



Solving the Hard Problems

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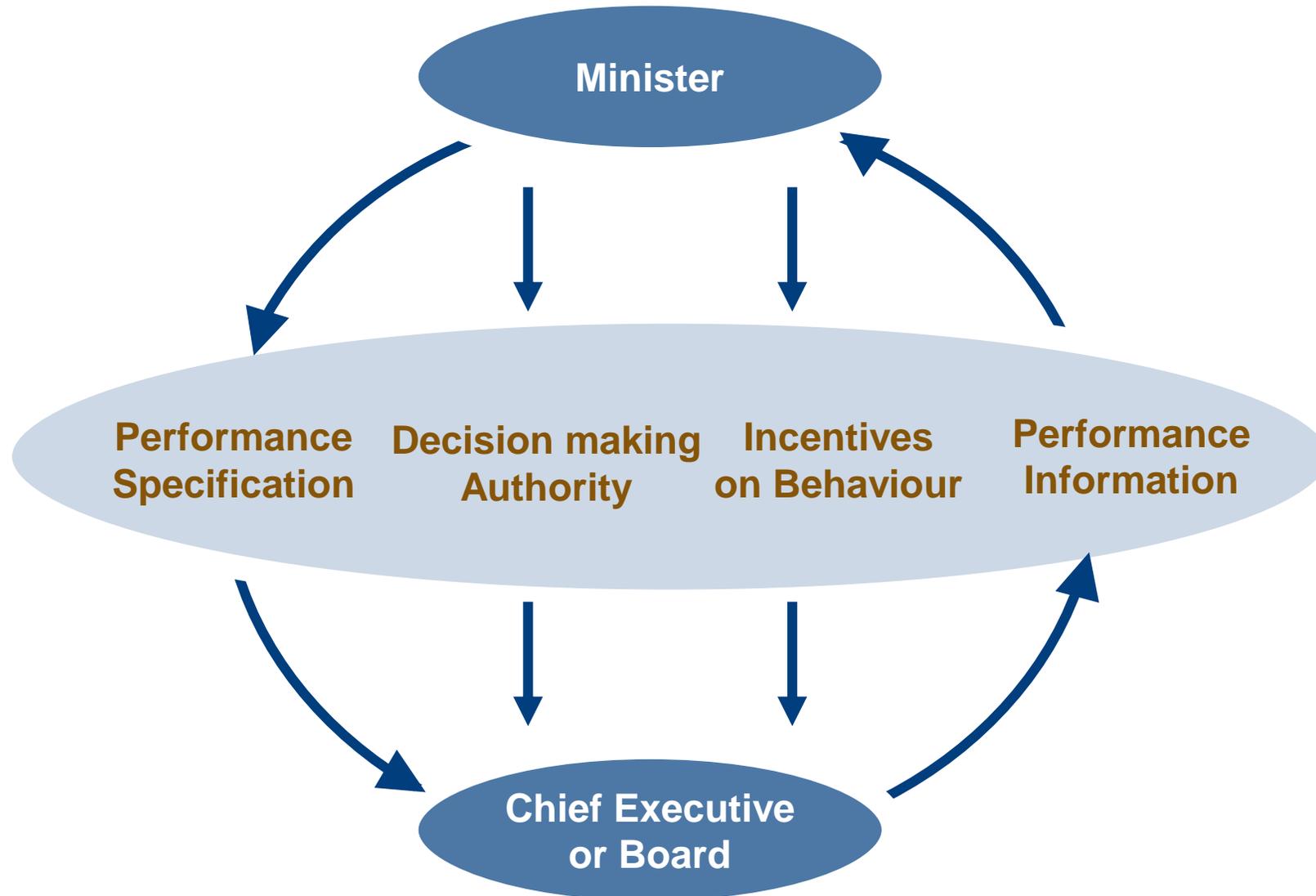
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First, the status of these ideas

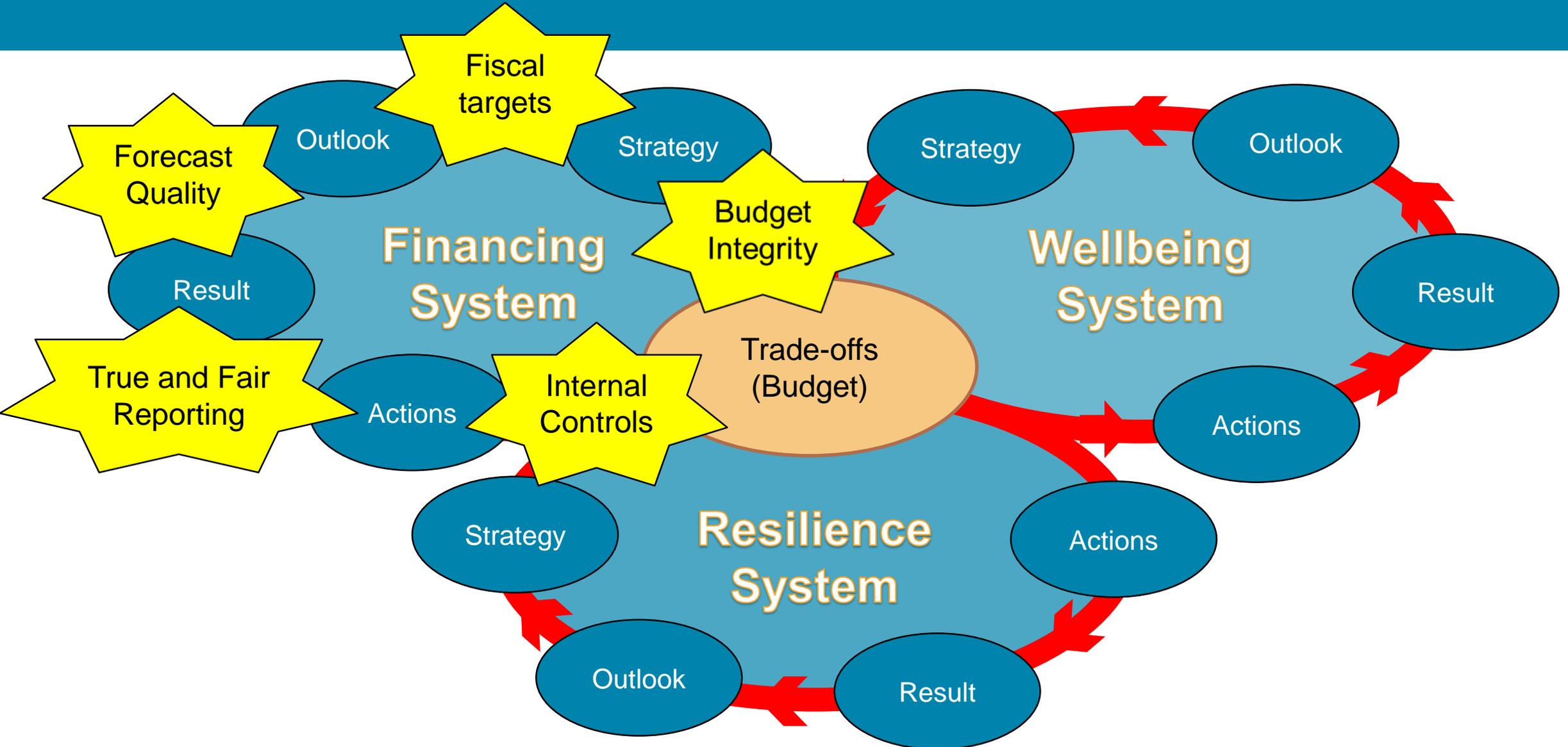
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A Performance Accountability Framework established...



