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## PERFORMANCE IMPROVEMENT FRAMEWORK

# Follow-up Review of State Services Commission (SSC)

SEPTEMBER 2015

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State Services Commission, The Treasury and the Department of the  
Prime Minister and Cabinet

## **Lead Reviewer's Acknowledgement**

I am very grateful to the Commissioner, his Executive Leadership Team and to the staff who participated in this review process. I found them unfailingly helpful and supportive. I also thank those Chief Executives, Ministers and other stakeholders across the state sector who generously gave their time and shared their views with me. In particular, I thank Sandi Beatie for her invaluable support and guidance throughout the review.

Dame Patsy Reddy  
April 2015

**Performance Improvement Framework  
Follow-up Review: State Services Commission**

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## PURPOSE AND SCOPE

One of the most important roles for the State Services Commission is its role in appointing, inducting and evaluating the performance of public service chief executives. These activities have a key interface with Ministers. The Commission as the employer of public sector chief executives also needs to concern itself with their development and with ensuring it is well placed in terms of succession. Since the 2013 PIF review the Commission has made significant changes to the way performance expectations are set for chief executives, the performance management process itself and the way they are remunerated. The Commission has also begun to address chief executive development and succession.

Alongside these changes the Commission is in the throes of implementing a strategic approach to talent management for the state services. Momentum is building around a programme of work to grow a pipeline of 2<sup>nd</sup> and 3<sup>rd</sup> tier talent for the next 2-5 years as well as a focus on emerging talent and graduates. It is also working with senior Lead Reviewers to refresh the Performance Improvement Framework (PIF) to continuously improve the product and its value to both Ministers and chief executives as a contributor to sector and agency effectiveness.

The primary channel for appointing and managing the performance of chief executives is through Deputy and Assistant Commissioners (within the Sector and Agency Performance Group – SAPG). They currently each have a portfolio of chief executives and their agencies with which they have a day-to-day relationship as well as triaging those relationships with central agency colleagues. Increasingly that relationship needs to be informed by knowledge of Ministerial priorities and where a particular chief executive or agency sits in the context of others within the system.

The Commission also interacts with Ministers and chief executives through other means including the Commissioner, Deputy State Services Commissioner and lead Deputy Commissioners for example, for PIF, employment relations, state sector reform or the leadership development and deployment work.

Given this context this PIF follow-up review has been requested by SSC to assist it to think more deeply about its role in relation to public service chief executives and those it appoints and undertakes performance reviews at the request of Ministers (NZDF, NZ Police, NZSIS, Crown Law Office and GCSB).

The Commission needs to evolve its method of engagement to ensure its resources are directed to areas of greatest impact and that the channels it uses for that engagement are effective and efficient not only for itself but for its customer groupings.

The SSC has asked that this follow-up review focus on its progress in Chief Executive recruitment and performance management and leadership and capability development and deployment across the System. In reviewing progress made in these priority functions, I was asked to explore:

- *What are Chief Executives and Ministers looking for from the Commission?*
- *What shifts has the Commission made towards this over the past two years?*
- *Is the current model of engagement the most effective for the future?*
- *[If not] what needs to be different?*

A second area of focus for this review is on the internal operation of the Commission. Since the 2013 PIF Review, the Commission has developed a workforce strategy, introduced new induction and recruitment materials and refined the core competencies required for different levels of roles within the organisation and is introducing a Talent Board to better understand and manage the career aspirations and capability of its staff. It has also refreshed its business strategy and defined an explicit operating model, underpinned by four Portfolio Leads covering: System Stewardship, Collective Impact, Learning Culture and Better Everyday SSC.

In this context I was asked to explore:

- *What makes SSC a good place to work?*
- *Is it clear to you how what you do contributes to the overall priorities the Commission needs to achieve?*
- *What works well and what changes could be made for the better?*

## EXECUTIVE SUMMARY

The Commission's primary function is to appoint, employ and review the performance of Public Service Chief Executives. It must carry out this function to effect system-wide change to deliver citizen-centred services and Better Public Services (BPS) Results.

Progress towards these goals is tangible and positive. All of the BPS Results show positive trends and Chief Executives are increasingly adopting a collaborative system approach in their roles.

There are some areas where further development and design is needed. For example the alignment between Agency Four Year Excellence Horizons and their four year plans should be sharper and PIF Review findings should be used to drive performance expectations and the way in which performance management is undertaken needs refinement.

Other tools are still in development, such as the leadership assessment and benchmarking tool and an updated leadership success profile. Also a talent information management system, needed to store leadership information and drive the data analytics is being procured but is not yet in place.

The Commission must now enter a new phase – the second horizon – to connect the system with delivery of results. Having identified, planned and designed the tools, systems and processes, it must concentrate on improving its communication and engagement.

