

The Capability Toolkit

A tool to promote and inform
capability management

Developed by the State Services Commission and the Treasury
in conjunction with the Department of the Prime Minister and Cabinet

Acknowledgement

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Foreword

We are pleased to present *The Capability Toolkit – a tool to promote and inform capability management*.

A challenge for all of us is to create a system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders. To do this, we need to develop our capability on a whole-of-system basis, while continuing to deliver on agency-specific outcomes.

The toolkit is a compendium of capability questions and information. It aims to help agencies get better at managing for high performance. The toolkit is by no means the last word on capability, but a resource to think about capability at an agency and sector-wide level.

Research and development in this area is constantly evolving. For this reason the toolkit is a ‘living document’. It will be regularly reviewed and updated to ensure it continues to reflect good practice. This may include financial management. Rather than publish copies of the document that could quickly become out of date, we will make the resource available on the Public Sector Intranet (PSI) and the State Services Commission website, with a link on the Treasury website.

There is no single view on capability management. In this toolkit we have organised our thinking around seven key dimensions. We provide a series of questions and information for agencies to consider across these seven dimensions:

- Leadership
- People
- Culture
- Relationships
- Information and Communication Technologies (ICT) and internal management systems
- Assets
- Structures.

We hope you find this a useful addition to your existing resources on capability. We welcome your feedback on this toolkit. Email us at capability.toolkit@ssc.govt.nz.

Helene Quilter
Deputy Commissioner
System Improvement Branch
State Services Commission

1. Introducing the Capability Toolkit

[What is capability?](#)

[What is the Capability Toolkit?](#)

[Who is the Capability Toolkit for?](#)

[How to use the Capability Toolkit](#)

[How is the Capability Toolkit structured?](#)

1.1. What is capability?

In a State Services context, capability is what an agency needs to deliver its outcomes now and in the future in a high-quality, efficient and timely way. Building and sustaining capability across all parts of an organisation and across the wider State Services is central to delivering results for New Zealanders.

The use of ‘outcomes’ and ‘agency outcomes’ in this document assumes that the agency is setting outcomes that give effect to government priorities.

Organisational health, another term associated with capability, is a snapshot of capability – it describes an agency’s capability at a particular point in time. High levels of organisational health can be directly linked to high levels of overall performance.

There are several of ways of looking at capability. We have chosen to scope and organise our thinking on capability using seven dimensions:

- Leadership
- People
- Culture
- Relationships
- Information and Communication Technologies (ICT) and internal management systems
- Assets
- Structures.

The fundamental question to ask for each dimension is: *Capability for what?* To manage capability, agencies need a clear idea of what they are seeking to achieve (their outcomes) and

how they are going to make a positive difference in the lives of New Zealanders, both as individual agencies and in collaboration with other agencies.

1.2. What is the Capability Toolkit?

The toolkit is a compendium of capability questions and information to promote and inform capability management and help you improve the performance of your agency and your sector. It presents a set of questions to consider when thinking about the capability your agency needs to achieve its outcomes now and in the future. The toolkit is a resource to complement other material, models and tools already used by your agency.

The Capability Toolkit is not:

- the only view of capability – it gives one view but there are others, and the important thing is to manage capability in the best way to achieve your outcomes
- a ‘one size fits all’ tool – capability is specific to an individual agency and its particular circumstances
- an assessment tool
- a ‘how to’ manual
- a means of giving a precise measure of capability
- an exhaustive repository of information on capability.

1.3. Who is the Capability Toolkit for?

The toolkit was originally developed in 2004 to help central agency staff form a view on an agency’s capability to deliver its outcomes. The State Services Commission (SSC), The Treasury and the Department of the Prime Minister and Cabinet (DPMC) have now jointly reviewed and updated the toolkit to reflect current thinking in each of the seven capability dimensions. We now want to share that work with our State Services agency colleagues.

1.4. How to use the Capability Toolkit

Research and development in the area of capability is constantly evolving. For this reason the toolkit will be regularly reviewed and updated to ensure it continues to reflect good practice. Instead of publishing copies of the document that could quickly become out of date, the resource is available on the Public Sector Intranet (PSI) and the SSC website, with a link on the Treasury website.

The toolkit can be used to help your agency review all aspects of its capability. However, we expect that rather than reading the toolkit cover to cover, most readers will want to dip into the detail of the separate dimensions. Each dimension chapter is available individually on the PSI and the SSC website.

We have developed questions for you to consider the capability of your agency across seven dimensions. These are intended to act as a prompt for reflection and discussion. Commentary in the text below each set of questions is designed to inform that discussion. References are also provided at the end of each chapter to give readers access to additional information.

To aid debate, we have also developed indicators of high performance and early warning signs of poor performance for each dimension. Your agency may wish to use these as a trigger for discussion.

The questions, indicators of high performance and early warning signs of poor performance for each dimension are summarised at the end of the document in A3 reference sheets.

There are several types of hyperlinks to help you navigate electronically through the document. You can go directly to the desired section from the Table of Contents: just hold the control key and click on the name or page number of the section you want to access. At the beginning of each section there is a mini Table of Content for that section, which also has automatic hyperlinks. Cross-references within the document have hyperlinks, and all electronic and email references in the document can be accessed directly by holding the control key and clicking on the link.

1.5. How is the Capability Toolkit structured?

The next section provides an overview of capability management. It includes a summary chart of the overarching capability questions and components for each dimension.

Sections 3 to 9 detail each capability dimension. Under each dimension there is:

- an overview of what is covered in the dimension
- a description of why this dimension of capability is important to achieve agency and sector outcomes
- an outline of how the dimension intersects with the Development Goals for the State Services (the Development Goals)
- overarching capability questions for each dimension.

This is followed by:

- more detailed questions focused on an agency's capability for different aspects of each dimension
- indicators of high performance
- early warning signs of poor performance
- references to further information.

Section 10 is designed to help agencies prepare budget capability proposals.

At the end of the document there are seven A3 quick reference sheets – one for each capability dimension – which summarise all questions, indicators of high performance and early warning signs of poor performance.

2. Managing Capability

[What is managing capability?](#)

[Defining purpose and direction: Managing for Outcomes](#)

[Evaluating and managing performance](#)

[Capability and the Development Goals](#)

[The capability context](#)

[Indicators of high performance](#)

[Early warning signs of poor performance](#)

[More information](#)

[Capability Toolkit dimension chart](#)

2.1. What is managing capability?

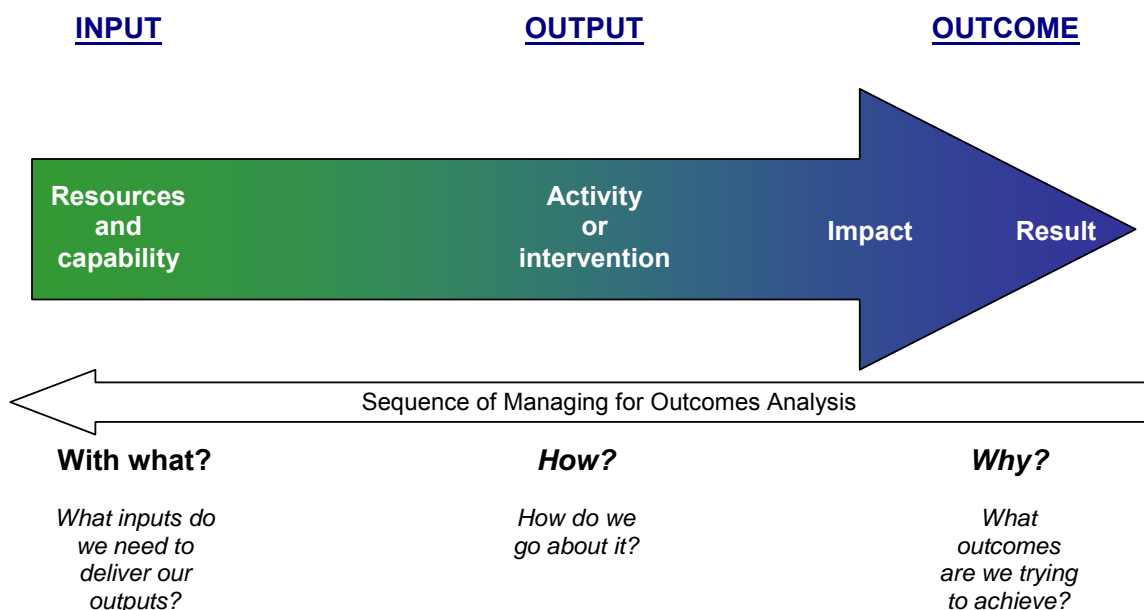
An agency effectively manages capability when it can purposefully answer the following question: What capability do we need to deliver government outcomes to a high level of performance now and in the future?

To answer this question, first the agency needs to understand what government outcomes it contributes to and what interventions it should undertake – in effect, define its purpose and direction. The agency needs a clear idea of what it is seeking to achieve in order to give effect to government’s priorities (its outcomes) and how it is going to make a difference (the impact of its interventions). This linkage is known as the intervention logic or the performance story of the agency. Using the Managing for Outcomes framework enables the agency to build the performance story.¹

The process is summarised in Figure 1 below. The top arrow shows that capability is an input. You need to understand what capability and other inputs are required to deliver your outputs and ultimately outcomes for New Zealanders. The smaller second arrow, ‘Sequence of MfO Analysis’, shows that reversing this process allows you to explain why you are providing the services you deliver, how you are delivering them and what capabilities you need to do so.

¹ Managing for Outcomes is the framework agreed by Cabinet for agencies to develop and explain their intervention logic.

Figure 1: Building the performance story



The overarching question for managing capability is:

Q. Is your agency clear about the outcomes it is seeking to achieve for government and New Zealanders, and the capability it needs to achieve them?

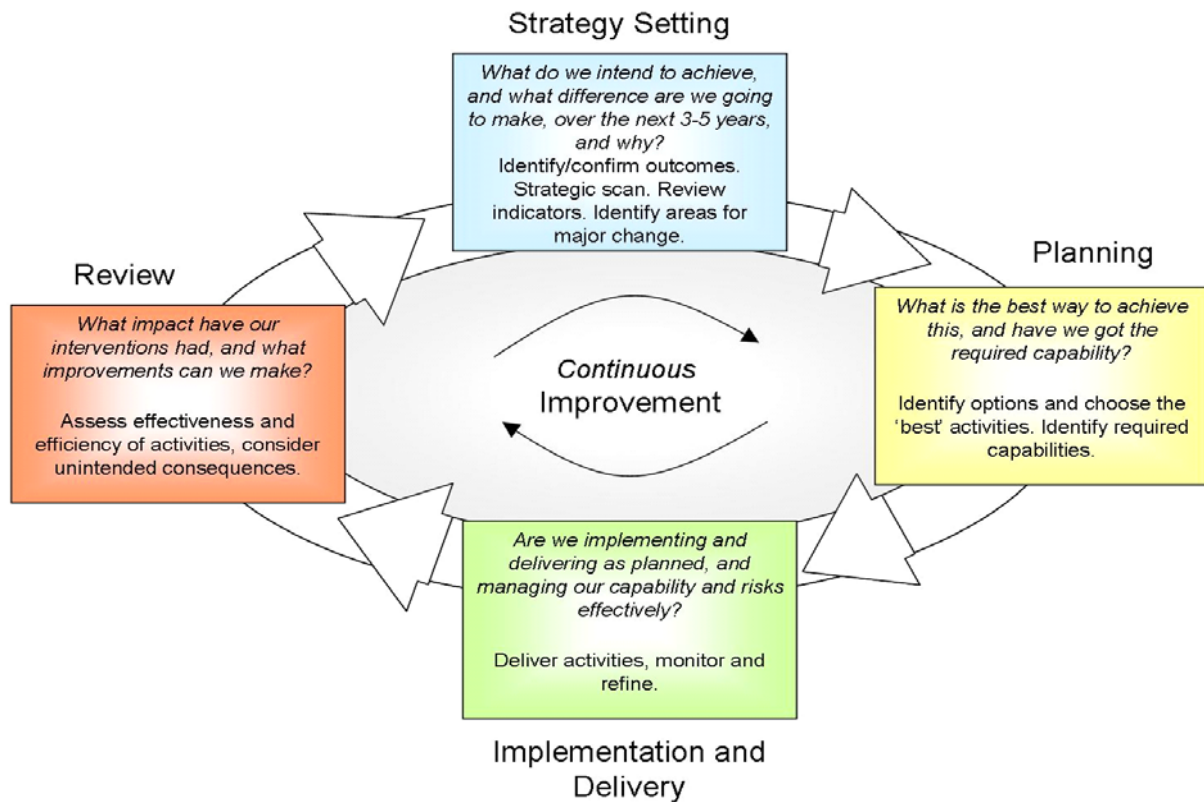
2.2. Defining purpose and direction: Managing for Outcomes

- Q. Does your agency have a clear purpose and direction?**
- Q. Does your agency have defined and effective processes to determine its outcomes?**
- Q. Does your agency review these processes from time to time?**
- Q. Has your agency developed outcomes that it shares with other agencies?**

As noted above, Managing for Outcomes is the performance framework agreed by Cabinet and used across the State Services. The framework comprises four steps: strategy setting; planning; implementation and delivery; and review. These steps are repeated annually. Over time they improve performance on a continuous basis. The framework is also applicable

across a sector, or for agencies with shared outcomes. The Managing for Outcomes cycle is illustrated in Figure 2 below.

Figure 2: Managing for Outcomes cycle of performance



2.3. Evaluating and managing performance

Performance measurement is the process of evaluating whether the agency has delivered what it said it would, and whether it did so effectively.

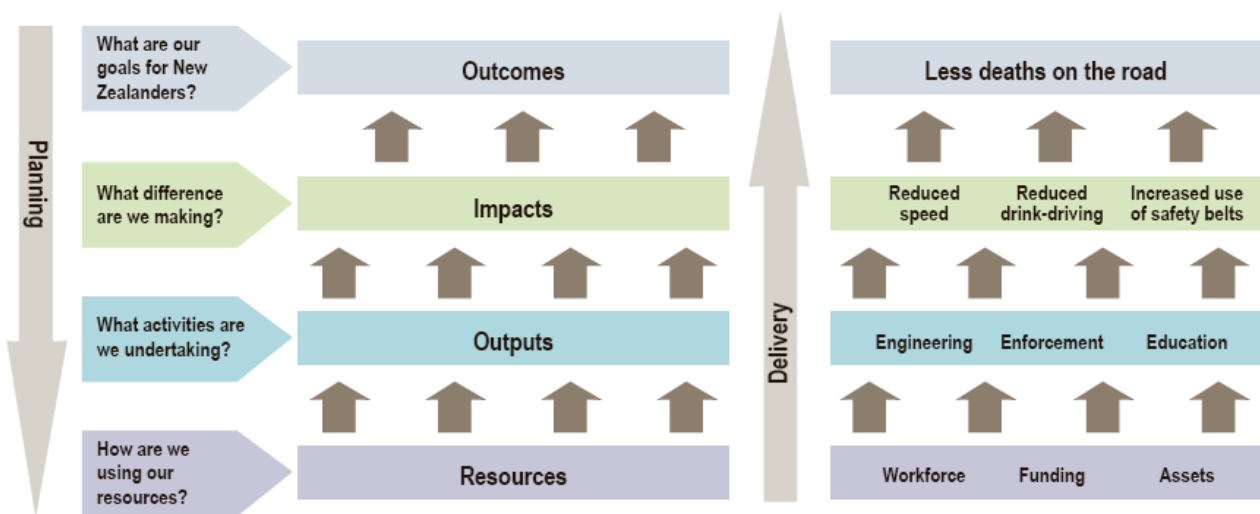
Evaluating progress towards outcomes

- Q. What processes are in place for measuring your agency's progress towards its outcomes?**
- Q. How are these processes linked to the other performance management processes of your agency?**

All agencies need a performance measurement framework to track progress towards achieving outcomes. The information gathered should inform decisions on whether changes of direction are needed, and where changes should be made to enhance performance. It is important that an agency can describe how each of its areas is contributing towards achieving its outcomes.

Figure 3 below illustrates the points where performance should be measured.

Figure 3: Performance measurement levels



It is important that an agency can measure the difference that it is making and link these impacts back through outputs to resources. This allows the agency to measure its effectiveness.

Evaluating capability

Q. How has your agency determined that it has the right capability to achieve its outcomes?

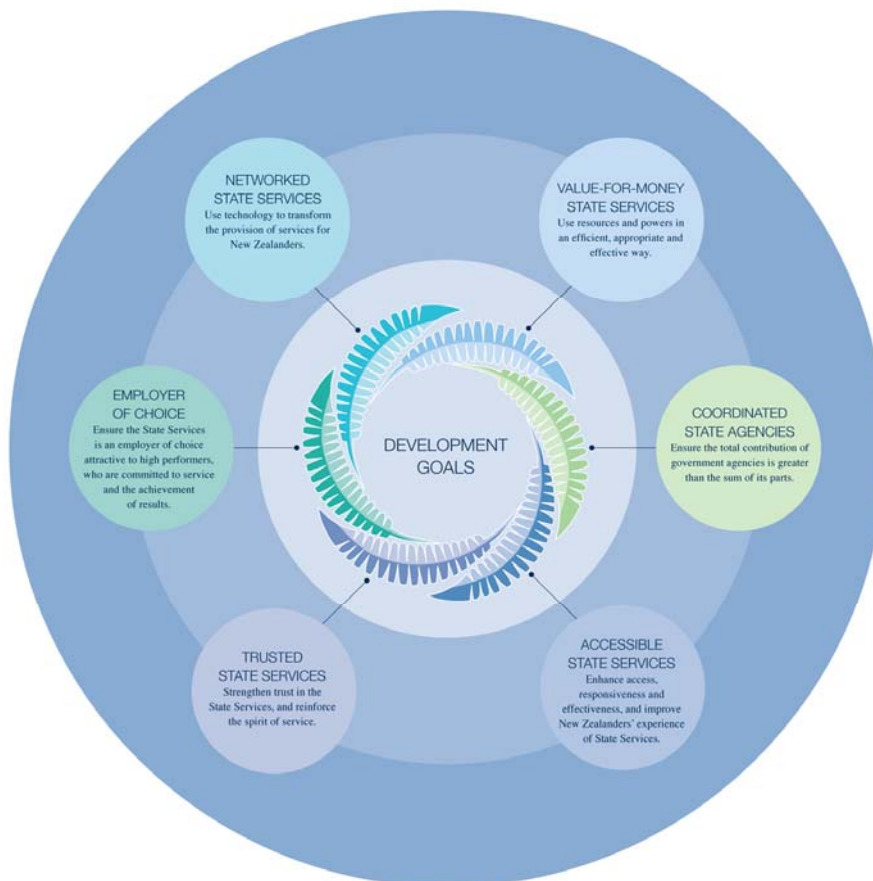
Each area of the organisation needs to report internally on how it is contributing towards delivering effective services and achieving outcomes. This reporting should include financial and non-financial information describing what has been achieved. It should inform decisions on where organisational capability needs to be improved.

2.4. Capability and the Development Goals

Capability management looks at what capability agencies need to achieve their individual and shared outcomes to deliver on government priorities, represented earlier in Figure 1 (Building the performance story) as ‘with what?’. The Development Goals for the State Services provide a framework to improve the overall performance of the State Services, represented in Figure 1 as part of the ‘how?’. The six Development Goals are outlined in Figure 4 below.²

Capability is implicit throughout the Development Goals, because they cannot be successfully achieved without building capability on a system-wide basis.