And a strong finance system ...



So the problems of success ...

- The Public Finance Act and its implementation:
 - Devolved much operational management to operational managers
 - Delivered Control of the Fiscal Aggregates
 - Put Ministers in charge of strategy

Hooray!

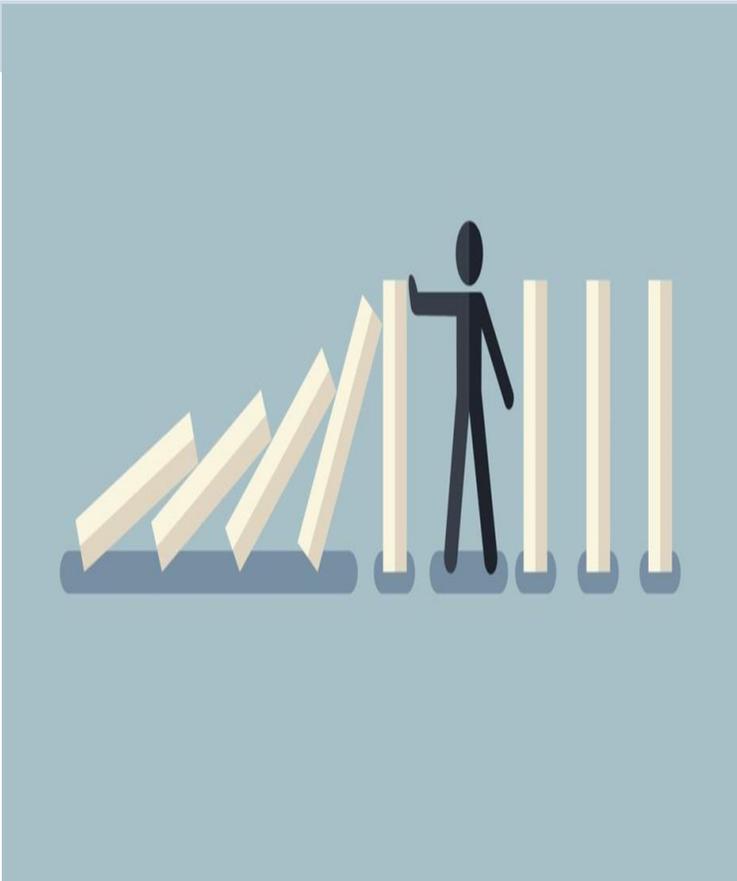
- But
 - Operational managers want guidance and assurance over their trade-offs!
 - The easiest, but not always the best, way to control costs is to defer them!
 - Ministers are in control (and so citizens aren't!)

Three hard problems

Strategic Management and Leadership



Resilience and anticipatory governance



Accessing the dislocated



The PFA on stating intentions and setting expectations...

Reporting Requirements of the Public Finance Act – a history

The Original Act	“Set out the link between the classes of outputs to be purchased by the Crown and the Government’s desired outcomes
1992 Amendment	“The performance targets and other measures by which the performance of the Crown entity or group may be judged in relation to its objectives
1994 Amendment	“A Statement of objectives specifying the performance for each class of outputs forecast to be achieved as agreed with the Minister
2004 Amendment	“Future operating intentions .. explaining ... nature and scope of the department's functions and intended operations, the specific impacts, outcomes, or objectives that the department seeks to achieve or to contribute to ...
2013 Amendment	“A concise explanation of how performance against the appropriation will be assessed... Information on the department’s strategic intentions that ... set out the strategic objectives that the department intends to achieve or contribute to

Mew Zealand's Strategic Challenges:

- Productivity?
- Climate Change?
- Housing Affordability?
- Child Poverty?
- Mental Health?