To be effective and transformational, the Commission requires:

- **Visible leadership:** As Head of the State Services, the Commissioner must lead from the front.
- **Communicate with passion:** The most effective form of communication is 'authentic', where the message given is clearly articulated and is seen to be from the heart, not from an email.
- **Focus on results and outcomes:** If too much time is spent on design and planning this can stifle forward momentum.
- **Celebrate Success:** While it is important to strive for excellence, it is as important to value and acknowledge achievements along the way.
- **Enable and Empower:** The challenges of state sector reform are substantial and the risks in delivery are commensurate, but the Commission must recognise and manage them without stifling innovation and action.
- **Walk the Talk:** Every employee in the Commission should be actively engaged and committed. They are the best ambassadors for the agency and must demonstrate the customer focus and collaborative style that Better Public Services Results demand.

## AGENCY RESPONSE

In 2013, SSC underwent a full PIF Review. It was future-focused and identified priority areas in which SSC would need to lift its performance in the short and medium-term to make its best contribution for New Zealand. As part of the response I requested a Follow-up Review take place.

Chief executives are commenting that PIF Follow-up Reviews are most useful when they are focussed on a small set of performance challenges and the lead reviewer provides a constructive critique of progress made and makes specific suggestions for further action.

The Commission followed this advice in commissioning our own Follow-up Review. Dame Patsy Reddy carried out the Follow-up Review in early 2015 and the review report was finalised in July. She was asked to focus specifically on two areas:

- our progress in meeting the expectations of Chief Executives and Ministers (specifically in relation to CE recruitment, performance management and leadership and capability development and deployment); and
- the effectiveness of the internal changes that we made following the 2013 PIF Review.

The Follow-up Review's analysis and recommendations are highly detailed, reflecting both the strategic role that individual units of the Commission have in leading change in the public sector, and also the two areas of focus I requested for the review.

This Follow-up Review looks at performance improvements achieved since 2013 and where we still have work to do.

It outlines the strengths of our existing resources and competencies and how those skills and that expertise prepares us for our mid-term goals, as well as for our overarching strategy to transform New Zealand's public services.

I am pleased it finds we are on the right track and there is a definite sense of momentum.

Our goal is not a once-only reform to achieve better public services, but continual improvement in the entire system, driven by high-performing collective leadership from chief executives and their senior management teams.

The greatest benefits from these ongoing reforms will only come when the whole system is working well.

My role as Commissioner is to support Chief Executives to lead the State services into a more collaborative and customer focused environment. Continuous improvement is not just our goal – it is the new normal.

We need to be flexible, adaptable and nimble-footed to respond to changing times and targets, and to lead from the front.

To achieve that, I requested that the PIF be a comprehensive and highly detailed report in specific areas.

It is good to celebrate success, and to identify improvements made. Additionally, independent reviews allow fresh ideas, and give incentive to rethink everyday practices and encourage change.

There are challenges we are facing as a Commission and these were acknowledged in the review. It has clearly and crisply identified areas to focus on, and we are continuing to take action to put processes in place that will get the results New Zealanders are looking for. I am confident we can deal with them – in fact, we are dealing with them already – because our foundations are strong and our aspirations are high.

I would like to thank our lead reviewer, Dame Patsy Reddy, for her approach and her constructive engagement throughout the follow-up review. Due to her recommendations, our organisational management will become stronger and more effective.

Action to implement the review's recommendations commenced as Dame Patsy began to form her conclusions and has continued after the report's completion. This includes:

- Putting in place a new process for integrating all aspects of our engagement with Chief Executives, including recruitment, induction, performance management and succession planning.
- Building our analytical capability.
- Implementing initiatives to identify and develop a stronger and more diverse pipeline of future State services leaders.
- Better understanding of the needs of internal and external audiences to ensure that we both engage and communicate more effectively.

I am excited about the next phase the Commission is moving into and I am grateful for the hard work our people have put into improving our services and advice to Ministers, Chief Executives and other senior leaders.

**Iain Rennie**

State Services Commissioner



# PART ONE: CORE BUSINESS

## Context and Approach

The State Sector Amendment Act 2013 charged the Commissioner with promoting a culture of stewardship in the State services. It followed the adoption of the Better Public Services (BPS) reform programme and the commitment to deliver the Government's ten Better Public Service Results (the BPS Results). This requires a fundamental reshaping of the way state services work and how services are delivered. Agencies must innovate and execute change to deliver joint outcomes and realise opportunities to deliver more value for money. It has required a significant change in the way the State services operate and some major changes for SSC.

SSC's purpose is "leading a State sector New Zealand is proud of" and the outcome it seeks, shared with the other Central Agencies is "a higher performing State sector that New Zealanders trust, delivering outstanding results and value for money". The Commission is the Head of Profession of human resources and has a leadership responsibility for organisation development across the State sector. It is tasked with ensuring the Chief Executives are selected and rewarded not solely on their ability to deliver their agency's goals and targets, but also their ability to improve sector and system level capability and outcomes, as stewards of the State services as a whole and not simply leaders of their individual agencies.

In his response to the 2013 PIF Review, the Commissioner addressed this challenge by committing to prioritise "strengthening the leadership within the State services, including talent identification, leadership development and succession planning" and "improving the way [they] recruit, develop performance expectations for, remunerate and appraise performance of Chief Executives".

This Follow-up Review explores the progress the Commission has made in delivering these priorities. In conducting this Review I spoke with over a dozen Chief Executives from across the State services. They lead a broad cross section of both policy and operational agencies and range from newly appointed Chief Executives to some of the longest serving.