Figure 4: The Development Goals for the State Services



² For more information on the Development Goals go to: www.ssc.govt.nz/sdg-report07

2.5. The capability context

State servants need to anticipate trends and influences impacting on New Zealand, assess how these, in turn, will impact on the work of their agency, and incorporate their assessment into their capability planning.

These trends and influences include international events, new technologies, the diverse interests and needs of different communities, demographic changes and the fiscal climate.

A number of tools and techniques are available to help agencies and cross-agency groups manage for the future. The most effective and commonly used tools in this area are: scenario-based planning, environmental scanning, futures wheels, assumptions-based planning and trend impact assessment. The references in 2.8 include detailed descriptions of these methods, techniques and other futures tools.

2.6. Indicators of high performance

Indicators of high performance in managing capability include:

- clear logic between the outcomes an agency is trying to achieve and the strategy and actions to achieve them
- clear performance measures that assess progress at the outcome, impact and output levels
- evidence that internal capability is aligned to achieve the agency's outcomes
- outcomes reflecting the Minister's priorities (based on meetings, speeches and press statements).

2.7. Early warning signs of poor performance

Early warning signs of poor performance in managing capability include:

- no clear performance story – strategic direction of the agency, how it intends to achieve its outcomes and how it will measure progress
- employees who cannot articulate how their role contributes to achieving the agency's outcomes

-
- stakeholders who cannot easily understand the outcomes of the agency
 - the agency contracting out the development of its strategy documents (including accountability documents)
 - outcomes and priorities constantly re-jigged
 - outcomes not reflecting Ministerial priorities
 - little or no performance information describing the impact of the agency
 - no clear link between internal planning (individual, team, business group and corporate) and the agency's performance story.

2.8. More information

Managing for Outcomes

- State Services Commission, *Capability Quick Reference Guide, Capability Workshop 3 – Proceedings*, www.ssc.govt.nz/mfo-workshop3
- State Services Commission guidance on Managing for Outcomes for departments and Crown Entities, www.ssc.govt.nz/mfr-mfo-guidance
- State Services Commission, *Getting Better at Managing for Outcomes - self assessment tool*, www.ssc.govt.nz/getting-better-mfo-tool
- State Services Commission and The Treasury, *Performance Measurement: Advice and examples on how to develop effective frameworks*, www.ssc.govt.nz/performance-measurement
- www.treasury.govt.nz/publications/guidance/strategy/strategyprimer.pdf
- State Services Commission, *State of The Development Goals Report 2007 – Transforming the State Service*, www.ssc.govt.nz/sdg-report07
- The Treasury, *Using Evaluative Activity to Improve Decision Making*, Circular 2003/13, www.treasury.govt.nz/publications/guidance/circulars/pdfs/tc-2003-13.pdf
- Detailed Pathfinder guidance, <http://io.ssc.govt.nz/pathfinder/information.asp>
- 2002 report of the Controller and Auditor-General on public sector performance, www.oag.govt.nz/2002/reporting/docs/reporting.pdf
- Treasury guidance on improving accountability information, <https://psi.govt.nz/iai/default.aspx>

Futures tools and references

- There is a community of practice around futures work and futures methods within the State Services known as the Futures Forum. It meets every other month. There is a shared workspace for the forum, which contains detailed information about the forum and futures work across the State Services and internationally. For more information, email futures.forum@ssc.govt.nz
- Dewar, James A. et al., *Assumption-Based Planning: A Planning Tool for Very Uncertain Times*, RAND, www.rand.org/pubs/monograph_reports/MR114/
- Glenn, Jerome C. (ed.), *The United Nations University Millennium Project Futures Research Methodology CD-ROM*, www.millennium-project.org/millennium/FRM-v2.html
- Kees van der Heijden, *Scenarios: The Art of Strategic Conversation*, New York, John Wiley and Sons, 1996.
- Schwartz, Peter, *The Art of the Long View*, London, Doubleday, 1991.
- The Strategic Futures Team, Performance and Innovation Unit of the Cabinet Office, *A Futurist's Toolbox: Methodologies in Futures Work*, September 2001, <http://www.cabinetoffice.gov.uk/strategy/~media/assets/www.cabinetoffice.gov.uk/strategy/toolbox%20pdf.ashx>

Contact email addresses

- Managing for Outcomes: mfo@ssc.govt.nz
- Futures Forum: futures.forum@ssc.govt.nz

2.9. Capability Toolkit dimension chart

Capability dimension and overarching questions		Components
Is your agency clear about the outcomes it is seeking to achieve for government and New Zealanders, and the capability it needs to achieve them?		
Leadership	<ul style="list-style-type: none"> How does your agency know it has the leaders it needs to perform well now and in future, meet its outcomes and to contribute to sector-wide outcomes? 	<ul style="list-style-type: none"> Role of the leader Characteristics of a good leader Types and levels of leadership Successful leadership teams Developing leaders Sector / cross-agency leadership
People	<ul style="list-style-type: none"> How does your agency ensure it has the skills and competencies to achieve its outcomes in collaboration with government and non-government partners? How is your agency seizing the opportunities and managing the challenges it faces regarding its people capabilities? 	<ul style="list-style-type: none"> People management strategies and practices Workforce planning Attracting and recruiting staff Engaging, managing and developing staff Equality and diversity Rewards and remuneration
Culture	<ul style="list-style-type: none"> How does your agency think about the type of culture it needs to achieve its shared and agency specific outcomes now and in the future? 	<ul style="list-style-type: none"> Building an all-of-government culture Building a culture of integrity and conduct Shaping an agency's culture
Relationships	<ul style="list-style-type: none"> How does your agency identify, build and manage the relationships that are critical to achieving its outcomes? 	<ul style="list-style-type: none"> Identifying, building and maintaining relationships Identifying relationship skills and competencies Relationships with other State Services agencies and partners Relationship with services users Relationships with the media
ICT	<ul style="list-style-type: none"> How does your agency ensure it has the ICT and internal management systems it needs to achieve its outcomes and contribute to sector-wide outcomes? 	<ul style="list-style-type: none"> ICT strategy, planning and governance All-of-government ICT standards and services ICT investment ICT portfolios, projects and programmes ICT service management ICT monitoring and review Internal management systems
Assets	<ul style="list-style-type: none"> How does your agency ensure its asset-related decisions are appropriate to meet its current and future service performance requirements? 	<ul style="list-style-type: none"> Scope of asset management Organisational capacity to support asset management Long-term asset planning Asset revaluations Asset operation, maintenance and disposal Considering new investments Managing the overall balance sheet
Structures	<ul style="list-style-type: none"> Does your agency have a clear rationale for its structure, which is linked to its outcomes and its future business needs? 	<ul style="list-style-type: none"> Organisational design principles Governance and role clarity Managing change Alternatives to restructuring Alternative ways of delivering work



3. Leadership Capability

Overview

Role of the leader

Characteristics of a good leader

Types and levels of leadership

Successful leadership teams

Developing leaders

Sector / cross-agency leadership

Indicators of high performance

Early warning signs of poor performance

More information

3.1. Overview

An organisation's leaders are the people or groups that 'show the way' – aligning people and action with the organisation's purpose and direction.³

Quality leadership is critical for ensuring the high performance of the State Services. It is a key enabler of all the other dimensions of capability, from setting the strategic direction of the agency and developing engaged staff, through to choosing what investments to make to achieve outcomes.

The development of high performing, world class State Services offers constant challenge to leaders. It requires leaders to grow the capability of their own agencies, while contributing to the State Services as a whole.

Leadership contributes to achieving all the Development Goals. The quality of leadership plays a crucial part in attracting and retaining excellent staff, which is essential to achieving the Employer of Choice goal. Furthermore, leaders send powerful messages to staff by role modelling the client-focused, collaborative and ethical behaviours required to achieve the Accessible State Services, Coordinated State Agencies and Trusted State Services goals. The decisions that leaders make about the investment of resources in technology and the

³ Leadership Development Centre, *What is Leadership?* www ldc.govt.nz/?/resources/whatisleadership

expectations they set around expenditure and use of resources are key to the Value-for-Money State Services and Networked State Services goals.

Ideas about leadership have moved from a focus on managers to recognition that every employee plays a leadership role in their own sphere. Building on this recognition is a critical step in developing the leadership capability of the State Services.

The overarching leadership capability dimension question is:

Q. How does your agency know it has the leaders it needs to perform well now and in the future, meet its outcomes and contribute to sector-wide outcomes?

3.2. Role of the leader

'Showing the way' – leading vision and purpose

Q. Does your agency have clear and consistent statements of purpose and vision?

Q. Can staff articulate the agency's vision and how their roles contribute to it?

At its simplest level, a leader is someone who is willingly followed by others. For this to happen, a leader needs to be able to provide a clear sense of direction. Successful leaders identify and effectively communicate purpose in a way that inspires others to follow. It is this role that gives meaning to the daily activity of employees, as well as providing constant vitality and challenge to the agency as a whole.

The leadership aspect of this process is not simply the development of strategic outcomes; it is the involvement of staff and stakeholders in the process and the continuous reinforcement of the strategic direction to these groups. The leader's ability to make the direction 'live' for the agency can be seen when staff can articulate how their roles contribute to the Government's outcomes and the difference this makes to New Zealanders.

Managing change

Q. How do your agency's leaders identify the need for change, and manage incremental as well as large scale change?

Managing change is not only about major structural change. Change within an organisation and in the wider environment is a constant state. It is the leader's role to monitor and guide the agency's response to it.

Kanter⁴ outlines seven classic skills that a leader can employ to support an agency through both large and small-scale change:

- **Tuning into the environment** – ‘creating listening posts’ to collect information from inside and outside the organisation, gathering information on what works or does not work in the agency's business model and identifying the broader signs of change.
- **Challenging the prevailing organisational wisdom** – developing kaleidoscopic thinking by seeking out diverse ideas and perspectives and pulling together information to form new patterns of thinking.
- **Communicating a compelling aspiration** – communicating genuine conviction in order to overcome resistance. This requires leaders to communicate a picture of the future that appeals to and motivates staff.
- **Building coalitions** – identifying those with the resources, knowledge and political clout to make things happen. It means identifying the key supporters among opinion shapers and subject experts, and enlisting their thoughts and input well before the idea is ready to be launched.
- **Transferring ownership to a working team** – enlisting and supporting the implementation team through coaching and direction. This does not mean handing over a detailed change agenda to be followed. It involves setting a broad outline and then giving the team the ownership of the programme, as well as the responsibility and the time to focus on the tasks of change.
- **Learning to persevere** – long marches need ongoing leadership. Change processes often appear to be failures in the middle. However, an astute leader can judge when a

⁴ Kanter, Rosabeth Moss, ‘The Enduring Skills of Change Leaders’, *Leader to Leader*, No. 13, Summer, 1999, pp. 15-22, www.leadertoleader.org

change effort is merely going through initial hurdles, or whether it is time to reassess assumptions and reconsider whether the change is the right one.

- **Making everyone a hero** – remembering to reward, recognise and celebrate accomplishments is a critical leadership skill. Recognition brings the change cycle to its logical conclusion and motivates people to attempt change again.

More information on leading structural change is outlined in the [Structures Capability](#) section.

Empowering people and teams

Q. How do your agency’s leaders empower and support staff to achieve success?

Leaders can use different approaches to empower their agency’s employees.⁵ The approach chosen depends on the leaders’ necessary level of involvement. These approaches are outlined in Table 1 below.

Table 1: Categories of empowerment



Awareness	Dialogue	Participation	Empowerment
Performance data provided	Time taken for regular 2-way discussions	Extensive team working	Structured by accountabilities
Centrally-defined tasks	Changes occur, albeit gradually	Decisions taken at appropriate levels	Manager as coach
Management through procedures	Management-determined pace and direction using individuals input	Manager acts as leader and facilitator	Real-time responsiveness
Top-down control	Comments and views are requested	Initiative is encouraged	High levels of personal responsibility
Task/procedures focused training	Customer-focused training	Management by objectives, not directives, supported by appropriate style	Focus is customer-centric
		Personal management and interpersonal skill training allowed	Problem-solving and project-management skills are fundamental

⁵ The Price Waterhouse Change Integration Team, *Better Change*, Chicago, Irwin, 1995.

3.3. Characteristics of a good leader

- Q. Does your agency purposefully recruit leaders with learning agility?**
- Q. Are your agency's leaders aware of their own preferred leadership style? How do they adjust it to suit the context?**

The role of learning agility

Many successful people are learning agile.⁶ They have the ability to ‘make sense of work and personal experiences, adding these lessons to their life-long learning portfolio and striving to get better’.⁷ The four characteristics of learning-agile people are: mental agility, people agility, change agility and results agility. The four characteristics are outlined in Table 2.

Table 2: Lominger’s four characteristics of learning agility

Mental agility	People agility
<p>People high on this factor are oriented towards newness and complexity, described as mentally quick. They are curious and inquisitive. They like to delve deeply into problems, thoroughly analysing them through contrasts, parallels, and searching for meaning. They can get to the essence of issues quickly and accurately. Additionally, they can help other people think things through.</p>	<p>People high on this factor know themselves better and are more open-minded toward others. They seek feedback and respond to it through personal change. In interactions with others, they are seen as helpful, constructive even in disagreement, and open to diversity of people and viewpoints. They are clear in presenting viewpoints to others and are good at explaining their thinking and that of others. They relate to others well.</p>
Change agility	Results agility
<p>People high on this factor like to tinker with ideas and put them into practice. They are likely to be highly interested in continuous improvements. They are cool under pressure and can handle the heat and consequences of being in the vanguard of constant change efforts.</p>	<p>People high on this factor pull things off under difficult conditions and build high-performing teams. They do so partially by personal drive and adaptability.</p>

⁶ Learning agility is a concept developed by Lominger. See section 4.5 for more information on Lominger.

⁷ Eichinger, Robert et al., *FYI for Talent Management*, Lominger Limited Inc., Minneapolis, 2004, p. ii.

Developing leadership styles

Different leaders have different styles. Preferred styles usually match personality and competencies. Leaders need to be aware of their own preferred leadership style and its impact on the agency's culture. Leaders also need to be able to adapt their leadership style to respond to different situations and contexts. Assessing the agency's context and changing environment and adapting the leadership style are critical aspects of high performance.

Table 3 outlines Daniel Goleman's six main leadership styles, when they are best used and their impact on an agency's culture.⁸

Table 3: Leadership styles at a glance

Leadership style						
	Coercive	Authoritative	Affiliative	Democratic	Pace-Setting	Coaching
Leader's modus-operandi	Demands Immediate compliance	Mobilises people toward a vision	Creates harmony and builds emotional bonds	Forges consensus through participation	Sets standards for high performance	Develops people for the future
The style in a phrase	<i>"Do what I tell you"</i>	<i>"Come with me"</i>	<i>"People come first"</i>	<i>"What do you think?"</i>	<i>"Do as I do, now"</i>	<i>"Try this"</i>
Underlying emotional intelligence competencies	Drive to achieve, initiative, self-control	Self-confidence, empathy, change catalyst	Empathy, building relationships, communication	Collaboration, team leadership, communication	Conscientious, drive to achieve, initiative	Developing others, empathy, self awareness
When the style works best	In a crisis, to kick-start a turn-around, or with problem employees	When changes require a new vision, or when clear direction is needed	To heal rifts in a team or to motivate people during stressful circumstances	To build buy-in or consensus, or to get input from valuable employees	To get quick results from a highly motivated and competent team	To help an employee improve performance or develop long-term strengths
Overall impact on culture	Negative	Most strongly positive	Positive	Positive	Negative	Positive

⁸ Goleman, Daniel, 'Leadership that gets Results', Harvard Business Review, March-April, 2000, pp. 78-90.

3.4. Types and levels of leadership

- Q. How does your agency ensure that it has quality leaders at all levels of the organisation?**
- Q. How clearly is the contribution to leadership defined at each level within your agency?**

Leadership does not only come from the top. It is needed at all levels of an agency. Different types of leaders contribute in different ways, depending on the level of the position and the nature of the job. The contribution of leaders at all levels is required to achieve high performance. Table 4 summarises how different types and levels of leadership can contribute to the agency's performance.

Table 4: Types and levels of leadership

Type and Level of leadership			
Role	Key purpose	Contribution to the agency	Contribution to the vision
CE/senior managers	Managing vision and strategy	Instils a sense of purpose, vision and direction that motivates and drives the agency to perform all its functions well in a sustained and responsive way. Helps the agency grow, evolve and adapt to changing circumstances.	Defines the vision Scans the environment Models leadership
Managerial leaders	Leading teams and people	Makes an agency run efficiently by planning and organising, growing and developing people, controlling and problem-solving and managing delivery of services.	Operationalises the vision Prioritises Communicates Models leadership
Individual contributor	Leading practice	Lifts the capability of the agency through demonstrating excellence within their subject area and expertise.	Gives life to the vision Delivers Coordinates Models leadership Contributes

3.5. Successful leadership teams

- Q. Does the senior leadership team have a stable membership and a common sense of purpose?**
- Q. In what ways does the senior leadership team collectively contribute to improving performance?**
- Q. Are succession plans in place for each member of the senior leadership team?**

Not only does the agency need quality leaders, the capability of the leadership team as a whole is important. Care should be taken that the skills of the team members are complementary and that the team comprises a diverse range of experiences and viewpoints. In order to provide coherency for such a diverse group of people, the team needs to check that it has:

- a common vision
- incentives that are aligned and drive consistent and complementary behaviours
- close communication
- trust in each other.

The diversity and critical nature of each team member's role means it is important to ensure succession plans are in place for each of them.

3.6. Developing leaders

- Q. How are senior leaders involved in developing current and future leaders?**
- Q. What systems and programmes are in place to support leadership development? What are their features?**

Principles of high-quality leadership development include:

- **leaders developing leaders** – the agency's leaders take responsibility to develop future leaders themselves rather than rely solely on external or internal learning and development providers
- **purposeful development** – career planning is intentional and proactive rather than needs-based and reactive

- **succession planning** – the agency identifies key roles, risk areas and future needs, and develops potential leaders to fill them
- **leadership pipeline** – staff can see a clear progression through leadership roles at different levels and identify what is required to make transitions
- **broad experience** – leadership development programmes recognise the need for horizontal as well as vertical development opportunities in order to build breadth of experience.

3.7. Sector / cross-agency leadership

- Q. **Is your agency clear about its role and impact in contributing to sector outcomes?**
- Q. **How is your agency aligning its capability and prioritising its resources to contribute to sector outcomes?**
- Q. **How is your agency using the strengths of the sector to deliver sector and agency-specific outcomes?**

The need to work together to achieve results for New Zealanders is one of the most significant challenges faced by the State Services. This challenge is made more complex by our public management system which is based on clear vertical accountabilities between Ministers and chief executives. Achieving shared sector outcomes requires leaders who are prepared to contribute to developing a sector-wide vision and who can also realign their internal agency capability to fulfil their obligations to the wider sector. Effective sectoral/cross-agency collaboration requires new ways of working, different decision-making arrangements and skilled leadership.

In a State sector context, the role of a sector leader is to provide a sense of direction to a particular cluster of government activity towards specific outcomes. Sector leadership also involves the ability to define and get agreement around the outcomes or results that agencies will focus on together. An outcome may not necessarily match a sector. An agency can be part of several sectors, sub-sectors or clusters.

Sectoral leadership can be considered in terms of the strategic life-cycle, which consists of:

- **Strategy-setting** – what does the sector intend to achieve and what difference are its players going to make over the next three to five years?

- **Planning** – what is the best way to achieve this, and have the players got the required capability?
- **Implementation and delivery** – are the players implementing and delivering as planned and managing capability and risks effectively?
- **Review** – what impact have interventions had, and what improvements can the players make?

