# “Variety is the spice of life: a chameleon’s take on public policy-making”

A contribution to discussions concerning the “government of the future” in the context of “Expeditie RWS2050”

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## Introduction

Referring to today's context as "VUCA" (volatile, uncertain, complex, ambiguous), originally denoting the end of the broad societal ordering function provided by the Cold War, is becoming increasingly mainstream in public sector discourses (e.g. at the level of the OECD, 2017[1] ). One useful definition of "VUCA" is provided by Lawrence (2013)[2]:

- volatility: the nature, speed, volume, and magnitude of change that is not in a predictable pattern;
- uncertainty: the difficulty in using past issues and events as predictors of future outcomes;
- complexity: numerous and difficult-to-understand causes and mitigating factors (both inside and outside the organisation) are involved in a problem;
- ambiguity: lack of clarity about the meaning of an event.

In this "VUCA" world, so-called "wicked problems" abound (OECD, 2017). Howlett et al. (2009)[3] define these as long-term, chronic and ill-defined problems (deriving from different understandings due to diverse perspectives, hence typically accompanied with poorly defined goals) such as eliminating compulsive gambling, improving pupils' educational achievements, tackling domestic violence or dysfunctional schools, which are rooted in many interdependent causes and/or for which there is no technology (how to address them) developed yet. Such problems are unlikely to be dealt with successfully by a single decision and an ensuing programme that "implementers" should faithfully execute. Rather, there will be a series of determinations on how to carry out "the policy", calling for ongoing experimentation / learning, involving various actors and levels.

To Hill and Huppe (2011)[4], this is itself a political process of continuous negotiations within a network of actors. This amounts to trying to mobilise the energies of disparate stakeholders to make sensible choices. Compromise is then not seen as a source of failure to comply with top-down policy, but a way to achieve things. Flexibility indeed derives from collective problem-solving, leading to solutions that are accepted in principle. Front-line operators (which are not even necessarily part of the public sector), who engage with citizens, are also part of this network. In their daily contacts with citizens, they may be engaged in negotiating most of what they do with these citizens as well as other actors, given that much occurs in unforeseen circumstances, with contextual factors dominating any rules that may have been handed down to them. Hence, there is additional formulation and deciding going on here. Of course, such negotiations (also labelled as "discretion") are not unaffected by "formal" policy as this may determine available resources, access to an implementing arena, institutional structures etc., hence bounding actions.

Concepts such as VUCA, wicked issues and networks of actors (including front-line operators and citizens) that continuously co-create policies are not very congruent with what Osborne et al. (2012)[5] and Osborne et al. (2015)[6] refer to as the "manufacturing approach" to public service delivery. Indeed, government does not primarily concern delivering "products",

1 OECD, 2017, Working with change: systems approaches to public service challenges

2 Lawrence, 2013, Developing Leaders in a VUCA environment, UNC-CH Kenan-Flagler School of Business White Paper.

3 Howlett, Ramesh and Perl, 2009, Studying Public Policy.

4 Hill and Hupe, 2011, Implementing Public Policy.

5 Osborne, Radner and Nasi, 2012, 'A new theory for public service management?' in American Review of Public Administration, 43 (2).

6 Osborne, Radnor, Kinder and Vidal, 2015, 'The service framework' in British Journal of Public Management, March.

which entails a mere transactional relation between provider and user that involves a transfer of ownership. In this perspective, production and consumption are seen as separate, discrete processes with their own logic (manufacturing versus selling) and distinguishable costs. Consumers are largely passive in the transaction. A service is rather typified by being mostly intangible (referring to an "experience as a whole"), with production and consumption happening at the same time (cannot be "stored") and co-produced (user plays an integral part in the experience but also all other actors that are involved). Co-production requires the cultivation of trust at the micro (users and providers), meso (collaboration of various actors across levels, from front-line to minister e.g. in terms of policy formation and implementation) and macro (collaboration between parallel organisations) levels. This implies that the focus is on long-term relation building across the entire system, with the user at the core of the innovation process, co-designing and co-creating the service for maximal added value (outward focus), drawing on technical knowledge (from professionals), sticky knowledge (from users) and contextual knowledge (from other stakeholders in the system). Co-production implies a high degree of joint learning of front-line providers and users, which needs to be captured at an overall service level.