Those who have been Chief Executives throughout the two year period since the 2013 PIF Report have all experienced improvements in their engagement with the Commission and value some of the services and tools that the Commission provides, such as PIF Reviews, the Continuous Improvement programme and the introduction of the Career Boards. There are also areas where Chief Executives are seeking improvement where process and/or outcomes could be more effective.

I also spoke with relevant Ministers and their offices to explore their views of how the Commission is delivering on the Government's expectations and on the current model of engagement for Ministers with the Commission. Ministers note that the proof of delivery is shown by progress on the BPS Results and thus far the trend is positive. However, they consider that there is still a way to go to change the way public services are delivered so that they are driven by results that are customer-centric rather than provider-centric. It requires the State services to operate as a cohesive system rather than as a collection of individual agencies. They recognise that the reform needed is substantial. Stronger and more visible leadership is expected from SSC to build capability and deliver system change so that all leaders are acting as stewards of the State services.

## **The Chief Executive Recruitment and Induction Process**

The process undertaken by SSC for recruitment of Public Service Chief Executives is exhaustive and rigorous. The steps in the process - Planning, Sourcing, Assessing, Selecting and On-Boarding – comprehensively cover an A3 sheet in diagrammatic form. Those Chief Executives I spoke to who have recently undertaken the process (there have been 14 Chief Executives appointed in the past 2 years) found it thorough and very demanding, but were impressed by it and felt they had been well treated throughout. There is confidence among Chief Executives that the process is resulting in the appointment of the best candidates for the role.

However there is some concern as to whether the vacancies are attracting the best candidates to apply. There is a perception that these roles may not be attracting the best candidates from Tier 2 level. Possible reasons suggested were that the roles are seen as very demanding, attracting a high level of political and media scrutiny that can be difficult to deal with. Also the Public Service Chief Executive appointments are for fixed terms (usually for 3 or 5 years) whereas all other roles in the State services are permanent roles. It was suggested to me that some public servants who might be expected to apply for positions and are otherwise qualified may lack the motivation to do so. However, I note that SSC's recent experience does not tend to support this hypothesis.

I heard criticism of the time the recruitment process takes and there is a general feeling, particularly from Ministers, that the process needs to be more agile and adaptable, to be able to take account of particular circumstances. This concern is being addressed by SSC, which is using its own continuous improvement specialists to assist in streamlining the process and reduce the separate steps. These improvements are currently being trialled. Effectiveness and efficiency measures have also been developed. These will be applied as a part of the trial.

The value of the SSC's Chief Executive induction process is more difficult to judge. Some Chief Executives felt it was little more than identifying people they should meet, others felt that they knew their way around the system well enough that they really didn't need (or get) any particular induction. This will inevitably vary with the background and experience of the new appointee. But one comment made by a number of Chief Executives was that they felt 'on their own' and somewhat isolated following their appointment. After the intensive process of recruitment and appointment, when they receive significant support and pastoral care, this can be an uncomfortable contrast, particularly for Chief Executives who are new to Wellington and/or the public service.

The 2013 Review identified that some Chief Executives, particularly from small agencies, would value more interaction with the Commissioner after appointment. This issue remains and I deal further with the issues of Chief Executive support and development later in the report.

## **Remuneration and Performance Management for Chief Executives**

In the 2013 Review the process for setting performance expectations and remuneration was rated as 'needing improvement'. In particular the process required more effective alignment with delivery of the reforms needed to deliver BPS across the system.

Since the 2013 Review, SSC has redesigned the remuneration framework for Chief Executives as well as the performance management process. The intention of the redesign was to improve alignment between performance expectations, Government priorities and system stewardship obligations by providing a clearer link between Chief Executive expectations, performance and their reward. There are now common performance expectations for all Chief Executives, which are designed to encourage a more collaborative focus on system-wide leadership and results and in particular, achievement of

the Better Public Services programme.

Detailed guidance has been provided around the process for measurement of performance, which has been prepared by SSC to assist its own staff and Chief Executives, with advice from a reference group of Chief Executives. It is clear and easy to follow, with flowcharts and diagrams to explain and support the process. Chief Executives are required to develop their own metrics by which the performance of their individual agencies is measured.

The new remuneration and performance management process was introduced in January 2014 and has not yet been in place through a full annual cycle. Chief Executives are generally in favour of the changes to the structure and support the performance expectations. The development of these has been through effective consultation and co-creation, using a reference group of Chief Executives. This approach was well received by Chief Executives. All I spoke to understood the reasons for the focus on system stewardship and achievement of BPS Results. The new framework is regarded as a more 'holistic' approach to performance remuneration.

Within SSC the Sector and Agency Performance Group (SAPG) has introduced a more robust process for assessing performance and ensuring a consistent approach across all agencies. However there is some dissatisfaction with the way in which this performance management process has been implemented.

All of the Chief Executives I spoke to considered that they were required to provide too much detailed information for the assessment last year. The process was too intensive and time consuming and seemed to some Chief Executives to be more like auditing than a management or review process. For example, having designed their own metrics for measurement of their agency's performance, some CEs felt that these were then discarded and/or redesigned by SSC.

