

Meeting the environmental challenges of the 21st century (A): strategies for change

Arriving as the new Chief Executive of the New Zealand Ministry for the Environment (MfE) in July 2008, Dr Paul Reynolds faced some formidable challenges. MfE was a small agency, but it was being asked to take the strategic and policy lead on a range of pressing environmental issues, ranging from water quality and allocation to an Emissions Trading Scheme. There were high expectations that the Ministry would lift its performance and repair its reputation, damaged by critical media coverage the previous year. MfE's people were known for their often passionate commitment to environmental issues, but capability had been depleted in key areas, systems were being pushed to the limit, and some people were staggering under impossibly heavy workloads. Confirming his appointment, the State Services Commissioner had charged Reynolds with improving confidence in the Ministry and the quality of its policy advice, ensuring collaboration in the natural resources sector, and establishing effective links with key stakeholders.

MfE's people had welcomed Paul Reynolds' arrival as a signal of positive change, but he wondered if they realised how extensive that change would have to be. To prepare for the environmental challenges of the 21st century, and ensure a sustainable future for the New Zealand environment, MfE needed to become a high-performing and influential policy agency. Significant change would be needed, and new capabilities developed. The new CE would have to find ways to achieve this while maintaining business as usual.

This case was written by Janet Tyson, Australia and New Zealand School of Government for Professors John Alford, Claudia Scott, and Paul 't Hart, as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. The case has been developed with the support of the Ministry for the Environment. The contributions of Guy Beatson, Andrew Crisp, Fleur Francois, Kathy McNeill, Jane Paterson, Sue Powell and Paul Reynolds to the preparation of this case are greatly appreciated. However responsibility for the final content lies with the author.

Cases are not necessarily intended as a complete account of the events described. While every reasonable effort has been made to ensure accuracy at the time of publication, subsequent developments may mean that certain details have since changed. This work is licensed under Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International Licence, except for logos, trademarks, photographs and other content marked as supplied by third parties. No licence is given in relation to third party material. Version 18-07-2012. Distributed by the Case Program, The Australia and New Zealand School of Government, www.anzsog.edu.au.



The Ministry for the Environment

In 2008, the Ministry for the Environment had a staff of 300 almost all based in Wellington. For the first two decades since its establishment with the *Environment Act* 1986, as the principal adviser to government on all matters environmental, the focus of its activities had been first the creation of and then the implementation of the Resource Management Act 1991 (RMA). Part of a major package of reform introduced by the 1984-1990 Labour Government, and pursued by the National Government that followed, it brought all aspects of use and planning for all resources of land, air, fresh and coastal water into a single framework.

Challenges to the RMA arose early in its existence. The resource management process, although designed to allow flexibility, soon became adversarial and litigious. Appeals to the Environment Court enabled applications to drag on for years and in extreme circumstances special legislation had to be used to break a decision deadlock.¹ Ministry staff developed strong technical competence and unsurpassed operational knowledge of the ramifications of the legislation, as they developed a series of guidelines for its use, and prepared a series of significant amendments designed to clarify and simplify its application.² Every other year, from 1993 onwards, some form of amendment to the RMA was introduced.

For Australian Barry Carbon,³ who became chief executive in 2002, the Ministry's mission was to fix the problems identified with the RMA, getting alongside business and other stakeholders to do so. To emphasise this, a new category of staff were appointed as "Senior Operators", expected to build relationships and get things – for example new Waste and Hazardous Substances Strategies and national standards for air quality – established. Barry Carbon maintained a tight central control of the organisation, which was structured according to relationships with stakeholders. Policy capability was distributed across the different work streams (*Exhibit 1*), each headed by a Group Leader.

The operational focus remained, and policy capacity came under more strain, when the Climate Change Office moved over to MfE from the Department of Prime Minister and Cabinet in 2004. Among the agencies working together on natural resources issues, Environment gained the unwelcome reputation of not delivering on deadlines and falling short of quality standards. Others in the sector were being assigned policy that a capable MfE should be able to handle. MfE had been nominated as the lead agency to develop the Emissions Trading Scheme (ETS), but by 2006 Ministry staff were working to the direction of Treasury.

Pressure to perform

Hugh Logan was appointed as Chief Executive of the Ministry in 2006, after Barry Carbon completed his contract. Respected for his leadership of the Department of Conservation for nine years, Logan had identified the need to strengthen the policy component of MfE's role. He maintained the stakeholder-focussed structure and senior management team established by his predecessor. However his hands-off management style was a contrast for a staff used to strong central direction.

Logan's arrival coincided with the re-elected Labour government's rethink of and refocus on all matters environmental. With high-level pressure on the state sector to lead by example in

¹ For instance, in 2004 to allow energy company Meridian to take Waitaki River water for new generation.