Of course, public service concerns not only service but also the "publicness" of these. Meier and O'Toole (2011)[7] see as the underlying concept of publicness the perception and interpretation that a public organisation serves a public purpose. Mulgan (2009)[8] states that the private sector is nowadays also predominantly focused on providing services. Businesses (given their intention to make a profit) can only be successful if the provision of the service (for a price) constitutes value for the buyer. Hence, businesses are preoccupied with what the buyer ultimately wants to use the service for. Only, businesses are not usually very preoccupied with judging whether these needs are desirable or not from a societal point of view, which is where a key difference still lies with the public sector. Indeed, as put forward by O'Flynn (2007)[9], public value is a multi-dimensional construct that reflects collectively expressed, politically mediated preferences consumed by the citizenry. Hence, it is collectively built through deliberation involving elected and appointed government officials and stakeholders (through the ballot box but also by taking part in consultations and surveys etc.). Ultimately, citizens decide the value, be it better services, trust, social capital, social problems diminished or avoided… This directly contrasts with the idea that individual preferences can be aggregated to reflect what it is that the public wants from government. Hence, public value can be said to be delivered to the citizenry, rather than to individuals.

In the following essay, a new framework will be explored that captures and elaborates the various elements of the above introduction by putting the concept of "variety" at its core. This entails a shift from an obsession with "averages" towards one that seeks out diversity.

[7] Meier and O'Toole, 2011, 'Comparing public and private management: theoretical expectations' in *Journal of Public Administration Research and Theory*, vol. 21, p. 283-299

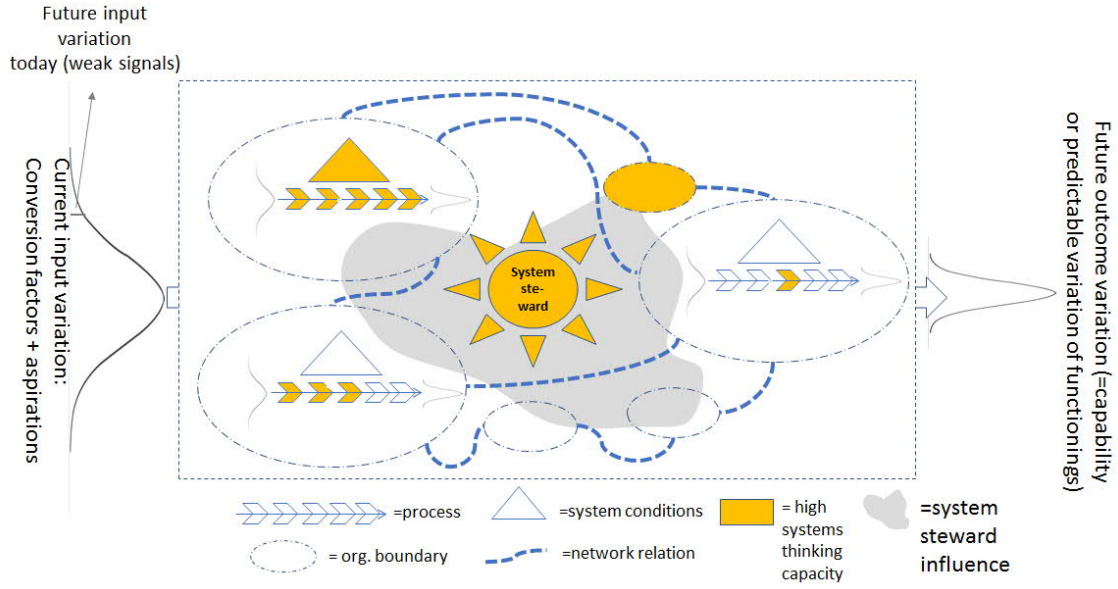
[8] Mulgan, 2009, *The Art of Public Strategy*

[9] O'Flynn, 2007, 'From new public management to new public value' in *The Australian Journal of Public Administration*, vol. 66, no. 3.