The SAPG have recognised that improvements need to be made to this process, both for performance reviews and for remuneration setting. Following a 'lessons learned' review they have identified the following actions needed to improve the process and have reconstituted the Chief Executive reference group to assist:

- Simplifying the CE self-review template
- Developing more consistent and targeted reporting requirements
- Further development of the system-wide stewardship expectations
- Providing greater clarity on how performance payment decisions are made
- Building capability to support CE development.

Experiences of Chief Executives in dealing with the individual Deputy Commissioner or Assistant Commissioner assigned to them is varied. Some have built up a good rapport and find their interaction valuable. Others are less convinced at the value of the relationship. There is a view expressed by some Chief Executives that their monthly meetings are more about process and not enough about direction of travel or development of capability.

The issue is not so much about the capability of individual DCs and ACs, but whether the SAPG model still fits with the BPS model of performance and delivery. For example the current model is still focussed on a one-on-one relationship between a DC or AC and the particular Chief Executive and agency. This may not effectively address the wider culture and system changes that Chief Executives must achieve in order to deliver citizen-centric government services. It is not 'business as usual' and the support that Chief Executives need to develop these skills and then implement them

may need to be different in design and more bespoke than currently offered through SAPG. One size does not fit all.

We noted in the 2013 Review that there was a tension between the performance management and monitoring function and the development role, both of which are managed by the SAPG within SSC. This tension remains. In my view there would be merit in more clearly separating these functions and reconsidering what skills are required to perform them.

Some suggestions for consideration are:

- A closer alignment between PIF Reviews and 4 year business plans, against which Chief Executives' management of their agencies should be considered. For instance, if each agency undergoes a PIF Review in the CE's first year, the next iteration of the business plan should explicitly incorporate the areas for improvement and the CE's performance in addressing them could be the focus of the SSC performance assessments in subsequent years.
- Use of a mentoring system where each Chief Executive is allocated a mentor or coach, determined with reference to their individual developmental needs and experience. For example, a first-time Chief Executive could be mentored by a current senior Chief Executive. A more experienced Chief Executive might be better supported by a former Chief Executive or a professional business coach. This could perhaps be facilitated through the Leadership Development Centre (LDC), which is a joint venture between the State Services Commissioner and state sector Chief Executives. LDC and SSC could co-design and organise delivery of a bespoke development plan for each Chief Executive upon appointment.
- Recruiting with a greater emphasis on business analysis skills in the analytics team in SAPG would better equip the team to determine measures and assess agency results, in collaboration with Treasury. This information could inform the mentoring discussions, but the mentors would not be responsible for managing or assessment of the Chief Executive's performance. They would provide advice and guidance to assist with their development or whatever support they required to lift their capability.

## **Leadership and Capability Development and Deployment**

At the time of the 2013 PIF Review we found that the system for leadership development across the public service had been weak and there was no identifiable pipeline of talent across the system. Buy-in from agencies to the LDC courses for tier 2 and tier 3 leaders was poor and the meta-analysis of PIF reviews revealed that leadership development within agencies was inadequate, with 62% rated as 'weak' or 'needing improvement'. SSC had recently launched new programmes to address these weaknesses, including the introduction of Career Boards, but these had not, at that stage, produced results.

The changes made to the State Sector Act in June 2013 were designed to strengthen public service leadership at the system, sector and agency level. It introduced the concept of stewardship across the system and provided statutory powers to enable the Commissioner to implement change, such as the power to designate system critical roles as key positions and to deploy leaders into different roles and agencies for their development or for the benefit of the system.

SSC then established the Leadership and Capability Development and Deployment (LCDD) programme, based on a model co-created by SSC and Drs Mike Pratt and Murray Horn. Its purpose is to integrate system-wide capability development and leadership initiatives into a single culture change programme, to develop Great Agency Leaders into Great System Leaders.

The LDC has been repositioned as a joint venture between the Commissioner and public sector chief executives with a key role in developing senior leadership at both system and agency level. The Commissioner assumed the chair of the LDC board and is leading the development of more robust and systemic ways of assessing leadership potential and development needs. These changes have been effective.

In mid-2014 SSC appointed a Government Chief Talent Officer to lead the programme to identify and develop leaders and talent. Since then, progress has been evident:

- Career Boards have gained traction and are increasingly recognised as a valuable tool by the Chief Executives who sit on them. These sector-based Career Boards have facilitated the movement of senior leaders for development and Chief Executives are able to share ideas for the development of talented individuals in their agencies. Importantly they are enabling the SSC to compile for the first time a comprehensive picture of talent across the system. Career Boards have also identified credible successors for all key positions and ensured development plans are in place for those individuals.
- A talent management toolkit has been prepared and distributed for use by Chief Executives and their leadership teams in adopting consistent, effective, talent management practices in their own agencies. This is a practical and step-by-step guide to setting up a talent matrix and implementing internal talent management. All Chief Executives have committed to implement a talent map for their top three tiers of management, by 30 June 2015.

