The system entrepreneur

Ian Burbidge explores a different approach to public sector reform

Gus O'Donnell explains that policy based on wellbeing unlocks efficiency

Emma Byrne on why swearing is actually good for society

ALTERED STATES

*To tackle the challenges faced by our
public services, we need to learn to think
like a system and act like an entrepreneur*

by Ian Burbidge
🐦 *@ianburbidge*

As office workers and schoolchildren were hard at work on the afternoon of 12 May 2008, a 7.9 magnitude earthquake struck Sichuan province in China. The effects were devastating: over 87,000 died or went missing, 4.8 million were left homeless and the cost of rebuilding amounted to $137.5bn. But the earthquake also had an impact researchers did not expect: a dramatic increase in the divorce rate. Academics have speculated that the physical instability of the earthquake translated into a cognitive and emotional destabilisation at an individual level; indeed, psychologist Amanda Forest called her paper on the phenomenon *Turbulent Times, Rocky Relationships*. It turns out that our thoughts and behaviours can be triggered by changes in our environment and the physical sensations they generate.

It is difficult to imagine a more uncertain and insecure environment than a post-earthquake zone. One moment, people's lives are relatively stable and routine, the next they are literally shaken up and nothing they previously took for granted can be relied upon. People are forced to rediscover a capacity for self-help and reciprocity. In a famous study first published in the 1960s, American scientist Charles Fritz found that communities typically responded to sudden calamity by focusing on the common good and that, paradoxically, levels of wellbeing often increased. We hear stories of looting and shooting, but much more common is mutual support and generosity. In the face of crisis a crucial issue is our loss of control and our attempt to restore it. A *perceived* lack of control appears to be the critical factor in how people respond to events.

In modern Britain we are fortunate to largely avoid major natural disasters. The contextual challenge we have is more subtle and societal and yet, as we saw in the Brexit vote, people still yearn to 'take back control'. We may

IAN BURBIDGE IS
RSA ASSOCIATE
DIRECTOR, PUBLIC
SERVICES AND
COMMUNITIES

not suffer the profound, life-threatening fear and dislocation of disaster victims, but millions of our fellow citizens are beset by economic insecurity – uncertainty around the stability of one's access to work, income and savings. Researchers from the University of Virginia have even shown a causal connection between economic insecurity, physical pain and pain intolerance. It literally hurts to be economically insecure.

The fact that a single event, albeit one as destructive as an earthquake, can lead to a number of outcomes that are not obvious or predictable, such as the spike in divorce rate or an increase in community spirit, offers a window on some of the challenges inherent in delivering 21st century public services. But how do we plan policies and services in a world characterised by growing complexity and uncertainty that generates a range of unpredictable consequences? Even if we put aside some of the more speculative futurist predictions, a society increasingly driven by technology will see continuous change in the economy, human relations and our sense of identity. In areas such as employment we have seen the loss of traditional manufacturing, the rise of knowledge work, and increasing rates of in-work poverty. Globalisation and migration continuously disrupt the meaning of geographical distance in our lives. And both shaping and being shaped by these trends we see a society where power, wealth and opportunity are overly concentrated.

Compounded by deep social, economic and political divides too many people feel they have lost control of their lives, something that is reflected in high levels of anxiety and alienation. Those who have experienced a sense of community in the past bemoan its loss. Meanwhile, the state seeks both to withdraw entitlements and services while also being increasingly controlling in many of its relationships with citizens. The consolidation of power in the hands of public service experts and institutions reinforces disempowerment and a reduced sense of personal agency

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"PUBLIC SERVICES REMAIN LARGELY BASED ON OUTDATED MODELS"

or control; people feeling that things are done 'to' them, not done 'with' them. The state is too hierarchical, the market too lopsided, and rich educational experiences are unevenly distributed.

