

Our research suggests that policy makers need more support to answer these questions, not least because attention is currently focused on executing major reforms – rather than planning for the world they will create. This report attempts to provide such support. It suggests two main ways policy makers can address these issues: first, by taking a fresh look at policy making; second, by adopting a 'system stewardship' approach.

1.2. Reassessing policy making

Broadly speaking, central government still retains the underlying view that policy formulation and delivery are separate, distinct and sequential activities. But this separation can be misleading: it implies that 'policy makers' have control over creating the policy, which is then definitively fixed and transmitted for others to execute faithfully; if executed as laid down, the expected results will be achieved. Rather, there needs to be a greater understanding of the complexity and unpredictability associated with any intervention. Our research shows that:

- Policy formulation and implementation are not separate, but intrinsically linked;
- The potential outcomes of the policy itself may change significantly during implementation;
- Complexity in public service systems often means central government cannot directly control how these changes happen;
- The real world effects policies produce are often complex and unpredictable.

⁸ Evidence to the Public Administration Select Committee, 12 January 2011; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/693/11011202.htm> /

⁹ See Simon Parker, Akash Paun and Jonathan McClory, *The State of the Service*, Institute for Government, 2009; William Moyes, Julian Wood and Michael Clemence, *Nothing to Do with Me?*, Institute for Government, 2011.

In other words, the nature and outcomes of a policy are often adapted as it is realised in practice. A policy is not just made and then executed; it is made and constantly *re-made* by multiple players interacting in a system. Rather than just executing instructions, those who 'deliver' the policy are actually making decisions that change the purpose and design of the policy as it is realised. In fact, policy makers are everywhere, coming up with their own solutions as they confront new decisions. It is unlikely that total control of these actors has ever been possible, even if policy plans have assumed otherwise.

The crucial point is that there is a good case that adaptation may actually be an effective way of tackling policy problems, particularly complex ones. Rather than just being seen as undesirable 'drift' from a plan, the way policy is re-made may produce better solutions, since actors can find the best way of responding to their environment to achieve an overall goal. Currently, the government has justified its rejection of 'top-down' policy making with reference to 'instinct' and 'intuition'.¹⁰ But the theory of complex systems offers a coherent body of thought that supports similar conclusions.¹¹ In this document, we show how these insights can be applied in practice.

Previous governments have encountered difficulties by assuming that policies are processed by a machine that can be controlled through plans and 'levers'. But the current public service reforms are likely to mean that the systems through which policy is realised will become even more complex, involving more actors with varying priorities and methods. Decentralisation is likely to mean that these actors gain more autonomy, increasing levels of unpredictability - but also allowing a more responsive, sensitive approach to policy problems.

These changes matter greatly for policy making success. A former cabinet secretary reflected that

Policy making and day-to-day operations are not separate spheres of influence but inextricably linked... there is often a myriad of intermediate policy decisions about the interpretation and implementation of policy which is the stuff of daily

¹⁰ "I suppose the evidence has to do with an intuition about... how people best come to realise their potential, and our intuition is that people are more likely to do great things, to innovate, to make things better, if they have a great deal of scope for creativity and a great deal of ability to make things happen on the ground, as long as those who do it well succeed and those who don't fail and so you get an increasing drift towards success and therefore you have to have a framework within which that applies. Now again, I can't point you to a study by some management consultant that proves that. It is my deepest instinct about how the world works, but I doubt it's one that's very controversial." – Oliver Letwin giving evidence to the Public Administration Select Committee, January 2011; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/693/11011202.htm>

¹¹ See, for example, Jake Chapman, *System Failure*, Demos, 2004; available at: <http://www.demos.co.uk/publications/systemfailure2>; Erik-Hans Klijn, 'Complexity Theory and Public Administration: What's New?', *Public Management Review*, vol. 10:3, 2008, pp. 299-317; Andreas Duit and Victor Galaz, 'Governance and Complexity – Emerging Issues for Governance Theory', *Governance: An International Journal of Policy, Administration, and Institutions*, vol. 21:2, 2008, pp. 311-335.

*life in government departments including day-to-day operations; and it is where success and failure often lie.*¹²

The difference is that these 'intermediate policy decisions' will increasingly *not* take place in central departments, but in a wider system of different actors from local government, communities, and the voluntary sector. Now, more than ever, government needs to reassess its received impressions of policy making.

The change of mindset required is more radical for some policy areas and some departments than others. Some departments have always carried out a 'public interest' role, relying more on creating frameworks and exerting influence, and recognising that they are only one player among many in achieving outcomes. Policy makers in departments such as Defra, FCO, and DECC are all experienced at playing this role. A deeper reassessment will be needed of the more 'public service' role, where departments have tried to deliver outcomes directly through control of public expenditure and the ensuing outputs. That suggests big changes for departments such as Health, Education and Communities and Local Government. The big transactional activities in departments – HMRC's tax collection, DWP's pension payments and DfT's vehicle licensing, for example, will be less affected. Where legislation originates from the European Union, not Westminster, the scope for a change in approach will be significantly less.¹³

Under the previous Labour government, the approach of producing outcomes through targets, performance indicators, and associated delivery chains was increasingly applied to policy areas that took a 'public interest' approach. Performance indicators were produced for outcomes highly dependent on the actions of others.¹⁴

Now the opposite is happening: 'public service' departments are increasingly being asked to adopt the more 'public interest' tactics of influencing, facilitating and commissioning. As one policy maker commented, this is "*going to require a lot of civil servants to start thinking about policy issues in a different sort of way, to start doing much more systems thinking*". The next section presents exactly how policy makers can apply such systems thinking.

1.3. System stewardship

Our main conclusion is that central government increasingly needs to see its role as one of 'system stewardship'. The nature and outcomes of a policy are often adapted by many different actors working together in a system; system stewardship involves policy makers overseeing the ways in which the policy is being adapted, and attempting to steer the system towards certain outcomes, if

¹² Richard Wilson, 'Policy Analysis as Policy Advice', in Michael Moran, Martin Rein and Robert E. Goodin (eds.), *The Oxford Handbook of Public Policy*, Oxford University Press, 2006, pp.153-154.

¹³ Of course, much policy will continue to originate from the European Union. Recognising the role of complexity implies much less prescription in European legislation, and reinforces the case for subsidiarity.

¹⁴ Tom Gash, et al. *Performance Art*, Institute for Government, 2008.

appropriate. Adopting such a role will help address the two questions highlighted above: the level of devolution, and central government oversight.

1.4. The level of devolution

Policy makers need to realise that, for some policy issues, an effective solution may emerge from the way different actors adapt and react to each other, rather than from a central government plan. In such cases, the aim is to harness this evolutionary approach. On the other hand, some policy issues may require a more directive approach.

Either way, civil servants need appropriate means of judging what level of devolution is most appropriate for the policy problem in question. Indeed, we suggest that the crucial role for Whitehall policy makers becomes stepping back and judging the level at which a policy problem should be tackled.¹⁵

We suggest that there are four main criteria for making this judgment, but it can never be a purely technocratic exercise. In practice, all the criteria can – and should - be applied within the overall context of the government’s beliefs about the role and responsibilities of the state, communities, and individuals.

Criteria for judging level of central government intervention

Risk. Does the government action need to be ‘right first time’? Is the priority to achieve a specific goal as efficiently or efficiently as possible, or to explore new possibilities?

Uniformity. What is the appetite for variety and divergence in service provision?

Complexity. Is the issue so complex that it is better for the system of actors to address it through adaptation, rather than specifying a solution in advance? How likely is it that central direction will be able to control the actors responsible for realising the policy in practice?

Capacity. What is the capacity of the actors in the system to address the policy issue through their own agency? Is central government able to intervene to build such capacity? To what extent is guidance or direction being requested?

¹⁵ “We need to consider how whatever you create at a local level allows different players to fit together... there is a need for some sort of ‘order’, coordination and system at local level, as in almost all other countries”. – Dan Corry, ‘Localism is Dead – Long Live Localism’, *The MJ*, 16 December 2010, p.14.

These criteria form part of the 'policy fundamentals' that we argue should be present in good policy making, and which we set out in our report *Making Policy Better*. Clearly, applying these criteria will require policy makers to have a more sophisticated understanding of the systems they are dealing with, and better means of assessing risk and complexity. *Making Policy Better* also covers the implications for policy making capacity.

1.5. Oversight from central government

Central government still has a role after the policy direction and the level of devolution have been established. But it is not the traditional one of 'overseeing implementation'. Rather, system stewardship involves policy makers overseeing the ways in which the policy is being adapted, and attempting to steer the system if it is deviating too far away from the high level goals for the policy. In practice, system stewardship consists of four aspects: goals, rules, feedback, and response. The table below gives a brief description of each aspect, illustrated by an analogy from the game of football.

Figure 1: The role of the system steward

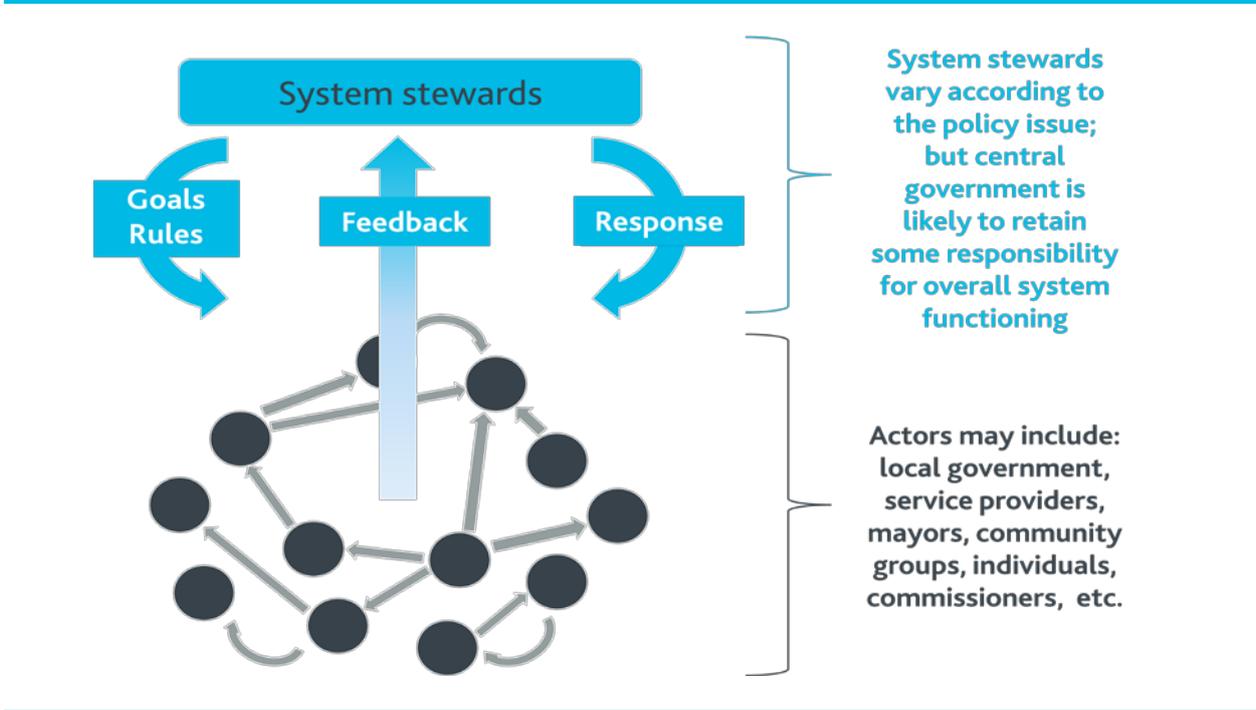
Stewardship role	Description	Football analogy
Goals	<ul style="list-style-type: none"> • Owning the overall goals of the policy. Assessing whether the potential outcomes of the policy are effectively changing as it is realised in practice. • When dealing with a complex system, policy makers should set high-level policy goals that are resilient to the adaptation that is likely to occur. • If a more direct approach is needed, the goals should be specific and clearly communicated. 	The football manager sets an overall goal for the team: win the game. The manager does not stand on the touchline trying to direct every player's movement.
Rules	<ul style="list-style-type: none"> • Setting the framework and boundaries for the actors in the system. • For complex systems, the best tactic 	The game has a set of basic rules: do not use hands, do not take the ball outside a set area. Apart from these basic rules, the players have freedom. The

	<p>will usually be to create a set of basic 'rules of the game' to guide actors and specify boundaries that cannot be crossed.</p> <ul style="list-style-type: none"> • The rules may be more formal and extensive where greater control is appropriate. 	<p>manager does not tell them to do exactly the same thing each time they receive the ball.</p>
Feedback	<ul style="list-style-type: none"> • Understanding how the policy is emerging in practice. • Assessing progress towards the policy goals; identifying problems that central government could help resolve; judging the effects of the adaptation that may be occurring. • Greater awareness of complexity will encourage more informal, inquiring attempts to understand how the policy is being realised – rather than simple performance monitoring. • Even when it is not desired, the existence of adaptation should be fully recognised and its negative effects addressed. 	<p>The manager watches the game and sees how it is playing out in practice. The manager watches different parts of the game and tries to see how the team is working together overall.</p>
Response	<ul style="list-style-type: none"> • Reacting to feedback. The nature of the response will vary according to the role central government is assuming. • Policy makers may attempt to steer the system using advocacy, changing incentives or prices, nudging system users, or creating greater 	<p>In response to the game, the manager may change the team's tactics or formation; substitute one player for another; issue instructions to particular players; give a motivational talk at half time.</p> <p>The manager tries different responses and watches for the</p>

	<p>transparency.</p> <ul style="list-style-type: none"> If appropriate for the issue or system, policy makers may also use direct intervention to address problems. 	effects that ensue.
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The diagram below shows how these different roles come together.