Players can take on different roles at different times:

- **a leadership role** – having the primary role of showing the way and setting the purpose and direction of the sector or initiative
- **a contributing role** – playing a part in the initiative as a peer, be it in defining the overall direction, providing support and feedback, or being involved in the implementation and delivery of some aspects.

Sector representatives can play a different role depending on what activities they are involved in and where they are in the strategic life-cycle. Note that contributors are distinct from stakeholders. A stakeholder is an individual or a group or who can affect or is affected by a particular outcome the sector seeks to achieve.

Defining the different roles

Sector leaders, sector contributors and central agencies have specific roles to play in a sectoral setting.

The role of sector leaders is to:

- facilitate the development of outcome definition, strategy-setting, implementation and monitoring
- contribute their own expertise as leaders in their field, and harness the expertise of other parties at different phases of the strategic life-cycle – this can mean that at different stages and for different components, different parties may take a lead role
- coordinate the process of monitoring progress and performance against the desired outcomes regardless of who is leading a particular phase, and ensure that remedial actions are taken if expected results are not achieved.

Sector leadership differs from traditional leadership in the following ways:

- multiple leaders and potentially multiple Ministers are involved
- the leaders must develop relationships and operate through influence to create joint ownership rather than rely on formal mandate
- mediation and dispute resolution processes become important if there is no hierarchical authority.

To be effective, contributors need to:

- be willing to share accountability with others – this requires a high trust relationship
- commit resources and capability to achieve shared outcomes – this must be real commitment rather than ‘lip service’
- think outside of their own agency
- be prepared to put sector outcomes ahead of agency priorities when necessary
- recognise that, while they retain autonomy, it is not exercised in isolation.

In sectoral initiatives, accountabilities and responsibilities can be blurred and the staff from the agencies involved must take risks and learn to trust each other. Central agencies can help to support these sectoral initiatives by:

- bringing people to the table
- providing an all-of-government and citizen-centric focus
- bringing knowledge and providing links to Ministers and insights into their priorities
- providing tools and assistance to support leaders
- providing problem-solving and dispute resolution support
- being aligned in their support and messages to all players.

3.8. Indicators of high performance

Indicators of high performance in the leadership capability dimension include:

- government and non-government partners viewing the agency’s strategic direction and its progress positively
- strong internal and external competition for senior positions

- robust processes to resolve management issues when they occur
- leaders willing to act on 360° feedback
- forward planning and clear prioritisation
- staff who can articulate how their work fits into the agency's strategic direction
- high employee engagement scores
- succession plans in place for all leaders
- leaders purposefully moved around the agency or to other agencies for development
- staff reporting that leaders demonstrate and promote integrity through their actions
- leaders collaborating with others in the sector to deliver shared outcomes.

3.9. Early warning signs of poor performance

Early warning signs in the leadership capability dimension include:

- high or increasing number of internal management issues that the human resources team is required to deal with
- few leaders allowed to represent the agency at external fora or meetings with key stakeholders
- high turnover in senior management
- no transparency around the appointment process
- unaddressed business or staff issues
- too many projects and initiatives with little or no prioritisation
- staff and key stakeholders who lack consistent views of the agency's purpose and functions
- little sector/business knowledge among senior managers
- senior management team endorsing major decisions without sufficient information, analysis or debate
- senior managers doing work that should be done by others
- poor understanding among staff of 'the way we do things around here'.

3.10. More information

General leadership

- Leadership Development Centre, *What is Leadership?*, www ldc.govt.nz/?/resources/whatisleadership

Role of the leader

- Argyris, Chris, 'Empowerment', *Harvard Business Review*, May-June, 1998, pp. 98-105.
- Kanter, Rosabeth Moss, 'The Enduring Skills of Change Leaders', *Leader to Leader*, No. 13, Summer, 1999, pp. 15-22, <http://leadertoleader.org/knowledgecenter/journal.aspx?ArticleID=50>
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- Kotter, John P., and L.A. Schlesinger, 'Choosing Strategies for Change', *Harvard Business Review*, March-April, 1970, pp. 106-114.
- Kotter, John P., *Leading Change*, Harvard Business School Press, Boston, Mass., 1996.
- Kotter, John P., *The Heart of Change*, Harvard Business School Press, Boston, Mass., 2002.
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- Kouzes, James, and Barry Posner, *The Leadership Challenge*, San Francisco, Jossey-Bass, 2003.
- The Price Waterhouse Change Integration Team, *Better Change*, Chicago, Irwin, 1995.

Levels of leadership

- Mintzberg, Henry, *The Nature of Managerial Work*, New York, Harper & Row, 1973.
- State Services Commission, *Career Development Framework*, <https://psi.govt.nz/cdf/>

Learning agility

- Eichinger, Robert et al., *FYI for Talent Management*, Lominger Limited Inc., Minneapolis, 2004, p. ii.
- For more information on Lominger and the suite of products, contact peoplecapability@ssc.govt.nz

Leadership styles

- Goleman, Daniel, 'Leadership That Gets Results', *Harvard Business Review*, April 2000, pp. 78-90,
http://harvardbusinessonline.hbsp.harvard.edu/hbsp/hbr/articles/article.jsp?ml_action=get-article&articleID=R00204&ml_page=1&ml_subscriber=true

Leadership teams

- Miles, Stephen A. and, Michael D. Watkins, 'The Leadership Team: Complementary Strengths or Conflicting Agendas?', *Harvard Business Review*, April 2007, pp. 90-98.

Leadership development

- Corporate Leadership Council, *Hallmarks of Leadership Success: Strategies for Improving Leadership Team Quality and Executive Readiness*, and *The Leadership Imperative*, URL for members: www.corporateleadershipcouncil.com.
- Lombardo, Michael M., and Robert W. Eichinger, *The Leadership Machine* (3rd ed.), Lominger Ltd, Minneapolis, 2006.
- Lominger International. URL: www.lominger.com/
- Leadership Development Centre programmes, www.ldc.govt.nz

Sector/cross-agency leadership

- Hirschhorn, Larry, and Thomas Gilmore, "The New Boundaries of the 'Boundaryless' Company", *Harvard Business Review*, May-June, 2002, pp. 104-115.

Access to leadership resources

- For information on gaining memberships of the Corporate Leadership Council, and on accessing the suite of Lominger products through SSC's sector-wide contract, email peoplecapability@ssc.govt.nz
- For membership of the Leadership Development Centre, email info@ldc.govt.nz

Contact email addresses

- peoplecapability@ssc.govt.nz
- capability.toolkit@ssc.govt.nz
- info@ldc.govt.nz

4. People Capability

Overview

People management strategies and practices

Workforce planning

Attracting and recruiting staff

Engaging, managing and developing staff

Equality and diversity

Rewards and remuneration

Indicators of high performance

Early warning signs of poor performance

More information

4.1. Overview

People are an agency's most important asset – its human capital. An agency's people capability is a combination of the knowledge, networks, skills and competencies of the people who work for the agency.

There are several external factors that require State Services agencies to focus on how they attract, engage and develop staff. These include:

- the changing workforce composition
- a tight labour market
- New Zealanders' increasing expectations for high-quality government services.

Attracting, engaging and developing staff well is crucial to achieving progress towards the Employer of Choice Development Goal: *Ensure the State Services is an employer of choice attractive to high performers, who are committed to service and the achievement of results.* The 2010 milestone for this goal is: *The State Services is increasingly recognised as a professionally rewarding and desirable place to work, where high performing State servants are committed to achieving results.* To achieve this milestone, leaders need to consider the people capability requirements for their own organisations and for the State sector as a whole.

The overarching people capability dimension questions are:

- Q. How does your agency ensure it has the skills and competencies to achieve its outcomes in collaboration with government and non-government partners?**
- Q. How is your agency seizing the opportunities and managing the challenges it faces regarding its people capability?**

4.2. People management strategies and practices

- Q. How does your agency align its people management strategies and practices to its business strategy?**
- Q. How does your agency ensure that the various parts of its people management strategies are integrated and work well together?**
- Q. Do staff know what the agency's people management strategies are, find them useful and follow them?**

People management strategies are particular responses to the unique needs of each agency. However, the principles below are recognised as good practice:

- people strategies and practices align with the overall business or organisational strategy
- people strategies and practices move the agency towards meeting its future requirements as well as addressing current needs
- the agency identifies people issues before they impact negatively on the business
- people management strategies are updated to meet changing needs
- all parts of the people management system are integrated and reinforce each other
- people management strategies and practices are used across the agency, not just within the human resources team.

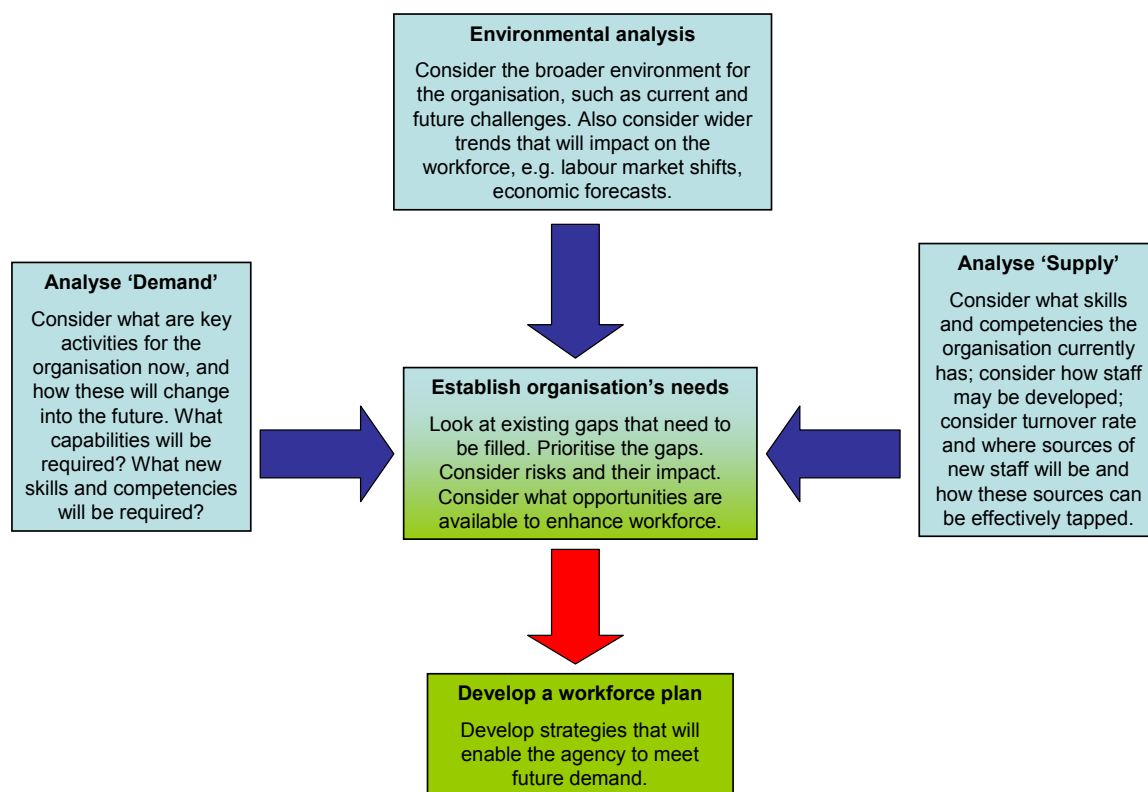
4.3. Workforce planning

Q. How does your agency assess its future workforce requirements and plan to meet them?

Workforce planning is the process of analysing what workforce the agency has, and what workforce it needs to deliver its strategy. It identifies how future staffing and skill needs will be met and informs current planning.

The process described in Figure 5 outlines the key points an agency could consider in undertaking workforce planning.

Figure 5: The workforce planning process



Elements of successful workforce planning include:

- **Robust data** – a workforce plan is only as good as the data it is based on. Understanding the current state of the workforce requires robust metrics on all aspects of staff management and performance. It is important that external trend data is drawn from reputable sources.

- **Clear strategy** – the agency may find that the process of translating outcomes and future business strategies into workforce requirements highlights a lack of clarity around future direction.
- **Sufficient time** – it is critical to allow sufficient time to work through the planning process.

4.4. Attracting and recruiting staff

Attracting staff

- **Q. Does your agency know how it is perceived as an employer?**
 - **Q. How does your agency attract the people it needs?**
 - **Q. Do your existing staff promote your agency as a good place to work?**

Having determined its workforce needs, an agency's ability to attract high performing staff is dependent upon how people, internally and externally, view the agency as a place to work. This is known as employment attractiveness or employment brand. Improving its attractiveness will enable an agency to increase the number of high-quality applicants for jobs, improve employee retention and improve employee effort and performance. Managing your employment brand includes:

- knowing why people want to work for the agency (employment attractors)
- ensuring that employees' actual experience matches the way the agency describes itself during recruitment (internal branding/alignment)
- consistently communicating the positive aspects of what it is like to work for the agency, both internally and externally.

Agencies should actively monitor and manage their employment brand by getting feedback from current employees and testing whether new staff see a match between the actual on-the-job experience and the promises made at the time of employment.

Organisations within the State sector may advertise their vacancies free of charge on the New Zealand Government Jobs Online website. State sector organisations can upload vacancies directly onto the website. These remain on the site until the day after the stated closing day for applications.

Recruiting staff

Q. How does your agency conduct and evaluate its recruitment process?

The recruitment process also impacts on how an agency is perceived as an employer. High-quality candidates are attracted by organisational excellence and performance. They will not wait for extended periods while a recruitment exercise drags on. Agencies need streamlined, well-organised processes that are timely, efficient and cost-effective. Agencies can monitor the effectiveness of their recruitment by analysing:

- the direct cost of filling a vacancy, including advertising, recruitment company fees and internal costs – for example, travel
- the time it takes to hire a staff member, from advertising the position to the day the successful candidate formally accepts the position
- spending on hard-copy recruitment, on internet recruitment and on recruitment agencies
- which recruitment advertising methods provide the best value for money in relation to the number of high-quality applicants and actual job appointments
- feedback from new staff as part of the recruitment evaluation process.

4.5. Engaging, managing and developing staff

Engaging and managing staff

Q. What is your agency doing to track and act on levels of employee engagement?

Engagement can be defined as the emotional connection and pride that individual employees feel towards their place of work. Research shows a direct relationship between employee engagement and improved customer service.

Measuring employee engagement is a good way to get feedback from staff on areas for improvement. Gallup Q12 is a research-based employee engagement survey available to agencies at a reduced rate through SSC. The progressive uptake of Gallup Q12 by State Services agencies will provide national and international benchmarking data on employee engagement.

Good performance management practices contribute to strong employee engagement. Critical aspects of effective performance management include:

- using clear and documented performance management practices and processes
- encouraging staff development
- giving regular recognition and praise
- ensuring employees are clear about what is expected of them at work.

Good performance management also requires managers to identify causes of poor performance and help staff to resolve them. There can be a number of reasons for performance problems, including:

- the staff member lacks the skills and knowledge to do the job
- a lack of capability
- the staff member's attitude towards work
- distractions from factors outside of work – for example, personal problems.

Developing staff

- Q. Does your agency use a competency model to identify the competencies it needs to deliver its outcomes?**
- Q. How does your agency use its competency model to facilitate ongoing individual learning and development?**
- Q. How does your agency ensure its learning and development activities meet current and future needs?**
- Q. How does your agency facilitate career progression and development opportunities to enable staff to move within the agency and between agencies?**

Competencies are behaviours that drive job success. Competencies can be defined as observable and measurable characteristics that contribute to that person performing well in a role. These characteristics include demonstrating skills, behaviours and abilities and using knowledge. Another way to think about competencies is as the ‘capability’ a person needs to be successful in their role. Knowing and measuring these key behaviours leads to better performance.

The Lominger competency suite provides a common language for use across an organisation. There are 67 competencies in this research-based suite of resources which can be used for individuals, teams and the whole organisation. This research-based competency model draws on major and continuing international studies on individual and organisational performance. It provides the tools to build engagement and improve service delivery through ensuring people with the right competencies are in the right roles. SSC has a sector-wide contract which allows agencies to access the tools in the Lominger Leadership Architect Competency Library at reduced rates.

The use of a competency framework underpins an agency's learning and development strategy which, in turn, supports an agency's overall performance. See section [4.10](#) for information on Public Service access to the Lominger competency model.

Successful staff development also requires modelling and coaching from all types of leaders in the agency. Senior leaders develop a culture that supports continuous growth and learning – see the [Culture Capability](#) dimension, and in particular section [5.4](#), for more information on how to do this. Managers have a direct role in developing their staff. Research shows that the majority of successful learning occurs on the job. Staff should also be encouraged to take a leadership role in sharing their knowledge and expertise, and coaching others.

An important part of developing staff is ensuring that they are given opportunities to develop a breadth of experience in a range of areas, rather than only developing them 'upwards' in one area of work. Secondments within an agency or to other State Services agencies provide an excellent vehicle for this type of development.

The Career Development Framework, developed by SSC, includes tools for individual State servants and their managers to build structured career paths and identify development options. State servants can access the Career Development Framework on the Public Sector Intranet (PSI).

The Learning and Development Framework resources enable agencies to more systematically base their learning interventions on their current and future business needs. See section [4.10](#) for access to information on this.

4.6. Equality and diversity

- Q. How does your agency integrate equality and diversity into its planning and processes?**
- Q. How does your agency value equality and diversity?**
- Q. How does your agency seek and act on feedback on staff perceptions of equality and diversity?**
- Q. How does your agency identify and meet the employment needs and aspirations of a diverse workforce, particularly of Māori, women, ethnic and minority groups and people with disabilities?**

Equality means treating people fairly and with respect, ensuring equality of access to opportunities. *Diversity* means understanding, appreciating and realising the benefits of individual differences.

Equality and diversity enhance an organisation's ability to attract, develop and deploy staff. This means that agencies can:

- attract skilled people with a commitment to service
- enable employees to get satisfaction from applying their diverse skills and experiences to their work
- make better decisions and develop more effective policies and services because they have considered a more diverse range of ideas, cultural perspectives and work styles
- better meet their business objectives, because they know their clients and are better equipped to meet their needs.

Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy supports the integration of equality and diversity into all aspects of business planning and processes, at both a strategic and operational level. The State Sector Act 1988 also describes 'good employer' expectations for chief executives, including equal employment opportunities provisions. The *Guidance for Applying the Equality and Diversity Policy* provides resources and examples to help agencies integrate equality and diversity into all planning and processes.

4.7. Rewards and remuneration

- Q. How does your agency use its rewards and remuneration practices to support its desired culture?**
- Q. How competitive are your agency's rewards and remuneration levels, and how do employees and the market value them?**
- Q. Do your agency's rewards and remuneration policies link to other human resources policies and practices in a transparent way?**
- Q. How does your agency view industrial relations?**

An agency's employment relationships are more than just the terms and conditions set out in relationship agreements. They are a powerful tool to achieve the agency's business strategy. This strategy needs to be supported by the agency's culture. This culture is, in turn, influenced by the way that employment relationships are structured and managed. For example, if an agency's business strategy requires a highly collaborative work environment, a performance pay system that rewards or is disproportionately focused on individual performance would be counter-productive.

Shaping employment relationships to serve the business strategy is not always straightforward. Ensuring that rewards and remuneration systems are transparent, clear and consistent with the agency's suite of human resources policies reduces confusion for staff. Agencies need to build good relationships with unions and engage in proactive and ongoing conversations with staff to achieve satisfactory results when negotiating collective agreements.

It is important for agencies to remember that their decisions around rewards and remuneration take place in a wider government, economic and fiscal context. Agencies have a choice about how they use their resources; however, they need to focus on occupations where there are significant retention and recruitment issues that impact on delivering services and achieving outcomes.