## A new framework for "policy-making"[10]

Indeed, while policy-making is typically understood as a top-down affair with politicians and their supporting staff issuing decrees, based on sound analysis, to be implemented faithfully by frontline operators, the framework depicted below attempts to paint a very different picture.

Figure 1: a new framework for policy-making




Source: Wauters, 2019

At the core of the figure is the concept of "variety". Indeed, this is, when starting on the left hand side of the figure, depicted by the probability distribution at the overall system level boundary that symbolizes "input variation"[11]. A "system" is defined as a network of interdependent activities, to which resources and people are attached (see Kuipers, van Amelsvoort and Kramer, 2012[12]).

Following Sen's capability approach to welfare economics (drawing on Wauters, 2015[13]), this variety first and foremost concerns the diverse needs of individuals, deriving from their different ambitions -activities they have reason to value, labelled as "functionings"- as well as their different "conversion factors".

Concerning the former, it should be clear that the term "reason to value" is not accidental as what one person deems of value should not impede what another deems of value. Establishing such "reason to value" therefore implies a social process for which there are two viable options. Firstly, this can derive from public consensus-building at one point in time concerning functionings that are expected to be stable for some time and hence do not require ongoing debate (e.g. via elections). Secondly, ongoing deliberative participation is better suited for situations where what is valued may be shifting frequently and rapidly. Here

[10] This framework, and the research underpinning it, is described in Wauters, 2019, Strategic management in the public sector and public policy-making: friend or foe?

[11] It should be noted that the shape of this distribution is purely symbolic: there is no expectation that variety would follow a normal distribution.

[12] Kuipers, van Amelsvoort and Kramer, 2012, Het nieuwe organiseren.

[13] Wauters, 2015,'Toolkit for supporting social innovation with the ESIF'

value judgments can be made and revised directly by concerned individuals, e.g. in an interaction between a service provider and a user of a service.

As to conversion factors, these either concern internal factors which relate to individual characteristics (e.g. physical, mental), versus external factors, relating to constraints deriving from social or family dynamics, formal rules or informal regulations (culture) as well as the physical environment.

As ambitions and conversion factors are different for every individual, offering the same "solution", denoting a service, to all individuals would logically lead to high variation in outcomes, depicted by the probability distribution on the right hand side of the figure, in terms of individuals actually engaging in "functionings" or having a larger choice of such functionings (referred to as a "capability set"). In other words, "one size fits all" is not deemed an appropriate strategy when facing large input variety.

It is important to understand that the framework does not imply a need to define actual boundaries, relations between activities within these (with attached people and resources) at the overall system level. Rather, the purely conceptual overall input and outcome variety becomes an explicit and actual "demand" and outcome when it is interacted with locally, as this demand comes into contact with a specific organisation. "Organization" is to be understood, following Weick, Sutcliffe and Obstfeld (2005)[14], as "…an attempt to order the intrinsic flux of human action, to channel it towards certain ends, … through generalising and institutionalising particular meanings and rules." A key element in this definition is the "purposefulness" of an organization as denoted by "certain ends". In addition, "generalizing" and "institutionalizing" implies that there is some predictability to the "processing" of demand. Both of these distinguish "organisation" from random encounters. Hence, the figure displays input and outcome probability distributions mediated by organisational processes. These are situated within organization boundaries that cannot be defined objectively (e.g. by pointing to an office space) but that only exist where people agree in some way that they exist. Such an "organization" is of course itself a "system" that is part of a larger system of interconnected "organisations".