Figure 2: System stewardship in practice



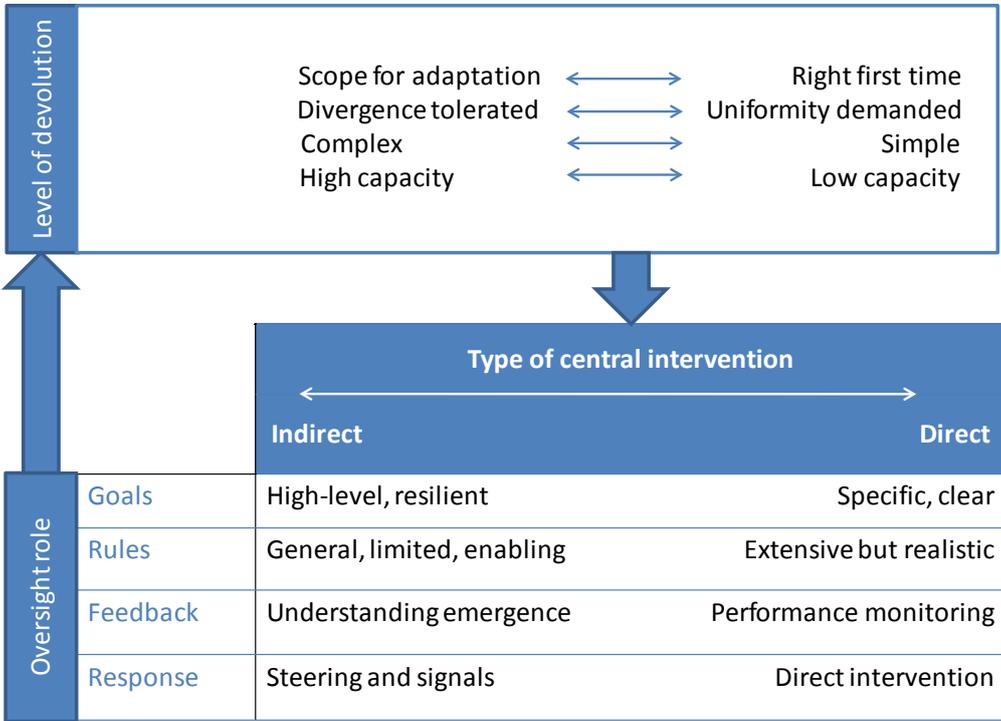
As the table above explains, system stewardship does not preclude the use of directive approaches and plans from central government. Nor is it intended to imply that only central government can act as a system steward – for example, commissioners are part of the system that central government 'stewards', but also act as stewards through their commissioning.¹⁶ But directive approaches are rarely suitable to dealing with complex problems such as obesity and climate change, and ongoing public service reforms mean that the systems through which policies are

¹⁶ See p46 for an illustration of this point with reference to the Higher Education system in England and Wales.

delivered are likely to become even more complex. These changes suggest that government should increasingly be in the position of setting high-level, resilient goals, and letting the system find the best solution through adaptation and experimentation.

Decentralisation will help this process by giving actors greater freedom to adapt and respond to their local environment. But the decision about the level of devolution should not be an arbitrary or isolated one; it should take place as part of the overall stewardship of a system, as Figure 3 illustrates.

Figure 3: Selecting the policy approach



The point of system stewardship is that when choosing an intervention (whatever it may be), policy makers should be thinking in terms of overseeing an overall system, rather than in terms of launching another stand-alone initiative that tries to ignore or supplant all its predecessors. Doing so will require a significant change of mindset for many policy makers. As one civil servant put it, *“it’s going to require a lot of civil servants to start thinking about policy issues in a different sort of way, to start doing much more systems thinking”*. Moreover, ministerial goals and ambitions may need to be reassessed in a world where ‘results’ often cannot be tied directly to a particular politician’s intervention.

The rest of the document explores how these challenges could be met. First, it gives the case for reassessing how we understand policy making, before explaining system stewardship in greater detail. The report draws on interviews with 50 senior civil servants and 20 former ministers (including seven Secretaries of State) during 2010. We also studied 60 evaluations of government policies, conducted soft systems mapping exercises, and analysed existing government data sources.¹⁷ Finally, we held a series of 'Policy Reunions', which brought together the key players from some of the most successful policies of the past thirty years, in order to identify what worked and why.¹⁸

¹⁷ For a full account of our research activity, see Michael Hallsworth, Simon Parker and Jill Rutter, *Policy Making in the Real World*, Institute for Government, 2011, Chapter 2.

¹⁸ Details and summary reports of these reunions can be found at:
<http://www.instituteforgovernment.org.uk/content/160/better-policymaking>

2. Reassessing policy making

The conventional view of policy has generally been a 'top-down' one: centrally-planned initiatives that need to be implemented faithfully by other agents, under supervision from the centre. Our political and parliamentary system reinforces this belief, and the structures of government have adapted to support this model of policy making. As one civil servant told us in summer 2010:

We are set up in terms of our skills, and hierarchy and structures for... a New Labour way of delivering things where you write a big strategy, and with a lot of some analysis in it and so on, the consultation then you have sort of a delivery plan and a lot of that involves money and targets and lots of complicated delivery architecture. Having a new way of working does not lend itself to that.

Clearly, the civil service has a major challenge to adapt to the new vision of policy making founded on decentralisation, the 'Big Society', and payment by results. We heard varying levels of confidence about how well the challenge will be met, but a general desire to better understand the theoretical basis and practical implications for policy making.

This report attempts to help improve such understanding, but it is not just an account of 'how to make decentralisation work in practice'. Rather, it is based on an analysis that suggested a significant change to the way policy making is perceived was needed, even if the current government had not pursued decentralisation. The main reasons for reassessing policy making are:

- Policy formulation and implementation are not separate, but intrinsically linked;
- The potential outcomes of the policy itself may change significantly during implementation;
- Complexity in public service systems often means central government cannot directly control how these changes happen;
- The real world effects policies produce are often complex and unpredictable.

The following sections explain each of these points, with reference to examples from UK policy making.

2.1. Policy formulation and implementation are not separate, but intrinsically linked

As shown in our report *Policy Making in the Real World*, there is a basic model of the policy process, promulgated by the Treasury and used in many departments: a problem or issue is identified, options are formulated, one is selected, and then it is implemented or 'delivered'. It implies that 'policy makers' have sole control over creating the policy, which is then definitively finalised, fixed and transmitted for others to execute faithfully.

In the real world, there is rarely such a clear separation between policy formulation and execution. Here, for example, is one senior civil servant talking about the introduction of Job Seeker's Allowance:

The implementation was the policy, basically... what we actually needed was a change of culture amongst staff, where they were willing to challenge claimants who were not looking for work. And certainly our more experienced staff could tell when somebody was not really looking for work, but didn't have the infrastructure behind them, the management structure behind them, and all those kinds of things to allow them to confront that... So the development of training materials and all that kind of stuff for staff was completely fundamental to what we were doing. So in a sense, in that world the distinction between implementation and policy was an artificial one.

In contrast, many policies do not recognise that the distinction between policy and implementation is artificial. Rather, implementation is often seen just as action in service of a higher plan, the real policy (witness how often people say 'it was a good policy, but the implementation was poor'). But these actions are the ones that realise the policy in practice, and thus are fundamental to determining what the policy 'is'. Our interviewees all agreed that policies should be judged on the impact they have in the real world. *The policy is what is realised*, rather than what is intended. So when talking about government action, it makes little sense to separate out policy formulation and implementation.

This point is not a new one. In 1940, Carl Friedrich concluded that "*public policy is being formed as it is being executed and it is likewise executed as it is being formed.*"¹⁹ Since then, a range of academics and observers have bolstered and elaborated this conclusion;²⁰ take the recent judgment that

When public policies are adopted and programs implemented, the politics of policy making do not come to an end... Nor do the ambiguities, uncertainties, and risks surrounding the policy issue at stake evaporate. They merely move

¹⁹ Carl J. Friedrich, 'Public Policy and the Nature of Administrative Responsibility', *Public Policy*, vol. 1, 1940, pp. 3-24.

²⁰ A good overview is found in Michael Hill and Peter L. Hupe, *Implementing Public Policy: Governance in Theory and in Practice*, Sage, 2003.

from the main stage, where political choices about policies are made, to the less visible arenas of policy implementation...²¹

Those who make policy in practice agree. A former cabinet minister we interviewed said that “*in my book, policy is delivery and delivery is policy. There is no separation.*” A Head of Policy Profession in a central government department concurred: “*I don’t think there are these distinct linear phases of high level strategy, policy and then there’s design and then implementation. I think these are all interconnected at all stages and need to be.*” And a former cabinet secretary has reflected that

Policy making and day-to-day operations are not separate spheres of influence but inextricably linked... there is often a myriad of intermediate policy decisions about the interpretation and implementation of policy which is the stuff of daily life in government departments including day-to-day operations; and it is where success and failure often lie.²²

Why does this matter? It matters because most attempts to improve policy making have operated on the basis that success lies in finding the ‘correct’ solution and then making sure it is implemented perfectly.²³ But if policy is made in the implementation, then policy makers are everywhere, coming up with their own solutions as they confront new decisions. Such decisions are unavoidable, yet also often unpredictable. As one study put it, “*we require the impossible if when we expect our bureaucrats to be at the same time literal executors and successful implementers of policy mandates. Something has to be left to chance.*”²⁴

Summary: Most attempts to improve policy making are based on the idea that success lies in finding the ‘correct’ solution and then making sure it is implemented perfectly. But what matters is how a policy is put into practice, not what is planned. Therefore, those implementing the policy actually make decisions that create ‘the policy’, rather than just executing a plan.

2.2. The potential outcomes of the policy itself may change significantly during implementation

It is wrong to think that these policy decisions made by ‘implementers’ (who may be lower tiers of government, but also institutional and individual providers, businesses and citizens) are minor ones about how best to achieve a policy’s set goals. Rather, because the policy is what is realised, these decisions may actually set or change the nature of the policy itself. As the policy

²¹ Mark Bovens, Paul ‘T Hart and Sanneke Kuipers, ‘The Politics of Policy Evaluation’, in Moran, Rein and Goodin (eds.), *Oxford Handbook of Public Policy*, 2006, p.320.

²² Wilson, ‘Policy Analysis as Policy Advice’, pp.153-154.

²³ The notion of ‘perfect administration’ is set out in Christopher Hood, *The Limits of Administration*, Wiley, 1976.