There are several other tools and programmes in development. They include:

- The Auckland Career Board, which includes the Auckland Council as well as the public service agencies that have a significant presence in Auckland and is aiming to include private sector companies to steward careers and broker development opportunities for leaders living in Auckland;
- Development of a common leadership assessment and benchmarking tool for Agencies to use. This is being developed with assistance from private sector providers who will be able to provide assessments for Agencies and assist with the creation of development plans for their staff. The use of data analytics to support talent development is vital to enable consistency and systematisation of the programmes;
- Reviewing and updating a Leadership Success Profile to establish a common success profile that can apply to all senior leaders in the State Services;
- Procuring a talent information system to store leadership information across the system;
- Developing leadership and capability of Functional Leaders and Heads of Profession to lift practice, performance and capability;
- Piloting an Emerging Leaders Fast Stream Programme, which will select high potential emerging leaders and develop their knowledge, skills and experience using placements within three different departments over three years;
- Developing a State Sector Graduate Programme, building upon the success of the first Intern Programme held last summer for 100 State servant interns.

There is a sense of real momentum in the Leadership and Talent Development Team. Chief Executives are also starting to see potential value in these new programmes and tools. It is an area where SSC is seen to be delivering on its planning and expectations and implementing their plans effectively.

This area has come a long way since the 2013 Review but there remain some gaps to fill and projects to be completed.

- Although credible successors for key positions have been identified by Career Boards, succession planning is still not mature. There is no clear Chief Executive succession strategy and there tends to be a bottleneck in some Agencies at Tier 2 level, where permanent roles can become a barrier to succession.
- Succession planning should also encompass Chief Executives themselves. As a first step, the SSC, using Career Board data, has identified potential successors for all public service Chief Executives. This is particularly important as, unlike other public service positions, the Chief Executive appointments have fixed terms of appointment. But in addition SSC should actively identify and support Chief Executive's own development and career opportunities to maximise the options for the State services and the Chief Executives themselves.
- The Commissioner's power to move leaders for the benefit of the system is a valuable tool to drive system reforms across Agencies. Chief Executives I spoke with questioned whether it had in fact been applied. For example this power could be used to enable emerging leaders to get experience in different roles across the Public Service and also to overcome Tier 2 bottlenecks. In fact there have been at least 16 moves of Tier 2 and 3 leaders identified through Career Boards or by SSC directly and most have been achieved by mutual agreement. Nonetheless SSC should consider whether more active use of this power would be helpful for system reform.
- The more effective use of secondments to develop Tier 2 and Tier 3 leaders could extend across private sector and Australian state agencies. Some agencies have effectively developed their own transfer and secondment opportunities with Australian and other Commonwealth counterpart agencies, but these could be made part of the SSC toolkit for talent development.
- Leadership and talent development initiatives need to be systematised so that they are undertaken within a framework and are therefore sustainable and effective over a longer term. Otherwise they run the risk of being ad hoc or one-off, dependent upon the skills or expertise of particular individuals and not part of a long term programme. They need to be embedded in the Agencies themselves so that they become accepted and adopted by all.
- The communication between Chief Executives/SSC and the individuals who are identified as system and sector leaders and shown on the Career Boards is not yet consistent. As a first step, the Commissioner has written to all Tier 2 leaders updating them on the work of Career Boards and other leadership initiatives being led by the SSC and encouraging them to engage with their Chief Executives about their own development. This will be followed up by letters from the LDC. Clear and timely communication with the individuals who are on the Career Board is needed so that they know and understand their positioning and what this means for their future development. This information should be used to inform their personal development plans. While this responsibility must be primarily that of the relevant Chief Executive, SSC must ensure that this happens given the responsibility of the Commissioner and the Government Chief Talent Officer to develop the talent pipeline.
- There does not seem to be effective enough alignment within SSC between the Leadership and Talent Development Group and the SAPG. SSC needs to be sure that the same tools are being used to develop Chief Executives as are used to develop the talent pipeline. All of these functions, including the PIF and Continuous Improvement teams, need to be very closely aligned so that there is a common experience and strategy across system reform. They are all components of SSC's core business and should be more effectively integrated.

- Consideration could be given to transferring responsibility for Chief Executive development and succession planning to the Leadership and Talent Development Group, in conjunction with LDC, to emphasise the connection and alignment between the appointments and succession and the leadership and talent development functions within SSC.

## Role in Driving State Sector Reform

In the 2013 Review we observed that just as individual agencies can no longer deliver results in isolation, the Commission needed to work more effectively with The Treasury and DPMC to deliver the necessary reforms for sector and system-wide transformation. In ‘Getting to Great’<sup>1</sup> it was stated that “a more cohesive and effective head office is also critical if we are to build strong and enduring public institutions”.

This collaboration is working effectively in some functions and not in others. The three agencies appear to have a much better understanding and working relationship in dealing with special projects and government priorities, such as the BPS Results. Also the collaboration on PIF Reviews and Four Year Plans has been effective.

The Executive Board of the Corporate Centre has been disbanded and redefined as the State Sector Reform Leadership Group, with a wider membership of nine Chief Executives. It is supported by the State Sector Reform Action Group which is made up of Tier 2 leaders from the Central Agencies who set the Agenda for the Leadership Group and are expected to implement and deliver the reforms.