Strategic Challenges,

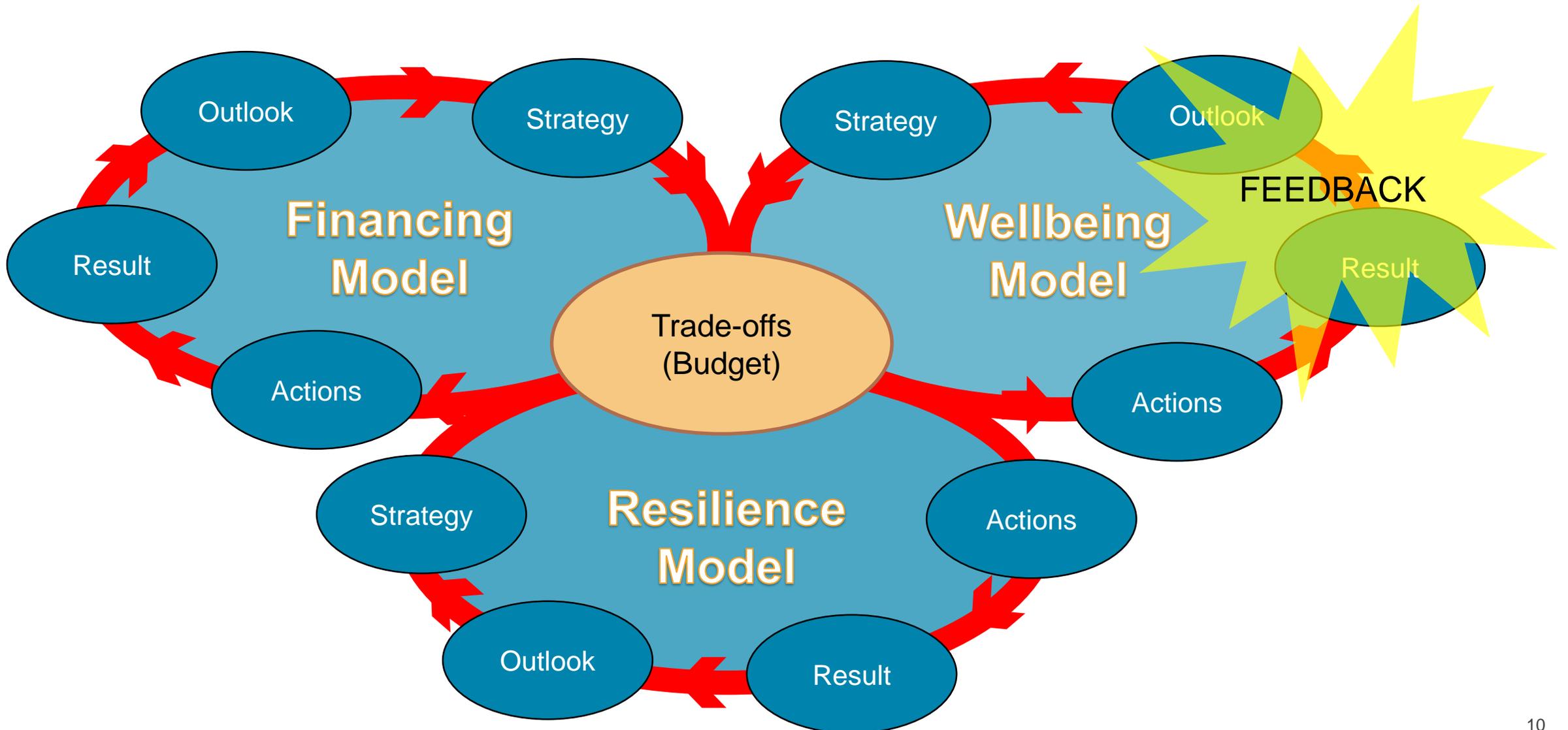
Requiring changes to strategic settings

Requiring Institutional Reform

What it takes to change strategic settings ...