4.8. Indicators of high performance

Indicators of high performance in the people capability dimension include:

Workforce planning

- workforce plans in place and updated regularly
- recruitment, succession and development plans targeted to future needs
- workforce data purposefully collected to track progress against future needs.

Attracting and recruiting staff

- employment brand identified, researched and actively managed
- the agency using the Government Jobs website as its primary recruitment portal
- full monitoring of costs and effectiveness of recruitment from vacancy through to the start of the new employee
- low level of turnover of staff in the first year of employment.

Engaging, managing and developing staff

- high employee engagement scores
- managers acting on the results of engagement surveys
- individual staff able to explain what competencies are necessary to be successful in their specific roles
- competencies incorporated into all aspects of the people management system
- learning and development plans in place and used by staff.

Equality and diversity

- no/low levels of discrimination, harassment and bullying complaints
- representation of diverse groups that matches representation in the employed labour force, and diverse groups represented in senior management in proportion to their overall representation in the agency

-
- equality and diversity issues integrated in policies and processes
 - diversity-related issues in staff feedback acted upon
 - staff expected to attend diversity training.

Rewards and remuneration

- rewards and remuneration not identified in exit interviews as the primary reason for leaving
- internal pay differentials based on good reasons
- all parties reporting positive process and outcomes from bargaining rounds
- clear strategy linking pay and rewards to other human resources practices and the agency's desired culture
- the agency acting on pay and employment equity review findings
- transparency in the rewards and remuneration system.

4.9. Early warning signs of poor performance

Early warning signs in the people capability dimension include:

Workforce planning

- reactive recruitment and development of staff, focused on meeting current deficits
- managers unable to describe what is likely to change in the external labour market and business needs in the next five years
- no succession planning for key roles.

Attracting and recruiting staff

- key roles frequently re-advertised
- advertised jobs attracting small numbers and low-quality candidates
- high turnover of staff in their first year of employment.

Engaging, managing and developing staff

- low employee engagement scores
- staff not taking leave
- high turnover of experienced staff
- learning and development activities seen as an ‘add on’ rather than a part of core work
- staff frequently withdrawing from training events and development opportunities at the last minute
- senior managers not visibly investing in their own learning and development
- only external training events seen as worthwhile learning and development opportunities
- performance management policies and processes incomplete or not used
- acknowledged poor performance issues not addressed.

Equality and diversity

- low employee engagement scores, particularly around sense of belonging, trust, and feeling valued
- low representation of diverse groups compared to their representation in the employed labour force, and diverse groups are not represented in senior management in proportion to their overall representation in the agency
- high turnover and negative themes emerging from exit interview information
- levels of discrimination, harassment and bullying complaints increasing or consistent.

Rewards and remuneration

- exit interview data indicating low levels of rewards and remuneration as reason for leaving
- difficulty retaining and recruiting staff overall, or in particular job clusters
- protracted or acrimonious bargaining processes.

4.10. More information

People strategies and practices

- Corporate Leadership Council (CLC), *Driving HR Effectiveness through the Strategic HR Partner*. URL for members: www.corporateleadershipcouncil.com. For membership of the CLC, email peoplecapability@ssc.govt.nz

People data and metrics

- Corporate Leadership Council, *The Metrics Standard – a comprehensive guidance to developing HR measurement frameworks*. URL for members: www.corporateleadershipcouncil.com. For membership to the CLC, email peoplecapability@ssc.govt.nz
- Human Resources Capability Survey, www.ssc.govt.nz/hrc-survey-2007

New Zealand-wide trends

- www.stats.govt.nz
- For future of work, regional trends and specific occupations, see the Labour Market section of www.dol.govt.nz

Attracting and recruiting staff

- Australian Public Service Commission, *Better, Faster: streamlining recruitment in the Australian Public Service*, 2007, www.apsc.gov.au/publications07/betterfaster.htm
- Corporate Leadership Council has resources to help agencies actively manage their employment attractors, www.clc.executiveboard.com
- New Zealand Vice-Chancellors, *Employment Destinations of University Graduates*, www.nzvcc.ac.nz/graduate-destinations
- New Zealand Government Jobs Online. This website is a free recruitment resource for State sector agencies, www.jobs.govt.nz
- State Services Commission, *The Guide to Targeted Recruitment Advertising*. This is a user guide on how to write a recruitment advertisement to target the skills and

competencies sought. It is available on the People and Organisation section of the PSI, <https://psi.govt.nz/POD/default.aspx>

- State Services Commission, *Leading Practice Selection Tools in the State Services*. This resource is available to State servants on the People Capability Workspace on the PSI, <https://psi.govt.nz/>
- For a range of brand resources, <https://psi.govt.nz/brand/Default.aspx>

Engaging, managing and developing staff

- State Services Commission, *Career Development Framework*, <https://psi.govt.nz/cdf>
- State Services Commission. *State of the Development Goals Report 2007 – Transforming the State Services*, www.ssc.govt.nz/sdg-report07
- State Services Commission, *Guidelines on Structured Secondments*, www.ssc.govt.nz/secondments-guidelines
- State Services Commission, *Learning and Development Framework*, <https://psi.govt.nz/ldf>
- Learning State is the industry training organisation for the State sector. It provides information on workplace learning and assessment. URL: www.learningstate.govt.nz
- The Leadership Development Centre (LDC) is focused on developing public sector leadership capability. The LDC has a number of programmes and resources for chief executives, senior managers and human resources specialists. For more information, email info@ldc.govt.nz
- Lominger International. URL: www.lominger.com/
- For information on accessing the suite of Lominger products through SSC's sector-wide contract, email peoplecapability@ssc.govt.nz
- The Corporate Leadership Council has an online Performance Management Decision Support Centre. This explains how to establish a business case for performance management, clarify individual roles and performance expectations, evaluate and differentiate employee performance and pay, incorporate feedback and development planning into the performance management process, leverage technology to support the process, and measure the success of performance management initiatives. Access for members is through the CLC website, <https://www.clc.executiveboard.com/Public/Default.aspx> For membership to the CLC, email peoplecapability@ssc.govt.nz

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- The SSC holds the licence for the use of the Gallup Q12 engagement survey to facilitate use of the tool by State Services agencies. For more information, email peoplecapability@ssc.govt.nz

Equality and diversity

- State Services Commission, *Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy*. This includes guidance material on implementation. URL: www.ssc.govt.nz/public-service-eeopolicy
- State Services Commission guidance and resources on equality and diversity can be found at www.ssc.govt.nz/eoo
- State Services Commission, *Human Resource Capability Survey*, www.ssc.govt.nz/hrc-survey-workforce-profile. Individual department reports are available from the SSC Strategic Information team.
- Understanding cultural diversity is standard practice at Inland Revenue. The ‘Responsiveness to Māori’ approach has enabled the agency to deliver a better service to customers and to enhance the capability of the workforce. The case study can be read in www.ssc.govt.nz/upload/downloadable_files/case-study-inland-revenue08.pdf
- Equality and diversity resources can also be found on the PSI, <https://psi.govt.nz/POD/Library/Forms/Equality%20%20Diversity.aspx>
- To see how other organisations are successfully valuing and integrating equality and diversity into business planning and processes, visit the EEO Trust website, www.eeotrust.org.nz/peoplepower/view_case.cfm?id=88

Rewards and remuneration

- State Services Commission, *The Government's Bargaining Parameters*, www.ssc.govt.nz/govt-bargaining-parameters-2008
- State Services Commission, *Human Resource Capability Survey of Public Service Departments as at 30 June 2007*, www.ssc.govt.nz/hrc-survey-2007
- State Services Commission, *Public Service Remuneration Systems: Principles and Practice*, www.ssc.govt.nz/upload/downloadable_files/ps-rem-systems-june05.pdf

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5. Culture Capability

Overview

Building an all-of-government culture

Building a culture of integrity and conduct

Shaping an agency's culture

Indicators of high performance

Early warning signs of poor performance

More information

5.1. Overview

Organisational culture can be described as ‘the way we do things around here’. It is the product of organisational beliefs, values, behaviours and assumptions. Culture fulfils people’s need for identity and guides people in how to respond to common situations encountered in daily life.

Culture is:

- created by people
- learnt over time
- shared by a group
- constantly tested and reinforced.

An agency’s culture is an important capability aspect, because it guides the way employees behave without them having to think through actions each time a situation is encountered – for example, how a meeting is run, who speaks when and whether it is ok to be late. However, if the culture is causing people to behave in ways that create barriers to high performance, such as competitive behaviour when collaboration is required, the agency leaders need to adjust it.

The overarching culture capability dimension question is:

Q. How does your agency think about the type of culture it needs to achieve shared and agency-specific outcomes now and in the future?

5.2. Building an all-of-government culture

- Q. How well can your staff articulate the defining characteristics of working in the State Services?**
- Q. How does your agency promote an all-of-government perspective to its staff?**
- Q. How does your agency use the Development Goals to shape its culture?**

Working in the State Services has some unique features. These features form the basis of a culture that is shared across all State Services agencies. However, an all-of-government perspective will not necessarily develop in all agencies if it is not promoted. This perspective is critical if we are to improve coordination across the State Services. We need staff who consider themselves to be part of the State Services, who are willing to work with others and contribute to all-of-government as well as agency-specific outcomes. The way that an agency manages its culture is key to achieving this.

Agencies should assess their own culture to ensure it:

- is appropriate in the State Services context
- adequately reflects the *Standards of Integrity and Conduct*
- supports the Development Goals
- builds on an all-of-government awareness.

The Government has introduced an all-of-government brand identity for use by agencies for a variety of policy initiatives, programmes and services delivered by the State Services. This all-of-government brand makes services more visible and identifiable for New Zealanders. See section [5.7](#) for information on the all-of-government brand.

The Development Goals set out many aspects of the desired culture for the State Services. A shared focus means that the State Services can meet the needs of New Zealanders in an efficient and effective way. By seeing itself as a unified endeavour, the State Services is better able to solve complex issues, use technology to deliver the best results and employ competent people with the highest standards of integrity.

State Services agencies need to promote a culture that values and reinforces all these aspects. They can do so by promoting and modelling a commitment to the wider State sector by sharing resources, working alongside other agencies and contributing to shared outcomes and goals.

They should encourage staff to use mechanisms that support an all-of-government culture, such as:

- participating in cross-agency fora and working groups
- using the all-of-government brand
- using supporting technology such as the PSI and shared workspaces
- discussing and communicating the way the agency contributes to cross-government priorities and outcomes
- taking up tools that support benchmarking and comparison across the State Services, such as the Common Measurements Tool, the Lominger competency model and the Gallup Q12 survey.

5.3. Building a culture of integrity and conduct

- Q. How does your agency build the elements that support integrity and ethical behaviour into its practices and policies?**
- Q. How is your agency addressing the findings from the State Services Integrity and Conduct Survey?**
- Q. How does your agency demonstrate its understanding of the rationale behind the *Standards of Integrity and Conduct*?**

In November 2007, the code of conduct for the State Services, *Standards of Integrity and Conduct*⁹, came into effect. The code outlines the provisions to support integrity, the importance of integrity in everything we do and the way we demonstrate the spirit of service to the public. A survey was also undertaken in 2007 to assess the state of integrity and conduct across the State Services against the six elements that are essential to support State servants trustworthy behaviour – see below.

The code is a critical vehicle for achieving progress toward the Trusted State Services Goal. There are two parts to this Development Goal: the degree to which State servants act in a way that is trustworthy; and the degree to which New Zealanders trust the State Services. The strength of any government lies in the extent to which it earns and holds the respect of its citizens. Respect comes from the confidence people have in the integrity of government and

⁹ See www.ssc.govt.nz/code

the services it provides. Every State servant has a part to play in acting with integrity to maintain New Zealanders' confidence in the State Services.

Six elements have been identified that support integrity and ethical behaviour in the workplace. The six elements are:

- agencies of the State Services have standards of integrity and conduct that meet the minimum standards in the State Services Commissioner's code of conduct
- agencies of the State Services promote their standards of integrity and conduct
- standards of integrity and conduct are integrated into the behaviour of State servants
- managers model the standards of integrity and conduct in their behaviour
- the consequences for behaviour that breaches the standards of integrity and conduct are known by State servants
- agencies act decisively when breaches occur.

As part of complying with the *Standards of Integrity and Conduct*, agencies are expected to put in place these six elements.

5.4. Shaping an agency's culture

- Q. How does your agency identify the type of culture it needs to meet its outcomes?**
- Q. Has your agency identified any cultural barriers that would inhibit it from reaching its outcomes?**
- Q. Is your agency consciously shaping its culture?**

Leadership role in shaping culture

While all State Services agencies contribute to an all-of-government culture, each agency will also have its own distinct culture. This should be encouraged and nurtured because different strategies and operating contexts require different cultures in order to be effective. The key is to create the right environment to achieve high performance.

Within an agency, sub-cultures will emerge due to factors such as location or role. This is to be expected and does not pose a problem unless the sub-culture obstructs the agency from achieving its overall desired culture.

Culture will develop whether leaders shape it or not. However, a culture that has self-developed may hinder the implementation of key strategies. Leaders should be aware that an existing culture is a powerful way for people to make sense of the world and get things done effectively. Therefore, it is a difficult job to change a culture and the rule of ‘if it ain’t broke don’t fix it’ ought to apply.

Leaders are important influencers of culture; however, leadership behaviour alone will not change culture in a mature agency. Leaders should also re-align organisational factors to drive culture change, such as processes and systems design, or design and layout of buildings.

Barriers to shaping culture

Aligning an agency’s culture to achieve its outcomes is a key way to improve performance. Therefore, cultural barriers that may inhibit performance need to be addressed.

Cultural barriers can arise in an agency for several reasons. There can be a disconnect between the behaviours that an agency’s structures and systems encourage, the values the agency promotes through its stated strategies and the underlying assumptions shared by staff. For example, an agency may say that it works closely with its stakeholders, yet the underlying assumption of staff is that stakeholders are a barrier to getting things done properly. The result is staff paying ‘lip service’ to agency strategies. Barriers can also arise where a new strategy, set of values or structure are introduced that are vastly at odds with the existing culture. Without careful management, this can lead to significant resistance to change.

When introducing change, leaders need to ensure that new organisational structures and systems build on the strengths of the current culture of the agency.

Managing organisational culture

There are particular areas that leaders can focus on to change the culture of their agency. Because assumptions (taken-for-granted beliefs, perceptions, thoughts and feelings) are deep

and unconscious, they cannot be directly addressed. However, leaders can create the conditions in which these assumptions are formed and maintained.

Once an agency has identified the culture it needs for the future, it can use leadership and organisational factors to create, reinforce and reward this culture. Many of these factors are related to other capability dimensions, but are brought together here to specifically help an agency manage its culture.

Leadership factors that influence culture include:

- what leaders pay attention to, measure and control on a regular basis
- how leaders react to critical incidents and organisational crises
- observed criteria by which leaders allocate scarce resources
- deliberate role modelling, teaching and coaching
- observed criteria by which leaders allocate rewards and status
- observed criteria by which leaders select, recruit, promote and retire organisational members.

Organisational factors that influence culture include:

- design and structure
- systems and procedures
- branding
- rites and rituals
- design of physical space
- stories about people and events
- formal statements of organisational philosophy, values and creed.

5.5. Indicators of high performance

Indicators of high performance in the culture capability dimension include:

- staff who can articulate what ‘the spirit of service’ means for their agency
- organisational and leadership factors consciously managed to support the desired culture

-
- ongoing and effective internal and external communication programmes designed to achieve the agency's desired culture
 - the six elements of ethical conduct being actively implemented
 - staff and managers acting decisively on breaches of integrity and ethics
 - low numbers of personal grievances
 - positive results of staff engagement surveys
 - positive feedback from client surveys.

5.6. Early warning signs of poor performance

Early warning signs of poor performance in the culture capability dimension include:

- repeated anecdotal evidence that staff and leaders are paying 'lip service' to agency strategies – saying one thing and doing another
- an over-reliance on leadership to change culture without investing in the organisational factors to reinforce it
- little interest in addressing integrity and conduct issues
- low staff engagement
- low levels of satisfaction reported in client surveys
- staff who demonstrate a lack of professionalism and respect for others
- frequent restructuring of the agency
- no conflicts of interest policy
- poor quality services and missed deadlines.

5.7. More information

Building an all-of-government culture

- State Services Commission, *Understanding the Code of Conduct – Guidance for State servants*, www.ssc.govt.nz/code-guidance-stateservants, and *Implementing the Code of Conduct – Resources for Organisations*, www.ssc.govt.nz/code-resources-organisations

- State Services Commission, *State of the Development Goals Report – Transforming the State Services 2007*, priority actions for the Trusted State Services goal p. 52, www.ssc.govt.nz/sdg-report07
- State Services Commission, *All-of-Government Brand Policies and Guidelines*, www.ssc.govt.nz/govt-brand
- State Services Commission, Integrity and Conduct home page, <https://psi.govt.nz/Integrity/default.aspx>

Understanding culture

- Leadership Development Centre, *20 Questions Framework for Developing Leadership Capability*, www ldc.govt.nz
- Schien, Edgar H., *Organisational Culture and Leadership*, California, Jossey-Bass, 1992.

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6. Relationships Capability

Overview

Identifying, building and maintaining relationships

Identifying relationship skills and competencies

Relationships with other State Services agencies and partners

Relationships with service users

Relationships with the media

Indicators of high performance

Early warning signs of poor performance

More information

6.1. Overview

Relationships are the web of interactions and connections between an agency and other organisations, stakeholders and New Zealanders. A stakeholder is an individual or a group who can affect or is affected by a particular outcome.

This dimension covers how an agency can effectively identify and manage its key relationships for optimal performance. Relationships must be a purposeful means to help achieve positive results for New Zealanders. An agency that is clear about its purpose and who it needs to engage with to achieve its goals is much more likely to succeed.

Relationships do not happen in a vacuum. Agencies need to consider the relationship capability implications of the changes they will face in their future working environment. The increased complexity of the environment is changing the way relationships operate within agencies, across State Services and outside the State sector – for example, with New Zealanders, community and voluntary organisations, business, industry and academia.

Any State Services agency has a multitude of stakeholders – typically they include:

- Ministers
- service users
- central agencies, departments and other State Services organisations
- local government

- contracted service providers
- community and volunteer organisations
- communities of interest, advocacy and lobby groups
- Māori/iwi
- the media
- unions.

In a public sector context, it is important that the agency understands the nature of its relationships with its clients. The relationships capability dimension relates closely to two Development Goals: the Coordinated State Agencies Goal and the Accessible State Services Goal.

The Coordinated State Agencies Goal is about agencies working together to achieve outcomes for New Zealanders. Coordination is necessary because many of the challenges facing New Zealand cannot be solved by one agency alone. Developing and maintaining effective relationships is crucial to achieving progress towards the Coordinated State Agencies Development Goal.¹⁰

The Accessible State Services Goals seeks to enhance New Zealanders' access to public services. Users of public services are key stakeholders of the agency that provides those services. Understanding these users' experience of services is a prerequisite for any agency to improve them. This requires State servants to look at the services they are providing from the viewpoint of the service user – the 'outside-in' perspective. Asking New Zealanders for their views about the quality of government services they receive is one of the best ways of building an understanding of this. In this way their input can inform service design and improvements. Developing and maintaining relationships with those outside the State sector will help achieve progress towards the Accessible State Services Development Goal.¹¹

The overarching relationships capability dimension question is:

Q. How does your agency identify, build and manage the relationships that are critical to achieving its outcomes?

¹⁰ For more information on the Development Goals go to: www.ssc.govt.nz/development-goals

¹¹ Ibid.