The following sections will detail the different ways demands, originating in various "users" (of what is offered by a service), can be actualized as well as the implications of this actualisation regarding how to "organize". This will be done by drawing on the definition of "VUCA" given earlier.

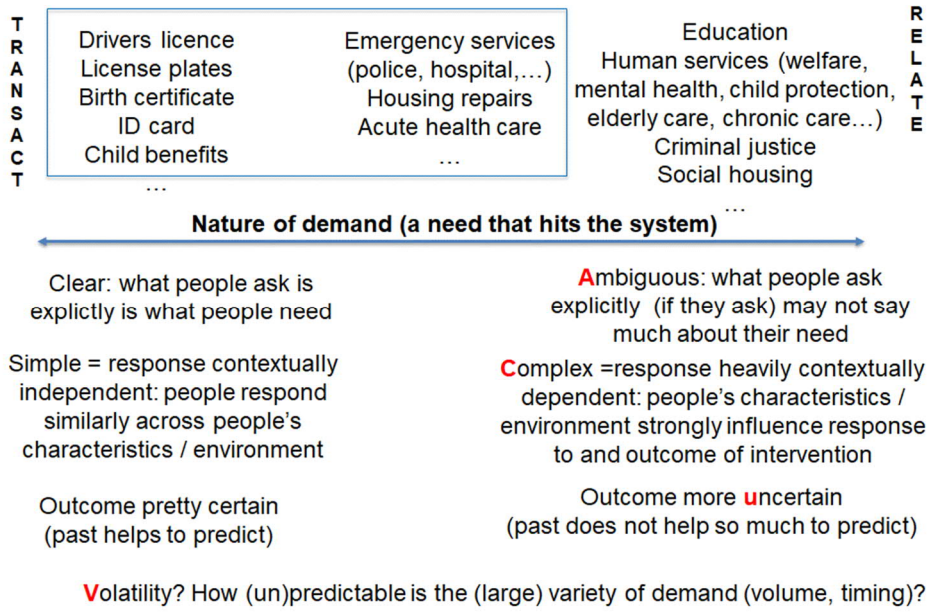
## The nature of "demand" as actualized by organisations

The way organisations (as systems) actualize demand may differ markedly, as depicted in the table below, which also offers some typical examples[15].

[14] Weick, Sutcliffe and Obstfeld, 2005, 'Organising and the process of Sensemaking' in Organisation Science, vol. 16, no. 4.

[15] It should be noted that such examples inevitably oversimplify things. This is made clear by distinguishing social housing repairs from social housing in general. Of course, social housing repairs is also part of social housing. However, it can also be considered separately, depending on which actual demand one is studying at which point of interaction with an organisation.

Table 1: Nature of demand in a VUCA framework




Source: Wauters, 2019

The types of demand on the left hand side are those that are clear (what people ask is what they need), simple (most people will respond in the same way to the same process) and where the outcome is rather certain (what worked yesterday will still deliver similar outcomes tomorrow). An example is the delivery of an identity card. This starts with users actually asking for such a card. Typically, they want this as quickly as possible with no hassle. There is no need to inquire extensively into the background and history of such a user. Hence, if one delivers a high-quality (e.g. undamaged) card swiftly, one can be pretty sure the user will be satisfied.

However, not all demand is like this. In many cases, one needs to first interpret what people ask for. What they explicitly state (if they state anything at all) may not reveal their real need (e.g. imagine a drug addict who presents him/herself with a request for drugs). Addressing needs via a service offering is the same as generating an opportunity to engage (at a later stage) in an activity valued by a user (a "capability" in Sen's approach, e.g. a real opportunity to lead a stable, healthy life for an ex-drug abuser). This will require us to take into account the person's (or other actor's) characteristics and environment (their "internal and external conversion factors" in the language of the capability approach), making it a complex demand.