Managing to Strategies: Target improved feedback loops

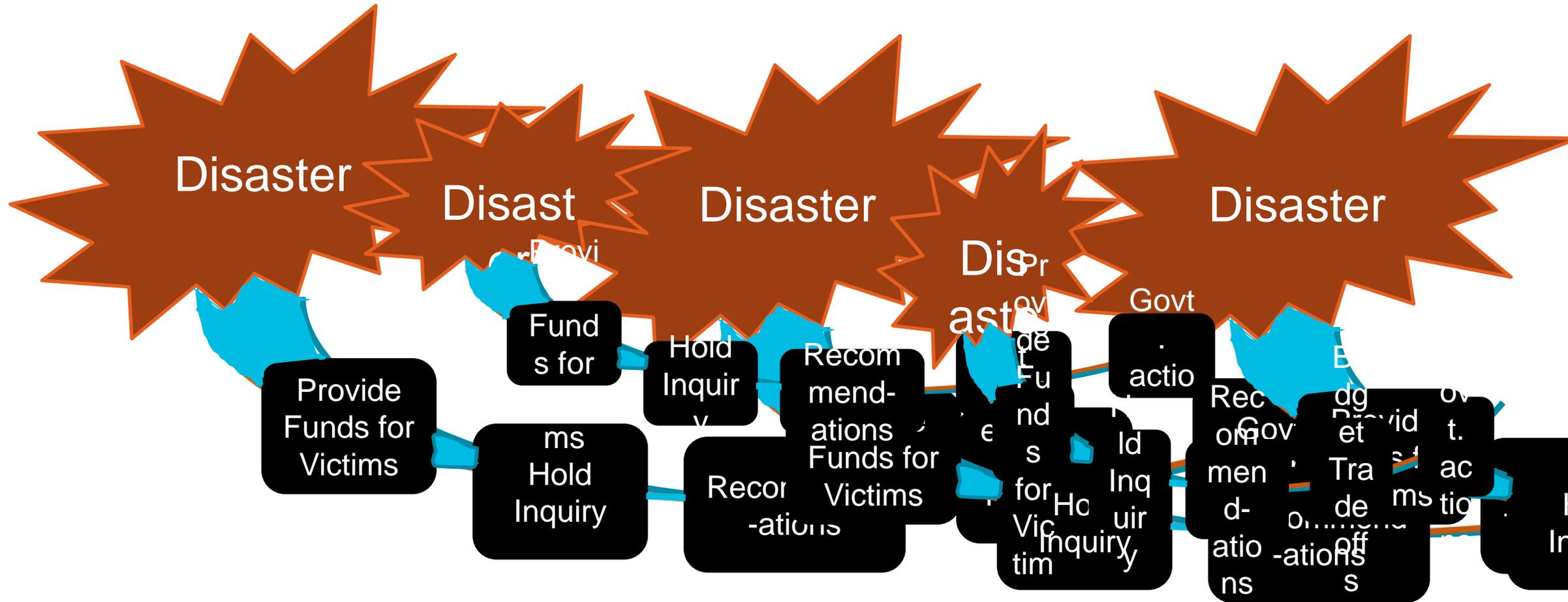


Feedback: What it takes to maintain strategic settings

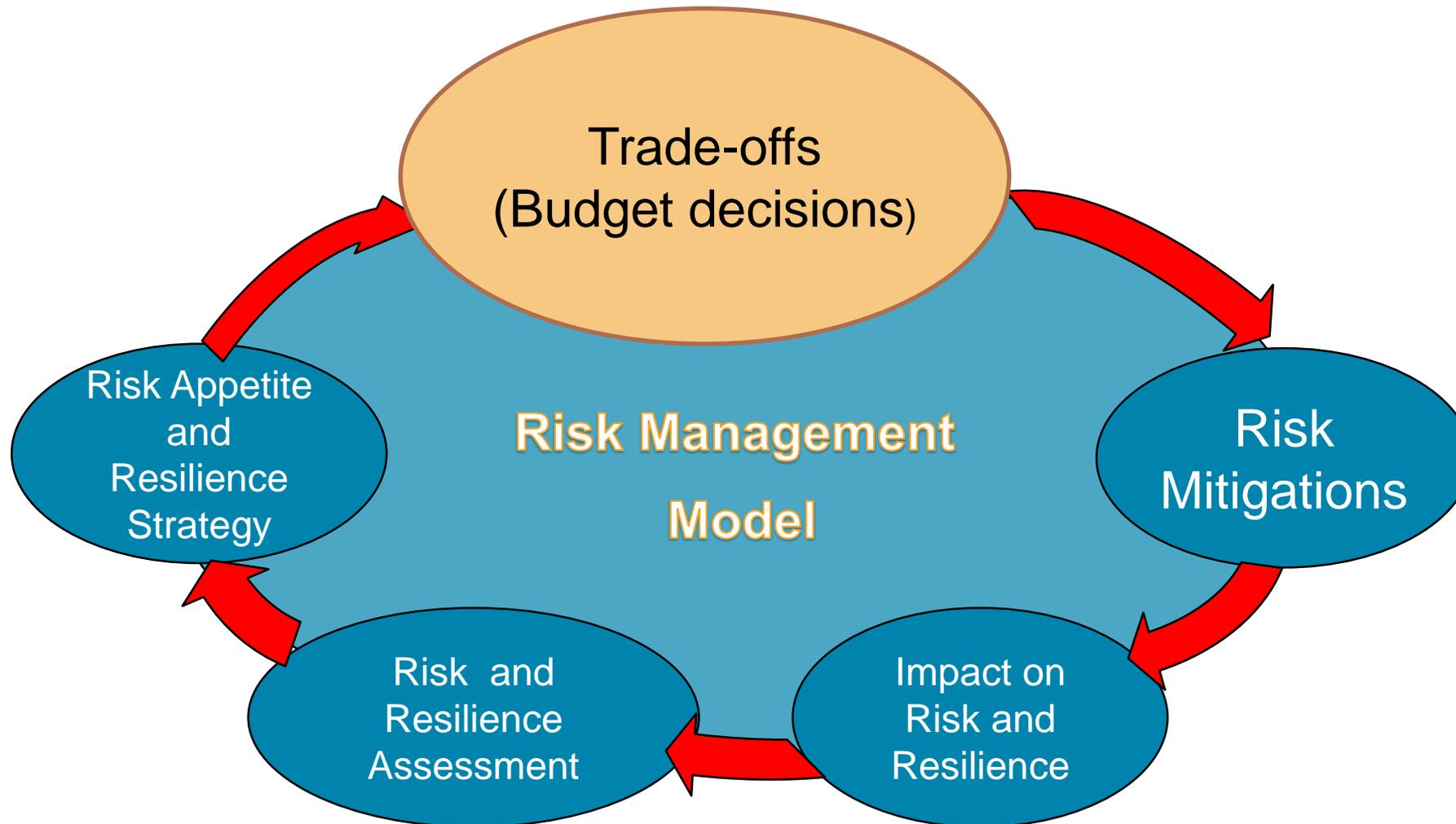
FEEDBACK: A public service:

- Fulfilling its implementation role.
- Advising of emerging threats to the strategy
- Advising of emerging opportunities to progress the strategy
- Ensuring Ministers are aware of the capacities (strengths) and incapacities (weaknesses) of the public sector
 - in managing the threats
 - grasping the opportunities,
 - implementing the strategy and
 - achieving strategic milestones
- Ministers and the Centre adjusting public service activities and strategies to ensure that expectations created are managed and met