²⁴ Aaron B. Pressman and Giandomenico Majone, ‘Implementation as Evolution’, in Jeffrey L. Pressman and Aaron B. Wildavsky (eds.), *Implementation: How Great Expectations in Washington are Dashed in Oakland*, University of California, 3rd edition, 1984, p.175.

evolves through the many decisions made by various actors, the goals evolve as well – they are bound up in the actions. Two quotes from well-known studies of policy making illustrate the point well:

*When we act to implement a policy, we change it... As we learn from experience of what is feasible or preferable, we correct errors. To the degree that these corrections make a difference at all, they change our policy ideas as well as the policy outcomes, because the idea is embodied in the action.*²⁵

*The way in which events gradually shift the aims of a policy... is the natural evolution of policy by groups, agencies and expert bodies that advocate policy ideas and try to implement them. Instead of policy being a linear sequence of intended actions, that is followed by success or failure, decision-making is characterized by learning, adaptation and reformulation.*²⁶

Take the policy of privatising national industries in the 1980s, which members of the Political Studies Association voted one of the top policies of the last thirty years.²⁷ The Institute reunited the main players in 2010 to discuss the policy.²⁸ The Conservatives' 1979 manifesto only mentioned privatisation in passing, and indeed the initial sales were simply treated as discrete measures to raise revenue for the Exchequer. Yet, the implementation of these actions meant that the possibility of broader goals started to emerge. The near failure of the 1982 BritOil sale through high pricing led to privatisation as *such* being seen as not as a series of individual policies, each judged on its own merits, but as part a wider programme of reshaping the state that included the sale of council houses and attempts to increase share ownership.²⁹

Subsequently, the scope and goals of the policy changed through the tactical, adaptive approach taken by those managing the sales. Solutions were developed that worked within the constraints and the timescales, even though that meant some theoretically better options were not pursued. Politically acceptable fixes were agreed to keep the programme going, and then adapted over time in an iterative process. And, in turn, the strength of these implementation decisions (especially the British Telecom sale) led to new momentum and scope for the policy. Implementation was bound up with – and even created – policy goals, rather than simply ensuring they were executed perfectly. One particular feature of that was the process of iterative discovery (still happening today) of the appropriate regulatory structure.

²⁵ *Ibid*, p.177.

²⁶ Peter John, *Analysing Public Policy*, Continuum, 1998, p.30.

²⁷ <http://www.instituteforgovernment.org.uk/news/article/179/minimum-wage-tops-chart-of-most-successful-policies-of-last-30-years>

²⁸ http://www.instituteforgovernment.org.uk/pdfs/IfG_policymaking_casestudy_privatisation.pdf

²⁹ It could be argued that this reassessment also contained the seeds of the failure of later privatisations – after a point, the broader commitment to privatisation as a policy may have prevented sensible decisions about individual sales.

Even when policies appear to represent codified, top-down instructions to implementers, they leave 'implementers' with many significant decisions about how they will be realised.³⁰ For example, the introduction of a National Curriculum in 1988 involved the creation of organisations and procedures to specify and enforce its operation. Despite the written documents and guidance they produced, individual schools and teachers had significant freedom to select topics to emphasize and teaching approaches to adopt.³¹ These decisions substantively affected what the National Curriculum, in practice, turned out to be. The freedom came about because interpreting guidance is not a simple business: as an academic study of the policy pointed out, it shows how policy "evolves in and through the texts that represent it", which means "policy is not simply received and implemented within this arena [of practice], rather it is subject to interpretation and then recreated".³²

These are not just theoretical or historical points; they go to the heart of current policy making. In June 2010, the government proposed wide-ranging changes to the housing benefit system, which included capping the maximum benefit entitlement to £400 a week.³³ The proposed changes have sparked controversy, but the main point is that, as the DWP's Impact Assessment notes, "the overall economic impact of the measures cannot be quantified with any degree of certainty as it is not possible to predict the behavioural effects of tenants or their landlords".³⁴

In other words, the Assessment recognises that policy formulation can only do so much; 'implementation' will determine what the policy amounts to in practice. And implementation will require discretion: the amount of money set aside in 'discretionary funds' has repeatedly risen since the original announcement, and stands at £100m over the Spending Review period.³⁵ The crucial point is to be aware of the importance of these discretionary decisions for the policy as a whole. As one commentator has put it, there is a need to

[accept] there is a large measure of uncertainty about the altered shape to social housing that these cuts will bring, and be prepared – and funded – to react quickly and wherever things begin to go wrong... There will be hard cases. Hard cases make bad politics. Ministers must move fast to remedy the particular if

³⁰ "It is rare that a central 'policy' can be given directly to the front-line for implementation in the terms in which it is conceived in central policy discussion or passed in legislation." – Sunningdale Institute, *Engagement and Aspiration*, 2009, p.14. See also: "the behaviour of initiatives will not be consistent nor easily predictable, since, almost invariably, interpretation will tend to vary among different organizers, even in very similar circumstances". – Mary Lee Rhodes and Geoffrey MacKechnie, 'Understanding Public Service Systems: Is There a Role for Complex Adaptive Systems Theory?', *Emergence*, vol. 5:4, 2003, pp. 57-85.

³¹ Hill and Hupe, *Implementing Public Policy*, 2003, p.148.

³² Richard Bowe, Stephen J. Ball and Anne Gold, *Reforming Education and Changing Schools*, Routledge, 1992, p.22. See also the literature on rules and discretion that says "because language is largely uncertain in its application to situations that cannot be foreseen", those who apply rules have discretion – Jeffrey Jowell, 'The Legal Control of Administrative Discretion', *Public Law*, vol. 18, 1973, p. 201.

³³ Work and Pensions Committee, *Changes to Housing Benefit Announced in the June 2010 Budget*, 2010, p.8; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/469/469.pdf>

³⁴ DWP, Impact Assessment, *Housing Benefit: Changes to the Local Housing Allowance Arrangements*, 2010; available at: <http://www.dwp.gov.uk/docs/lha-impact-nov10.pdf>

³⁵ *Ibid*, pp.8-9.

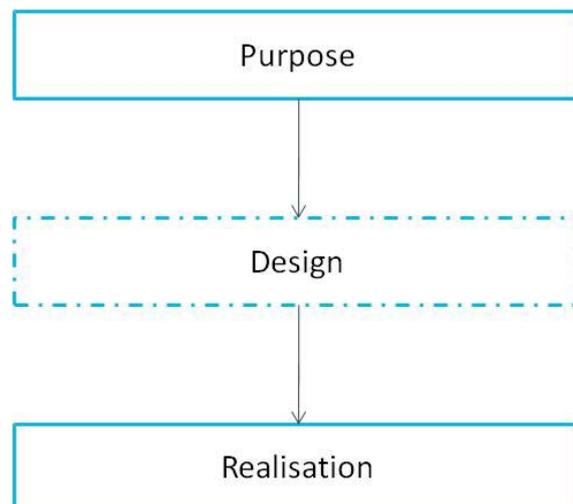
*they are not to give ground across the board. Small, localised rethinks will prove infinitely cheaper than a general retreat.*³⁶

The *de facto* purpose of policies can get altered as they are realised. This is usually framed negatively, as 'slippage' or 'drift' from the original (and best) plan. But it could be positive, reflecting intelligent adaptation to a changing environment, since "*it is intelligent to alter objectives to fit resources, to adjust programmes to face facts, as well as to fit resources to objectives.*"³⁷

Either way, there is a need to recognise both that these changes take place and that they have significant effects. For example, even if the adaptation has positive effects, it raises question of accountability: is this the same policy that our elected representatives approved?³⁸

Seeing policy making this way requires a change in thinking from the sequential model, where a policy's purpose is set, its design finalised (if considered at all), and then the plan is realised:

Figure 4: The conventional model of policy making



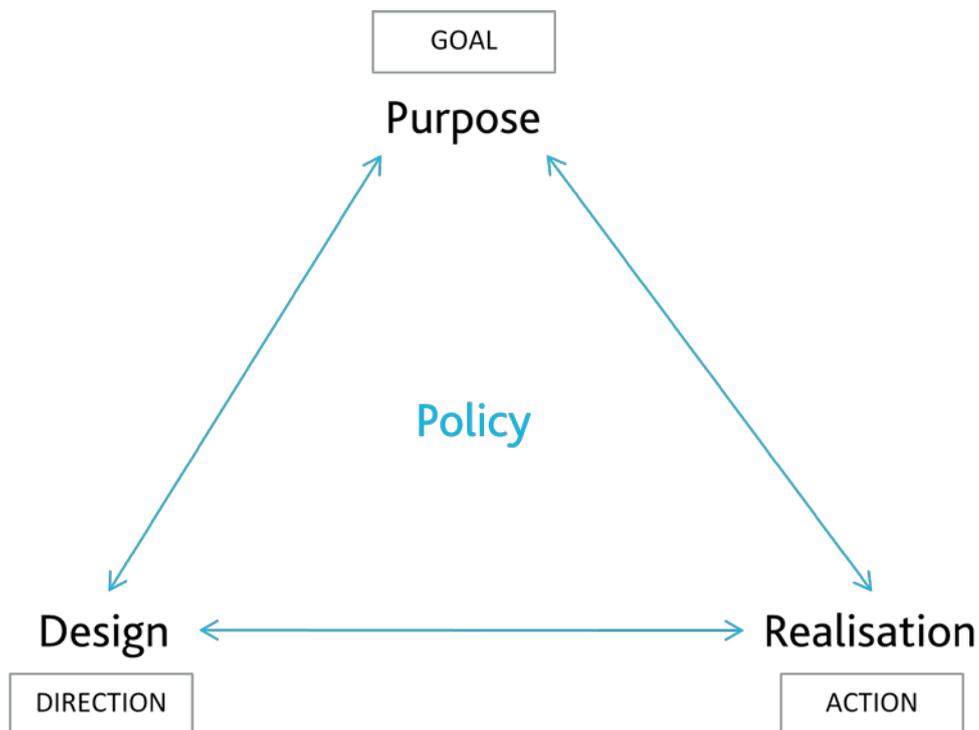
A more accurate representation is that these three aspects can always inform and reform each other at different points. Policies are not just made; they are also *re-made*.

³⁶ Matthew Parris, 'No Retreat, But Prepare for the Unexpected', *The Times*, 30 October 2010, p.25.

³⁷ Pressman and Wildavsky, *Implementation*, 1984, p.204. See also the work on 'positive deviance' in Richard T. Pascale, Jerry Sternin and Monique Sternin, *Power of Positive Deviance: How Unlikely Innovators Solve the World's Toughest Problems*, Harvard Business Press, 2010.

³⁸ The Institute for Government is currently exploring the implications of decentralisation for accountability, see: <http://www.instituteforgovernment.org.uk/content/158/accountability-for-public-services>

Figure 5: A more realistic model of policy making



The interaction between these three aspects can take place at all levels of government, from organisations responding to guidance, new conditions, and interactions with service users (co-production). The extent to which policy gets re-made will, however, vary from area to area – we explore this more below.

Summary: Policy decisions made by ‘implementers’ are not minor ones about how best to achieve a policy’s set goals. Rather, because the policy is what is realised, these decisions may set or change the nature of the policy itself. As the policy evolves through the many decisions made by various actors, the goals evolve as well – they are bound up in the actions. Policies are not just made; they are also *re-made*.

2.3. Complexity in public service systems often means central government cannot directly control how changes happen

We have seen that those ‘implementing’ policies can actually have a major role in shaping them. But these actors pursue their own strategies, rather than working according to a cohesive plan. If a policy ends up evolving, it is not because of some central directing force (as the policy cycle implies).

This is a difficult thought because we like to think of policies as being the result of political will.³⁹ But realising policies in practice involves multiple public and private actors, have differing goals and are joined in overlapping networks.⁴⁰ The way these actors (who go well beyond those who would normally be regarded as 'stakeholders' of an individual policy) respond to each other does not constitute a 'complicated' system, which could theoretically be mapped and understood, given effort; rather, it is 'complex', and characterised by rapid change, uncertainty and limited predictability.

There is plenty of evidence that a policy may produce complex, wide-ranging and unintended effects in another part of the public policy system.⁴¹ For example, Schedule 21 to the Criminal Justice Act 2003 focused on setting sentencing levels for the most serious crimes. However, "*the [criminal justice] system strives for consistency not only between people who are convicted of the same offence, but between those convicted of offences in the system as a whole*".⁴² Therefore, although the policy focused on a particular goal (sentences for serious crimes), it has "*affect[ed] sentencing right down the system*".⁴³ As Kate Jenkins explains:

*The functions of government are [now] so complex, so fragile in the sense that they are both volume- and policy-vulnerable, it means that sudden changes in policy, sudden changes in volume and sudden changes in approach can destabilise these very complex organisations in a way which, if you have not had experience of running, or working inside, these very big operations, is extremely difficult to perceive. Certainly, from working with a large number of extremely well-intentioned ministers all around the world as well as here, I have seen over and over again this deep frustration about why the machine does not respond as they want it to respond, which is based on what I could only describe as a naïve innocence of the complexity of running these very big functions.*⁴⁴

Recently, this common frustration of the 'machine not responding' has been explained by applying complexity theory. One concept appears to be particularly helpful: complex adaptive systems. A complex adaptive system is a dynamic network of many agents, who each act

³⁹ This represents the 'teleological fallacy': the tendency to believe that things happen because someone, somewhere, intended them to happen. See John A. Kay, *Obliquity: Why Goals Are Best Achieved Indirectly*, Profile Books, 2010, p.119. See also Michael J. Hill, *The Public Policy Process*, Pearson Longman, 2005, p.8: "policy may be seen as an outcome, which actors may or may not want to claim as a consequence of purposive activity".