Correspondingly, while specific responses are more likely to generate desired outcomes, the latter depend on much more than only that response and hence the outcome will be rather uncertain. This means there is larger variation of outcomes. However, the ambition of a service, as deployed by one or several organisations, should be to ensure as much predictability of the outcome for any given individual (hence as little variation as possible across the population) as possible.

The above discussion covers the "UCA" of VUCA as defined earlier by Lawrence (2013). In addition, Lawrence (2013) also defined volatility as the nature, speed, volume, and magnitude of change that is not in a predictable pattern. Indeed, all service systems can be subjected to volatility in terms of what volume of what kind of demand to expect when. In other words, this concerns the extent to which it is more or less predictable that certain needs have to be met. In principle, even identity cards could be subjected to volatility in the sense that it is not predictable how many cards will be requested when.

Volatility poses challenges in terms of resource allocation. High degrees of flexibility (switching between different kinds of demand) and/or accepted slack would be needed to ensure that resources do not sit (too) idle at some moments, while being stretched too thinly at others.

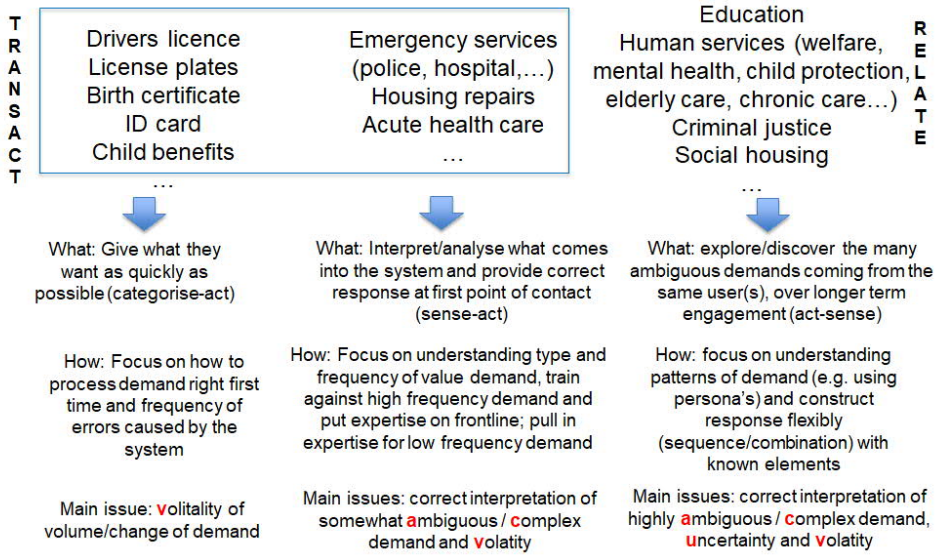
Furthermore, there is also volatility in terms of qualitative changes in demand, with new needs arising. This type of volatility necessitates improvisation in the short term and innovation in the longer term.

As depicted in the table above, some of the demands (needs) that hit service systems are "transactional". This means that there is, in principle, no expectation that the service will entail a long-term relation, instrumental to addressing the needs of the user. The opposite of transactional is then "relational". Relational services are characterised by the fact that there will be many (interdependent) needs over time that have to be addressed to enable a person to engage in functionings. They are typically more "VUCA" than transactional services. However, even within transactional services, the extent to which the needs are VUCA can also vary, as is made clear by the table above.

## "Organising" to meet demand

The table below depicts the key issues in designing service provision, given the different nature of demand. This was inspired partially by Hopkinson (2011)[16] and partially by Snowden and Boone (2007)[17].

Table 2: dealing with demand in a VUCA framework




Source: Wauters, 2019

In the case of transactional service systems with low UCA conditions, the key is to be able to correctly categorise demand and respond quasi-automatically. Getting things right immediately is what matters, hence one should track any error generated by the system. The only real problem is a capacity problem when there is high volatility of demand (too little when there is a surge of demand, too much idleness at other times). In the longer term, such a service may of course also become obsolete (volatility in terms of changing needs), e.g. due to technological developments that mean identity cards are no longer needed because they are replaced by biometrics.