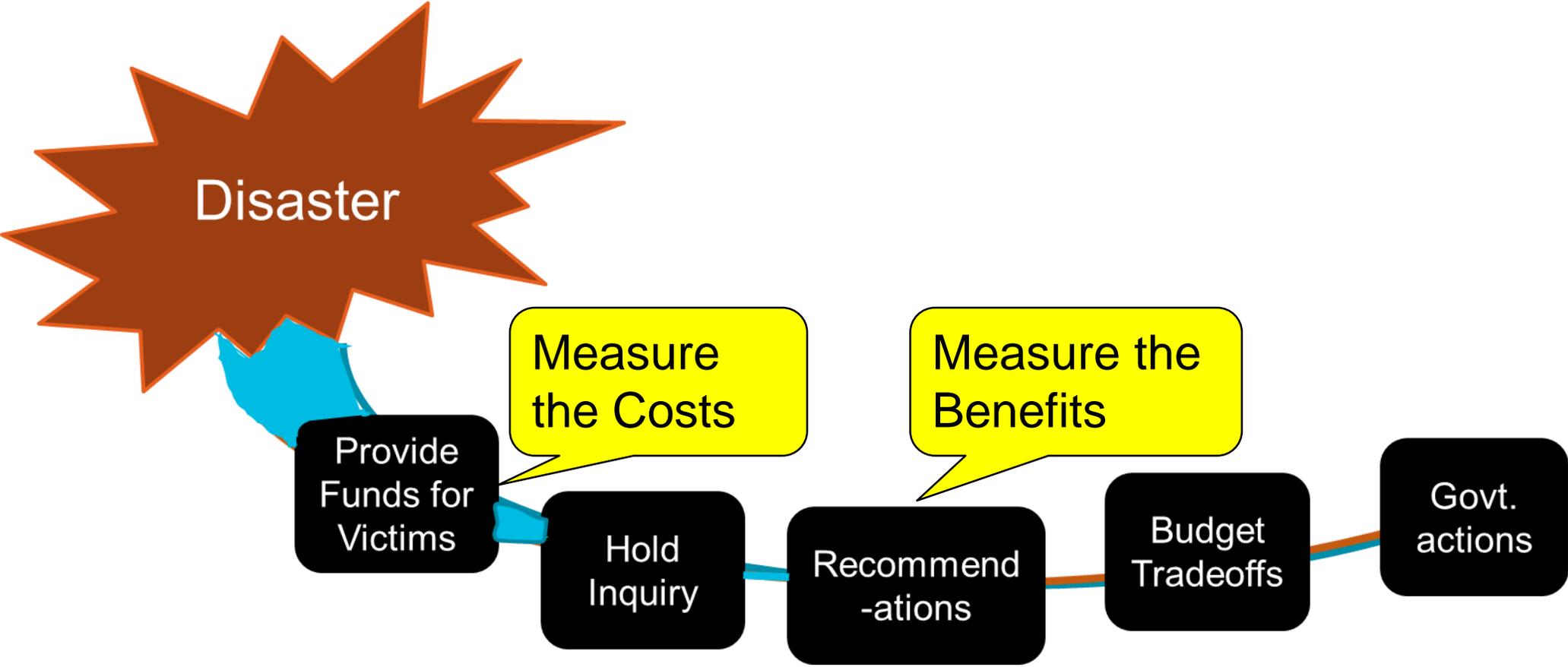
From Reactive Risk Management



To Proactive Risk Management

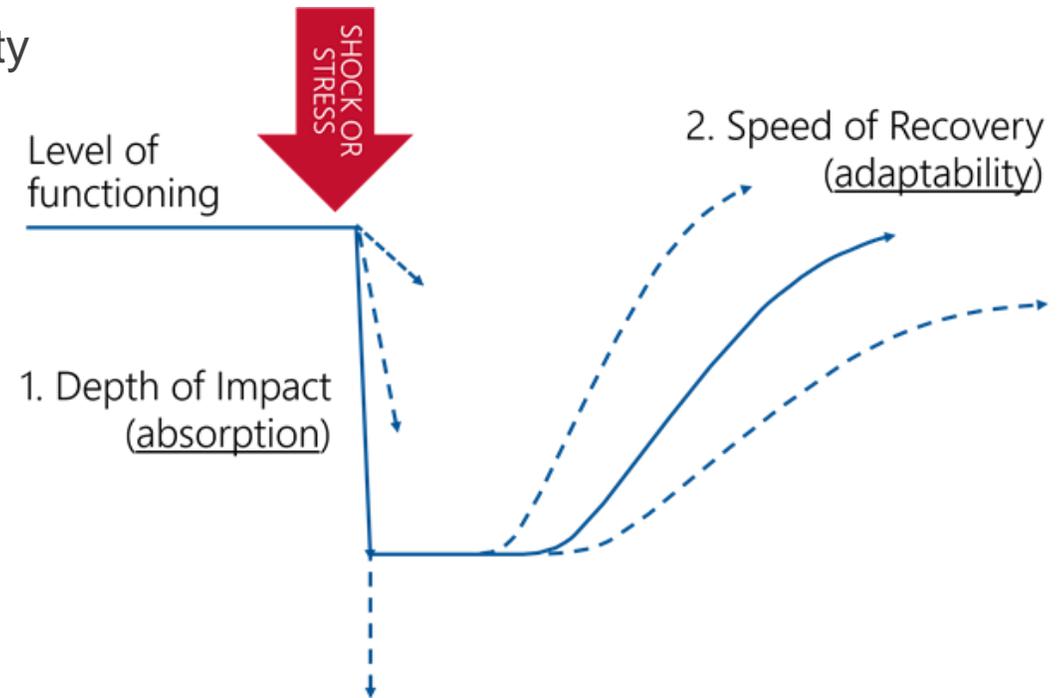


Adding to the Economist's analysis



With an Accountant's: Measuring Risk and Resilience:

- What's our Position?
 - Resilience less Risk
 - Resilience = Absorptive Capacity + Adaptive Capacity
 - Risk = Spread of Probabilities and Consequences
- How has the position changed (Performance)
 - Δ Resilience less Δ Risk
- How did Performance compare with expectations?
- How can we improve performance?