⁴⁰ Andrew Massey and Robert Pyper, *Public Management and Modernisation in Britain*, Palgrave, 2005.

⁴¹ "The more policy analysts acknowledge complexity in decision-making, the more the linear idea dissolves. The policy process becomes more about attempts to counteract the unanticipated effects of public decisions than about responses to the demands that caused the policy to be introduced in the first place." – John, *Analysing Public Policy*, pp. 25-6.

⁴² Lord Woolf, former Lord Chief Justice, *Lords Hansard*, 27 May 2010, col. 147; available at: <http://www.publications.parliament.uk/pa/ld201011/ldhansrd/text/100527-0003.htm>

⁴³ *Ibid.*

⁴⁴ Kate Jenkins, evidence to PASC; available at: <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpublicadm/c983-i/c98302.htm>

according to individual strategies or routines. These agents have many connections with each other, so they are constantly both acting and reacting to what others are doing. At the same time, they are adapting to the environment they find themselves in. Because actors are so interrelated, changes are not linear or straightforward: small changes can cascade into big consequences; equally, major efforts can produce little apparent change. Control in the system tends to be highly dispersed and decentralised, so if there is coherent behaviour, it emerges from all the interactions between the various actors.⁴⁵

Complex adaptive systems are often found in the world around us: for example, cities, crowds, stock markets and forests. There is a growing case that they are also found in public administration.

Take the 'Best Value' policy, which attempted to change the way local authorities managed their performance.⁴⁶ The concept of 'Best Value' was originally developed in the mid-1990s by an informal local group of local government actors, and was intended to be an enabling framework that offered an alternative to Compulsory Competitive Tendering. However, from 1999 Whitehall adopted Best Value as a directive central government policy that required local authorities to develop corporate strategies, publish annual performance plans and targets, and undertake performance reviews.⁴⁷ Through detailed guidance, much of the rigidity that the framework originally attempted to remove was actually re-introduced.

Despite this attempt at central control, a recent study of the Best Value initiative revealed that the policy was realised by a network of agents working in parallel, with highly dispersed control, constant revising of relationships through experience, and exploitation of the niches in the system by agents adapted to fit them. Behaviours emerged at a local level, aggregated throughout the system, and created new contexts. The elaborate central monitoring from Whitehall was dismantled – but the early intentions of the initiative were realised, due to a wide range of positive results from emergent, local behaviours.⁴⁸

⁴⁵ This definition is taken from many different sources, including: Robert Axelrod and Michael D. Cohen, *Harnessing Complexity: Organizational Implications of a Scientific Frontier*, Free Press, 1999; Klijn, 'Complexity Theory and Public Administration', pp. 299-317; New Synthesis of Public Administration, *Literature Scan #6: Applications of Complex Adaptive Systems Theories in Governance, Public Administration and Public Policy*, 2009.

⁴⁶ This account is taken from Tony Bovaird, 'Emergent Strategic Management and Planning Mechanisms in Complex Adaptive Systems', *Public Management Review*, vol. 10:3, 2008, pp. 319-340. Other policies whose implementation have been analysed as complex adaptive systems include: urban renewal in Ireland – Mary Lee Rhodes and John Murray, 'Collaborative Decision Making in Urban Regeneration: A Complex Adaptive Systems Perspective', *International Public Management Journal*, vol. 10:1, 2007, pp. 79-101; housing policy in Trafford and Westminster – Michael J. R. Butler and Peter M. Allen, 'Understanding Policy Implementation Processes as Self-Organizing Systems', *Public Management Review*, vol. 10:3, 2008, pp. 421-440.

⁴⁷ Communities and Local Government, *The Long-Term Evaluation of the Best Value Regime: Final Report*, 2006, p.11; available at: <http://www.communities.gov.uk/documents/localgovernment/pdf/153608.pdf>

⁴⁸ New Synthesis of Public Administration Project Leader's Team, *Applications of Complex Adaptive Systems Theories in Governance, Public Administration and Public Policy*, 2010, p.11; available at: <http://www.ns6newsynthesis.com/documents/literaturescan6>

We can now return to the problem of the 'machine not responding'. It may be that ministers are not dealing with a 'machine' at all, which is why their expectations are continually confounded. Rather, they are dealing with a complex system that often does not respond in linear ways.

A good illustration of the difference is to compare throwing a rock and throwing a live bird.⁴⁹ Throwing a rock is a linear, mechanistic activity: its trajectory can be calculated, and we can ensure that the rock reaches a specific destination. We cannot do the same for the complex adaptive behaviour of the bird. Of course, we could pretty much control the bird's trajectory if we tied its wings, weighted it and then threw it - but we would destroy the bird's capabilities in the process. Trying to control a complex adaptive system is rather like tying a rock to a bird to throw it.

There are three main reasons why it is important to recognise that the environment in which policy is realised may have the properties of a complex adaptive system.

- First, the complexity of this environment is only likely to increase with the rise of decentralisation and the 'Big Society' – as the state's responsibilities change, unpredictability is likely to grow.
- Second, we have already seen that the goals and results of a policy can change as it is implemented; in such systems, the changes are more likely to be sudden, discontinuous and widespread.
- Finally, it shows that control of the system may not actually be *possible*, since attempts to do so are unlikely to produce the intended effects. There is evidence, for example, that planned, rational reform attempts of the NHS have failed to achieve the desired changes (or achieved them at the expense of performance elsewhere in the system) and so some thinkers have started considering how directed self-organisation can create change in the system.⁵⁰ We believe that this approach has value for policy making as a whole.

Summary: Realising policies in practice involves public, private, and not-for-profit organisations, who have differing goals and are joined in overlapping networks. The way these actors respond to each other does not constitute a 'complicated' system, which could theoretically be mapped and understood, given effort; rather, it resembles a 'complex adaptive system', and is characterised by rapid change, uncertainty and limited predictability. Central government often cannot exert direct control over how this system works.

⁴⁹ This example is taken from Chapman, *System Failure*, 2004, p.40.

⁵⁰ NHS Institute for Innovation and Improvement, *The Power of One, the Power of Many: Bringing Social Movement Thinking to Health and Healthcare Improvement*, 2009.

2.4. Policy produces complex effects

If the way that policy is realised is often unpredictable and uncontrollable, so are its effects in the real world. Current guidance presents policies as discrete interventions to tackle specific problems, whose effects can then be reliably measured and evaluated. In basic terms, they are the means of moving from one stable state to another. However, because of the complexity of the problems with which government deals, it may be unlikely that a policy will produce effects that are both measurable and attributable.⁵¹ This can lead to the problem of false expectations, as one civil servant argued:

Some of the problems we're looking at are so huge that the idea that you can just pull a lever somewhere or put a whole series of things in place and things work, is facile. And so because we don't say that to ministers, and we don't challenge them on it, then you get into a complete set of double-speak where everybody's saying things can succeed about things they know can actually only fail unless by complete accident.

The effects of policies may be wide-ranging and unintended; they may not produce change in obvious or linear ways; and their success or failure may be dependent on other policies. Indeed, it may actually be unhelpful to think of policies as discrete interventions that can achieve a particular goal on their own. Rather “policies may be viewed as packages”.⁵² Policy may be the cumulative impact of many different initiatives in a particular area, or it may be about managing a wider social system. Geoff Mulgan has argued that governments often achieve success when

a cluster of policies, a strategy, has been pursued consistently over a long period of time and been adapted to different circumstances... If you take crime reduction, it is not a single policy which achieved it, there are lots of different things working cumulatively being adapted to different conditions at different levels. The search for the single bullet policy, the single bit of legislation, is asking the question in slightly the wrong way.⁵³

Policies rarely start with a blank sheet of paper; they are usually entering a field that is crowded with policies from the past, from other areas of government, or from non-government actors. The way that these various initiatives combine is likely to create complex and unpredictable

⁵¹ As one academic study put it: “Processes such as climate change, technological innovation, the spread of pandemic diseases, and rapid fluctuations in world markets all challenge a linear, scale-free, and static worldview... and do not add up in a linear predictable manner.” – Duit and Galaz, ‘Governance and Complexity’, 2008, pp. 311-335. A note of caution is needed, though: such claims have been around for some time. In 1977, we can find the following: “Two accepted clichés about contemporary societies are that they are experiencing unprecedented rates of change, and that they have been drawn together by trade and mass communications into a ‘global village’.” – Stanley Parker, et al. *The Sociology of Industry*, Allen & Unwin, 1977, p. 169.

⁵² Hogwood, ‘Beyond Muddling Through: Can Analysis Assist in Designing Policies that Deliver?’, Appendix A of National Audit Office, *Modern Policy-Making: Ensuring Policies Deliver Value for Money*, 2001.

⁵³ Giving evidence to the Public Administration Select Committee in 2008; available at: <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubadm/c983-ii/c98302.htm>

effects.⁵⁴ There is thus a need for a more sustained approach to policy making that takes past interventions into account fully.

Even if we could control for the effects of other government actions, this would not make the effects of a policy predictable or certain. The most obvious point is that government is only one actor amongst many in a particular area. For example, campaigners against obesity often point out that government promotion of healthy eating is dwarfed by private sector advertising of unhealthy food.⁵⁵

In addition, we are regularly uncovering new reasons why policy effects are uncertain. For example, evidence has been emerging that social networks influence our behaviour in complex, uncertain ways.⁵⁶ Uncovering the way social networks function has potentially radical implications for public policy, as a recent RSA pamphlet explains:

*Traditional policy interventions tend to be large scale and expensive and aim for relatively marginal improvement in outcomes. They seek to minimise risk through systems of regulation, audit and accountability. These design features do not fit the characteristics of social network interventions, which will often fail or have unpredicted results, but where occasionally small interventions will have major impact through contagion effects... This is not a comfortable world for the policy maker. But it is how large sections of the world really are.*⁵⁷

Clearly, this presents a new challenge to our ideas of how successful policies can and should be, and the way in which such success is evaluated. It shows that even the cleverest interventions may not bring the desired goals. As the economist John Kay puts it: "*In a necessarily uncertain world, a good decision doesn't necessarily lead to a good outcome, and a good outcome doesn't necessarily imply a good decision or a capable decision maker.*"⁵⁸

⁵⁴ "Complex Adaptive Systems Theory suggests that future predictions based on a set of static or even dynamic relationships among agents is [sic] not sufficient. Some understanding of the 'history' of the system is required in order to specify possible future states." – Rhodes and MacKechnie, 'Understanding Public Service Systems', 2003, pp. 57-85.

⁵⁵ See, for example, Mary Story and Simone French, 'Food Advertising and Marketing Directed at Children and Adolescents in the US', *International Journal of Behavioral Nutrition and Physical Activity*, vol. 1:3, 2004, doi:10.1186/1479-5868-1-3; available at <http://www.ijbnpa.org/content/1/1/3>

⁵⁶ Nicholas A. Christakis and James H. Fowler, *Connected: The Surprising Power of Our Social Networks and How They Shape Our Lives*, Little, Brown and Company, 2009.

⁵⁷ Paul Ormerod, *N Squared – Public Policy and the Power of Networks*, RSA, 2010, p.37.

⁵⁸ Kay, *Obliquity*, 2010, pp.172-173.

Summary: The complexity of the problems with which government deals means it may be unlikely that a policy will produce effects that are both measurable and attributable. The effects of policies may be wide-ranging and unintended; they may not produce change in obvious or linear ways; traditional performance indicators will only capture results on their own terms; and the success or failure of one policy may be dependent on other policies. For example, evidence has been emerging that social networks influence our behaviour in complex, uncertain ways.

3. System stewardship

3.1. Why system stewardship?

What are the practical implications of the new ways of looking at policy in the previous section? Most obviously, they suggest that a top-down model of policy may be misleading, and may deal with complex policy problems poorly. The real challenge for central government is how to respond to the fact that it often may not be possible to plan a perfectly coherent policy, control the actors realising a policy, or rely on intellectual solutions to achieve desired outcomes.

If the effects of government action are not predictable, this suggests actors should have more freedom to react to emerging results, and adapt accordingly. Policy makers should build in the capacity for positive adaptation, rather than aim for instant perfection. In the words of one civil servant:

Services need to change and it's usually when you produce services that can't change, that problems really arise. If you think about Tax Credits, or Child Support, they are areas where we over-specified what we were doing... We've not been able to flex the system, to be able to deal with changes. It may be right at the beginning, but it soon becomes wrong very, very quickly.