6.2. Identifying, building and maintaining relationships

Identifying relationships

Q. How does your agency identify its key stakeholders?

Q. Is your agency clear about what it will achieve through these relationships?

State Services agencies will develop relationships with a broad range of groups and individuals for different ends. It is important for an agency to invest the appropriate time and resources into developing its key relationships. The nature of any given relationship will be defined by what that relationship is intended to achieve. In particular, consideration should be given to how each relationship will contribute to delivering results for New Zealanders.

Stakeholder analysis tools can be used by agencies to identify the people or groups they should engage with, and how. Stakeholder analysis can help guide users on the appropriate level of engagement for different relationships. For a link to details on stakeholder analysis methodology see section [6.9](#).

Building and maintaining relationships

Q. How does your agency build and maintain key relationships?

There are different ways of engaging in relationships with individuals or groups depending on the results sought. Often, the nature of the engagement will depend on the type of relationship. For example, developing a service delivery relationship with a group of New Zealanders will be approached differently from two agencies working together to deliver joint advice to Ministers.

Agencies need to decide which mechanisms are best to formalise relationships. The examples below illustrate some formal mechanisms used to build and maintain relationships:

- **developing a joint strategy** to work towards a shared outcome
- **developing a coordinated project plan** to deliver a shared service

- **creating an advisory or working group of external experts** to provide input into a project
- **setting-up a steering group** for regular oversight of a common issue or governing a project
- **developing a memorandum of understanding or terms of reference** to closely define a relationship agreement and the respective roles and responsibilities of each party
- **establishing a forum or network** that can meet regularly around a common issue where large groups, such as a community of practice, can learn from each other
- **creating a shared knowledge-base** via a database or other tool when large groups need to access information
- **creating a virtual workspace** to explore common issues
- **publishing information regularly** to inform key stakeholder groups.

Once an agency has identified its key stakeholders, it is important to establish an agreed and understood way of handling key relationships. A relationship management plan might help with this. It involves thinking about:

- a first point of contact or lead contact system
- what subjects and interactions are handled at particular levels
- how the parties will communicate
- main areas of shared interest and areas of difference.

Relationship management systems can also help the agency apply its relationship management plan and maintain relationships on an ongoing basis. Relationship management systems might include a client contact register or an account management system.

6.3. Identifying relationship skills and competencies

Q. How does your agency identify and develop the skills and competencies it needs to successfully manage its relationships now and in the future?

Increasingly, New Zealanders expect more tailored and personalised services from State Services agencies. These expectations require agencies to work more closely with communities to design, develop and deliver services. More staff with the ability to bridge and integrate across different perspectives and experiences will be needed. Working in more networked ways requires a much greater emphasis on negotiating, linking, teamwork, relationship, influencing and programme management competencies.

A researched-based behavioural competency model, such as Lominger, provides a common language to describe the behaviours and competencies needed to develop effective relationships. See section [4.5](#) for more information about Lominger.

6.4. Relationships with other State Services agencies and partners

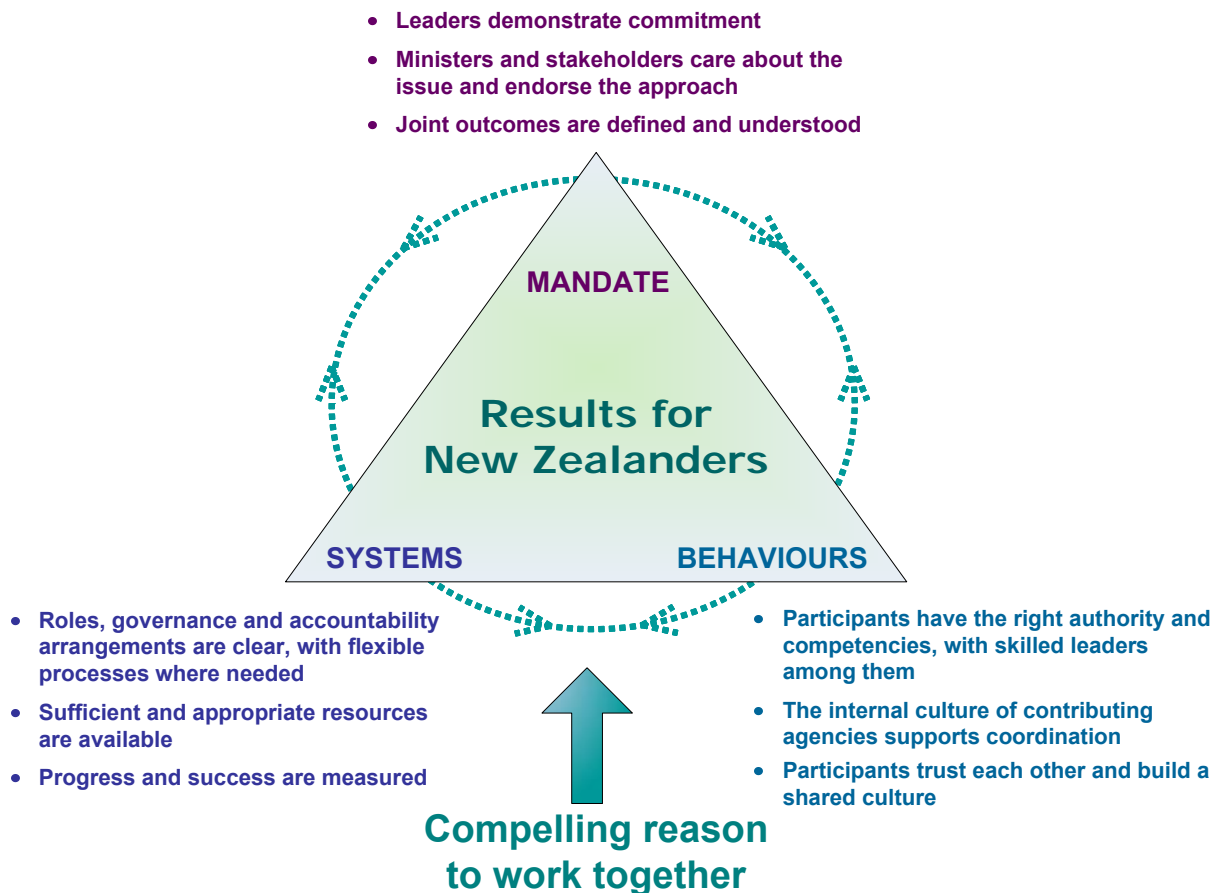
- Q. How is your agency coordinating its relationships with other agencies?**
- Q. How does your agency know whether its coordinated activities and relationships improve its effectiveness? How does your agency measure progress?**
- Q. How is your agency developing its skills and competencies to support coordination and effective relationships with stakeholders, non-government partners and across the State sector?**
- Q. Is your agency perceived as cooperative and wanting to work with others?**
- Q. How is your agency using technology to reduce barriers to sharing information with other agencies?**

Many issues faced by agencies transcend organisational boundaries and require coordinated approaches to effectively tackle them. Successful management of these relationships is critical to achieving effective results for New Zealanders. Research shows that where agencies have a history of effective relationships, the chances of successful coordination are increased.

When agencies coordinate around common issues, they need to track the success of that relationship and ensure they work in the key areas for successful coordination. The framework below (Figure 6) sets out these factors. The triangle can also be used by agencies to critically review aspects of their coordinating activities. Relationships come into play in all parts of the framework. **Mandate** gives focus and impetus to a relationship; **systems** facilitate, frame and help to maintain the relationship; and **behaviours** highlight the conditions, skills, competencies and cultural factors that underpin successful coordination.

For information on managing employment relationships see section [4.7](#).

Figure 6: Factors for successful coordination



6.5. Relationships with service users

- Q. How does your agency or sector find out about New Zealanders' experiences and expectations of its service delivery, and how is this information used to inform improvements?**
- Q. How does your agency or sector ensure all New Zealanders who are entitled to its services access them?**

In the private sector, customers have a choice about whether or not to take up a service. In the public sector, 'customer' is too broad a term to describe the different types of relationships State Services agencies have with New Zealanders. Alford provides one way of thinking about the different types of 'customers' by using three subgroups: clients, beneficiaries and obligatees.¹²

Some New Zealanders interact with State Services agencies as paying customers/clients – for example, arranging a passport. However, most public sector consumers do not pay money in return for a service. Alford describes this group as beneficiaries – those who receive a service or benefit but give no money directly to the agency in return. Work and Income beneficiaries fall into this sub-group. The third sub-group are obligatees – for example, prisoners. In this example the obligatee does not provide money but compliance.

The effectiveness of interactions with service users, be they clients, beneficiaries or obligatees is another important measure of organisational capability. High levels of client-focused behaviour are likely to be a sign of an organisation that performs well.

In 2007, the SSC undertook a survey to identify the drivers that have the greatest impact on New Zealanders' overall satisfaction with the quality of service delivery. There are six drivers that matter:

- the service experience met your expectations
- staff were competent
- staff kept their promises
- you were treated fairly

¹² Alford, John, 'Defining the Client in the Public Sector: A Social-Exchange Perspective', *Public Administration Review*, Vol. 62, No. 3, 2002.

- your individual circumstances were taken into account
- it's an example of good value for tax dollars spent.

In short, New Zealanders want to deal with State servants who meet expectations, know what they are doing, keep their promises and treat them fairly and as individuals. They also want good value-for-money government services. More information on the Drivers Survey can be found at www.ssc.govt.nz/drivers-report.

The Drivers Survey has been followed up by the *Public Satisfaction with Service Quality: Kiwis Count Survey* (Kiwis Count). Findings from the Kiwis Count survey tell agencies:

- how satisfied New Zealanders are with nine different service groupings, and overall, in relation to the six drivers
- how much they trust public services
- how public services compare with the private sector.

While SSC gathers this data at an all-of-government level, individual agencies need to carry out systematic assessment of their services from the users' perspective. One tool to do this is the Common Measurements Tool (CMT). The CMT provides a standardised, yet flexible approach to measuring and understanding client satisfaction with services. It helps agencies target service improvements where they can have the greatest impact. By using common questions, agencies will be able to benchmark their results with the Kiwis Count survey, with other similar agencies and internationally. This will provide a basis for designing service improvements that lift satisfaction ratings over time.

6.6. Relationships with the media

Q. How does your agency engage with the media and monitor media reports?

The media is a powerful shaper of public opinion. It is important that agencies monitor and respond to media comments. This includes monitoring public opinion in blogs and online fora as well as mainstream media.

Good practice involves:

- ensuring relationships with key media people are established, maintained and the quality of these relationships is formally assessed at least annually
- using a comprehensive communications strategy for stakeholder engagement, including media management, that provides metrics around outputs and regularly measures and evaluates the success of the strategy.

6.7. Indicators of high performance

Indicators of high performance in the relationships capability dimension include:

- agreement among stakeholders about the agency's purpose
- positive staff engagement surveys
- high client satisfaction levels, measured through client surveys and/or the agency's other feedback mechanisms
- systems or processes in place to record information on client needs and satisfaction with services
- the agency using mechanisms, such as shared knowledge databases or inter-agency teams, to work collaboratively with its stakeholders
- the views of clients and stakeholders being sought and incorporated into the agency's work
- the agency seeking out and acting on the perspectives of others
- media outputs and relationships being planned, monitored and evaluated, with the agency acting on the results.

6.8. Early warning signs of poor performance

Early warning signs in the relationships capability dimension include:

- significant or rapid changes in stakeholder views of an agency
- frequent legal action and/or poor industrial relations
- evidence of low levels of client focus

- low commitment to collaboration internally or with other agencies and an ‘us against them’ culture
- no agreed protocols for working with other agencies in the same sector
- inwardly-focused agency, characterised by a lack of interest in learning from New Zealanders or from other agencies
- frequent media reports that the agency is failing to meet customer needs
- sustained bad press or gossip about an agency.

6.9. More information

Identifying, building and maintaining relationships

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- State Services Commission. *Performance Measurement: Advice and examples on how to develop effective frameworks*, (Module three), Wellington 2008, www.ssc.govt.nz/performance-measurement

Coordinating relationships within the State sector

- For more information on achieving successful coordination, go to www.ssc.govt.nz/state-services-coordination

Relationships outside the State sector

- Alford, John, ‘Defining the Client in the Public Sector: A Social-Exchange Perspective’, *Public Administration Review*, Vol. 62, No. 3, 2002, pp. 337-346.
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- State Services Commission, *ARE you open? Accessible, Responsive and Effective State Services*, Wellington, 2007, www.ssc.govt.nz/are-you-open07
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- State Services Commission, *Public Satisfaction with Service Quality 2007: The Kiwis Count Survey*, www.ssc.govt.nz/kiwis-count-research-survey
- State Services Commission, *New Zealanders' Experience Research Programme*, www.ssc.govt.nz/nzers-experience
- For more information about the Kiwis Count survey email newzealanders.experience@ssc.govt.nz
- Common Measurements Tool. Visit www.ssc.govt.nz/common-measurements-tool or email newzealanders.experience@ssc.govt.nz
- To find out more about the Development Goals and read the latest State of the Development Goals report visit: www.ssc.govt.nz/development-goals

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7. ICT and Internal Management Systems Capability

Overview

ICT strategy, planning and governance

All-of-government ICT standards and services

ICT investment

ICT portfolios, projects and programmes

ICT service management

ICT monitoring and review

Internal management systems

Indicators of high performance

Early warning signs of poor performance

More information

7.1. Overview

Internal management systems are a prescribed way of doing things. Technology enables these systems to provide integrated services to New Zealanders.

Internal management systems and technology are two important capability aspects that support the successful conduct of an agency's business. This dimension focuses on the way they are designed and deployed to improve organisational performance.

An agency needs to organise its processes, systems and technology to most effectively achieve its outcomes, within its time, budget and resource constraints. Good systems and processes ensure that the agency is able to deliver effective services to New Zealanders. They also enable the agency to work collaboratively with others. Technology enables each system to function effectively.

An agency needs to regularly evaluate and assess the effectiveness of its systems and alter them if necessary. In particular, the agency should regularly review how coherent its systems are and whether different systems and processes are appropriately linked.

The Networked State Services Goal aims to move the State Services towards a future where agencies are better connected through technology, resulting in more integrated services

delivered to New Zealanders. New Zealanders will be able to achieve the results they need without searching across many agencies. They will receive consistent service no matter which channel they use to engage with government agencies, and they will provide information once, no matter which agency is providing the service. This means that agencies need to invest in ICT capability and internal management systems that will move the State Services towards this future.

The overarching ICT and internal management systems capability dimension question is:

Q. How does your agency ensure it has the ICT and internal management systems it needs to achieve its outcomes and contribute to sector-wide outcomes?

7.2. ICT strategy, planning and governance

- Q. Does your agency have an Information Systems Strategic Plan (ISSP) that meets best practice and articulates how your ICT systems will enable the achievement of your agency and sector outcomes?**
- Q. How does your agency ensure it has appropriate mechanisms to govern its large ICT investments?**
- Q. How does your agency maintain a portfolio view of its ICT initiatives, and manage and prioritise its ICT investments?**

ICT strategy

The ISSP is the information technology component of the overall business strategy. It should cover the following aspects: people, data, policies, processes and systems.

As an overarching strategic framework, the ISSP guides and informs decisions on any changes to technology and is an integral part of an organisation's future focus. A good ISSP is forward looking and articulates how technology supports business performance, so that information systems are not maintained beyond their lifetime. Money is often spent on 'legacy systems' that may be supporting an agency's goals but in an ineffective and costly way, while new technology may have emerged which could achieve the goals more efficiently.

The ISSP needs to identify and measure the opportunities presented by emerging technologies. Online services and mass texting are good examples of how government has used new technologies to reach and engage the public.

An ISSP supports achievement of an agency's strategic direction; it is a key document for planning and implementing new ICT initiatives. It should align with the Statement of Intent, business strategies, wider government strategies, a long-term capital expenditure plan and investment prioritisation framework. Demonstrated alignment with other agencies' ISSPs may also be required if joint outcomes are being delivered. A set of measures is required to demonstrate the impact of the ISSP on the agency's outcomes.

The ISSP should be regularly reviewed and endorsed by the agency's executive team. The team needs to ensure that the agency has a clear understanding of ICT costs and has a capital investment programme that reflects and is appropriately split between 'business as usual' and strategic investments.

ICT planning

If an agency plans its investments in isolation, it may lose the opportunity to leverage off existing or complementary investments. This can result in duplication of systems, processes and data, lack of interoperability, reduced overall efficiency and productivity, and degradation of New Zealanders' experience of State Services. Therefore, it is essential that agencies plan and coordinate strategically around components that affect all or many initiatives, including:

- **Systems architecture** – the design of ICT systems and data assets to maximise reuse across multiple initiatives, such as integrating enterprise architecture with the Federated Enterprise Architecture.
- **Channels** – the various means of interacting with New Zealanders, such as web, telephone, or email.
- **Brands** – the various brands an agency may use.
- **Procurement** – the procurement of common goods and services, both within an agency and across agencies.

Some of the above may be part of the ISSP.

Interventions need to ensure they take into account relevant goals, ethics, values, standards and legislation including:

- **the Development Goals**
- **sustainable practice** – for example, Govt3
- **interoperability standards** – for example, E-government Interoperability Framework, Web Guidelines
- **all-of-government shared services** – for example, Government Logon Service.

Enterprise architecture also forms part of ICT planning. Enterprise architecture is the process of translating business vision and strategy into effective enterprise change. This includes creating, communicating and improving the key principles and models that describe the enterprise's future state and enable its evolution.

The scope of enterprise architecture comprises the people, processes, information and technology of the enterprise. Enterprise architects compose holistic solutions that address the business challenges of the enterprise and support the governance needed to implement them.

Federated Enterprise Architecture is the application of enterprise architecture practices to an overarching organisation – for example, all-of-government composed of fully autonomous or semi-autonomous agencies working together to achieve the Government's goals and strategic directions. The New Zealand Federated Enterprise Architecture framework provides agency-neutral principles to support such activity.

ICT governance

A common cause of ICT project failure is lack of clear senior management and Ministerial ownership and leadership. Someone must be responsible for ensuring the benefits are delivered. Additionally, if it is a cross-sectoral initiative, it needs to be aligned with the objectives of all the agencies involved. This requires coordinated relationships with other agencies.

It is important to ensure that appropriate governance mechanisms are in place to manage the use of and changes to the information technology systems. Effective measurement of the systems will enable the agency to determine whether it is getting value for money and whether associated processes are effective.

Good project governance includes:

- outlining the relationships between all internal and external groups involved in the project
- describing the proper flow of information regarding the project to all stakeholders
- ensuring the appropriate review of issues encountered within each project
- ensuring that required approvals and direction for the project is obtained at each appropriate stage of the project.

The recently published ISO/IEC standard *Corporate governance of information technology* (ISO/IEC 38500:2008.) and the current draft Australian New Zealand standard *Corporate governance of projects involving technology investments* (to be AS/NZS 8016.) provide good information on the governance of IT projects.

7.3. All-of-government ICT standards and services

Q. Does your agency comply with all-of-government ICT standards and participate in all-of-government initiatives?

Expectations of agencies

Cabinet has defined expectations of agencies in the use of ICT. Some requirements are mandatory; others are recommended. Details can be found at: www.e.govt.nz/about-egovt/programme/agency-checklist-2007/index.html

Government ICT standards

The Government's policy on how public sector organisations should achieve interoperability is set out in the Cabinet paper (www.e.govt.nz/standards/e-gif/cabinet-paper.html) endorsing the New Zealand E-government Interoperability Framework (NZ e-GIF). The e-GIF:

- makes it easier for agencies to work together electronically
- makes systems, knowledge and experience reusable from one agency to another

- reduces the effort required to deal with government online by encouraging consistency of approach.