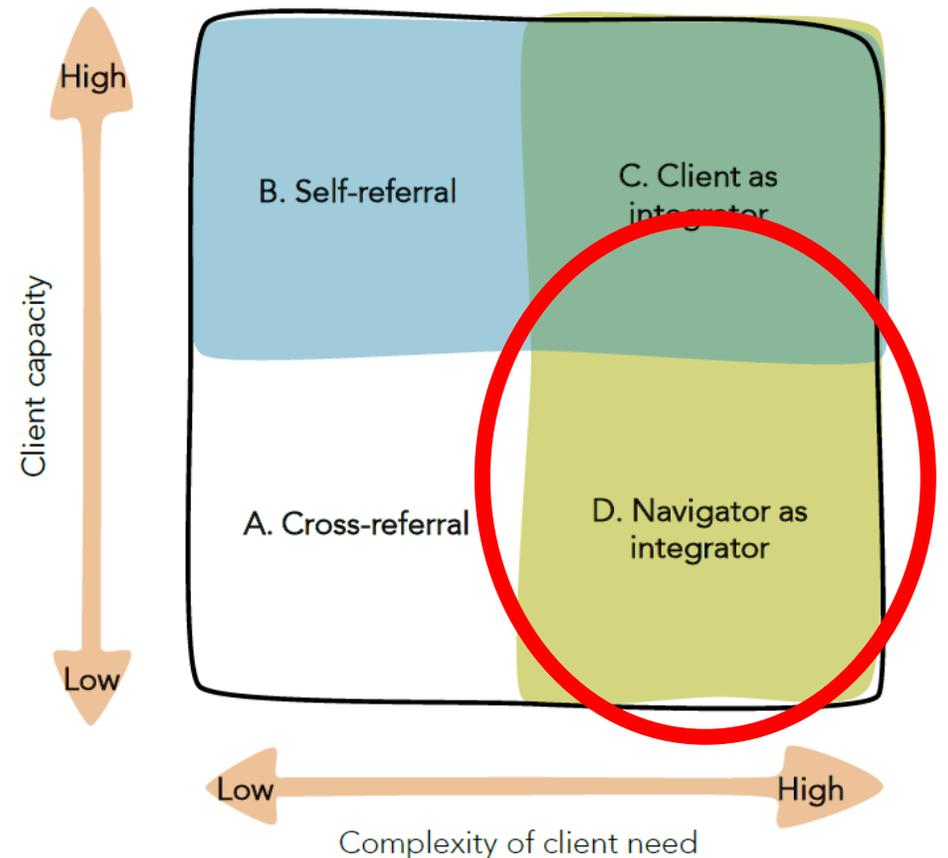


LSF Resilience Measures (Absorption (dark) and Adaptability (light))

	Government	Commercial	Individuals/ households	Rest of World
Financial	Net Debt	Capital Reserves	Savings	Global capital stocks
	Ability to increase tax, reduce spending after adverse event	Ability to increase prices after adverse event, OBR effectiveness	Ability to find new jobs after adverse event	Ability to access after adverse event
Physical	Infrastructure robustness, modularity, redundancy	Capacity of PPE & Technology to cope with increased demand	Houses at life risk – NBS, and building risk - RMS	Capital Account balance
	Expected infrastructure outages	Time to replace functionality if lost	Time to rebuild/repair if destroyed/damaged	Time to (re)establish trade connections
Social	Measures of trust in government interventions	Social license	Support networks	Impacts of overseas cultures and networks
	Speed of acceptance of transition to new interventions	Ability to recreate customer networks	Ability to make new friends	Speed of assimilation into NZ culture and networks
Natural	Buffers in air, sea, land, natural resource use standards	Natural resource renewability	Access to environment	Distance from Planetary boundaries
	Speed and ability to recover natural resources	Natural resource substitutability	Speed and ability to recover access to natural resources	Effectiveness of response to biological incursions, climate change
Human	Policy capacity	Organisational capacity	Health of individuals	New Zealanders overseas, stock of willing immigrants
	Reform capacity	Labour Force capacity	Recovery from accidents, diseases	Ability to change and enforce new immigration settings

The Productivity Commission on collaboration

- To improve social wellbeing, there is a need to identify those areas where better results are in prospect. That is where the current system is generating poor outcomes.
- Mainstream systems for social services, effective in reaching the majority of the population, fail in reaching more vulnerable people.
- Failure caused by limits of the existing system to deliver services to people with complex interrelated needs over sustained periods.
- Breaking cycles of disadvantage defies simple top-down solutions. Well-intentioned people attempting to solve complex problems are frustrated by fragmented budgets and decision rights.
- Exhortation – calls to do better, collaborate more or innovate is insufficient to drive behavioural or system change. Effort needs to be grounded in an understanding of people, the organisations in which people work and the incentives that they face – **only achieved through citizen-centred collaboration**



Citizen-centred collaboration is not natural for the bureaucracy:

For positive reasons

Specialisation a better driver of public-value:

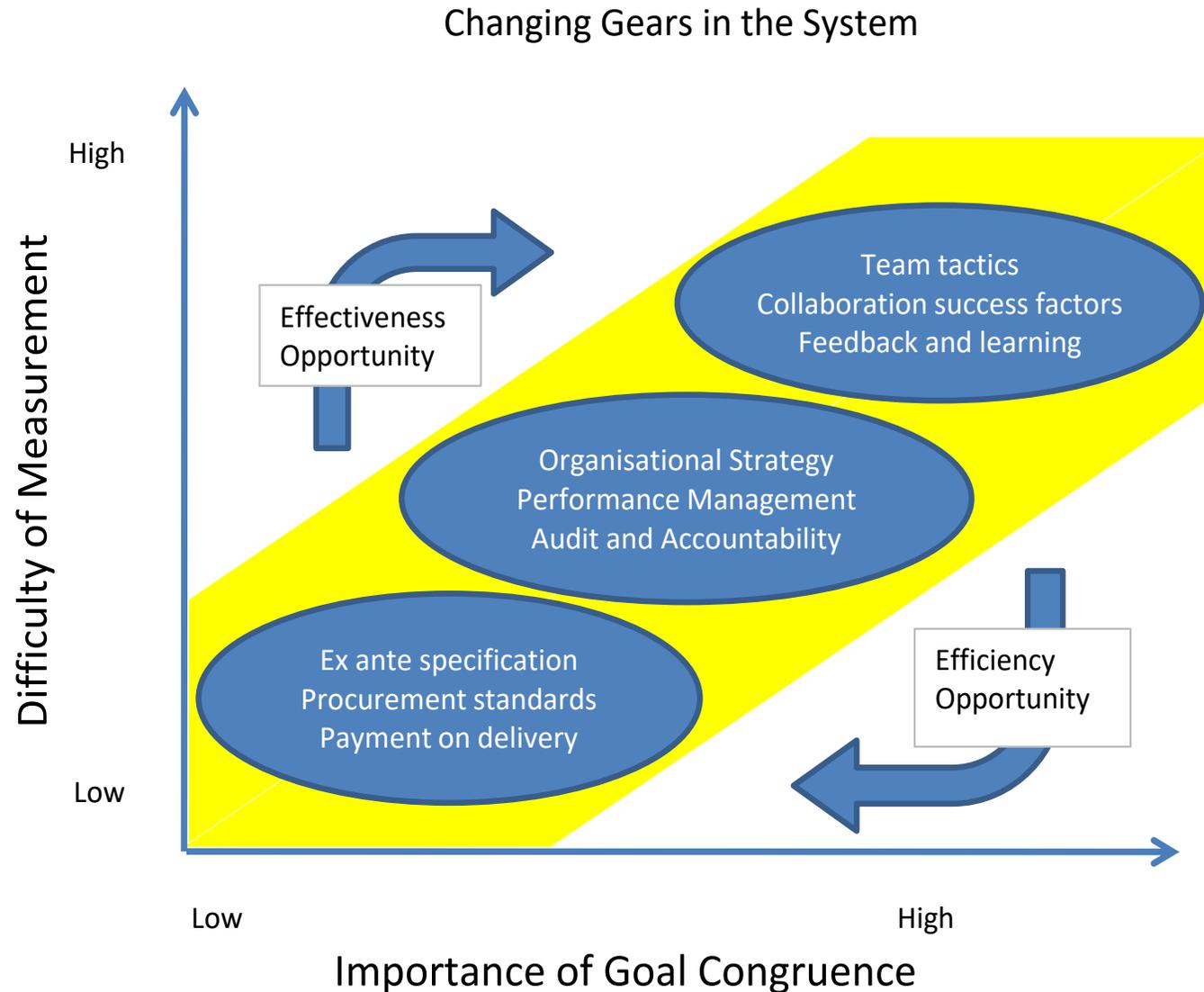
- Structure is needed for strategy to be implemented, and structures generally follow strategy.
- Provides a focus on efficiency and outcomes in delivering standardised (most) services
- Standardisation lowers transaction costs
- Risks tolerated in delivery of services are appropriately geared to uncertainties over service results

For negative reasons

Lack of co-ordination is an easy blame:

- Not always possible to get consensus, when different views
- When ministers make hard choices between contested views, losers can be inclined to complain about a lack of collaboration
- System is as coordinated as ministers want it to be. It is a brave manager who will shift resources away from his or her minister's priority to work that is the priority of other ministers without their approval

Collective impact methods need to be added to the system



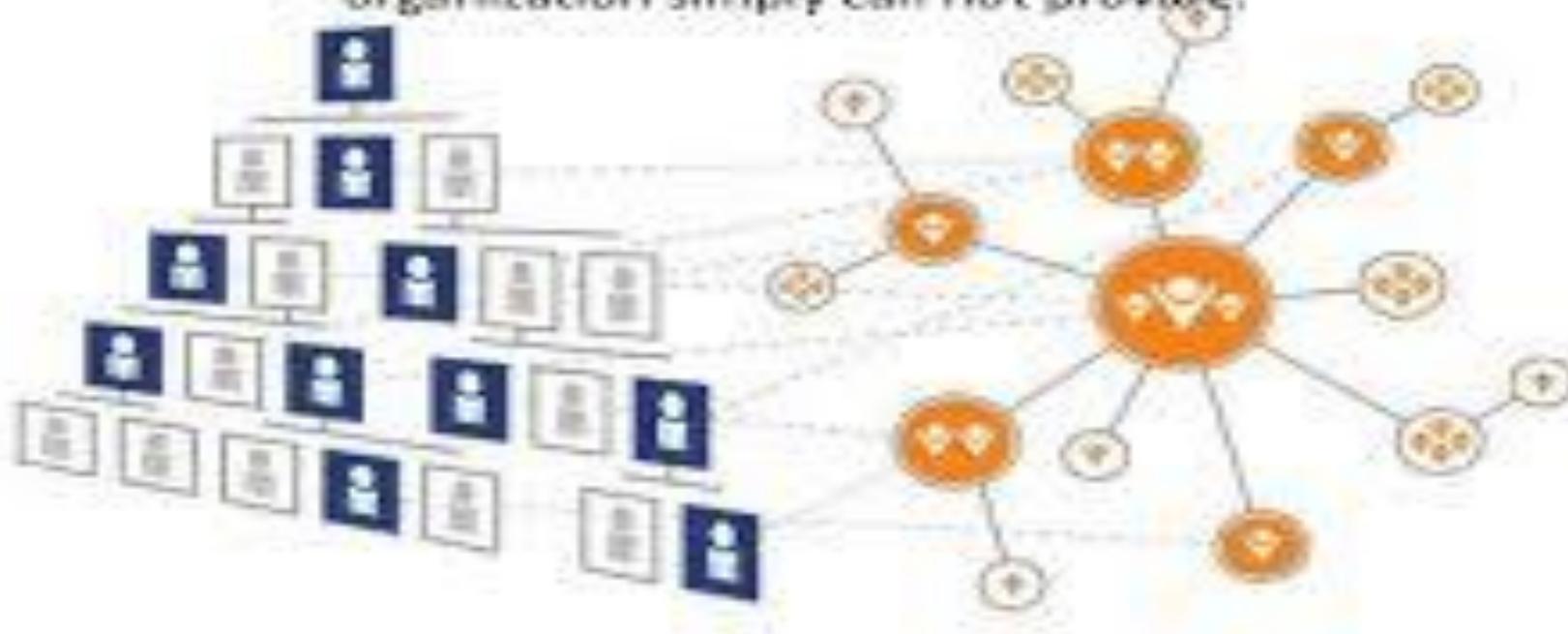
The differences between collaborative and specialist models need to be recognised