[16] Hopkinson, 2011, 'Electrifying performance' in Seddon and O'Donovan (eds.) Systems Thinking: From Heresy to Practice. Zokaei.

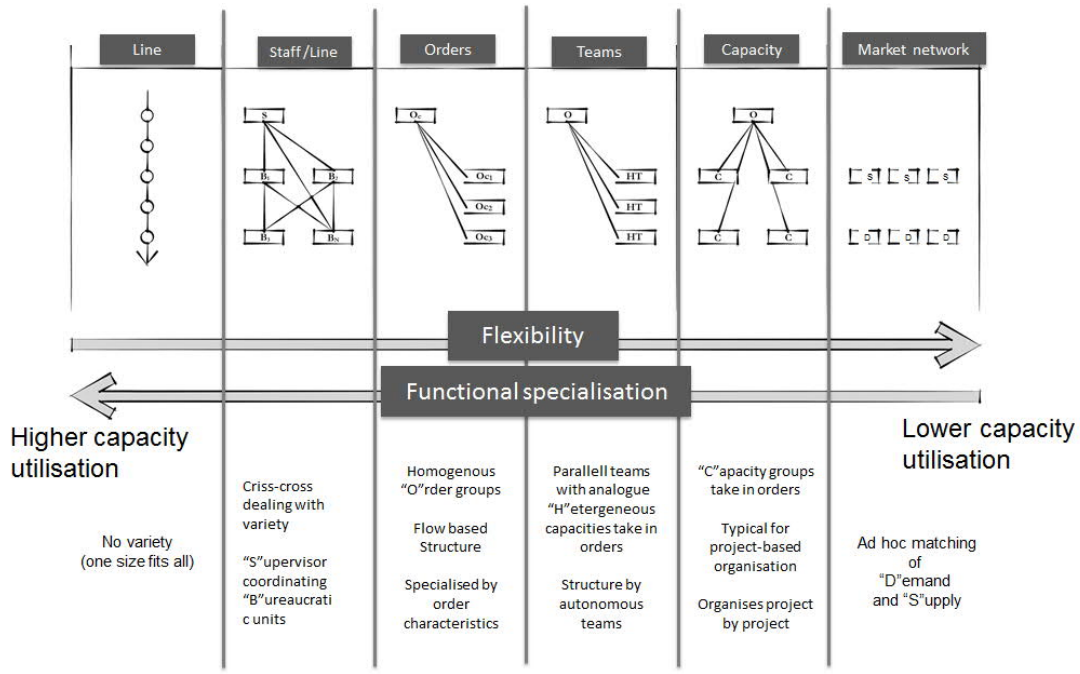
[17] Snowden and Boone, 2007, 'A leaders' framework for decision-making' in Harvard Business Review, October.

Things get more complicated if the UCA level increases. There is now a greater degree of co-production with users, not least in terms of understanding what the specific user needs actually are (what matters most to them). Both interpretation of needs and adequately responding to them as quickly as possible, requires (trained) professional capacity on the front line. For those (categories of) needs which are infrequent, expertise is centralised and pulled in by the front line when necessary. Also here, volatility may be an issue, with high-frequency demand not following a predictable pattern over time. This again presents a capacity problem. And of course, users and/or their needs may again change over time. Typically, new needs are detected because existing solutions do not address demand variety properly anymore and this is made obvious over time by a larger variation in terms of outcomes.