Given the complexity and mutability of most policy systems, good decision making will need to adapt as new information becomes available – and much of that information will come from the process of decision-making itself.⁵⁹ Therefore, the people realising a policy need the capacity and opportunity to adapt it to local or changing circumstances. Indeed, as one interviewee argued, “the real challenge is can you get to a situation in which you have the people delivering the policy also responsible for designing it at the coal face, if you like.”⁶⁰ Therefore, it may make sense for many decisions to be devolved to a local level.

But decentralisation is not necessarily *always* the best solution for a policy problem. Rather, it becomes increasingly important to determine the level of system that is likely to deal best with a problem. Since central government remains the focal point for taxation and accountability, Whitehall policy makers are likely to retain a role in making such a judgment.

Moreover, Whitehall will retain a residual function of overseeing how a policy is being realised, at least until effective local accountability takes root. The goals and nature of a policy are often adapted as it is realised in practice. A policy is not just made and then executed; it is made and constantly *re-made* by multiple players throughout the system. Central government has a

⁵⁹ *Ibid*, p.178.

⁶⁰ This statement is echoed by a minister cited in Guy Lodge and Ben Rogers, *Whitehall's Black Box*, IPPR, 2006, p.37: “We need mechanisms by which we allow those delivering policy at the coal face to feed back their ideas to those designing policy. Someone working in a JobCentre Plus should be involved in policy development. We cannot think of them simply as part of the delivery arm.”

continuing role in this re-making; the alternative to 'top-down' policy making is not simply relinquishing all responsibility for public outcomes. Too much faith in self-organisation too soon may lead to problems: there is still a role for an overarching perspective and a capacity for steering.⁶¹

And system stewardship does not totally preclude the use of directive approaches and plans from central government. The point of system stewardship is that, when choosing an intervention (whatever it may be), policy makers should be thinking in terms of overseeing an overall system, rather than in terms of launching another stand-alone initiative that tries to ignore or supplant all its predecessors.

Obviously, this way of looking at policy will require a change of mindset. When adaptation happens currently, it is often in spite of – rather than because of – the way the policy is designed. Central government in the UK retains a great deal of control over money and policy decisions.⁶² When combined with a 'top-down' view of policy making, the result can be "*overly detailed policy blueprints that don't allow for the sort of flexible, real-time adjustments that often turn out to be necessary.*"⁶³ The importance of adaptation also poses problems for some policies made in the European Union, which has much more rigid amendment processes, and which can offer little leeway for implementing its regulations and directives.⁶⁴

Our analysis of 60 policy evaluations found repeated instances where an unrealistic approach had been mandated, leaving implementers with little leeway to make vital adaptations. The evaluation of the Home Office's Reducing Burglary Initiative makes this clear: "*Projects under the RBI faced a complex range of development tasks, many of which were unanticipated by both programme and project managers. A key quality that was therefore associated with the successful development and implementation of a project was adaptability.*"⁶⁵

Finally, there will be a need to move away from the notion of policy as a project with a clear start and finish, which can be managed in the same way as a construction project. However, as our report *Policy Making in the Real World* shows, the move to flexible policy pools is likely to encourage a project management approach to policy.⁶⁶

⁶¹ Geoff Mulgan, *Connexity: How to Live in a Connected World*, Chatto & Windus, 1997, pp.188-9.

⁶² Institute for Government, *The State of the Service: A Review of Whitehall's Performance, 2009*; available at: http://www.instituteforgovernment.org.uk/pdfs/state_of_the_service.pdf

⁶³ William D. Eggers and John O'Leary, *If We Can Put a Man on the Moon...*, Harvard Business Press, 2009, p.71.

⁶⁴ Wim J. M. Voermans, 'Concerns About the Quality of EU Legislation: What Kind of Problem, by What Kind of Standards?', *Erasmus Law Review*, vol. 1:2, 2009; available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1492104

⁶⁵ Home Office, *The Reducing Burglary Initiative: Design, Development and Delivery, 2004*, p. xii.

⁶⁶ "Policy-making, unlike project management, has no definite beginning and no definite end, and is ongoing rather than about achieving 'particular aim'. This failure (or reluctance) to distinguish between project management and policy-making is a critical weakness in the [Cabinet Office's] professional policy model." – Wayne Parsons, 'Modernising Policy-making for the Twenty First Century: The Professional Model', *Public Policy and Administration*, vol. 16:3, 2001, p.100.

The table below illustrates the main differences between a systems approach and past New Public Management thinking.⁶⁷

Figure 6: Implications of a systems approach

New Public Management	Strategic Systems Leadership
Top down or choice driven	Multiple drivers of improvements
Delivery chains / levers / plans	Self-improving systems
Top-down targets and initiatives	360 degree accountability
Evidence-based policy	Transparency and learning
Reductionist rationality	Evolving complexity
Direction	Leadership

In practice, policy makers often already accept the need for a more holistic and less fragmented understanding of government action. One senior civil servant expressed the need to move on from *"the idea that a piece of paper called a strategy or a policy is the response to most problems"*, and a former Secretary of State agreed that *"you can do all these policies, [but] if the system underneath is militating against them, they're not going to last"*. Government becomes less about controlling and providing things itself, and more about commissioning and overseeing the actions of others.⁶⁸

This report therefore suggests that policy makers should aim to perform a 'system stewardship' role. The 2000 WHO report introduced system stewardship as a new concept for governments involved in healthcare. The Director-General of WHO described system stewardship as a matter of *"setting and enforcing the rules of the game and providing strategic direction for all the different actors involved"*.⁶⁹ A stewardship role does not mean that government needs to fund and provide all health interventions, but set direction and ensure outcomes contribute to *"socially desired intrinsic goals"*.⁷⁰

⁶⁷ Taken from Cabinet Office, *Delivering Excellence and Fairness in Our Public Services: Why Embracing Complexity is the Key*, discussion document, 2008.

⁶⁸ There are similarities here to Geoff Mulgan's concept of the 'relational state'. See Geoff Mulgan, *The Birth of the Relational State*, The Young Foundation, 2010.

⁶⁹ Cited in http://www.who.int/health-systems-performance/sprg/hspa06_stewardship.pdf. See also: Phyllida Travis, et al. 'Towards Better Stewardship: Concepts and Critical Issues', Global Programme on Evidence for Health Policy Discussion Papers, No. 48, World Health Organization, 2002.

⁷⁰ Cited in http://www.who.int/health-systems-performance/sprg/hspa06_stewardship.pdf

There are also similarities with the European Union's move to framework directives and the open method of coordination, which set general goals and accepted behaviours, but leave Member States a great deal of freedom to adapt to national circumstances.⁷¹

Some departments are already putting system stewardship into practice. The Department of Health has worked to bring together the various organisations in the health and social care landscape as the National Quality Board.⁷² The Board works to align the 'quality system' in the NHS, to ensure that central government is managing the system coherently, and to bring clarity around the relationships between different policies. The Board explicitly aims to steward the system well, rather than leaving it to be disrupted by uncoordinated demands.

This report suggests how health system stewardship can be modified to suit the UK policy context as a whole. The following sections explain system stewardship by detailing its two main functions – judging the level of devolution and overseeing the realisation of the policy – which both inform each other.

3.2. The level of devolution

Policy makers need to realise that, for some issues, this complexity may be beneficial: an effective solution may emerge from the way different actors adapt and react to each other, rather than from a central government plan. In such cases, the aim is to harness this evolutionary approach. On the other hand, some policy issues may require a more directive approach.

Either way, civil servants need appropriate means of judging what level of devolution is most effective for the policy problem in question. Indeed, we suggest that the crucial role for Whitehall policy makers becomes stepping back and judging the level at which a policy problem should be tackled.⁷³

We suggest that there are four main criteria for making this judgment, but it can never be a purely technocratic exercise. In practice, all the criteria can – and should – be applied within the overall context of the government's beliefs about the role and responsibilities of the state, communities, and individuals.

⁷¹ Joanne Scott and David M. Trubek, 'Mind the Gap: Law and New Approaches to Governance in the European Union', *European Law Journal*, vol. 8:1, 2002, pp. 1-18.

⁷² <http://www.dh.gov.uk/en/Healthcare/NationalQualityBoard/index.htm>

⁷³ "We need to consider how whatever you create at a local level allows different players to fit together... there is a need for some sort of 'order', coordination and system at local level, as in almost all other countries". – Dan Corry, 'Localism is Dead – Long Live Localism', *The MJ*, 16 December 2010, p.14.

3.3. Risk

- Does the government action need to be 'right first time'?
- Is the priority to achieve a specific goal as efficiently or efficiently as possible, or to explore new possibilities?⁷⁴

This report argues that adaptation and flexibility can bring much greater benefit to policy making than has been realised. A recent study of US policy making likened this to the advantages of hand-held anti-aircraft guns – when trying to hit a fast-moving target, it is better for guns to fire out a stream of bullets, with the occasional 'tracer' to guide the gunner's aim. That way, it is much easier to see how effective the shooting is, and adjust for maximum effect. In other words, 'ready, fire, aim'.⁷⁵

But sometimes government needs to be right first time. To pursue the analogy, sometimes policy makers are trying to hunt a deer: one miss and the target will flee. The campaign will have failed. In such instances, the more traditional 'ready, aim fire' is a much better strategy. Then, policy makers may be justified in spending considerable effort in producing a policy design that is as good as possible. These may include safety regimes where there is little margin for error (for example, nuclear power or food production), or when there is an acute failure or crisis that needs to be addressed.⁷⁶

Our adversarial political climate can often seem to accentuate the risks associated with not getting things right first time. One of the big barriers to experimentation is the perception that a failed experiment is a political failure, and a waste of public funds (rather than saving larger sums by preventing full scale implementation of a flawed concept). In a complex and decentralised environment, the perception of policy success needs to change. Politicians and civil servants need to be more confident in defending such approaches, which also need to be reflected in the attitudes of bodies such as the NAO.

Experimentation is only part of the story, however. We also need to reconsider the notion that there is always a 'right' policy to be discovered. Policy solutions often create their own problems, which gradually displace the original difficulty.⁷⁷ Rather than delivering outputs in a linear way, the policy process is often about adapting to the unanticipated effects that public decisions

⁷⁴ In terms of complexity, this is framed as exploitation (which stresses refinement, choice, production, efficiency and execution) versus exploration (which stresses learning, experimentation, risk taking, innovation, trial and error). Duit and Galaz, 'Governance and Complexity', 2008, pp. 311-335. Also, see Chapman, *System Failure*, 2004, p.61.

⁷⁵ Eggers and O'Leary, *If We Can Put a Man on the Moon*, 2010, p.70.

⁷⁶ This is similar to Sir Michael Barber's view that "command-and-control done well can rapidly shift a service from 'awful' to 'adequate'... but command-and-control cannot deliver 'good' or 'great'" – Michael Barber, *Instruction to Deliver: Tony Blair, Public Services and the Challenges of Achieving Targets*, Methuen, 2007, p.335.

⁷⁷ We explain this concept, with reference to school testing policies, in *System Stewardship*. Regulation is an obvious example: a regulatory system fails if it does not adapt to the way actors are responding to the system it has set up. See Aaron B. Wildavsky, *Speaking Truth to Power: The Art and Craft of Policy Analysis*, Little Brown, 1979, p.62.

themselves have created.⁷⁸ This approach is already emerging in some public service areas: there is increasing interest in 'agile' IT projects that avoid the pitfalls of over-specific contracts.⁷⁹ In the future, we may increasingly see a successful policy as one that can adapt in response to the effects it produces, in order to keep sight of the overall outcome at stake.⁸⁰

3.4. Uniformity

- What is the appetite for variety and divergence in service provision?

Policy makers need to consider the appetite for divergence. For some policy areas there is none: we expect entitlements to be paid in the same way, according to the same rules, across the country. Elsewhere there is more potential for divergence, but a characteristic of the UK is the low level of appetite for variation in public service provision (even though in practice performance varies considerably), captured in the negative connotations of 'postcode lottery'.⁸¹ The low tolerance for deviation is one of the big drivers of central control.

3.5. Complexity

- Even if central government wanted to, how likely is it that central direction will be able to control the actors responsible for realising the policy in practice?
- Is the issue so complex that it is better for the system of actors to address it through adaptation, rather than specifying a solution in advance?

Applying this criterion will require policy makers to have a better grasp of the concept of complexity. For example, their judgment could be informed by an awareness of concepts such as 'tame' and 'wicked' problems. Tame problems have been encountered before, and there are reliable procedures to be followed – even if the procedure is complicated (e.g. re-fuelling a plane in mid-air). Wicked problems are unfamiliar, complex, and there is little agreement on what the resolved situation would look like, let alone how to achieve it (e.g. crime, terrorism, climate change).⁸² There is a good case for letting an adaptive system handle the complexity of wicked problems, rather than trying to specify a solution in advance.