Government Technology Services

Government Technology Services (GTS) delivers the technology services that underpin government service delivery in work that directly affects New Zealanders. Through the provision of common infrastructure, products and standards it facilitates collaboration between agencies and responds to the service and information needs of New Zealanders.

The GTS provides common infrastructure and services in the areas of:

- identity management services
- Government network services
- Government information services.

Identity Management Services

Identity Management Services comprises the Authentication Programme. This programme has established all-of-government standards for authentication-related activity and is creating a suite of all-of-government shared services including the Government Logon Service and the Identity Verification Service. The Government Logon Service is a shared service that allows people and businesses to access government online services using a single logon. The Identity Verification Service, which will allow people to verify their identity to agencies online, is currently being built.

Government Network Services

Government Network Services comprise the Government Shared Network (GSN) and Secure Electronic Environment (SEE) Mail.

The GSN is a secure network linking government agencies with high-speed Internet and telecommunication services. It comprises a fibre-optic network.

The SEEMail system is capable of protecting public domain information and information classified *in-confidence*, *sensitive* and *restricted*. The environment is formed by each SEEMail agency deploying an accredited secure e-mail gateway that signs and encrypts sensitive messages sent between other SEEMail agencies, using Secure Multipurpose Internet Mail Extensions techniques (S/MIME).

Government Information Services

Government Information Services provides capability and expertise in online services for citizens and for government agencies. Citizens can find government information through newzealand.govt.nz and the [Public Sector Directory](#). Government agencies use the [Public Sector Intranet](#), the [Public Sector Directory](#) and [Shared Workspaces](#) to support collaboration in the State sector. Also within the Government Information Services group, [Web Standards](#) define good practice in delivering information and services through the online channel.

7.4. ICT investment

Q. How clear is your agency about the way ICT investments support the achievement of its outcomes?

Business case

An IT business case presents the argument for investing in information technology. A good business case is regularly updated to provide a single, up-to-date picture of the project's scope, costs, risks and benefits. This enables senior managers to assess the impact that major project change requests will have on the organisation.

The business case is also an important operational and strategic risk management tool. A good business case forces thinking on difficult strategic questions, on the assessment and balanced consideration of alternatives and on measuring success. In doing this, project risks at all levels become better understood. A project with well-understood risks is more likely to be a lower-cost, higher-value project.

The SSC has developed guidance and templates to help agencies write business cases. *Guidelines for Preparing E-government Business Cases* is also valid for ICT-enabled business

change projects or programmes of any type. It can be found at:

www.e.govt.nz/policy/governance/business-case-07/

Quantitative risk analysis of costs in projects

Quantitative Risk Analysis (QRA) assesses cost elements in the business case in terms of the risks that might impact on achievement of estimates. This is typically assessed through a mix of project documentation review, interviews and workshops to determine the full range of risks applicable to a particular element, plus the likelihood and potential impact if they occur. Data is then processed through a QRA calculation model, normally including a randomising routine such as a Monte Carlo simulation, to predict as accurately as possible the likely range for each element. It also predicts an estimate of the likely range for total costs.

QRA should be used to more accurately estimate the likely costs of the project. It can be used to validate requests for appropriations, assess the level of contingency funding required and inform decisions about cash draw-downs for major IT projects. It should not be used if relevant Ministers agree that the size and nature of the project do not warrant this approach.

QRA provides two primary benefits:

- a better understanding of the sources of risk to an investment's costs
- a more accurate estimate of the likely cost outcome for an investment.

QRA of costs is mandatory for major projects or programmes monitored by the SSC and Treasury. In November 2007 the SSC established a panel contract of seven qualified QRA providers for use by government agencies. Details can be found at:

www.e.govt.nz/resources/news/2008/20080228.html

An excellent QRA overview paper was produced by the RAND research group in 2004. It can be found at: www.rand.org/pubs/working_papers/2004/RAND_WR112.pdf

Benefits realisation

Benefits realisation requires identification of what the benefits are and how they will be achieved, as well as how they contribute to the agency's outcomes. In many projects the benefits can rest with the agency undertaking the project, the people using the service involved

or other agencies. Benefits realisation must provide clear identification of resulting benefits, covering where and how they arise, and how they will be recognised and measured.

A benefits management system should provide information at:

- **the evaluation level** – a summary and comparisons between options
- **the financial level** – the costs v benefits numbers
- **the qualitative level** – any other non-quantifiable benefits.

It is important that all benefits, tangible and intangible, are identified at the earliest opportunity. Proxy measures may be considered for benefits which are difficult to assess.

7.5. ICT portfolios, projects and programmes

Q. How does your agency ensure it has the capability it needs to deliver its portfolio, programme and project-related activities?

Portfolio management

A portfolio is a collection of projects, programmes and other work grouped together to facilitate effective management of that work. The projects or programmes of the portfolio may not necessarily be interdependent or directly related.¹³

While project and programme management have traditionally focused on ‘doing work right’, portfolio management is concerned with ‘doing the right work’.

If up-to-date key data on all an agency’s delivery and operational activities is collected and able to be viewed as a portfolio, it is easier to alter the mix of investments to make it more integrated and cost effective. This can involve re-prioritising or ceasing existing activities, as well as introducing new ones. A portfolio view can also assist in capacity planning, especially in areas where skills are in demand, for instance, ICT.

¹³ Project Management Institute, *The Standard for Portfolio Management*, 2006.

Project management methodologies

There is a variety of project and programme management methodologies available. The following are examples of some internationally recognised good practice.

The Project Management Institute's Project Management Body of Knowledge (PMBok), and PRINCE2 from the UK's Office of Government Commerce are examples of guidance and methodology that can add value and reduce risks to the delivery of projects.

Portfolio, programme and project management maturity models

It is useful for an agency to understand the level of maturity of its portfolio, programme and project management processes, because maturity is directly correlated with organisational productivity.

Maturity models assess the maturity of portfolio, programme and project-related activities. Some are level-based such as the Portfolio, Programme and Project Management Model (P3M3) from the Office of Government Commerce in the UK. Some are percentage-based – for example, the Project Management Institute's Organisational Project Management Maturity Model (OPM3).

The models help agencies develop from an immature state to a mature and capable organisation, with an objective basis for judging quality and solving programme and project issues.

7.6. ICT service management

- Q. How does your agency address continuous quality improvement?**
- Q. How does your agency benchmark its processes?**
- Q. Is your agency aware of and following government procurement procedures?**

Continuous Quality Improvement

Continuous Quality Improvement (CQI) is an approach to quality management that builds upon traditional quality assurance methods.¹⁴ It focuses on process rather than on the individual. It recognises both internal and external customers and it promotes the need for objective data to analyse and improve processes.

The core concepts of CQI are:

- quality is defined as meeting and/or exceeding the expectations of customers
- success is achieved through meeting the needs of those the agency serves
- most problems are found in processes rather than in people. CQI does not seek to find blame, but to improve processes
- unintended variation in processes can lead to unwanted variation in outcomes, leading agencies to seek to reduce or eliminate unwanted variation
- it is possible to achieve continuous improvement through small, incremental changes using scientific method
- continuous improvement is most effective when it becomes a natural part of the way everyday work is done.

The core steps to continuous improvement are to:

- form a team that has knowledge of the system needing improvement
- define a clear aim
- understand the needs of the people who are served by the system
- identify and define measures of success
- brainstorm potential change strategies for producing improvement
- plan, collect, and use data for effective decision-making
- apply scientific method to test and refine changes.

¹⁴ Iowa State University, Facilities Planning in Management, www.fpm.iastate.edu/worldclass/cqi.asp

Benchmarking

Benchmarking is a process in which organisations evaluate various aspects of their processes in relation to best practice, usually within their own sector. This then allows them to develop plans on how to adopt such best practice, usually with the aim of improving some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organisations continually seek to challenge their practices.

Through benchmarking, one process is compared with a better process to try to improve the standard of the process followed and the quality of the system, product or service delivered.

ICT procurement

The Government expects departments, and encourages other public sector agencies, to be guided in their procurement by the following principles:

- best value for money over whole of life
- open and effective competition
- full and fair opportunity for domestic suppliers
- improving business capabilities, including e-commerce capability
- recognition of New Zealand's international trade obligations and interests.

These principles support the Government's economic transformation objectives by identifying competitive opportunities for domestic enterprises. It does not, however, impose on agencies a requirement to use their purchasing as a direct lever for industry or regional development. The policy does not include domestic price preference or 'offsets' (requirements on government buyers to obtain commitments from overseas buyers to assist domestic industry).

The Mandatory Rules for ICT procurement are issued by the Ministry of Economic Development, and can be found at:

www.med.govt.nz/templates/MultipageDocumentPage19682.aspx

Information Technology Infrastructure Library (ITIL) service management and service delivery

ITIL is a consistent and comprehensive documentation of best practice for IT service management. ITIL consists of a series of books giving guidance on the provision of quality IT services, and on the accommodation and environmental facilities needed to support IT. ITIL has been developed in recognition of organisations' growing dependency on IT. IT embodies best practice for IT service management.¹⁵

7.7. ICT monitoring and review

- | |
|--|
| <p>Q. Does your agency's chief executive receive copies of Independent Quality Assurance (IQA) reviews of major IT projects?</p> <p>Q. Has your agency identified which of its programmes and projects are required to participate in the Gateway assurance process?</p> <p>Q. Has your agency factored central agency monitoring, IQA, or Gateway reviews into its resource and project plans where appropriate?</p> |
|--|

ICT project monitoring for large or high-risk projects or programmes

In 2001, Cabinet required that the Treasury and SSC monitor major IT projects to assure Ministers that these projects will succeed. A major IT project is defined as a new initiative, an ongoing development or acquisition project, or other type of IT project which:

- is not an existing operational system and its projected total life-cycle costs are \$15 million or more (GST inclusive)
- includes a projected IT capital investment totalling \$7 million or more (GST inclusive) in any one year
- if not delivered in line with the projected functionality requirements, cost and timelines, would expose the department to significant risk of impaired operational capability or expose the Government to significant fiscal or ownership risk

¹⁵Information Technology Infrastructure Library, www.itil-officialsite.com/AboutITIL/WhatisITIL.asp

- will impact significantly on more than one department or agency
- has been nominated for monitoring by the responsible Minister.

Guidelines for Managing and Monitoring Major IT Projects (2001) can be found at:

www.ssc.govt.nz/ITguidelines

A copy of CO (01) 4 Monitoring Regime for Major IT Projects can be found at:

www.dPMC.govt.nz/Cabinet/circulars/co01/4.html

The requirement to use quantitative risk analysis as the basis for appropriations for all major IT projects, and the technique for doing so can be found in Chief Executive Circular 2000/010: *Monitoring of Major IT projects*. Useful information on presentation of budget estimates is contained in Annex 2 of this document and can be found at:

www.ssc.govt.nz/ce-circular-2000/010

To increase the success rate of projects and allow Ministers to make fully informed decisions at an early stage, major IT business cases require a two stage approval process:

- **Stage 1** – on the basis of indicative costs and benefits, seek approval for developing detailed scoping and finalisation of the costs and benefits associated with the project
- **Stage 2** – final consideration of the business case, based on more fully developed costs and benefits.

All such projects should be consistent with the agency's ISSP.

Agencies are required to commission separate Independent Quality Assurance (IQA) reviews over their projects, including Stage 1 and Stage 2 of the business cases. They must also submit copies of IQA reports to the SSC, together with draft Cabinet submissions seeking funding and approval to proceed before submitting their case to Cabinet. Copies of IQA reports are required to be provided directly to the agency's chief executive.

Independent Quality Assurance

Assurance of quality is an ongoing project management task and regular quality reporting enables early identification of project issues. This can take the form of regular project health checks or an in-depth review of the project. IQA reviews can increase the likelihood of

projects meeting their business objectives. Agencies are required to consult with SSC on the scope of IQA reviews and the selection of IQA reviewers for monitored projects.

Gateway review process

The SSC's Gateway Unit manages the Gateway review process. Gateway is a project assurance methodology that involves short, intensive reviews at critical points in the project's life-cycle by a team of highly-experienced independent reviewers. It provides an arm's length assessment of the project against its specified objectives and an early identification of areas requiring corrective action.

Cabinet requires that Gateway reviews be conducted at appropriate stages in a project life-cycle. This applies to all capital acquisition projects initiated after 1 January 2008 that:

- have an expected whole-of-life cost of more than \$25 million (GST inclusive) and are high risk; or
- are assessed as high risk using the New Zealand Gateway risk profiling methodology.

7.8. Internal management systems

Control systems

- | |
|---|
| <p>Q. How does your agency communicate to staff its views on business practices and ethical behaviour?</p> <p>Q. Effective controls rely on staff having the right knowledge and competencies; how does management ensure that staff in key operational areas have these?</p> <p>Q. Is there a clear system of delegations and authorities and is it followed in practice?</p> <p>Q. How does your agency ensure it complies with relevant legislation?</p> <p>Q. How does your agency ensure that its policies are kept current and are followed throughout the organisation?</p> |
|---|

An effective system of internal controls is fundamental to minimise business risks. The chief executive and the senior management team are responsible for ensuring an effective control environment, which sets the tone of an organisation, influencing the control consciousness of its staff. The foundation of an effective control environment includes:

- clarity of strategic planning
- enforcement of integrity and ethical values
- overview by internal audit, an audit committee, a board or an equivalent
- delegation of authority
- risk assessment and management
- policy and procedures
- information systems
- legislative compliance arrangements.

The way in which a system of internal control is designed, implemented and maintained varies with an agency's size and complexity.

Internal control systems cannot be totally risk-proof. Residual risks always remain which can arise from the quality of decision-making, human error and the degree to which an organisation has a culture of integrity and ethical values.

Audit

Q. How does your agency act on the opinions, comments and recommendations of its auditors?

Regular audit is an important way of uncovering irregularities in financial matters – whether they are due to outright fraud and corruption or result from laxity in following proper procedures. Regular audit also establish public confidence that public money is being properly spent.

Public audit adds value by analysing and reporting what has happened after the event but also by being forward looking, by identifying lessons to be learnt and by disseminating good practice. External public auditors have a direct and positive influence on the way State sector agencies and their staff discharge their responsibilities. Working with internal auditors, they help to promote better management and decision-taking, and thus a more effective use of tax payer's resources, and play an important role in the corporate governance arrangements of public bodies.

Every year, auditors express an audit opinion on an agency's financial statement and statement of service performance. They also prepare a management letter to the chief executive, which summarises their comments on the quality and reliability of the agency's financial and management control environment and provide recommendations for improvement.

The importance and emphasis that agency leaders place on the audit management letter is a reflection of their commitment to transparency and accountability. They demonstrate this by acting on these recommendations promptly and with a sense of urgency.

Risk management

- Q. How does your agency identify, access, manage and monitor business risks?**
- Q. How is risk management communicated and embedded throughout your agency?**
- Q. Does your agency have an effective business continuity plan in place, which is periodically tested?**

Risk is defined as the chance of something happening that will have a negative impact on the achievement of a project's, programme's or organisation's objectives. Risk is measured in terms of the consequences of an event and the likelihood of it happening.

Risk management involves achieving the balance between realising opportunities and delivering results, while minimising losses. It is an integral part of management practice and is essential for good corporate governance. Risk management is an iterative process and to be most effective, it should become part of an organisation's culture.

It is important that an agency has a risk management policy, a risk management plan and support arrangements for these. This will enable risk management to be implemented effectively throughout the organisation. The plan should include strategies for embedding risk management in the organisation's systems, processes and practices. There needs to be clear accountability for each risk, and high risks need to be regularly monitored and reviewed. Best practice policy can be found in the Australia/New Zealand Risk Management Standard AS/NZ 4360.

Key elements of an effective risk management process include:

- communication and consultation with stakeholders
- establishment of the context – this includes the organisation’s external and internal environment
- development of risk criteria, taking into account the context
- recording the risk management process
- identification of risks
- risk analysis – this involves consideration of the sources of risk, their positive and negative consequences and the likelihood that the consequences will occur
- treatment of risks
- monitoring and review.

7.9. Indicators of high performance

Indicators of high performance in the ICT and internal management systems capability dimension include:

ICT strategy, planning and governance

- ISSP (or equivalent) endorsed by the executive management team
- clear mechanism to identify and measure opportunities and risks presented by emerging technologies.

All-of-government ICT standards and services

- mandatory and recommended Cabinet ICT expectations followed
- use and/or early adoption of all-of-government identity management, network and information services

ICT Investment

- investments aligned with the agency’s business outcomes and strategies
- business cases regularly updated

- investment clearly addressing a business problem
- clearly defined critical success factors and criteria for ICT projects and investments
- benefits realisation plan to identify and track benefits of ICT projects and investments.

ICT portfolios, projects and programmes

- trained and experienced project and programme managers
- appropriate project or programme methodology being used.

ICT service management

- continuous improvement process in place
- the agency's processes benchmarked against comparable processes
- appropriate procurement practices in place
- clear service delivery expectations agreed with the customer or supplier.

ICT monitoring and review

- use of Gateway assurance process for relevant projects and programmes.

Control systems

- evidence of management review of key internal controls
- comprehensive suite of policies and procedures that are regularly refreshed
- policies and procedures that give effect to the *Standards of Integrity and Conduct*, and are communicated throughout the organisation.

Audit

- prompt actions to address recommendations of the audit management letter
- demonstrated improvements in quality of accountability documents over time
- a good audit rating.

Risk management

- risk management policy and processes based on the New Zealand risk management standard AS/NZS 4360
- risk management policy and processes entrenched in the business
- a risk register to record and manage identified risks.

7.10. Early warning signs of poor performance

Early warning signs in the ICT and internal management systems capability dimension include:

ICT strategy, planning and governance

- no ISSP or equivalent
- no clear senior management or Ministerial ownership and leadership for projects.

All-of-government ICT standards and services

- little or no regard for all-of-government services, standards and infrastructure
- development of own solutions when all-of-government solutions exist
- government web standards not followed

ICT investment

- no business case outlining the rationale for investments
- no clear identification of benefits and success metrics for ICT projects.

ICT portfolios, projects and programmes

- A project or programme demonstrating one or more of the following eight common causes of project failure:
 - lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success
 - lack of clear senior management and Ministerial ownership and leadership

- lack of effective engagement with stakeholders
- lack of skills and proven approach to project management and risk management
- too little attention to breaking development and implementation into manageable steps
- evaluation of proposals driven by initial price rather than long-term value for money
- lack of understanding of, and contact with, the supply industry at senior levels in the organisation
- lack of effective project team integration between clients, the supplier team and the supply chain.

ICT service management

- ad hoc procurement practices
- the same errors happening on a regular basis.

ICT monitoring and review

- project time, cost and scope slippage
- no regular project reporting
- IQA reviews of large projects not copied to the chief executive
- unsatisfactory audit ratings.

Control systems

- no evidence of review of key control areas by the senior management team
- no independent governance function for internal controls
- gaps in the agency's suite of policies
- unclear delegations of authority
- inappropriate disclosure of contingent liabilities
- frequent and significant budget variances.

Audit

- unsatisfactory audit ratings
- reoccurring issues in audit management letters year after year
- instances of fraud and dishonesty occurring.

Risk management

- trend of project or operational delivery problems
- adverse media exposure affecting the agency's reputation
- no risk management policy in place
- audit reports highlighting deficiencies in risk management practices.