This approach to leading the reform across the State Services does appear to have more traction. As well as involving more of the Chief Executives and Tier 2 leaders who can influence the outcomes, there are more connections across agencies. The improved BPS Results are offered as evidence of their impact. There are evident improvements in collaboration across the sectors but this is not enough. Value needs to be demonstrated in more tangible ways and some of the Chief Executives I spoke with considered that structural change may also be needed to drive greater accountability.

Other activities, such as the work of Performance Hub which combined analysts from both the Treasury and SSC, have not worked as planned. The Performance Hub did not achieve traction and the analysts have now been relocated back into their respective agencies. Many of the stakeholders, both Ministers and Chief Executives, consider this to be a missed opportunity.

There is general disappointment that the Performance Hub, which was set up to act as the analytical engine and the architect for development and reform of the State sector, has been discontinued. The reasons why the Performance Hub didn’t work as a joint Treasury and SSC initiative and how these objectives will be progressed instead do not seem to have been effectively communicated within SSC, or to Ministers and other agencies.

Ministers regard State sector reform to be a priority for the Central Agencies (particularly SSC and the Treasury). SSC is expected to have the specialist HR and OD knowledge and skills needed to assist agencies to change culture and transform their businesses and operating models. Some Ministers question whether SSC is doing enough to drive these reforms and ask whether the pace of progress is too slow. In order to give effect to these changes, risks must be taken and SSC and the Treasury need to empower Chief Executives accordingly. However there is a feeling that the agencies are both too risk-averse and focussed on monitoring rather than enabling.

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1 Part One – by Murray Horn and Debbie Francis 2013.

For example, one question raised was whether the process of exercising delegated authority needs to be reviewed and streamlined, so that service can be provided and actions can be taken more quickly, where they are needed - not always driven from Head Offices but closer to the customers. New tools such as data analytics are now available to provide evidence to support these actions and reforms. Has SSC got the right skills to drive these new tools, which are different from the policy analytical skills it may traditionally have relied on?

Further thought should also be given as to how progress on performance towards State sector reform can in fact be measured. Is there a need to create a better measurement framework to assess performance (including joint performance across the Central Agencies)?

Several interviewees questioned whether SSC in fact relies too much on policy skills and thereby effectively undervalues operational skills and experience. A common question raised with me was whether SSC has the ability to implement the planning and strategies that it designs. Being able to design implementation plans and tools is not sufficient without the skills to ensure that they are actually implemented and deliver results.

In the 2013 Review we noted this weakness and it is not yet clear that SSC has the right balance of operational experience to oversee the delivery of effective change management for the system reforms it is seeking. The appointment of an experienced operational leader as Deputy Secretary for State Sector Reform has been a positive step, but more is needed to reach the operational tipping point. Experienced change management specialists are needed. SSC does not need to employ them directly, but it does need to ensure that they are engaged and are effective.

There is also a perception that SSC does not really understand the perspective of their ultimate customers – the New Zealand public. Can SSC lead the far-reaching reform that BPS requires without speaking with and understanding the people that these services are intended to benefit? SSC is reaching beyond Wellington with the recent appointment of a senior public servant as a DC to be based in Auckland, which is an excellent pro-active move. But could SSC (and the other Central Agencies) improve their understanding and connections through more effective communication with, and use of, the 'operational' agencies who have traditionally had networks across the country?

## **Communication**

As the Head of State Services it is vital that the Commissioner communicates effectively with both Chief Executives and Ministers. This communication is particularly important to assist with managing risk, which is an inevitable feature of reform. SSC has an important role supporting Ministers and Chief Executives to develop and strengthen the key system partnerships between them that are required for state sector reform.

This communication is particularly important to assist with sector and system issues. In order to influence the pace of change and drive delivery of cross-agency results there must also be cross-portfolio alignment and leadership. As Head of the State Services, it is important that the Commissioner is able to identify difficulties and communicate effectively with Ministers and Chief Executives as necessary to deal with them. However he cannot do this single-handedly and the members of State Sector Reform Leadership Group in particular can assist.



There are some initiatives which have been particularly successful in facilitating communication with Chief Executives. The bi-annual Chief Executives' retreat at Brackenridge, has been a great success. Chief Executives value it and look forward to the opportunity to deal with the challenging state sector issues in a collegial environment. It has improved communication and understanding between Chief Executives and has assisted in achieving commitments to system-wide changes such as the agreement of all Chief Executives to complete consistent talent management mapping in their Agencies by mid-2015.

Despite these improvements in communication, some dissatisfaction remains. SSC is not yet getting full recognition in terms of reputation despite the acknowledged progress that it has made. I have found it difficult to identify a particular cause as many of the positive changes identified above are recognised and valued. Some of the difficulties are created by the perception that SSC is not as cohesive or unified as it should be. Some parts of the organisation are still seen as bureaucratic and not sufficiently aware of the needs of their customers.