² Major Amendment Acts were passed in 2003, 2004, 2005, 2006/7 and 2009. Minor amendments were made in 1993, 1994, 1996, 1997, and 2002.

³ Founding chief executive of the Queensland Environmental Protection Authority/Agency

areas such as sustainable procurement, MfE was expected to play a leadership and co-ordination role in crucial areas such as the development and implementation of an integrated, whole of government climate change policy. This, in turn, placed “greater emphasis on the role of the Ministry for the Environment and put pressure on it to perform at a higher, and more public, level.”⁴ The Ministry struggled with the increase in policy demands, and workloads for some staff increased dramatically, while support systems failed to keep pace.⁵

While performance and delivery problems at MfE were widely known in the public service, in 2007 its reputation took a battering in the general public’s view. None of the staff alerted Hugh Logan in May 2007 that MfE’s newly-appointed communications manager, whose role would involve frequent contact with the Minister, was the partner of the senior press officer for the leader of the opposition.⁶ Within a month, the appointee had resigned, as had the Minister, whose initial reaction was seen as interfering with employment matters properly handled by the CE. Subsequently, the media targeted Hugh Logan over a short-term communications contract awarded in 2006.

In November, a State Services Commission (SSC) report found that Logan could have better handled the employment issue, and docked his performance pay. On 20 December 2007, just ahead of a further SSC report on the contract appointment, Hugh Logan announced his resignation, to allow the Ministry to “make a fresh start.” He left in February 2008. There was considerable sympathy and support for him from staff, many of whom felt that externally generated events had unfairly distracted from good work being done. However, government’s confidence had clearly been shaken. The new Minister for the Environment, Trevor Mallard, had been assigned the portfolio to signal his demotion in Cabinet after a confrontation with an opposition MP. MfE was facing a 30 percent cut in baseline funding, and was on Treasury’s “watchlist” for the poor quality of its policy advice, while Cabinet set especially early deadlines for MfE reports.

Strategies for change

Former Education Ministry chief executive Howard Fancy, coming in as Acting CE, laid out six strategies for change at MfE: developing our people; developing quality operating systems; setting and achieving longer term goals; working effectively across the Ministry and government; improving our engagement with Māori; and working effectively with other sectors.⁷ For Paul Reynolds, the permanent appointee, these provided a useful platform for change.

Paul Reynolds had rebuilt the Ministry of Agriculture and Forestry’s 200-strong policy capability since he arrived there in 2002. He had regularly worked with the Environment Ministry and was familiar with its culture and capabilities. He had applied unsuccessfully to lead MfE in 2006, and decided to go for the job again because he felt there was an increasingly important role which only a policy ministry focussed on sustainable long-term outcomes for the environment could play.

MfE’s role was becoming increasingly complex, because so many environmental outcomes were affected by policies and practices in other portfolio areas. The Ministry needed to

⁴ Hunn, D.K. ‘Investigation into the public service recruitment and employment of Ms Madeleine Setchell’, State Services Commission, Wellington, 12 November 2007.

⁵ Rennie, I, ‘Investigation into the Engagement of Clare Curran by the Ministry for the Environment – Report to the State Services Commissioner.’ 19 December 2007.

⁶ This is covered in the ANZSOG case study *The New Communications Manager 2007-63*.

⁷ Briefing to the Incoming Minister, p 25.

establish credibility by demonstrating clear direction, strong leadership and capability because its future role would be to work alongside, and with, other agencies and communities, providing tools and legislative frameworks.

Compounding the challenge

Paul Reynolds' first weeks at MfE compounded the challenge ahead of him. On the one hand, he found some excellent work was being done by dedicated and committed people. But he was dismayed to find that some of "the basic nuts and bolts of process" were not there, one symptom of wider problems such as the ongoing struggle between silos for available resources. While there was expertise and talent, it was not being well managed, and much of the work load fell to a few. He discovered that members of the senior management team were "spending significant amounts of time operating the organisation, working in it, and no time was devoted to strategic thinking or effectively managing external stakeholders... there was insufficient focus on the key stakeholder – the Minister for the Environment."

In his first weeks, the chief executive had set a new mission for the organisation: "Environmental stewardship for a prosperous New Zealand". He had confirmed the need for a clear strategic direction, and significant change, including a new leadership team; he had set up a special unit to improve services to the Minister, was identifying a top 20 of priority stakeholders, and had taken personal responsibility to get the \$70 million LUCAS (Land Use and Carbon Assessment System), essential to the Emissions Trading Scheme, back on track. When the long-serving General Manager Corporate and Community decided to move on, Reynolds found an urgently needed replacement in Andrew Crisp, a secondee from Treasury, who quickly became a key sounding-board for discussion of necessary change. Although policy capability was the problem most visible to external stakeholders and other interested observers, the first step, Reynolds and Crisp decided, should be to reshape the organisational structure. As Reynolds said:

"I am not going to fix the management structure and fix the policy stuff all in one hit. I can't do that because the only way I am going to get the policy stuff to work is to have the right management cohort in place and I have got to get that first so we can manage risks."