Some departments are already applying these concepts. The Department of Health, for example, recently divided its policy work into *“technical changes where the department and its delivery partners are faced with clear issues with known solutions such as dealing with a flu outbreak”* and

⁷⁸ John, *Analysing Public Policy*, 1998, pp.25-6.

⁷⁹ Justine Stephen, et al. *System Error: Fixing the flaws in Government IT*, Institute for Government, 2011; available at: <http://www.instituteforgovernment.org.uk/publications/23/>

⁸⁰ “A systems approach suggests the need for a shift in the goals that can realistically be achieved by policy” – Chapman, *System Failure*, 2004, pp.24-5.

⁸¹ *Lyons Inquiry into Local Government – Final Report*, 2007, section 2.20; available at: <http://www.communities.gov.uk/documents/localgovernment/pdf/158589.pdf>; <http://www.ipsos-mori.com/Assets/Docs/Polls/poll-public-policy-poll-for-the-economist-may2010-topline.pdf>

⁸² A good explanation of tame and wicked problems is found in Keith Grint, 'Problems, Problems, Problems: The Social Construction of "Leadership"', *Human Relations*, vol. 58:11, 2005, pp. 1467-1494.

*“more adaptive changes in responding to less clearly defined challenges and solutions such as halting the rise in childhood obesity”.*⁸³

3.6. Capacity

- What is the capacity of the actors in the system to address the policy issue through their own agency?
- Is central government able to intervene to build such capacity?
- To what extent is guidance or direction being requested?

Assessing capacity is a major area for improvement in Whitehall: our analysis of 60 policy evaluations found that policies often misjudged the capability of those implementing a policy to perform the roles assigned to them. The judgement about capacity will clearly need to involve resources (whether fiscal, skills-based or otherwise), current routines or behaviours, and structures (for example, the presence of mayors may provide more direction to a system).

But there is also a need to recognise the sum of different demands being put on a system from various parts of government. As the Institute has previously noted, a great deal of power is centralised in Whitehall, but there is relatively little administrative centralisation in Whitehall itself.⁸⁴ The result can be a series of disconnected directives that local actors have to reconcile. While the current administration has promised to reduce direction from Whitehall, there is still a need to ensure that the courts system (for example) is not becoming overloaded by different demands – whether intentional or not.

There are various ways this judgment can be made: Finland, for example, is considering a stronger 'gateway' function in central government to coordinate messages and demands on municipalities.⁸⁵ But this judgment should be a core competency for policy makers in general, rather than being corralled into a central body. Developing this competency will require a wider awareness of how policy activity across Whitehall affects the system in question. And civil servants will need to be able to communicate their judgments about capacity clearly to ministers. If a system only has finite capacity, a minister may have to get a Cabinet colleague to scale down their policy ambitions accordingly. How capacity is used is never a purely technocratic task.

⁸³ Cabinet Office, *Listening to the Front Line: Capturing Insight and Learning Lessons in Policy Making*, 2009, p.13.

⁸⁴ Simon Parker, et al. *Shaping Up: A Whitehall for the Future*, Institute for Government, 2010.

⁸⁵ For more information on these proposals, see:

http://www.vm.fi/vm/en/04_publications_and_documents/01_publications/03_municipal/20110218Principals/name.jsp;

http://www.vm.fi/vm/en/04_publications_and_documents/01_publications/03_municipal/20110203Report/name.jsp

These criteria go to the heart of current, fundamental choices in policy making. For example, one interviewee showed how central the choice between achieving a specific goal and exploring new possibilities was to DWP:

It depends on what premium you place on innovation. JobCentre Plus cannot innovate, it's not set up to innovate, it hasn't got the culture to innovate, we don't allow it to innovate to a very large extent. So if we want innovation we can only go down their contracting paths and voluntary structured sector route.

So that's the trade off we are making. I suppose I'm saying there is a role for both. I actually think we need the innovation for the long-term unemployed, the long-term disabled, some of the lone parents who have been out of work for ten or twenty years because they have been bringing up children. These people have very personalised situations, they are often in financial debt, all kinds of other things. JobCentre Plus is not very well suited to helping those.

It's very well suited to helping relatively low skilled people be matched up with low skill job vacancies, on a fast churn basis. It's very good at doing that. And you can do that in a very process-y sort of way. And that is actually where we are pretty much going: we will deal with the people who can be helped quickly throughout prescribed process route, and the longer term ones will probably use the more innovative means.

These are important choices. But they do not constitute the sole responsibility for Whitehall policy makers, who also have a role in overseeing how policies are realised. The next section explains this role.

3.7. Oversight from central government

Central government still has a role after the policy direction, resource envelope, and level of devolution have been established. But it is not the earlier one of 'overseeing implementation' or maintaining a trajectory towards set targets. Rather, system stewardship involves policy makers overseeing the ways in which the policy is being adapted, and attempting to steer the system towards certain outcomes, if appropriate.

In practice, system stewardship consists of four aspects: goals, rules, feedback, and response. The table below gives a brief description of each aspect, illustrated by an analogy from the game of football.

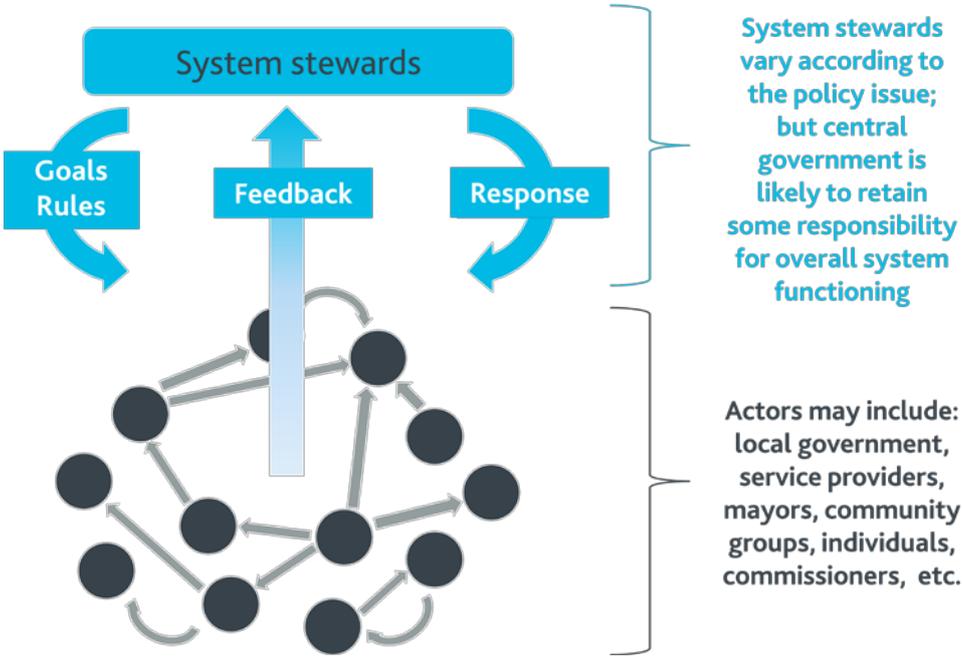
Figure 7: The role of the system steward

Stewardship role	Description	Football analogy
Goals	<ul style="list-style-type: none"> • Owning the overall goals of the policy. Assessing whether the potential outcomes of the policy are effectively changing as it is realised in practice. • When dealing with a complex system, policy makers should set high-level policy goals that are resilient to the adaptation that is likely to occur. • If a more direct approach is needed, the goals should be specific and clearly communicated. 	<p>The football manager sets an overall goal for the team: win the game. The manager does not stand on the touchline trying to direct every player's movement.</p>
Rules	<ul style="list-style-type: none"> • Setting the framework and boundaries for the actors in the system. • For complex systems, the best tactic will usually be to create a set of basic 'rules of the game' to guide actors and specify boundaries that cannot be crossed. • The rules may be more formal and extensive where greater control is appropriate. 	<p>The game has a set of basic rules: do not use hands, do not take the ball outside a set area. Apart from these basic rules, the players have freedom. The manager does not tell them to do exactly the same thing each time they receive the ball.</p>
Feedback	<ul style="list-style-type: none"> • Understanding how the policy is emerging in practice. • Assessing progress towards the policy goals; identifying problems that central government could help resolve; judging the effects of the adaptation that may be occurring. • Greater awareness of complexity will encourage more informal, inquiring attempts to understand how the policy is being realised – rather than simple performance monitoring. 	<p>The manager watches the game and sees how it is playing out in practice. The manager watches different parts of the game and tries to see how the team is working together overall.</p>

	<ul style="list-style-type: none"> • Even when it is not desired, the existence of adaptation should be fully recognised and its negative effects addressed. 	
Response	<ul style="list-style-type: none"> • Reacting to feedback. The nature of the response will vary according to the role central government is assuming. • Policy makers may attempt to steer the system using advocacy, changing incentives or prices, nudging system users, or creating greater transparency. • If appropriate for the issue or system, policy makers may also use direct intervention to address problems. 	<p>In response to the game, the manager may change the team’s tactics or formation; substitute one player for another; issue instructions to particular players; give a motivational talk at half time.</p> <p>The manager tries different responses and watches for the effects that ensue.</p>

The diagram below shows how these different roles come together.

Figure 8: System stewardship in practice



The following sections explain each of the four aspects in more detail.

3.8. Goals

In our research, both ministers and civil servants agreed that a clear sense of direction was essential for good policy making. At the start of their tenure, ministers need to identify the high-level policy goals they wish to pursue while in office. If ministers are unclear about the goals, the civil service should actively work with them to formulate them. The civil service should have the capability to help the minister develop these goals, by providing a coherent account of the main issues facing the department, based on a high-quality, frequently-updated evidence base.

If the policy problem is complex, then these goals need to be sufficiently strategic or high-level that they can provide continuity and a clear direction for the system, e.g. 'improve social mobility' or 'reduce carbon emissions'. In other words, these goals should be high-level enough to be resilient in the face of the adaptation that is likely to occur. As one civil servant argued, "*coming up with the perfect policy which isn't resilient, I mean it's just like building it in glass, isn't it?*"

Since policy implementation is often complex, continually presenting new priorities and tinkering with the details from the centre is likely to be ineffective, and cause problems. Rather than individual new initiatives, there is need to see policy as a collection of activities working to overarching goals. Policy makers can act as 'gatekeepers' to the system and try to ensure it is not overloaded with too many specific priorities, but rather retains a clear sense of direction.

When reflecting on their experience, ministers say something similar. Our interviewees often stressed stress the need to focus on two or three priorities. The key, as one said, was

Resisting, expect in the most extreme cases where it will be necessary, the pressures of day to day events, to chop and change and to substitute new bills, new policies, new initiatives to satisfy the whims of the wheel of fortune and keeping this focus on the strategic.

Experience shows that policies can run into trouble if they do not maintain a focus on their overall goals. For example, over the past 25 years the government has created a regime of tests for school pupils to address underperformance. Reporting on the policy, the Children, Schools and Families Select Committee concluded that "*the weight of evidence in favour of the need for a system of national testing is persuasive and we are content that the principle of national testing is sound*" – but that the policy also contains the "*potential to distort its original purposes*".⁸⁶

Indeed, there is evidence that, over time, the testing regime began to lose effectiveness and generate more adverse consequences.⁸⁷ As a former minister of state reflected:

⁸⁶ Children, Schools and Families Committee, *Testing and Assessment*, 2008, para 21 and para 25; available at: <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmchilsch/169/169.pdf>

⁸⁷ Matthew Taylor giving evidence to the Public Administration Select Committee, 16 October 2008; available at: <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpublicadm/c983-ii/c98302.htm>. In 2008, the testing burden was significantly cut: <http://www.guardian.co.uk/education/2008/oct/15/sats-schooltables>

The obsession we got into with these blessed targets on the Stage Two tests... I can remember being in meetings where this year's figure would come in on a bit of paper, you know, it was so important, was it 77 or was it 78... You can always make an incredibly visionary, long term statement but actually the unintended consequences of some of those policies that were adopted, and therefore the policy work that had to be done to implement them, were not forward looking and were constantly about the next set of statistics. So I suppose it was a bit like the teachers, you know teachers teaching to the tests, ministers sort of developing policy to the test.