7.11. More information

Expectations of agencies

- *E-government Agency Checklist – November 2007*, updated September 2008, www.e.govt.nz/about-egovt/programme/agency-checklist-2007/index.html
- Ministry of Economic Development, *Mandatory Rules for Procurement by Departments*, www.med.govt.nz/templates/MultipageDocumentPage_____19682.aspx

Government Technology Services

- Public Sector Intranet, available to public sector employees, <https://psi.govt.nz>
- Identification management and authentication, <https://psi.govt.nz/identity/>
- Information management and security, <https://psi.govt.nz/ims/>
- Public sector directory, www.psd.govt.nz
- www/newzealand.govt.nz
- Shared workspaces, www.e.govt.nz/services/workspace
- Web standards, www.webstandards.govt.nz

High risk investments

- Department of the Prime Minister and Cabinet, *Monitoring Regime for Major Information Technology (IT) Projects*, Cabinet Office Circular CO(01), www.dPMC.govt.nz/Cabinet/circulars/co01/4.html
- Office of the Auditor-General, *Governance and Oversight of Large Information Technology Project*, www.oag.govt.nz/2000/it-oversight/
- State Services Commission and The Treasury, *Guidelines for Managing and Monitoring of major IT projects*, www.ssc.govt.nz/ITguidelines
- State Services Commission's Gateway website, www.ssc.govt.nz/gateway
- The Gateway Unit also provides Performance/Capability support and advice for ICT-enabled Business Projects in govt departments, particularly in the disciplines of: Project Programme/Portfolio Management and their Governance; Risk Management; Benefits Management and Realisation; Business Cases; Return on ICT-enabled Investment; All-of-Govt ICT investment coordination. The Gateway Unit can be contacted on gatewayunit@ssc.govt.nz

Quantitative risk analysis

- QRA providers, www.e.govt.nz/resources/news/2008/20080228.html
- Galway, L., *Quantitative Risk Analysis for Project Management - A Critical Review*, Rand Group, 2004, www.rand.org/pubs/working_papers/2004/RAND_WR112.pdf

Coordinated design

- New Zealand E-government Interoperability Framework, www.e.govt.nz/standards/e-gif/
- interoperability standards, www.e.govt.nz/standards/e-gif/cabinet-paper.html
- E-government strategy, www.e.govt.nz/about-egovt/strategy/

Logic

- State Government of Victoria, Department of Treasury and Finance, *Investment Management Standard*, www.dtf.vic.gov.au/CA25713E0002EF43/pages/investment-management

Portfolio management

- Material on portfolio management can be obtained from the Project Management Institute, www.pmi.org

Control systems

- Cabinet Office, Financial Delegations and Delegation Limits for Responsible Ministers and Departmental Chief Executives, Cabinet Office Circular CO (99) 7, www.dpmc.govt.nz/cabinet/circulars/co99/7.html
- The Treasury, Departmental Internal Central Evaluation (DICE), www.treasury.govt.nz/publications/guidance/finmgmt-reporting/dice/

Risk management

- New Zealand Risk Management standard, *SAA/ANZ HB 436:2004, Risk Management Guidelines*, Standards Australia International, Sydney, 2004.
- Standards Australia, *Australia/New Zealand Standard: Risk Management (AS/NZS 4360:2004*, www.riskmanagement.com.au/Default.aspx?tabid=148
- Standards Australia, *Australia/New Zealand Handbook: Risk Management Guidelines Companion to AS/NZS 4360:2004 (SAA/SNZ HB 436:2004*, www.riskmanagement.com.au/Default.aspx?tabid=158
- Standards New Zealand, *SAA/SNZ HB143:1999: Guidelines for managing risk in the Australian and New Zealand public sector*, Standards Association of Australia, Strathfield, NSW, 1999.
- State Services Commission, *Monitoring of major IT projects*, CE Circular 2000/010, www.ssc.govt.nz/ce-circular-2000/010
- UK Cabinet Office Strategy Unit, *Risk: Improving Government's Capability to Handle Risk and Uncertainty*, www.cabinetoffice.gov.uk/strategy/work_areas/risk.aspx

Contact email addresses

- capability.toolkit@ssc.govt.nz
- gatewayunit@ssc.govt.nz

8. Asset Capability

Overview

Scope of asset management

Organisational capacity to support asset management

Long-term asset planning

Asset revaluations

Asset operation, maintenance and disposal

Considering new investments

Managing the overall balance sheet

Indicators of high performance

Early warning signs of poor performance

More information

8.1. Overview

In financial terms, an asset is an item of property, plant, and equipment controlled by an agency that is expected to yield future economic benefits or service potential during more than one financial reporting period. Asset management is a structured process to ensure best value for money from assets required to deliver government services.

Assets:

- are expensive – in terms of both their capital value and annual costs of upkeep
- need to be carefully managed over their economic lives to ensure best value
- need careful consideration before procurement.¹⁶

Historically, estate and property management has had a low profile in the public sector, despite the fact that asset budgets are often second in size only to payroll budgets.

However, expectations are changing in overseas jurisdictions and in New Zealand. For example:

¹⁶ Adapted from RICS Public Sector Asset Management Guidelines, 2008.

- Since 2002, local authorities have been required by law to prepare and consult on long-term council community plans which the Office of the Auditor-General (OAG) regularly reviews for reasonableness
- In 2007, new expectations, processes and rules for Public Service departments and Crown entities were introduced by Cabinet. Their purpose was to improve the focus on, and quality of, capital asset management and produce worthwhile value-for-money gains over time.

These new expectations are part of the work to achieve the Value-for-Money State Services Development Goal.

The overarching asset capability dimension question is:

Q. How does your agency ensure its asset-related decisions are appropriate to meet its current and future service performance requirements?

8.2. Scope of asset management

Financial and accounting reporting standards distinguish between tangible and intangible assets. Tangible assets are plant property and equipment ranging from information technology hardware to roading and health infrastructure assets, to housing stock, specialist buildings, vehicles and weapons systems. Intangible assets include such items as information technology software, websites, intellectual property or fishing quota. In this context, asset management covers the management of processes and performance relating to plant property and equipment as well as computer software.

When considering issues relating to the management of assets, agencies should take account of:

- assets reflected on the agency's balance sheet as well as leased assets used in the production of agency services or outputs
- both departmental assets and assets that the agency manages on behalf of the Crown
- ICT software assets, now shown as intangible assets on the agency's balance sheet.

8.3. Organisational capacity to support asset management

- Q. How effective are your agency's current policies and procedures relating to the procurement, use and disposal of assets?**
- Q. Does your agency have the right capability to manage its asset base and/or procure a large new asset – for example, to acquire a new IT system or to contract for a major facility to be built?**

The following aspects relate to the implementation and evaluation of asset management activities:

- **Asset management policy** – sets out how an agency approaches asset management, including guidelines, key performance indicators and targets.
- **Roles and responsibilities** – set out how an agency's asset-related decision-making structure is managed, covering both strategic and tactical decisions.
- **Asset management planning** – sets out the degree of formality around asset management planning, including life-cycle costing, risk management, and benchmarking.
- **Acquisition and disposal** – set out how acquisition and disposal of assets is to be managed, taking account of factors like life-cycle costs, health and safety, environmental sustainability and procurement guidelines.
- **Operation and maintenance** – set out how assets are to be maintained and operated, including factors such as maintenance strategy, risk assessments and training.
- **Performance reporting and accounting** – set out how the review, reporting and accounting processes within an agency are managed, including fixed asset registers, and the capture and interpretation of financial and non-financial asset performance.
- **Audit and review** – set out how the asset management process is audited and reviewed, including benchmarking of efficiency and effectiveness.

A maturity index, such as that developed by the University of Leeds, can assist agencies to:

- consider the appropriate capacity required at agency and team levels
- identify priority areas for improvement
- develop improvement strategies and plans
- secure organisational agreement and commitment to asset management.

8.4. Long-term asset planning

- Q. What assets does your agency need to achieve its outcomes and deliver its services?**
- Q. Does your agency have a long-term asset management strategy that clearly demonstrates the linkage between asset performance and achievement of its outcomes?**
- Q. How well are those asset management plans working in practice?**

A long-term asset management strategy identifies future asset needs, investment priorities and funding requirements. These needs are expressed in both financial and non-financial terms, and supported by annual plans. This is especially important for agencies that have large assets with long economic lives of over 10 years or more.

A well-performing agency regularly considers opportunities for trade-offs between assets and other resources – for example, fewer people and more technology assets.

A long-term asset management planning process and strategy can help to ensure an agency makes asset acquisition and management decisions which take account of the agency's strategic direction and anticipate changes to business operations, practices or technology – for example, a building lease is not renewed because staff numbers at that location are likely to substantially decrease in the next year.

It can also ensure an agency retains sufficient funds to sustain its asset base in the future. For example, the agency might not retain sufficient funds because:

- Depreciation cash received for one asset is used to replace a different asset – if depreciation on buildings is used to pay for computer equipment, the agency will need to plan for the eventual replacement of the original asset.
- Asset maintenance requirements are either not identified or maintenance is not undertaken because funds are used elsewhere, resulting in an asset life shorter than planned, or the need to find cash for deferred maintenance.

A long-term asset management also assures that an agency is well placed to signal to the Government at an early stage, via a statement of capital intentions when decisions need to be taken in the future to ensure the orderly purchase or replacement of assets, taking account of such factors as:

- increasing business volumes
- an expansion of government services into new policy areas
- new technology or higher asset replacement costs.

8.5. Asset revaluations

Q. Does your agency periodically review the value and economic life of its assets, and reflect this new value in long-term capital plans?

In accordance with NZ IFRS 3 and NZ IAS 16, Crown accounting policies require that most assets are periodically revalued to reflect what is in accounting terms called ‘fair value’ – usually equal to the replacement costs of a similar asset at an equivalent stage in its economic life.^{17,18}

Revaluations usually cause the depreciation charge to increase, unless the remaining economic life is also extended, and your agency needs to consider how it will bear that additional charge under a fixed nominal baselines regime.

High performing agencies will have systematic evaluation of asset management and investment choices over a suitable horizon, consistent with ‘advanced’ or ‘core’ practices as appropriate.¹⁹

¹⁷ From 1 July 2007 departments fully adopted the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). When preparing financial statements, departments should refer to the NZ IFRS 3 compliant model financial statements prepared by Audit New Zealand.

¹⁸ Property, Plant and Equipment (NZ IAS 16) – New Zealand equivalent of International Accounting Standard 16

¹⁹ *International Infrastructure Management Manual V3.0 2006*, Ingenium, 2006, www.ingenium.org.nz. The essential point of difference is that ‘advanced’ practices are grounded in systematic performance reporting and decision support processes, rather than more simple ‘core’ forms of analysis and reporting.

8.6. Asset operation, maintenance and disposal

- Q. How well does your agency monitor asset usage and operational effectiveness to identify surplus assets or assets that are not meeting requirements?**
- Q. How effective is your agency's approach to asset maintenance and protection?**

Agencies should manage assets to perform at the required level over their optimal economic lives. For example, if an asset is not working effectively or it is costing more to run than was expected, then the agency should assess whether to enhance performance or replace the asset.

Agencies also need to systematically manage, protect, maintain, repair and securely hold assets to optimise cost effectiveness over time. Deferred planned maintenance can be an early warning sign of poor capability in this area.

When not managed sensibly, the decision to defer maintenance can lead to a shortened asset life, where the asset needs to be replaced earlier than planned, or to decreased operational effectiveness which impacts on the agency's ability to deliver its outputs.

8.7. Considering new investments

- Q. How does your agency plan to fund its capital expenditure programme?**
- Q. Is the programme affordable?**

Good asset management practice requires that a business case is prepared, whether funding is sought from government or the asset is funded from internal resources such as accumulated depreciation or the sale of another asset. New investment decisions need to be based on analysis of all relevant costs, benefits and risks.

Economic and financial analysis should include all relevant costs, such as the purchase price of the asset, running costs, maintenance costs, depreciation effects and capital charges. For most assets, the purchase price will be a small component of the total cost of owning the asset.

According to the Public Finance Act, funding for new investments can come from operating baselines, cash held on agency balance sheets or new capital contributions from the Crown or third party funding.

When procuring some types of asset, agencies will make decisions on whether to buy the asset (using capital) or enter into a lease. Factors to consider include:

- overall costs, benefits and risks associated with different procurement options
- whether asset management services should be provided in-house or by external suppliers based on expertise, cost and risks – for example, utilising the specialised management expertise and economies of scale of a leasing company.

8.8. Managing the overall balance sheet

Q. How well does your agency manage its overall balance sheet?

Agencies need to understand and manage the other elements that make up their balance sheet. For example:

- **cash management** – the agency should have reliable cash flow forecasts, and should not have urgent, unplanned cash requirements outside its cash profile that need to be agreed with the Treasury
- **working capital management** – items such as receivables, payables and inventories should be accurately recorded and managed to minimise costs to the agency and the Government.

8.9. Indicators of high performance

Indicators of high performance in the asset capability dimension include:

- clear relationship between outcomes sought and capital intentions
- regular appraisal of asset performance against agreed standards or external benchmarks, and actions to improve performance
- delivery of expected performance against approved plans.

8.10. Early warning signs of poor performance

Early warning signs in the asset capability dimension include:

- absence of a long-term asset management strategy or plan, plus relatively old, heavily-depreciated assets
- evidence that assets are of poor quality, breaking down or failing to meet requirements
- rushed or poor quality capital proposals and business cases
- no information on asset status and performance
- adverse comment in external or internal audit reports or organisational reviews.

8.11. More information

Strategic asset management

- Royal Institution of Chartered Surveyors, *RICS Public Sector Asset Management Guidelines – a guide to best practice*, 2008, www.ricsbooks.com/productInfo.asp?product_id=17145

Asset management practices

- *International Infrastructure Management Manual V3.0 2006*, Ingenium, www.ingenium.org.nz
- *Property Asset Management Maturity Matrix*, www.ogc.gov.uk/high_performing_property_the_maturity_matrix.asp

Long-term asset planning

- See the guidance for agency fixed asset planning and management in sections 13 and 14 of www.treasury.govt.nz/publications/guidance/finmgmt-reporting/dice/criteria
- EXG Capital Asset Management Review, www.treasury.govt.nz/publications/informationreleases/exgreviews/cam

- See Gateway material for further prompts and evidential suggestions at www.ssc.govt.nz/gateway, and especially Review 1 Business Justification and Options at www.ssc.govt.nz/gateway-review-workbook-1

Asset management and revaluations

- The Treasury, *Valuation Guidance for Property, Plant and Equipment, Including Specialised Items in the Health and Education Sectors*, www.treasury.govt.nz/publications/guidance/valuation/property/
- Crown Accounting Policies, www.treasury.govt.nz/publications/guidance/accountability/annualreports/05.htm
- The relevant accounting standards are available from the New Zealand Institute of Chartered Accountants, www.nzica.co.nz

Asset operation, maintenance and disposal

- Information about the controls that a department should apply to its assets is included in the Treasury's Departmental Internal Control Evaluation (DICE) material published at www.treasury.govt.nz/publications/guidance/finmgmt-reporting/dice/

Considering new investments

- Office of the Controller and Auditor-General, *Procurement: A Statement of Good Practice*, www.oag.govt.nz/2001/procurement/
- State Services Commission and The Treasury, *Guidelines for Managing and Monitoring Major IT Projects*, www.ssc.govt.nz/ITguidelines

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9. Structures Capability

Overview

Organisational design principles

Governance and role clarity

Managing change

Alternatives to restructuring

Alternative ways of delivering work

Indicators of high performance

Early warning signs of poor performance

More information

9.1. Overview

The structures dimension focuses on ensuring that the agency's major functions are organised effectively to achieve agency and sector outcomes.

The way an agency structures itself plays an important part in the achievement of its outcomes. The structure of an agency can impact on whether:

- people are supported or empowered to work effectively
- decisions can be made rapidly
- accountabilities are clear.

The overarching structures capability dimension question is:

Q. Does your agency have a clear rationale for its structure, which is linked to its outcomes and its future business needs?

9.2. Organisational design principles

- Q. What strategies and functions is your agency using to achieve its outcomes?
- Q. To what extent does your agency's structure help it carry out its role?
- Q. What principles and criteria is your agency using to guide decisions about structure?
- Q. How does your agency know that the structure is meeting these principles?

Structure is an organisational means to a strategic end. First and foremost, decisions about structures must be based on the agency's role in the State Services and the outcomes it is aiming to achieve alone and in collaboration with other agencies.

Organisational design should:

- support strategy implementation
- facilitate the flow of work and timely decision-making
- permit effective managerial control
- create clear boundaries between roles.

Centralised v decentralised decision-making

Whatever the structure, decisions are required about the size and strength of the centre and where decision-making sits. There is often a trade-off between:

- **control/centralisation** – which limits the risk of undesirable behaviour, aids consistent and large-scale solutions and provision of standard services and it can also maximise efficiencies through synergies and economies of scale; and
- **autonomy/devolution** – which enables employees to adapt responses to local needs, exercise discretion and make decisions, leading to flexibility, innovation, knowledge and skill sharing, and rapid responses to changing circumstances.

The balance of centralisation and decentralisation will be determined by the characteristics of the organisation and the relative advantages of the options. For example, a risk-averse organisation delivering simple services in a stable environment may be suited to a high degree of centralisation.

Assessing trade-offs

Agencies should be asking themselves the following types of questions when assessing trade-offs between centralised and decentralised structures:

Financial

- Which functions realise economies of scale?
- What resources may be shared by all business units?

Strategic

- How rapidly must the agency innovate to deliver results?
- How important is it to maintain and control a common culture?
- What are the core competencies that should be shared by all business groups?
- Does the desired culture favour top-down or bottom-up leadership?

Operational

- Which processes, standards and risks should be monitored across business groups?
- What types of decisions should be made at the front line?
- Which functions must be coordinated to achieve outcomes cost effectively?

External

- What structure will best deliver services to New Zealanders?
- Does the agency know what its clients and stakeholders think about its service delivery?
- Does the structure allow the agency to easily support partner agencies?

9.3. Governance and role clarity

- Q. How do staff learn about the responsibilities and accountabilities of their role? Are these reinforced regularly?**
- Q. Has your agency consciously assessed the appropriate level at which particular decisions should be made?**
- Q. Does your agency review its governance and accountability arrangements regularly?**

Structures are about more than the organisational chart: they are also about modes of governance and decision-making. Agency staff must know what they are expected to deliver and the levels of decision-making and delegated authority they have to work with. Effective decision-making in an agency is about managing the need for checks and balances with the degree of autonomy required for staff to perform their roles efficiently and productively. This will differ between agencies and should be reviewed regularly to ensure that delegations continue to reflect the operating reality of the agency.

9.4. Managing change

- Q. How does your agency manage changes to its structure?**
- Q. Having made changes, how does your agency go about reinforcing and embedding a new structure?**

Organisational change is a large topic. The following points are critical to achieving successful change. More information on managing change can be found in section [3.2](#).

- **Embedding and reinforcing change** – change is an ongoing process that does not end at the point of restructuring. Any change to structure will require ongoing reinforcement if it is to be successful.
- **Changing behaviour** – the change must appeal to what people see and feel. Vision-setting and story-telling play a key role in this process.
- **Getting the right advice at the right time** – change programmes run into problems all too regularly through a lack of timely advice. At the very outset, change plans should

include the advice and processes required from support functions such as legal, human resources, finance and internal communications.

9.5. Alternatives to restructuring

Q. What alternative options could your agency consider before deciding on structural change?

Restructuring involves great effort and is disruptive for staff. Other solutions should be tried first, such as improving internal communications, focusing on ensuring business practices are efficient and effective or forming temporary teams to solve problems.

9.6. Alternative ways of delivering work

Q. Would your agency achieve its outcomes more efficiently and effectively if it delivered its work in a different way?

Outsourcing

Q. How is your agency deciding whether or not to outsource a service or function?

Q. How is your agency managing its outsourcing arrangements?

Outsourcing normally only applies to support and non-core functions. The Government has decided that core functions within the State sector should normally be under Ministerial control and influence. Outsourcing would reduce this control and weaken accountability mechanisms.