Briefing the new minister

After the November 2008 general election brought a National-led⁸ government into power, Dr Nick Smith was named as Minister for the Environment and Minister for Climate Change.

Nick Smith was one of very few members of the incoming government with previous Cabinet experience. Highly intelligent, he had a reputation as an exacting and at times difficult Minister, but his environmental credentials were impeccable. In 1998 he founded the Bluegreens, "a group within National that wish to advance policies that support economic prosperity and a clean, green New Zealand."⁹

The Bluegreen platform for the 2008 election comprised

"policies that support strong economic growth and improved environmental management...clearer central government leadership on environmental management with greater use of instruments like policy statements and environment standards...a more

⁸ New Zealand's two main political parties are Labour (to the left) and National (to the right). Since the introduction of the mixed member proportional representation (MMP) electoral system in 1996 there has been a series of coalition governments also involving minor parties.

⁹ <http://www.national.org.nz/Bio.aspx?Id=23> downloaded 29/8/11.

collaborative approach to resolving environmental conflicts and getting people at a national and local level more directly engaged in finding solutions.”¹⁰

MfE’s November 2008 Briefing for the Incoming Minister highlighted urgently needed action on greenhouse gas emissions; issues of land use intensification, especially in agriculture; and water demand/allocation and water quality in some regions.¹¹ (*Exhibit 2*)

A number of interconnected issues relating to environmental sustainability were associated with these problems, which impacted on urban as well as rural environments, the Briefing said. For the Ministry this meant that, as well as providing policy advice to government,

“...we are increasingly involved in policy implementation. This can mean working with local government to implement national environmental standards, managing a call-in process under the Resource Management Act, advising business or households on how to reduce their environmental impacts, collecting and allocating a waste levy and coordinating implementation of the deeds of settlement for the Waikato River.”¹²

These increasing demands and expectations had been challenging for a small agency:

“The Ministry clearly recognises the need for a significant step up in its performance... We want to ensure we provide timely and professional support for our ministers in carrying out their portfolio responsibilities.”¹³

The Minister was not best pleased when Paul Reynolds told him he could not transform MfE’s policy capability and its reputation overnight, and would start with an organisational restructure. Paul braced himself to explain to Nick Smith

“what I was doing here and why I was doing it, and how I was confident that by the time he got to his second term he would have a ministry that he would be pleased to own up to. In the interim I would work assiduously to make sure that we delivered.”

That Ministry would have as its total focus the production of policy “from end to end”, with its overall structure and the skills of each division contributing to that aim.

Blue skies and business operation

“Take a bloody good break this Christmas, use up any extra leave you’ve had. We’ve had a hard year, but we are going to be doing really hard things in the next 12 months,” Paul Reynolds told his staff as 2008 came to an end. The strong signals of intended change were already being noted. By December 2008, Treasury had handed back lead responsibility for the Emissions Trading Scheme to MfE.

In January 2009 the proposed new organisational structure was laid out for the staff to comment, and 120 submissions came in response. Paul Reynolds was pleased to find that

“There was some really good thinking, some of which resulted in critical changes to the final decision [published in April]. There was good work... about having technical skills in the right place, and the importance that structure should relate to the organisation’s philosophy. It

¹⁰ Speech to the EDS, June 2011.

¹¹ Environmental Stewardship for a prosperous New Zealand: Briefing for incoming Minister for the Environment, November 2008, p5.

¹² Ibid, p24.

¹³ Ibid.

was a staff suggestion that set out the expectation that the structure should make it possible for all parts to pull together.”

The new structure had only three divisions, each aligned with a stage in the policy cycle: Policy; the implementation and evaluation-focussed Programmes; and Strategy and Corporate (*Exhibit 3*). The CE would appoint his four direct reports, the Environment Leadership Team (ELT). The ELT would set strategy, taking a blue-skies and long-term approach that incorporated the whole natural resources sector. In a significant change from their previous role, the “directors’ forum” of tier three managers would have the operational and implementation responsibilities that previously had consumed senior leadership time. Everyone in a new managerial position was invited to take part in the specially designed programme “Building Capable Managers”, which incorporated tools such as e-learning and action learning groups.