If the picture painted here is a reasonable reflection of a generally felt experience, are our governance arrangements and the policy that flows from them up to the task? The fear has to be that they are not and for very good reason. They are not sufficiently responsive, adaptive or persuasive. The question for public administrators and policymakers remains: how to change their practices to effectively cope with the complex dynamics of the 21st century.

Since the late 19th century, the theory and practice of public administration has failed to keep up with the pace of social change. Services that were originally conceived to tackle the issues of industrialisation and urbanisation through the professionalism and knowledge of public servants remain bureaucratic and hierarchical in their design and delivery. For 30 years, reformers sought to attack paternalistic and inefficient bureaucracy with the market-oriented tools of New Public Management. Its origins were in economic theory and the efficiency improvements that Frederick Winslow Taylor brought to manufacturing in the early 20th century by breaking the production process down into its constituent parts, controlling for variation and managing by numbers. This reform agenda used incentives, targets, markets and sanctions as their primary levers of improvement, underpinned by the assumption that citizens as consumers would act rationally in their own self-interest in response to a choice among providers.

The outcome of that expensive and often demoralising global experiment is now pretty clear – overwhelmingly, it failed. For all that New Public Management was able to create a clearer output focus in public services, as a hierarchical and unyielding tool it reinforced silos of delivery, left professionals disempowered, created perverse incentives as targets drove organisational focus, and crowded out creativity and innovation.

Could a new approach enable public services to adapt to an environment of complexity, uncertainty and nonlinearity? The RSA is experimenting with a framework and it has two core imperatives. First is to recognise the complexity involved in understanding the bigger picture. Second is to seek a flexible, iterative response to this complex and uncertain social context, pinpointing and pursuing opportunities for sustainable policy change that will make a difference to people's lives. At the RSA, we call this method 'think like a system and act like an entrepreneur'.

Complex societal problems have a number of features. They can be highly individual and may require relational support, for example frailty and loneliness, unemployment, mental health or imprisonment. They can be highly political, requiring important ethical or material trade-offs, and therefore the deliberation and mobilisation of legitimacy. For example, answering questions of where to locate new houses and roads, whether to preserve the green belt or whether to approve licensing applications. They can also be 'wicked', with multiple causes interacting in unpredictable ways – issues such as obesity, criminality and homelessness – which require the alignment of a broad set of actors to effectively address them.

Complex systems exhibit nonlinear and often unpredictable change. Indeed, the insight of Edward Lorenz's 'butterfly effect' is that it is hard to predict whether a small change in a complex system will have a big effect, no effect or something in between. As retired general Stanley McChrystal states in his book about rules of engagement in a complex world, "attempts to control complex systems by using the kind of mechanical, reductionist thinking championed by thinkers from Newton to Taylor tend to be pointless at best or destructive at worst". When translated into public sector institutions, Taylor's command and control thinking fragmented service delivery and reinforced a hierarchical authority whose role, argues occupational psychologist John Seddon, was to "give instructions (specifications and targets), monitor, control, reward and punish".

Public services remain largely based on outdated models that assume a linear relationship between inputs, outputs and outcomes and that change is best achieved by pulling the big levers of central government: legislation, tax and spend, and earmarked funding streams. The legacy of this deeply ingrained thinking is the idea that if only we can properly understand an issue, and perfectly design a response, the problem will be solved. These responses are too rigid, path dependent and pre-ordained and consequently do not readily enable a systemic view of a particular challenging social issue to be taken.

This is where decades of public service reform based on a New Public Management mind-set has led. At its worst, it has compounded the problem of paternalism, the assumption that the professionals or bureaucrats know best, and therefore that the frontline staff and citizens should accept what they have to offer. Crucially, this failure to recognise that individuals are experts in their own lives raises the question of how we support effective engagement with people and communities in order to rebalance the provider-receiver power dynamic.