In other words, policy solutions create their own effects, which gradually displace the original difficulty.⁸⁸ The policy makers did not ensure that the system they had created was continuing to focus on the overall outcome, and instead became fixated on the targets. As Oliver Letwin (now Minister of State for Government Policy) has put it, "*many problems that you didn't anticipate arise, many adjustments are required and what matters therefore is whether you have a coherent and consistent view of what you're trying to achieve in the round*".⁸⁹ But the government as a whole also needs a coherent and consistent view of the goals it is trying to achieve. As the Institute argued in its report *Shaping Up*, there remains a need for an effective whole of government strategy.⁹⁰

There are, however, some barriers that will get in the way of adopting and sticking to high level goals. First, it means that ministers will need to forswear the temptation to announce and introduce the sort of eye-catching initiatives that make political headlines – there will be a premium on consistency from the top. Second, they will have to have the courage to let go and let the system evolve with some rough edges. But there is a prize as well: if the emphasis of policy debate shifts from the detail to the high level goals, there should be more scope for allowing sensible adaptation without any change being denounced as a U-turn and seen as a sign of political weakness.

3.9. Rules

Although they are difficult to control, the actors within complex adaptive systems generally guide their actions by a core set of rules. Although the sum of all the behaviours may be complex, the agents themselves may be following relatively simple rules.⁹¹ Therefore, rather than prescribing every action, Whitehall will be better off setting a few such rules for actors - who will then act and adapt to further their own self-interests.⁹²

⁸⁸ Wildavsky, *Speaking Truth to Power*, 1979, p.62.

⁸⁹ Oliver Letwin's speech to Institute for Government, 11 January 2010; available at: <http://www.instituteforgovernment.org.uk/pdfs/oliverletwinspeech.pdf>

⁹⁰ Parker, et al. *Shaping Up*, 2010.

⁹¹ John H. Holland, *Hidden Order: How Adaptation Builds Complexity*, Perseus Books, 1995; John H. Holland, *Emergence: From Chaos to Order*, Oxford University Press, 1998.

⁹² "Policy making and public governance can also, more ambitiously, involve 'planning the rules of the game', so as to influence the ways in which complex adaptive systems operate, and thereby the range of outcomes which are likely." – Tony Bovaird, 'Emergent Strategic Management and Planning Mechanisms in Complex Adaptive

These rules may consist of:

- **Incentives.** Incentives to achieve certain policy goals, which give actors freedom over the approach and methods used. Most current interest in this approach focuses on 'payment by results'. For example, DWP's new Work Programme will "*leave maximum flexibility for the bidders to develop innovative tenders which meet the needs of specific localities*", while "*structur[ing] payments to incentivise sustained job outcomes*".⁹³ These incentives can be opened up to a wide range of potential actors: for example the first Social Impact Bond has recently been launched, with the policy goal of reducing re-offending in Peterborough prison.⁹⁴ As the Institute has recently explained, the expansion of payment by results will require new skills, better coordination, and transparency.⁹⁵
- **Principles.** The guiding principles that, if observed, will help actors advance towards the policy goal. For example, the new Carbon Plan states that "*within the overarching framework set by the Climate Change Act, the Government is committed to a number of principles that will guide our approach*". These include: taking a whole government approach; being fair; being facilitative (setting legal and market frameworks); being outward-looking (demonstrating commitment to other countries).⁹⁶
- **Boundaries.** Setting out the (few) lines that actors should not cross, even though they have freedom in other respects. For example, setting the fair access rules for universities and putting the upper limit on fees.
- **Minimum standards.** Similarly, the system steward could allow actors a significant level of freedom to fulfil a goal, as long as certain standards or responsibilities are fulfilled. The minimum standards approach was a major part of the recent *Excellence and Fairness* reform agenda.⁹⁷ But the number of standards, and the way they are policed, will vary according to the complexity, capacity and risk criteria outlined above. In general, an intricate set of standards and an intrusive monitoring regime is likely to be increasingly ineffective for a decentralised world, as noted above.

Systems: The Case of the UK Best Value Initiative', *Public Management Review*, vol. 10:3, 2008, pp.324-5. Rhodes and MacKechnie, 'Understanding Public Service Systems', 2003, p. 80.

⁹³ Department for Work and Pensions, 'The Work Programme: Providers and Contracting Arrangements', written evidence to the Work and Pensions Select Committee, 2010; available at: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/writew/providers/wp20.htm>

⁹⁴ For an explanation of Social Impact Bonds, see <http://www.instituteforgovernment.org.uk/blog/1662/social-impact-bonds-a-beginner%E2%80%99s-guide/>. For more information about the Peterborough prison bond, see: <http://www.onesib.org/>

⁹⁵ Moss, *State of Commissioning*, 2010; available at: http://www.instituteforgovernment.org.uk/pdfs/the_state_of_commissioning.pdf

⁹⁶ HM Government, *Carbon Plan*, 2011; available at: <http://www.decc.gov.uk/assets/decc/What%20we%20do/A%20low%20carbon%20UK/1358-the-carbon-plan.pdf>

⁹⁷ HM Government, *Excellence and Fairness: Achieving World Class Public Services*, 2008.

- **Means of engagement.** Giving actors freedom from central control, but setting up structures that require them to respond to demands from elsewhere – for example, from the local area or civil society groups. To successfully meet a complex policy goal, it is likely that actors will need to innovate (i.e. try new approaches), and co-produce (i.e. engage the public to develop these new approaches).⁹⁸

3.10. Feedback

There are multiple feedback loops and, in a decentralised system, many of those feedback loops have no need to pass through central government – indeed, that should be an advantage. In fact, a crucial task for policy making in central government may be to create a framework that allows different actors to gain feedback and thereby resolve policy questions. For example, the policy maker may encourage peer-to-peer accountability mechanisms whereby professionals hold their colleagues to account.

But central government will still need to get some feedback on the effects of its policy decisions – even if the feedback is informal, and even if these decisions are simply setting the framework for others to do most of the work. Policy makers will have to pay more attention to the informal feedback coming from the public and policy actors to get a sense of how the system is coping, and help ease problems before they reach a tipping point. For less complex systems, feedback may allow policy makers to get a clearer sense of progress towards specific policy goals. Civil servants would then be able to give their ministers a more accurate account of progress.

Of course, the call for feedback or monitoring is not new. Many policy makers we interviewed thought there was a big disconnect between policy formulation and implementation, leading to little sense of what has happened to a policy ‘on the ground’.⁹⁹ But we also heard examples of how feedback was integral to good policy making:

[A success factor is] the fact that we have got very short feedback loops... [which means] you can trial, innovate, learn very quickly, adapt and change because even with very, very good policy making, it is very hard to take account of all the different delivery contexts. (Senior Civil Servant)

Early management information is important... The stewardship role that I talked about enables you to respond quickly to signals from your delivery chain, about the snags in the system that need sorting or fundamental things that need resolution. You can respond quickly to those. You can also pick up good early qualitative information and actually that’s available more quickly than your quantitative stuff. I think we should do more of using that to reflect back and tell the story about how the policy is working. (Senior Civil Servant)

These statements are still mostly based in the paradigm of the centre coming in to fix problems and put a policy back on track. But in the future, feedback is likely to be less about the centre

⁹⁸ Christian Bason, *Leading Public Sector Innovation: Co-creating for a Better Society*, Policy Press, 2010.

⁹⁹ Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011, Chapter 5.

monitoring to see whether implementers are deviating from a prescribed top-down outcome. Rather, when central government looks at how the system is working, it needs to have a greater understanding that adaptation will occur without central government intervention, with potentially positive effects.

Conventional performance indicators are poorly suited to a world of increased complexity and unpredictability. Performance indicators usually only measure the developments that are foreseen in rational policy plans. They will often fail to register the unexpected changes that are emerging from a system, cope poorly with the non-linear progress that comes from complex systems, and do not represent the tradeoffs that actors may have to make.¹⁰⁰

In contrast, policy makers will need to develop more flexible, inquiring approaches to gaining feedback. This will require a more sustained engagement with a policy area, good relationships with stakeholders in order to get their perspectives, and the ability to perceive patterns that may indicate future changes – while understanding progress may be non-linear. The successful policy maker of the future needs to be the person who can search out experience and ideas, network, facilitate, and understand complexity. Instead of being based solely around individual projects and initiatives, central government policy making will need to take a more sustained approach to understanding progress.

For example, policy makers need to understand how ‘implementers’ can actually re-organise many aspects of a policy, rather than just executing a set goal in a set way. Actors in a system may actually be looking for opportunities to change the ‘rules of the game’ themselves – this is not the sole privilege of those overseeing the system. During the Best Value initiative, Sunderland’s local authority decided to choose the ‘e-enablement’ of its services for young people as a corporate priority. Central government contested this move, on the basis that it was not a national priority; but Sunderland went on to attract widespread praise for its work. When the existing performance regime broke down, its replacement gave Sunderland a top score and highlighted the local authority as an example of best practice.¹⁰¹ Sunderland had succeeded in influencing the rules of the system to their strategic advantage.

Central government is likely to have a more active role in learning and innovation than it will in monitoring. Greater adaptation and experimentation by those realising policies could lead to much greater information about what works. Central government could act as a repository of the evidence and ideas that these activities generate, or enable connections between actors – without mandating a particular approach. This vision depends on a more flexible, inquiring and independent breed of evaluation.¹⁰² Given the speed at which changes can occur in a complex system, the tactic of multi-year pilots followed by formal evaluation is unlikely to fit the bill.

But even with regards to learning there is the potential that the centre will play less of a role. Rather than localities reporting to the centre so it can determine ‘what works’, the question is

¹⁰⁰ Gash, et al. *Performance Art*, 2008.

¹⁰¹ Tony Bovaird, ‘Emergent Strategic Management and Planning Mechanisms’, 2008, pp. 319-40.

¹⁰² See Hallsworth, Parker and Rutter, *Policy Making in the Real World*, 2011.

more likely to be: “*what works, for whom, when and how? Or: what kind of evidence works for what kind of problem / policy in what context, and for whom?*”¹⁰³ Given that challenges and contexts may vary greatly across the country, what works in one area may not work in another – government may not be able to act as ‘experimenter for the nation’.¹⁰⁴ Rather, it may offer conditional knowledge about what *may* work. Indeed, the centre may end up not being involved in the learning process at all. The Minister for Civil Society has voiced the ambition that “*it won’t be long before we see significant public sector reforms spreading from one part of the country to another, without ever having appeared in a government Green or White paper.*”¹⁰⁵

Perhaps the biggest challenge for policy makers at the centre will be to establish the boundaries of the system on which they are getting feedback. Many problems that government confronts are interconnected and, as noted above, the effects that government actions produce are often interlinked.¹⁰⁶ How widely should policy makers cast their net for feedback?

Making this judgement is a key task for government, but it is not such a new one. Governments have long had to make decisions about how to impose clear responsibilities (e.g. the restructuring of departments) and rules (e.g. social care is means tested but health care is not) onto messy realities.¹⁰⁷ Policy makers may be able to make better-informed judgments through understanding complexity, and should be able to network across Whitehall to aggregate information, but at some point they will need to make a judgment call about where to draw a line.¹⁰⁸

3.11. Response

So, policy makers set goals and rules, and discover how the system is reacting. The final part of their role is to respond to the feedback as part of their overall stewardship of the system. A more traditional view of policy making sees such responses as correcting for ‘drift’ from an original plan; under Labour, this became driving performance along a set trajectory.¹⁰⁹ In the future, policy makers will increasingly find themselves trying to steer a system without using direct control. There are various way this could be done:

Advocacy or signalling. Ministers could use their position to indicate what course of action they would prefer, while leaving the actual choice to actors in the system. In other words, they are giving a signal to the system. For example, the English Baccalaureate has recently been introduced to the education system. Schools are ranked on how many pupils achieve the

¹⁰³ Wayne Parsons, ‘From Muddling Through to Muddling Up: Evidence Based Policy Making and the Modernization of British Government’, *Public Policy and Administration*, vol. 17:3, 2002, p.57.

¹⁰⁴ Donald A. Schön, *Beyond the Stable State: Public and Private Learning in a Changing Society*, Penguin, 1973.

¹⁰⁵ *Public Servant*, September 2010, p. 4. This is similar to the “periphery to periphery learning” advocated in Schön, *Beyond the Stable State*, 1973.

¹⁰⁶ Parker, et al. *Shaping Up*, 2011.

¹⁰⁷ See Anne White and Patrick Dunleavy, *Making and Breaking Whitehall Departments: A Guide to Machinery of Government Changes*, Institute for Government and the London School of Economics, 2010.

¹⁰⁸ Kay, *Obliquity*, 2010, Chapter 11.

¹⁰⁹ Barber, *Instruction to Deliver*, 2007.

Baccalaureate – an A* to C grade in English, maths, two science qualifications, a foreign language and either history or geography.¹¹⁰ Schools are not compelled to offer subjects that qualify for the Baccalaureate, but they will appear lower in public rankings if they do not.