	Outcome-focussed Collaboration	Output-focussed Specialisation
Expectations	Achievement of Shared Goals	Delivery of Services
Operating Model	Value-add through collaboration	Value-add through specialist skill
Information needs	Fast feedback loops from citizens	Fast feedback loops from system
Accountability for	Commitment to shared goals and mana to achieve them	The quality , quantity and cost of the provision of services
Accountable to	Citizens before hierarchy	Hierarchy before citizens
Accountability direction	Horizontal between collaborators	Up through the hierarchy
Trade-offs generally favour	Effectiveness	Efficiency
Funding	Collective / Relationships	Services

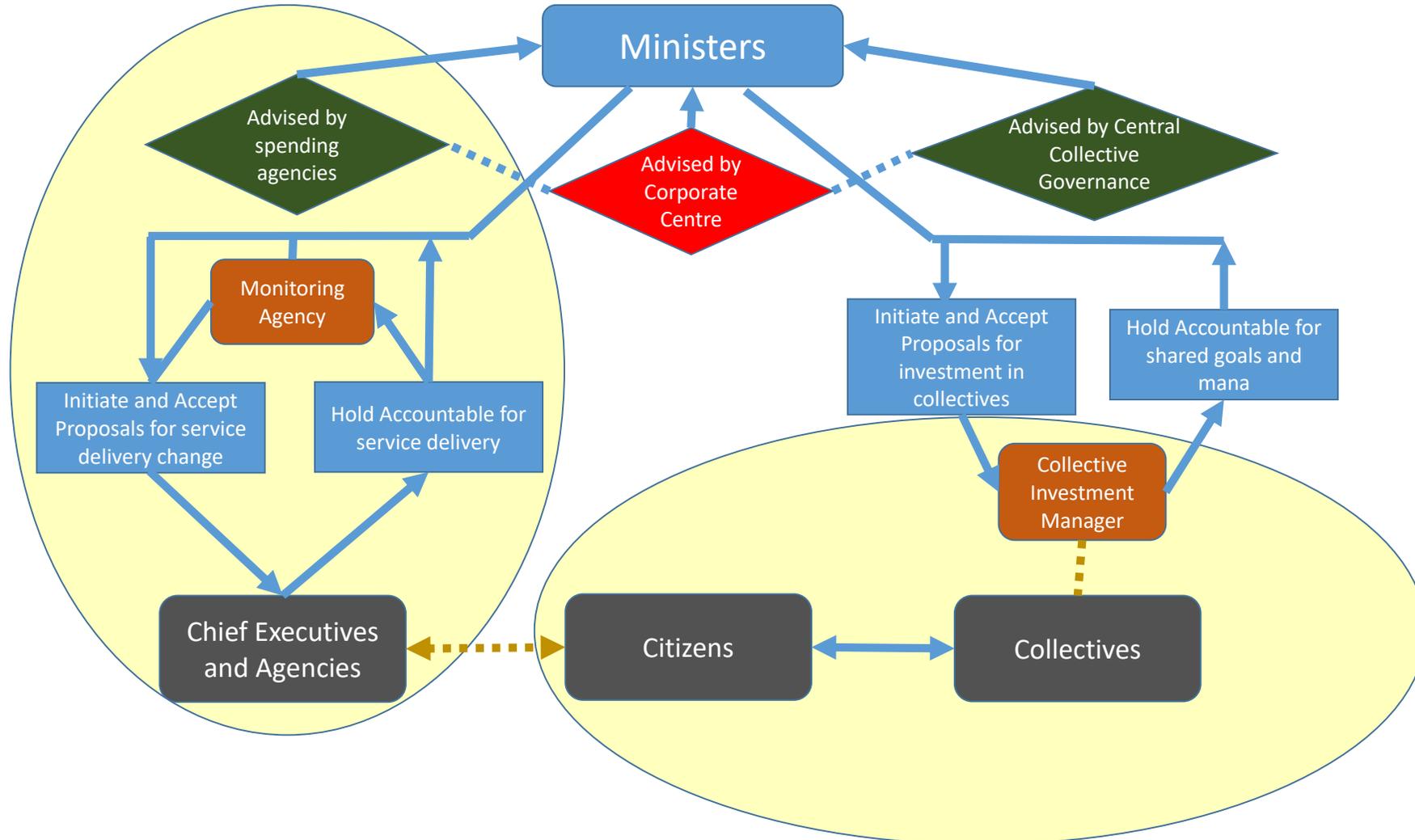
Dual Model applied by successful firms

- The dual system organization has on the one side the hierarchy, on the other the network.

The network organization contains no bureaucratic layers, command-and-control prohibitions, and six sigma processes, the network permits a level of individualism, creativity, and innovation that the hierarchical organization simply can not provide.



And a dual operating model can be applied in government



Three hard problems solved

Feedback by Strategic Management and Leadership



Resilience targets



Accessing the dislocated through collective impact