Without a rebalancing, public services could well remain ill-suited and unresponsive to the complex and networked world we live in. In many places, public sector staff are actively trying to effect this rebalancing while working within the constraints of an inflexible system. They are often those closest to the

front-line and the most likely to recognise that these issues cannot be tackled by their own organisation working alone. As one local authority attendee at a recent RSA event said: "If you look at the projections for the next few years, I don't think there is any other way than working as a system." To be able to work as a system we must, therefore, think like a system; however, this alone is not enough if we are to make real change in the world.

MOBILISING FOR CHANGE

At the RSA we have been adapting a framework based on anthropologist Mary Douglas' cultural theory, which recognises that any change needs to take account of the different sources of power in any social setting. These are the power of the individual, driven by incentives to act; the power of the group, driven by solidarity based on shared values and norms; and the power of the hierarchy, driven by the policy and rules of those in authority.

To be successful, any attempt to tackle a social issue, introduce a new policy or to reform public services needs to take account of these power dynamics. Our critique of New Public Management is that it tried rigidly to use individual incentives to achieve hierarchically defined and imposed ends. In doing so, it effectively crowded out much of the intrinsic motivation, personal agency and solidarity that many public sector employees share. Because

the hierarchy was unable to see and understand the system adequately, the individual incentives prevented staff from responding entrepreneurially to the day-to-day challenges they face. As a result, the system focused on those particular challenges for which targets had been set.

This arguably lead to some successes while resources were flowing, for example on NHS waiting times, although this was not without its controversies, as John Seddon points out in his book about system thinking in the public sector. Processes were geared to meeting hierarchically imposed targets rather than achieving comprehensive and adaptive goals that aligned with the needs of patients. Solidaristic power between services, the voluntary sector and the community remained under-developed. Fundamental system change, for example merging local social and acute care, was far less successful. All of this was compounded when a new government embarked on yet another top-down reorganisation. The NHS has not been able to recover.

Although achieving change is difficult, there are points in time when it becomes more likely. The Sichuan earthquake is an extreme example of an opportunity that occurs when the stability of our social systems and day-to-day existence is disrupted, what we term a 'social moment'. The challenge is that we need to be able to respond to the opportunity when it arises. **»**

An individual recovering from a heart attack due to an unhealthy lifestyle has an opportunity to change habits. But do they respond to this incentive or carry on as before? A community reeling from a spate of muggings of older people has an opportunity to mobilise collective action. Does this challenge the community's values sufficiently to lead to action or do they ignore the problem? An organisation responding to acute service failure has an opportunity to reform. Does new leadership use their authority to drive change or turn a blind eye?

Social moments are the point at which the existing balance between the power of the individual, the community and the hierarchy can be shifted to a new equilibrium. It does not require a perfect plan; it does mean that in many instances we need to take a risk, to step out into the unknown and respond to what we find. To read and react positively to these moments, in our own lives, in our communities, in our institutions, is to be entrepreneurial. This is not easy within public services, as businessman and politician Michael Bloomberg notes: "In medicine, or in science, [if] you go down a path and it turns out to be a dead end, you really made a contribution, because we know we don't have to go down that path again. In the press, they call it failure. And so people are unwilling to innovate, unwilling to take risks in government."

There are therefore fundamental barriers to the long-term adoption of innovation and different modes of working. They form an 'immunity to change', a term coined by Harvard professor Robert Kegan, which arises when institutional norms and systems combine to ensure that the status quo is maintained. Analysis of the systems that sit beneath cultural norms reveals further barriers, such as procurement rules, incentives, contractual arrangements or individual status. Those seeking to make change from within the system need resilience and emotional strength to counter this immune response.

The 2016 film *Hidden Figures* tells the story of Dorothy Vaughan, who worked at NASA in the 1960s as the space agency attempted to get a human into space and safely back again. She ran the computational team, which was likely to be disbanded when a new IBM mainframe computer was installed to do their work. But rather than see this change as a threat, she got hold of a book on Fortran programming, first teaching herself, then her team, how to use the computer. By the time NASA realised it needed people to program and operate the computer, her team were ready to embrace the opportunity. She had the individual agency to act, was able to mobilise her team, fostering a sense of group solidarity such that they were ready to respond when the

"CITIZENS ARE SEEN AS ACTIVE CO-CREATORS AND PROBLEM SOLVERS"

NASA hierarchy realised they needed people that could actually program the computer. She clearly saw the opportunity in the new paradigm rather than fighting to preserve the old one.

