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Managing complexity in the public sector

Social security systems are extremely expensive and terribly ineffective. In Germany it consumes about 30% of the national budget. Cost and complexity have reached a level where we have to ask whether the inherent management tasks can still be solved with the traditional management approach. Managing complexity will be the key factor for the public sector in order to prevent local, regional, and national budgets from collapse. Ten years ago the German public employment system (PES) therefore underwent a substantial transformation from a classical administration to modern business. The focus on leadership, management objectives, customer-orientation in combination with a sophisticated controlling system was a great success. The outcome grew considerably and the financial contribution of employers and employees to this insurance based system could be reduced by 50%. Today, there is still a lot to be improved from an internal business point of view. We are better, but far from good. But the next level of progress can only be reached by widening the scope, by adopting a different management understanding. The PES will have to see itself as one player amongst others in order to promote a more holistic approach. A new cooperation between employers, labor organizations, the PES, governmental and non-governmental organizations is required. This changes the management environment profoundly; there is no hierarchy, no natural leadership structure but highly diversified interests and motivations. In other words, to properly address the public challenges we will have to address them in their complexity and no longer partially. For this approach the traditional management tools, designed and adopted to optimize enterprises seem no longer appropriate. As a consequence we need to further develop the tools to manage the complexity of non-hierarchical networks on the basis of common objectives. The key to success will be to create sense, meaning, trust and drive among the concerned partners on the basis of mutual understanding of their intentions.