Senior operators from the current structure were now described as senior analysts. They could follow the issues they were working on to either the policy or programmes divisions. All managers would, however, have to reapply for their jobs before the new structure came into effect on 1 July. Many staff took advantage of the often-repeated offer to have a one-on-one discussion with their own or a more senior manager about the implications of the change. There were some difficult conversations, especially after the reduction in tier 2 positions,¹⁴ Paul Reynolds recalled. “A lot of people left, perhaps twenty percent of the organisation or more, mostly in management and at senior levels. You had to be really careful not to throw babies out with the bathwater.”

Meeting commitments while making change

Despite the structural upheaval, and some personal disappointments, the Ministry met its commitments for the government’s “first 100 days”. For Paul Reynolds, it was further evidence of the underlying support for changes that many acknowledged were needed, and a demonstration of the outstanding commitment and technical expertise to be found at MfE:

“The preparedness of the people to just get on with it, I had never seen that in any other organisation, and the ability of the organisation when the chips were down to cobble it together and deliver, is probably the ONE thing that saved this place from annihilation.”

The latest major amendment to the RMA, the *Resource Management Streamlining and Simplifying (RMSS) Bill*, was introduced 90 days after the election. MfE’s waste management team, halved in number, managed to meet the much truncated deadline to introduce a Waste Minimisation Levy. Much work went into shaping the Emissions Trading Scheme in preparation for a further amendment to the *Climate Change Response Act 2002*.¹⁵

By the end of July 2009, MfE’s new Environment Leadership Team was in place, with Chappie Te Kani as Tumuaki¹⁶ and experienced ministry employee Sue Powell, a long-time ministry employee, heading the Programmes division. Andrew Crisp moved from secondment to the permanent role of Deputy Secretary, Strategy and Corporate. Guy Beatson,

¹⁴ Only one was reappointed to the top table. One person was promoted from tier three to the new tier two, and one from the former tier 2 moved to a new position in tier 4.

¹⁵ The *Climate Change Response (Moderated Emissions Trading) Amendment Act 2009* gained royal assent in December 2009. It established a staged programme for introducing different sectors to the ETS.

¹⁶ The role of the Tumuaki at MfE is to support the CE and ELT through liaison with key iwi [tribal] leaders, fostering relationships with Māoridom and thereby both updating the Ministry of opportunities and risks, and ensuring that the leadership understands the significance for Māori of current and upcoming environmental issues.

a new arrival, headed Policy Division. He had recently worked with the Ministry of Economic Development (MED) in various roles including economic counsellor in Canberra. MED was another member of the natural resource sector and Beatson had seen it taking over projects he felt should be done by MfE. He saw some team members not contributing, “so tasks were taking excessive time, and those doing the work were under great pressure”, while policy questions were always answered “within the box” – within the existing legislation. “We have to make sure we can deliver [policy] better than we are now,” he concluded.

Developing the strategic direction

In the second half of 2009, with the new organisational structure in operation, Paul Reynolds drew together groups from across MfE to discuss and develop its strategic direction. They worked through how the Ministry’s mission of “Environmental stewardship for a prosperous New Zealand: Tiakina te taio kia tōnui a Aotearoa” would be linked to divisional activities and demonstrated in daily practice and behaviours. Three strategic priorities flowed from the main mission: Land use and health of water resources; Climate change mitigation and risk management; and Reviewing institutions and frameworks. From these emerged success measures, and approaches, leading ultimately to the behaviours that would bring about the desired culture change.

At the same time, the discussions revealed there was still widespread misunderstanding about the relationship with the Minister,¹⁷ and the importance of aligning policy activities with government priorities. As Paul Reynolds explained, the development of environmental policy for the 21st century would be very much a two-way process, involving not just other government agencies but the wider civil society, importantly including iwi. There would be new demands both on those preparing policy and those “receiving” it – the stakeholders – and a new emphasis on communications between them. In October 2009, MfE’s existing communications team was disestablished, to be replaced by a smaller team for the new focus, which would be appointed only when the right people could be found.¹⁸

As his second Christmas as MfE’s chief executive approached, Paul Reynolds knew there would have to be further change. Circumstances had dictated that some of the key decisions on the new organisational structure had been presented as a fait accompli when staff came back to work in January 2009. This time, Reynolds and the Environment Leadership Team wanted to find a way for staff to have greater input into, and ownership of, the Ministry’s further moves to become a high-performing policy shop with a sector leadership and co-ordination role.

¹⁷ Andrew Crisp recalled that when staff were asked about what three questions they would ask if they had a minute in the lift with Paul Reynolds, most responses were “all around not understanding Ministers. Why do we have to do this for the Ministers, why do we have to do what Ministers tell us, [even] which Minister are we working for, this one or the next one.”

¹⁸ It would be six months before a new permanent team was appointed in April 2010. Before then consultants filled the gap.