The most challenging demands are of course relational, characterised by a high degree of UCA. Here, typically, it may already take a long time before the actual needs reveal themselves. One first needs to explore the context of the users and work with them to agree on the nature and priority of multiple interdependent needs. Some of these will reveal themselves only when others have been addressed. Still, even though every case is unique, there are typically discernable patterns of need, that specific cases are more or less similar to. These patterns of need can be depicted by making use of “persona’s” (typified, fictive users that as a set, cover all predictable demand variation). Since what to address first and what later will depend very much on the specific case (pattern), flexible responses (in terms of combining solution elements as well as sequencing them) are required. Again, both volatility in terms of volume as well as change over time pose challenges, similar to those mentioned earlier.

In line with the above, Van Hootegem (2015)[18] provides an overview of the various forms of organisation, ranging from fully bureaucratic (characterized by functional specialization and separation of operations and management) to a loose organizational network, defined by a trade-off between more (or less) flexibility with less (or more) capacity utilisation (efficiency), as depicted below.

Figure 2: trade-offs bzetween forms of organisation




Source: Adapted from Van Hootegem (2015, p. 239)

[18] Van Hootegem, 2015, ‘Total workplace innovation’ in Pattyn and d’Hoine (eds.) Lessons for the 21st Century.

As demand becomes more VUCA, more flexibility is required. Bureaucratic forms of organization (line and staff/line) are then to be contrasted to a range of exceedingly more flexible forms. So called “order”-based teams (different teams with different quantitative and qualitative capacities are set up to appropriately handle predictably different kinds of orders - demands- that require different processes) and heterogeneous teams (different teams with similar quantitative and qualitative capacities handle all orders/demand, as the nature of these orders/demand in terms of how they are to be processed cannot easily be defined ex ante; allocation of an order/demand then happens on the basis of who has room to take it on board) are flow-based organisations that are more flexible than bureaucracies. A project team-based structure is required with demand that is so VUCA that, rather than organizing people in standing teams, it is better to create capacity groups out of which, for every single demand, a quantitative and qualitative determination of the required capacities is conducted and then collected into an ad hoc project team. The neighborhood teams delivering home care out of Buurtzorg are an example of an heterogeneous team, while a tailor made team of specialists, assembled ad hoc around a complex health care case, represents a project team-based structure. The highest degree of flexibility (and lowest degree of capacity utilisation) is provided by organizational networks which, unlike all previous forms of organisation, entail crossing traditional organizational boundaries in collaborating to address needs (see Cambré and Kenis, 2019[19]).

**Addressing system conditions**

Ultimately, the way (narrow or large) variety of demand is (not) processed derives from the system conditions that govern the interaction between an organization and this demand. These conditions are represented in the figure above as the “triangles” that hover above the processes as conducted by organisations. They concern system elements that are perceived as fixed (they cannot be changed) such as measures, roles, process design, procedures, ICT, structure, contracts, what other actors do or do not do, etc. … Some of these will be constraining (what one should do or is not allowed to do) or enabling (giving space to act but not forcing the action).

Many of these organisational system conditions affecting processes are, contrary to perceptions, within the control of the organization (although not always of frontline staff). The problem here is typically only the need to become aware of assumptions underlying the existing system conditions and to recognise the way these generate waste (activities that do not serve meeting user demands) and/or restrict the adding of more value. This then typically results in large variety in terms of outcomes from the perspective of the users. Taking the perspective of very diverse users and attempting to reconstruct their actual (or prospective) experiences with the service (literally stepping into their shoes) is therefore a very good first step towards understanding possibly counterproductive system conditions.

In addition to self-imposed conditions, all of the actors in a network also generate (in terms of what they do and fail to do) each other’s constraining and enabling conditions. For example, an inspection service mandated to enforce certain standards relative to other organisations in the system is creating system conditions for the targeted organisations in the way they interpret and implement this mandate. If such an inspection service is highly attuned (denoted in the figure above as a “high systems thinking capacity”) to detecting the consequences of imposing such system conditions, understanding its position relative to other actors, it may want to change these if feedback from these other actors concerning a (negative) impact on their capacity to address demand makes it clear there is a need to do so. However, a less attuned inspection service, could also respond to emerging issues by reinforcing the behaviour that generated the adverse system conditions for other actors in the first place, oblivious of the consequences of this. Alternatively, the inspection service may be

[19] Cambré and Kenis, 2019, Organisatienetwerken.

rather attuned, but it may itself be overly constrained by conditions imposed by yet another actor, such as a regulator.