There are areas where the SSC is recognised as delivering value. Examples frequently referred to are the PIF Review and Continuous Improvement programmes, the introduction of the Career Boards process and the LCDD programme. But these can sometimes be overshadowed by the more bureaucratic feeling of some of its other activities and by a sense that SSC does not 'understand' the real world in which state servants operate.

The overall impression I gained was that there needs to be much more emphasis on clear communication – both within SSC and also to the State services and to Ministers. This communication needs to be frequent and timely. And it should frequently be either in person or by video link rather than always by email, which can add to the feeling of remoteness. The Commissioner could include his colleagues on the SSRLG to participate in the engagement with Ministers on State sector reform matters, rather than dealing one-on-one with Ministers, where sometimes messages may get lost in translation.

Ministers expect SSC to be expert at and focussed on State sector leadership and development, particularly for Chief Executives. They question whether there is always sufficient priority and urgency given to these functions as it seems to take a long time to achieve results. This suggests that SSC, and the Commissioner in particular, needs to communicate more clearly and effectively with Ministers and Chief Executives.

Support could also be provided to new Ministers in particular through the use of senior advisers such as former senior State servants who could be contracted to Ministers' offices for 6 or 12 months. These advisers could assist Ministers to develop effective connections and understanding of their agencies and the sector and system reform requirements that they must deal with. The role would be akin to that of purchase advisers who were effectively used by Ministers with large operational portfolios in the first term of the current Government.

In his role as Head of the State Services, the Commissioner must communicate with and for all State servants. That is challenging, given the geographical spread and sheer number of individuals involved. But it is valuable to make sure that state servants receive clear messages about system and sector reform; why it is important and what it means for them and for New Zealand. The focus on customer involves a major cultural shift for some and the importance of cross-agency collaboration is also a message that needs to be clearly understood. There are several avenues for this communication, email being the least effective. The Chief Executives in the State Sector Leadership Reform group also have an important role to play but to make an impact it is important that the Commissioner effectively enlists all Chief Executives to deliver these messages and to follow them up with action.

## PART TWO: ORGANISATIONAL MANAGEMENT

The 2013 PIF Review identified some areas in which SSC needed to improve the performance of its own organisation. There had been extensive reviews and restructuring but even where there had been some significant structural changes made and new policies and processes introduced, it was too soon to judge their effectiveness. Many of the tools for supporting and developing its own staff were still in the process of development and there appeared to be too much emphasis on compliance rather than innovation and support.

The report concluded that SSC needed to model collaborative behaviour and culture. “Change requires effective implementation and SSC must demonstrate that it has won the hearts and minds of its own staff. Implementation ... must be driven by a united senior leadership team and owned by the organisation as a whole.”

This was reinforced in the Central Agencies Overview. “[SSC] needs to be an exemplar of the type of culture and performance that it seeks to foster in the wider public service, focussing on delivery and working in partnership with its key stakeholder agencies.”

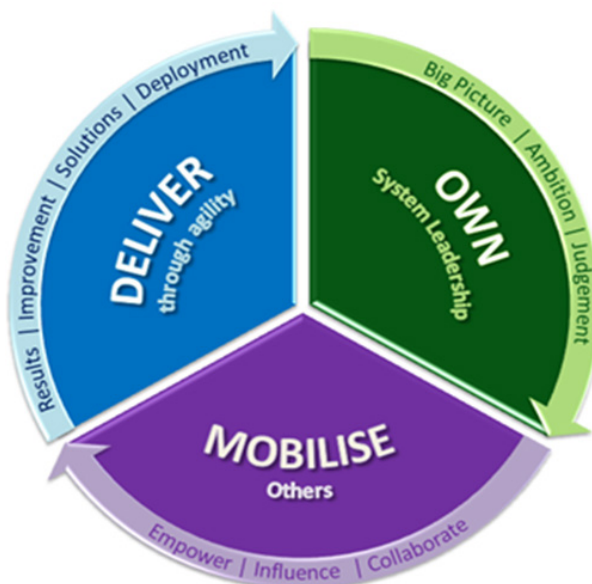
My observations on progress are based on a review of the new programmes and plans referred to below, interviews and focus groups with a cross section of employees in SSC as well as comments made by some of their customers. They are therefore more anecdotal than scientific or comprehensive.

The most recent Engagement Survey was undertaken in 2013 and so is now rather dated. The overall results were an improvement on the previous Survey as the percentage of ‘actively disengaged’ staff had reduced significantly to 9% and the ‘engaged’ staff had increased slightly to 43%. This is above the State Services median but significantly lower than the best performing agencies and the response to the question ‘I know what is expected of me at work’ remained poor, at only the 13<sup>th</sup> percentile against the Gallup worldwide database. A new Engagement Survey is being undertaken in May 2015.

SSC has revamped its strategy and in 2014 introduced a new Operating Model, based on a portfolio investment model organised into four portfolios. The internal governance structure has also been sharpened. A smaller Executive Team meets informally with the Commissioner each week to share intelligence and discuss Ministerial priorities and strategy sessions are held four or five times a year.