The advantage of such signals is that they allow the political values of an elected representative to guide a system – in this case, the Secretary of State’s belief that more traditional, academic subjects are valuable. Education is never an entirely technocratic endeavour. The risk with such signals is that they are seen as concealed coercion: while actors are technically free, they are still effectively acting under duress. For example, there is evidence that past attempts to give pooled budgets to local government were undermined because actors still felt that the contributors were expecting certain activities to be performed, and might cut their contributions if their priorities were ignored.¹¹¹

Changing rules, resources and incentives. Rather than telling agents to carry out certain tasks, policy makers may change the rules of the game they are playing. One obvious way of doing this is by increasing transparency: actors are still free to spend money how they desire, but these decisions are opened up to question and challenge. As the Permanent Secretary at the Department of Education puts it: “*You don’t require behaviour in a particular way, but you put incentives in, you provide encouragement, you provide lots of data, you make transparent the worst price a school has ever paid for a photocopier against the best price a school has paid.*”¹¹² Other rule changes are possible: the Communities Secretary has now made the Local Ombudsman’s decisions legally enforceable, for example.¹¹³ In other cases, policy makers may change resources available or change the incentives for those in the system.

Nudging system users. The demands and opinions of the public greatly affect the way systems function. Therefore, a system can be steered by influencing its users. Recently, there has been increasing interest in new evidence about how we behave, and the potential for government to apply these insights to policy making.¹¹⁴ The Institute has previously set out how policy makers can incorporate the principles of social psychology and behavioural economics into their activities.¹¹⁵

Capacity building. System stewards are likely to rely increasingly on the ability of organisations to adapt and respond to their environment. But the feedback from the system may indicate that actors do not have the capacity to cope with the role they are being asked to play. In response, central government may wish to intervene to increase actors’ ability to adapt and self-

¹¹⁰ <http://www.education.gov.uk/b0068570/the-importance-of-teaching/curriculum/english-baccalaureate>

¹¹¹ Gash, et al. *Performance Art*, 2008, p.75.

¹¹² David Bell speaking at Civil Service Live, 7 July 2010; available at: <http://network.civilservicelive.com/pg/pages/view/405325/>

¹¹³ <http://www.communities.gov.uk/news/corporate/1688109>

¹¹⁴ See Richard H. Thaler and Cass R. Sunstein, *Nudge: How to Improve Decisions About Health, Wealth and Happiness*, Yale University Press, 2008.

¹¹⁵ Michael Hallsworth, et al. *MINDSPACE: Influencing Behaviour Through Public Policy*, Institute for Government and Cabinet Office, 2010.

improve.¹¹⁶ Policy makers may need to develop the skills to help organisations approach their environment in a more flexible and responsive way (at which point policy making begins to overlap with organisational development).¹¹⁷

Connecting and catalysing. While gaining feedback about the system, policy makers may realise that useful insights or practices are present in some areas or networks and not in others. Policy makers could attempt to help these practices spread by enabling connections to be made between different actors. Policy makers should be aware that many practices spread through social networks, and especially between similar parties (this is known as homophily).¹¹⁸ Policy makers may also catalyse actors to search out new practices by shifting incentives to encourage innovation. Guidance should generally be reserved for essential actions, rather than as a means of spreading 'best practice'.

Direct intervention. Finally, there will still be scope for central government to direct the actions of those in a system. When government needs to respond quickly and get it 'right first time', the benefits of directive action will outweigh the costs. But policy makers need to be realistic about the level of control they will be able to exert over those in the system.

There are various ways of steering a system. Many of them involve exerting influence rather than trying to directly control actors, and they have often been seen in terms of a general move by the centre to 'give away power'. But power is not simple: it has long been recognised that persuasion may actually be more powerful than force, particularly in democracies.¹¹⁹ As these techniques are applied in the future, it will be essential to assess how effective they are proving.

¹¹⁶ James Wilsdon and Tom Bentley, *The Adaptive State*, Demos, 2003; available at: <http://www.demos.co.uk/files/HPAPft.pdf>

¹¹⁷ See Office of the Deputy Prime Minister, *An Organisational Development Resource Document for Local Government*, 2005; available at: <http://www.communities.gov.uk/publications/localgovernment/organisationaldevelopment>

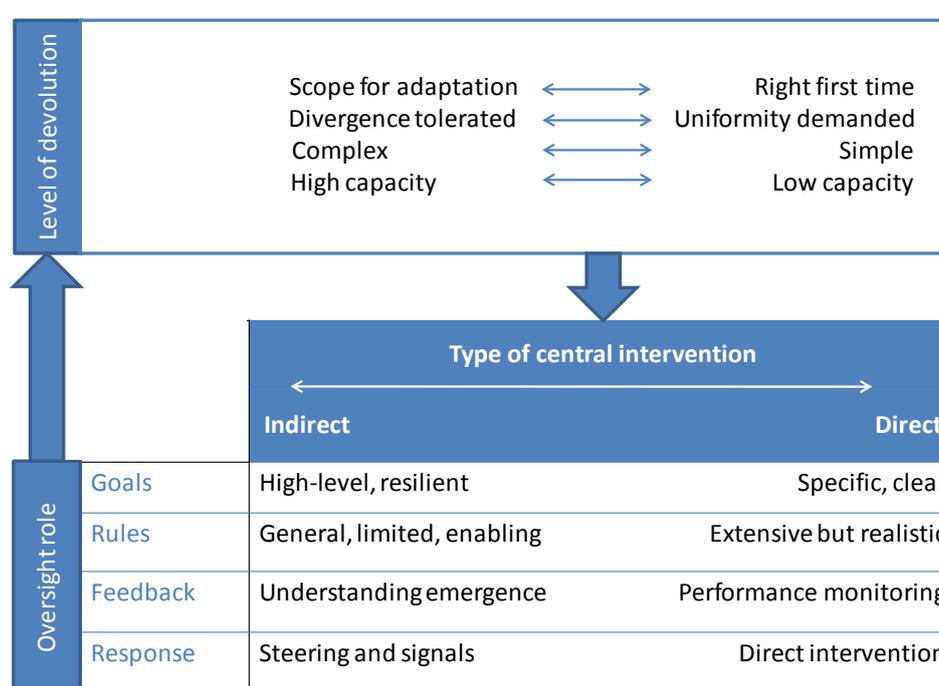
¹¹⁸ Christakis and Fowler, *Connected*, 2009; Everett M. Rogers, *Diffusion of Innovations*, Free Press, 1995.

¹¹⁹ Alexis de Tocqueville, *Democracy in America*, trans. Henry Reeve, Saunders and Otley, 1835.

4. Conclusion

Adopting system stewardship does not automatically bring with it a certain set of interventions. Rather, policy makers need to consider the nature of both the system and the policy problem, and select their approach accordingly. System stewardship is the overall context within which payment by results or nudging takes place. The figure below summarises how this process could work:

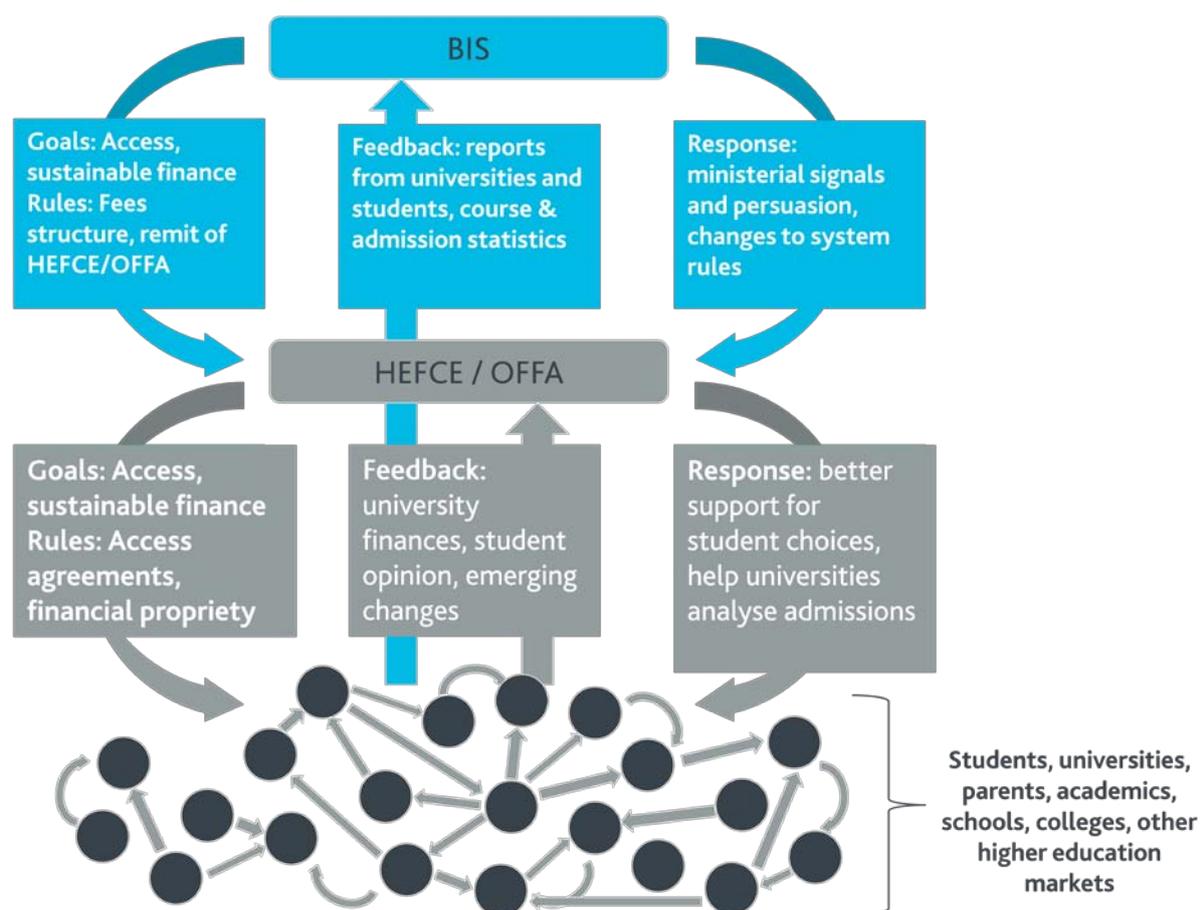
Figure 9: Selecting the policy approach



The task of system stewardship is about making structured judgments. With regards to the diagram above, if the judgments about the level of devolution fall mainly on the left-hand side of the scale, then it is likely that a more indirect approach to overseeing the system will be needed. But this is not a one-off decision – the experience that system stewards get from their oversight role will feed back into future judgments about the appropriate level of devolution, as the arrow on the left indicates.

Of course, central government may not be the only actor that performs a system stewardship role. Other bodies may have responsibilities for overseeing part of a system, or may fulfil the oversight roles in a more specific way. But central government is likely to retain responsibility for the system as a whole. The diagram below shows how the current higher education system operates on a similar basis.

Figure 10: System stewardship in the current higher education system



Source: IfG

System stewardship can seem a complicated or abstract notion. But in fact it represents an approach that has been present in successful policies of the past. For example, the fact that the Low Pay Commission was established as a standing body (rather than a one-off) was seen as a major success factor in the adoption of the national minimum wage, since that enabled the Commission to “*evolve an incremental and adaptive approach [which] meant it could solve issues over time and start with relatively modest proposals, see the impact and then adjust*”.¹²⁰ It was a marked contrast to the approach that had appeared in earlier manifestos – of simply setting the minimum wage at a fixed ratio to male median earnings.

The government is trying a similar approach on carbon emissions, the subject of another of our policy reunions. Rather than trying to specify year-by-year targets for carbon emissions, the Climate Change Act specified an overall goal for 2050 and then set up a ‘stewardship’ structure in the form of the Climate Change Committee to oversee progress towards the government’s goals.¹²¹ Participants in our policy reunion pointed to the framework that emerged, rather than

¹²⁰ http://www.instituteforgovernment.org.uk/pdfs/IfG_policymaking_casestudy_minimum_wage.pdf

¹²¹ http://www.instituteforgovernment.org.uk/pdfs/IfG_policymaking_casestudy_climate_change.pdf

the specific recommendations, as the main success – though it is too early to judge whether it is robust enough to deliver the changes required to meet the very ambitious targets.

System stewardship does not suggest entirely new practices, but it does suggest a more cohesive way of understanding and applying them. The need for such an approach is only likely to increase as the task of governing in Britain becomes more challenging, complex and unpredictable. Developing effective system stewardship is itself likely to involve experimentation, adaptation and improvement – and therefore we welcome any feedback from all those involved in policy making at all levels on the ways in which these principles could be expanded, refined or reinforced.

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