While interrelated individual organisations can address some of the constraints they impose on each other bilaterally, the existence of one or several "system stewards", depicted in the figure above as an actor amongst other actors, with the key role of exerting influence on other actors, can greatly facilitate optimization of the way (part of) the larger system deals with variety.

**System stewardship to facilitate optimization of the larger system**

The concept of "system stewards" has been elaborated in some detail by Hallsworth (2011)[20].

Ideally, an overall system level "steward" should signal that the purposes of specific intended users need to have priority over those of all other stakeholders, without defining such purposes or the users themselves with overly rigid, detailed criteria. Such an orientation should be limited to establishing a (still permeable) boundary with other overall societal systems that may serve other needs/users. This does not happen automatically but derives from a political process at the overall system level, which is itself a part of system stewardship. It may also be that conflicts arise between various societal systems and this then requires respective stewards to engage in political processes that cut across these systems.

Furthermore, becoming aware of issues that are not getting resolved, by proactively inquiring into the system or receiving feedback directly from actors, should trigger system stewards to engage in various actions, ranging from systems thinking capacity building of actors (e.g. to ensure the inspection service understands its impact on the system), stimulating innovation by networked actors (e.g. to ensure that both inspection and front-line service providers together can find a new response to emerging needs), taking steps towards changing rules with relevant regulators (e.g. to change the conditions that push an inspectorate to work in a detrimental way towards targeted actors), etc., depending on the nature of the emerging issue.

In addition, system stewards have a key role in amplifying weak signals hidden in current input variation, relating to possibly typical future input variation. Indeed, volatility in terms of changing needs has already been mentioned as a challenge for all organisations. As long as these changes are not too fast or massive, highly attuned organisations will be able to detect them and develop new responses via experimentation / learning. However, should the changes be too fast or sizeable, they may overwhelm their short-term adaptive capacity.

This is where system stewards should support actors to conduct scenario planning exercises to challenge current assumptions by exploring plausible futures based on different assumptions. As such, readiness for disruption is increased, and organisations will be able to respond faster to whatever future ultimately emerges. At the overall system level, action may even be taken to support certain emerging trends and actions and suppress others, hence influencing the overall direction of developments towards more desirable futures. Weak signals are depicted in the figure above as residing in the low probability parts of the overall input probability distribution. Amplifying these so as to increase readiness then ensures that the variety in terms of future outcomes will remain smaller than would otherwise have been the case.

**Conclusion:**

It should be clear that the "wickedness" of issues derives from the inability of public service systems to deal with the variety that exists at the level of individual actors. When this is aggregated, this then turns into intractable problems. Hence, the more all actors in the system have a high degree of systems thinking capacity, the more likely it is that they organize themselves in an appropriately flexible way, without needing to be steered top-down

[20] Hallsworth, 2011, System Stewardship.

by a (political or administrative) centre. The centre of course matters as it provides an overall framework for action (containing some “limiting” rules as well as, predominantly, “facilitating” principles, with the latter gaining importance the more VUCA the context is).

A useful metaphor for the framework that was elaborated above to address this, may therefore be that of a chameleon. It is a creature that excels at absorbing all the variety that its environment throws at it. It is not its “head” that commands its body to adapt. This is a capacity of its body. It can also pick up signals that there are blockages that require a process to facilitate attention from several parts of the body towards “unblocking” the situation. However, at the same time, the chameleon does have a special pair of eyes on its head that can pivot in all directions, making sure that it detects any threats (or opportunities) early on, hence avoiding too big a surprise that could overwhelm its capacity to adapt.