The Senior Management Team (SMT) is led by the Deputy State Services Commissioner and comprises the four portfolio leads. The SMT meets monthly and is the decision-making forum for determining the SSC’s work programme and operating matters. The four portfolio leads meet weekly and use a visual management approach to ensure that there is an integrated work programme across the four portfolios. There is a definite sense of energy and collaboration created by this approach and a ‘collaboration hub’ has been created which is open to all staff, showing the issues, risks and actions across each work stream.

The Commission is working to develop an empowering and collaborative culture and has identified three core behaviours that will drive performance and support delivery of their business plan and operating model. They are graphically represented as follows:



A comprehensive set of materials and toolkits has been prepared to assist staff in applying the strategy and new operating model, including a work force strategy, a workforce action plan, a competency framework, an employee value proposition, a guide to performance management, individual performance agreements and over the past 12 months all Tier 2 and some Tier 3 staff have been mapped into the career board process. These processes underpin the Four Year Plan, which highlights SSC’s ambition to be exemplary and to model, internally and externally, the behaviour they ask of others.

The competency framework and the various toolkits and explanatory materials that support it are well thought through and clear. The changed operating model is based on a portfolio investment approach with four portfolios:

- **System stewardship** (focuses on leadership pipeline and talent development and integrity);
- **Collective Impact** (supports leaders to maximise their impact and deliver results to customers);
- **Learning Culture** (improves performance by using information and insights to meet needs of customers);
- **Better Every Day SSC** (focuses on enabling SSC to implement the portfolio investment system effectively by improving behaviours and culture within SSC).

The SMT is working hard to embed this operating model and it is early days as it was only introduced in the fourth quarter of 2014. At this point it is not yet embraced, and in some cases understood, by the entire organisation. The areas that are working well largely reflect the parts of the organisation that are having the most positive impact externally. Thus the system stewardship and learning culture teams are clear and enthusiastic about their roles and their impact. Staff in other teams are less convinced. There is something missing in the design in that there does not yet seem to be sufficient ‘glue’ to bind the organisation together.

There are some indicators that are relevant here. Almost half of the permanent staff have worked at SSC for less than two years and 85% have been in the organisation for less than five years. Voluntary turnover is stubbornly high, averaging over 20% per annum. There has also been a lot of change at manager level which can be unsettling for their staff.

There does not yet appear to be sufficient alignment or rapport across the three 'outward facing' portfolios. More effort should be made to engage resources across the portfolios. For example, the SAPG should be an integral partner in the PIF Review programme, working closely with the PIF team and lead reviewers in setting the strategy for a PIF and then working with agencies to give effect to the recommendations and improvements identified in them. Similarly, could the leadership development experts be more closely involved in the performance management and development functions of the SAPG? A more streamlined or unified approach to delivery of these services would be welcomed by other agencies and if effective it could empower SSC staff to contribute across the organisation.

Feedback from focus groups suggests that there remains some dissatisfaction with the way in which poor performance and unsatisfactory behaviour is dealt with in SSC. There is no room for poor or even average performance in an agency that must be an exemplar of management and leadership skills for the State services. The introduction of a talent management plan, which is currently being developed for all employees in SSC, should assist here. Staff should be able to see just what is expected of them and the development opportunities that are available and it should force managers to sharpen their performance management skills.

Internal communication has improved significantly since the 2013 review, but is still dependent upon individuals and not consistent across the portfolios. There is a knowledge gap between employees with an outward facing role and those who work in a backroom or internal function who still struggle with line of sight to the SSC priorities.

Some staff expressed frustration with the time taken to make decisions. There is a strong sense of risk aversion within SSC that can lead to an unnecessarily cautious approach, stifling the generation of new ideas and giving rise to the over-analysis of plans before implementation. There must be a greater sense of urgency and an expectation of timeliness of delivery.

SSC has the skills in its outward facing portfolio teams that could address many of these frustrations and design deficiencies. The ELT and SMT need to make it more of a priority to achieve SSC's expressed ambition of an empowering and collaborative culture. The specialist skills in the organisation, such as the continuous improvement, talent management and leadership development specialists, should be applied to 'walk the talk'. It is important that SSC can demonstrate to the other agencies that it has a strong internal culture and management in order to be able to demand it of them.

There is definitely a sense of forward momentum and energy within SSC. In particular, the SMT are more focussed and united in their common objectives and they have the support of their staff. SSC does not need an internal change of direction or 'restructuring' – it is on the right track. But senior managers do need to ensure that they are spending sufficient of their time and energy on leading their own agency, and that the SSC has employed the right combination of skills and expertise to deliver their goals, thereby demonstrating their ability to meet the system level leadership challenge that BPS demands.

## APPENDIX

This review was informed by input from State Services Commission and Central Agency staff, relevant Ministers, former and current State Service chief executives and PIF Lead Reviewers. In the course of the review I interviewed representatives of the following organisations and agencies:

- Department of Conservation
- Ministry of Defence
- Ministry of Education
- Ministry of Foreign Affairs and Trade
- Inland Revenue Department
- Leadership Development Centre
- Ministry of Internal Affairs
- Ministry of Justice
- New Zealand Customs Service
- Department of Prime Minister and Cabinet
- NZ Security Intelligence Service
- NZ Transport Agency
- Prime Minister's Office
- The Treasury