We see that achieving social change needs people who are empowered, persistent and flexible. They need to work as part of a collaborative, iterative and responsive process, not one that proceeds in an orderly, linear, staged fashion with a defined start and end point. Their ability to react to an opportunity to tackle an issue that was not on the radar, but that was important nonetheless, is pure entrepreneurialism. Where they are able to align actions by individuals, groups and hierarchies in response to the social moment, they are most likely to achieve change that improves people's lives and the communities in which they live. Anticipating, spotting, and reacting to opportunities when they arise is what we mean when we talk about the need to 'act like an entrepreneur'.

FUTURE ACTION

The RSA's work is based on the belief that when we think about the pursuit of progressive social change, we should care as much about *how* we achieve that change as about the goals we pursue. Making change in systems as complex as, for example, health and social care may seem insurmountable. Indeed, attempts to change complex systems at scale are where some of the greatest failings in policy have played out in the past. Concluding his Nobel speech, economist Friedrich Hayek warned: "If man is not to do more harm than good in his efforts to improve the social order, he will have to learn that in this, as in all other fields where essential complexity of an organised kind prevails, he cannot acquire the full knowledge which would make mastery of the events possible."

Cause for optimism can be found in those places where we see new types of public administration starting to emerge, partly as a response to the failure of the old paradigm, and despite (or perhaps because of) the ongoing period of fiscal austerity. These institutions act as a convener and catalyst for change rather than administering top-down change, where individuals act with a humility that recognises they are only one part of a broader picture. As the RSA highlighted in last year's *Changing the Narrative* report, these local authorities are making the shift towards new models of governance, supporting local communities to meet their needs, where citizens are seen as active co-creators and problem-solvers rather than passive consumers. Yet these changes are often slow and too reliant on those public servants who bring new skills, new approaches and a new mind-set to today's challenges.

However we conceive of, manage and deliver public services, we need to understand and appreciate the wider systemic perspective in order to be responsive to local needs and context. We do not expect – nor advise – anyone to take on grand societal challenges in their entirety. Instead, we would rather see people, teams and organisations develop an ability to identify opportunities for change and a capacity to react nimbly to them, rapidly prototyping and deploying possible responses. This is what we call the 'think like a system, act like an entrepreneur' mind-set. It is an approach that we will be further testing and developing in an emerging RSA programme of work. It is, at its simplest, a practical theory of how to achieve change in a complex and uncertain world, something we believe is needed now more than ever. ∎

FELLOWSHIP IN ACTION
A PROBLEM SHARED

Technology is unlocking efficiency in public service delivery thanks to innovative software. Talk Reflection, an app that enables social care professionals to share their working experiences, is one of the more recent developments in this field.

RSA Fellow Lydia Hirst has been trialling the app as part of an organisational behaviour study at Birkbeck, University of London. So far, the various benefits have related to experiential learning. "There were benefits in the sharing of experiences," she explains. "The comments that people got from other members of the group led to new solutions and better practice.

"The care managers also found that people who were sick or having days off were able to come back in and catch up very quickly. And we saw that carers were able to give each other more support when working at isolated hours."

Based on the initial trials, Lydia thinks there's a possibility that collaborative reflection leads to greater job satisfaction. "I can see the potential for it. Carers that feel they can make a difference and can come up with new ideas will, I think, gain greater job satisfaction. But I don't have real evidence yet – we'll need to show that," she says.

The project, which received a £2,000 RSA Catalyst grant, is now undertaking a longer, six-month trial. Lydia is currently looking for further funding to help with technology changes.

■ *To get involved, email lydia@lhconsulting.uk.com*