The benefits of outsourcing range from providing economies of scale to establishing centres of excellence. This may be especially the case for small agencies that contract in services they cannot cost-effectively provide themselves – for example, specialist human resources or IT support.

However, outsourcing can reduce in-house organisational capability, resulting in a lack of internal institutional knowledge and skills.

If your agency decides to outsource a function or service, it should have:

- a clear specification of the service and service levels required
- a plan to manage the outsourcing, including management of the relationship
- a record of how critical issues were managed by the provider and periodic reviews of the outsourcing
- a contract with the provider that includes meaningful penalties for failing to meet service levels
- contingency plans to bring services back in-house or transfer to an alternative provider if required.

Contracting and shared services

Q. Does your agency follow the *Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown*, where applicable?

Q. Is there scope for your agency to share any of its services with other agencies? What would such a shared service arrangement look like and how might it be implemented?

Shared services refer to one or more agencies using a common process or system to deliver a function or range of functions more effectively and efficiently. The sharing can relate to a specific range of functions or a common goal or plan. Every policy proposal that could lead to the establishment of a new agency or the split-up of an existing agency must explicitly explore opportunities for, and cost-benefits of, sharing back office support functions.

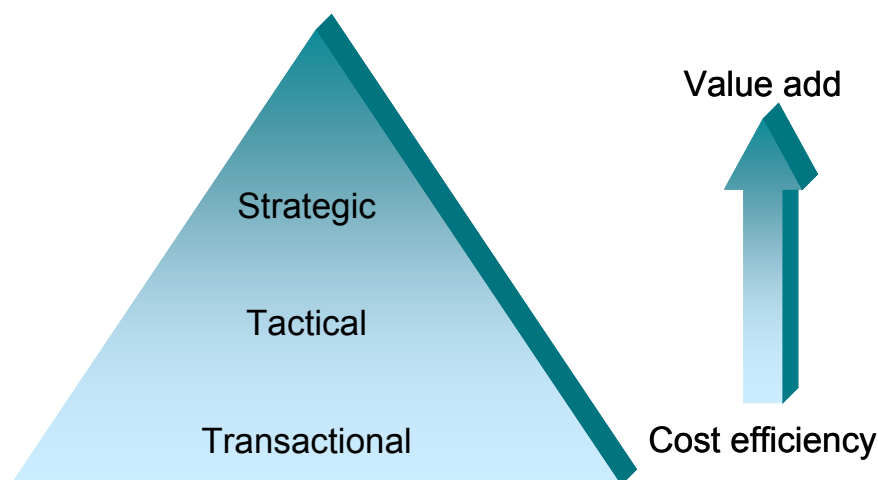
Shared services, if conducted effectively, can bring significant benefits to all parties concerned, including:

- enhanced coordination
- reduced costs
- enhanced relationships
- the delivery of more effective services.

As illustrated in Figure 7 below, shared services may be used to deliver a variety of services that will benefit different levels within organisations:

- **at the strategic level** – for example, risk management
- **at the tactical level** – for example, recruitment
- **at the transactional level** – for example, procurement, payroll.

Figure 7: Levels of shared services arrangements



There are a number of functional areas within agencies where services can be shared at these three levels in order to achieve more effective and efficient delivery. A shared service arrangement may include any number of these functions. The most commonly shared services are human resources, project management, finance and payroll.

There are three main models for undertaking a shared services arrangement:

- **one-to-one sharing arrangement** – one agency providing particular services for another that is too small to provide the service itself
- **one-to-many sharing arrangement** – an agency providing services to multiple other agencies
- **stand-alone service provider** – existing with its own funding and governance arrangements, purely to provide certain services for the agencies concerned.

Clear expectations about what the arrangement will achieve and how it will be executed should be set before undertaking it. Good communication between all parties and buy-in to the arrangement between the relevant parties is critical. Considerable investment is required to achieve an effective shared services arrangement and these arrangements take time to yield

benefits. The recent experience of the Queensland Government shared services initiative has shown that it can take three to four years before tangible savings are achieved.²⁰

9.7. Indicators of high performance

Indicators of high performance in the structures capability dimension include:

- a clear rationale for the structure of the agency aligned to its outcomes
- staff who are clear about why the agency is structured the way it is, where they fit in it and how their role contributes to the agency's outcomes
- roles and accountabilities clearly defined in job descriptions
- no barriers to effective decision-making and communication
- low levels of personal grievances resulting from change
- evidence that the agency undertakes other change activities besides restructuring.

9.8. Early warning signs of poor performance

Early warning signs in the structures capability dimension include:

- blurred accountabilities
- slow actions and decisions taking a long time to be made
- service delivery staff without the authority to properly respond to client needs
- slow responses to environmental opportunities or changes
- insufficient cooperation and flows of information between different parts of the agency
- staff actively resisting change
- inconsistent policies and practices between regions and head office
- large number of direct reports to the chief executive and senior managers
- duplication between business group functions.

²⁰ The Government of Queensland has been particularly involved in undertaking wide ranging shared services initiatives over the last few years. URL: www.sharedservices.qld.gov.au

9.9. More information

- Brady, Natalie, *Striking a Balance: Centralised and Decentralised Decisions in Government*, Treasury Working Paper, 2002, www.treasury.govt.nz/publications/research-policy/wp/2002/02-15/
- Corporate Leadership Council, *Organisational Structure Methodology and Decision Rules*. URL for members: www.corporateleadershipcouncil.com. For membership to the CLC, email peoplecapability@ssc.govt.nz
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- Sirkin, Harold H., Perry Keenan, and Alan Jackson, 'The Hard Side of Change Management', *Harvard Business Review*, October 2005, pp. 108-118.
- The Treasury, *Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown*, www.treasury.govt.nz/publications/guidance/finmgmt-reporting/ngo/

- The Government of Queensland has been particularly involved in undertaking wide ranging shared services initiatives over the last few years. URL: www.sharedservices.qld.gov.au

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10. Budget Process for Capability Proposals

Overview

Process and outcomes focus

Rationale of capability proposals

Prioritisation

More information

10.1. Overview

The Capability Toolkit is intended to promote and inform ongoing capability management. It should also assist agency leadership teams with the decisions made in the preparation and review of proposals for additional funding for capability. Chief executives are responsible for managing within existing resources. If a chief executive assesses that they are unable to manage within existing resources, then they should engage with central agencies and their Minister. It should not be an automatic response to prepare a funding proposal whenever there is a capability pressure.

If a funding proposal is prepared, then it should **always** be part of the Budget initiatives process. This enables capability proposals to be considered and prioritised alongside all other funding requests. Between-Budget requests for funding are provided in cases of extreme and urgent need. Capability proposals would not meet this definition in a well-managed agency.

Proposals for extra funding may be primarily for capability, but other baseline changes may also impact on the agency's capability. The impact of initiatives on capability should be considered with reference to the various capability dimensions.

Proposals for additional capability funding are generally for an increase in price or an increase in quantity or quality. These proposals are subject to a process of analysis, which results in judgements as to their relative merits rather than a straightforward answer. However, capability proposals still have to be justified like any other proposal on a cost-benefit basis.

Good capability proposals are characterised by the following features:

- the agency has engaged early with central agencies
- the agency has a clear understanding of its fit in the Government's overall strategy for the sector and its role in achieving the Government's goals
- the agency has and shares evidence that supports the existence of a capability problem
- the agency has identified realistic trade-offs within existing baselines for Ministers if new funding is not obtained.

Capability proposals are due with all other Budget initiatives, currently in December. Each year a large number of capability proposals do not receive any funding. Ministers are interested in the consequences of not supporting a capability funding proposal; this is why all new capability funding proposals should include credible within-baseline options for Ministers.

10.2. Process and outcomes focus

Q. Is capability planning based on your agency's key outcomes, and will the interventions and outputs that your agency has identified best contribute to meeting the Government's priorities?

Q. Has your agency identified the various capability dimensions that are vital to the delivery of its outputs? How will these change over time?

Central agencies assess the process an agency has used to develop its proposal. Central agencies are likely to consider whether the agency engaged early with its Minister on strategic direction, consulted with other key players in the sector, did an environmental scan and considered options. The case may not be considered robust by the central agencies if these aspects have not been covered.

10.3. Rationale of capability proposals

- Q. What is driving the need for a change in capability?**
- Q. Is the rationale for the proposal backed by evidence and included in the proposal?**
- Q. How well is your agency using the capability it already has?**
- Q. What level of tangible risk of service delivery failure is there, now or in the future?**

There can be several reasons for a capability proposal, including a roll-out of a new initiative, Ministerial directive or an increased uptake of a service. Any proposal should make the rationale clear, and back it with evidence.

A good capability proposal articulates how your agency is using the capability it already has, and explains why it cannot be re-deployed or reprioritised. If the proposal is based on inflationary pressures, it should explain how these have been managed until now.

If the proposal aims to improve service performance or increase outputs, projected improvements need to be quantified, or the reason why this cannot be done clearly outlined. Future savings should also be identified, quantified and included in the proposal.

Finally, the proposal should outline any level of tangible risk of service delivery failure, now or in the future, in case the proposal is not funded.

10.4. Prioritisation

- Q. How does the proposal fit with the Government's stated Budget strategy and requirements? If it doesn't fit, why should it be given a higher priority than initiatives that do fit?**
- Q. Is the proposal, or a part of it, non-discretionary? What aspects are these?**
- Q. What would your agency do if Ministers decided the proposal was not a priority for new funding?**

Central agencies will be prioritising your agency's proposal according to the Government's stated Budget priorities, and against proposals from other agencies. They will be looking for a convincing rationale of why the proposal should be supported when it is assessed against other

proposals. If you consider your proposal to be non-discretionary, it is important that you clearly articulate why this is the case.

Central agencies will consider when your agency last received capability funding and for what, and will review the options you have identified for Ministers to choose from, including those from within existing baselines.

They will seek assurance that your agency can achieve the projected increase in capability if funding is obtained, and will want to be made aware of any outside factors that may constrain your ability to do so.

Please remember that even if your agency's capability proposal covers all the above issues satisfactorily, Ministers may still decide not to proceed with it. You need to have contingency plans in case Ministers decide the proposal was not a priority for new funding.

10.5. More information

The budget process timeline and guidance is issued annually and is available from CFISnet. Your finance team has access to CFISnet.

Contact email addresses

- Your Treasury and SSC contact people
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Q. How does your agency know it has the leaders it needs to perform well now and in the future, meet its outcomes and contribute to sector-wide outcomes?

Role of the leader

- Q. Does your agency have clear and consistent statements of purpose and vision?
- Q. Can staff articulate the agency's vision and how their roles contribute to it?
- Q. How do your agency's leaders identify the need for change, and manage incremental as well as large scale change?
- Q. How do your agency's leaders empower and support staff to achieve success?

Characteristics of a good leader

- Q. Does your agency purposefully recruit leaders with learning agility?
- Q. Are your agency's leaders aware of their own preferred leadership style? How do they adjust it to suit the context?

Types and levels of leadership

- Q. How does your agency ensure that it has quality leaders at all levels of the organisation?
- Q. How clearly is the contribution to leadership defined at each level within your agency?

Successful leadership teams

- Q. Does the senior leadership team have a stable membership and a common sense of purpose?
- Q. In what ways does the senior leadership team collectively contribute to improving performance?
- Q. Are succession plans in place for each member of the senior leadership team?

Developing leaders

- Q. How are senior leaders involved in developing current and future leaders?
- Q. What systems and programmes are in place to support leadership development? What are their features?

Sector / cross-agency leadership

- Q. Is your agency clear about its role and impact in contributing to sector outcomes?
- Q. How is your agency aligning its capability and prioritising its resources to contribute to sector outcomes?
- Q. How is your agency using the strengths of the sector to deliver sector and agency-specific outcomes?

Indicators of high performance

- government and non-government partners viewing the agency's strategic direction and its progress positively
- strong internal and external competition for senior positions
- robust processes to resolve management issues when they occur
- leaders willing to act on 360° feedback
- forward planning and clear prioritisation
- staff who can articulate how their work fits into the agency's strategic direction
- high employee engagement scores
- succession plans in place for all leaders
- leaders purposefully moved around the agency or to other agencies for development
- staff reporting that leaders demonstrate and promote integrity through their actions
- leaders collaborating with others in the sector to deliver shared outcomes

Early warning signs of poor performance

- high or increasing number of internal management issues that the human resources team is required to deal with
- few leaders allowed to represent the agency at external for a or meetings with key stakeholders
- high turnover in senior management
- no transparency around the appointment process
- unaddressed business or staff issues
- too many projects and initiatives with little or no prioritisation
- staff and key stakeholders who lack consistent views of the agency's purpose and functions
- little sector/business knowledge among senior managers
- senior management team endorsing major decisions without sufficient information, analysis or debate
- senior managers doing work that should be done by others
- poor understanding among staff of 'the way we do things around here'

PEOPLE CAPABILITY DIMENSION SUMMARY - 1

- Q. How does your agency ensure it has the skills and competencies to achieve its outcomes in collaboration with government and non-government partners?**
Q. How is your agency seizing the opportunities and managing the challenges it faces regarding its people capability?

People management strategies and practices

- Q. How does your agency align its people management strategies and practices to its business strategy?
Q. How does your agency ensure that the various parts of its people management strategies are integrated and work well together?
Q. Do staff know what the agency's people management strategies are, find them useful and follow them?

Workforce planning

- Q. How does your agency assess its future workforce requirements and plan to meet them?

Attracting and recruiting staff

- Q. Does your agency know how it is perceived as an employer?
Q. How does your agency attract the people it needs?
Q. Do your existing staff promote your agency as a good place to work?
Q. How does your agency conduct and evaluate its recruitment process?

Engaging, managing and developing staff

- Q. What is your agency doing to track and act on levels of employee engagement?
Q. Does your agency use a competency model to identify the competencies it needs to deliver its outcomes?
Q. How does your agency use its competency model to facilitate ongoing individual learning and development?
Q. How does your agency ensure its learning and development activities meet current and future needs?
Q. How does your agency facilitate career progression and development opportunities to enable staff to move within the agency and between agencies?

Indicators of high performance

Workforce planning

- workforce plans in place and updated regularly
- recruitment, succession and development plans targeted to future needs
- workforce data purposefully collected to track progress against future needs

Attracting and recruiting staff

- employment brand identified, researched and actively managed
- the agency using the Government Jobs website as its primary recruitment portal
- full monitoring of costs and effectiveness of recruitment from vacancy through to the start of the new employee
- low level of turnover of staff in the first year of employment

Engaging, managing and developing staff

- high employee engagement scores
- managers acting on the results of engagement surveys
- individual staff able to explain what competencies are necessary to be successful in their specific roles
- competencies incorporated into all aspects of the people management system
- learning and development plans in place and used by staff

Early warning signs of poor performance

Workforce planning

- reactive recruitment and development of staff, focused on meeting current deficits
- managers unable to describe what is likely to change in the external labour market and business needs in the next five years
- no succession planning for key roles

Attracting and recruiting staff

- key roles frequently re-advertised
- advertised jobs attracting small numbers and low quality candidates
- high turnover of staff in their first year of employment

Engaging, managing and developing staff

- low employee engagement scores
- staff not taking leave
- high turnover of experienced staff
- learning and development activities seen as an 'add on' rather than a part of core work
- staff frequently withdrawing from training events and development opportunities at the last minute
- senior managers not visibly investing in their own learning and development
- only external training events seen as worthwhile learning and development opportunities
- performance management policies and processes incomplete or not used
- acknowledged poor performance issues not addressed

- Q. How does your agency ensure it has the skills and competencies to achieve its outcomes in collaboration with government and non-government partners?**
Q. How is your agency seizing the opportunities and managing the challenges it faces regarding its people capability?

Equality and diversity

- Q. How does your agency integrate equality and diversity into its planning and processes?
 Q. How does your agency value equality and diversity?
 Q. How does your agency seek and act on feedback on staff perceptions of equality and diversity?
 Q. How does your agency identify and meet the employment needs and aspirations of a diverse workforce, particularly of Māori, women, ethnic and minority groups and people with disabilities?

Rewards and remuneration

- Q. How does your agency use its rewards and remuneration practices to support its desired culture?
 Q. How competitive are your agency's rewards and remuneration levels, and how do employees and the market value them?
 Q. Do your agency's rewards and remuneration policies link to other human resources policies and practices in a transparent way?
 Q. How does your agency view industrial relations?

Indicators of high performance

Equality and diversity

- no/low levels of discrimination, harassment and bullying complaints
- representation of diverse groups that matches representation in the employed labour force, and diverse groups represented in senior management in proportion to their overall representation in the agency
- equality and diversity issues integrated in policies and processes
- diversity-related issues in staff feedback acted upon
- staff expected to attend diversity training

Rewards and remuneration

- rewards and remuneration not identified in exit interviews as the primary reason for leaving
- internal pay differentials based on good reasons
- all parties reporting positive process and outcomes from bargaining rounds
- clear strategy linking pay and rewards to other human resources practices and the agency's desired culture
- the agency acting on pay and employment equity review findings
- transparency in the rewards and remuneration system

Early warning signs of poor performance

Equality and diversity

- low employee engagement scores, particularly around sense of belonging, trust, and feeling valued
- low representation of diverse groups compared to their representation in the employed labour force, and diverse groups are not represented in senior management in proportion to their overall representation in the agency
- high turnover and negative themes emerging from exit interview information
- levels of discrimination, harassment and bullying complaints increasing or consistent

Rewards and remuneration

- exit interview data indicating low levels of rewards and remuneration as reason for leaving
- difficulty retaining and recruiting staff overall, or in particular job clusters
- protracted or acrimonious bargaining processes

CULTURE CAPABILITY DIMENSION SUMMARY

Q. How does your agency think about the type of culture it needs to achieve shared and agency-specific outcomes now and in the future?

Building an all-of-government culture

- Q. How well can your staff articulate the defining characteristics of working in the State Services?
- Q. How does your agency promote an all-of-government perspective to its staff?
- Q. How does your agency use the Development Goals to shape its culture?

Building a culture of integrity and conduct

- Q. How does your agency build the elements that support integrity and ethical behaviour into its practices and policies?
- Q. How is your agency addressing the findings from the State Services Integrity and Conduct Survey?
- Q. How does your agency demonstrate its understanding of the rationale behind the *Standards of Integrity and Conduct*?

Shaping an agency's culture

- Q. How does your agency identify the type of culture it needs to meet its outcomes?
- Q. Has your agency identified any cultural barriers that would inhibit it from reaching its outcomes?
- Q. Is your agency consciously shaping its culture?

Indicators of high performance

- staff who can articulate what 'the spirit of service' means for their agency
- organisational and leadership factors consciously managed to support the desired culture
- ongoing and effective internal and external communication programmes designed to achieve the agency's desired culture
- the six elements of ethical conduct being actively implemented
- staff and managers acting decisively on breaches of integrity and ethics
- low numbers of personal grievances
- positive results of staff engagement surveys
- positive feedback from client surveys
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Early warning signs of poor performance

- repeated anecdotal evidence that staff and leaders are paying 'lip service' to agency strategies – saying one thing and doing another
- an over-reliance on leadership to change culture without investing in the organisational factors to reinforce it
- little interest in addressing integrity and conduct issues
- low staff engagement
- low levels of satisfaction reported in client surveys
- staff who demonstrate a lack of professionalism and respect for others
- frequent restructuring of the agency
- no conflicts of interest policy
- poor quality services and missed deadlines

RELATIONSHIPS CAPABILITY DIMENSION SUMMARY

Q. How does your agency identify, build and manage the relationships that are critical to achieving its outcomes?

Identifying, building and maintaining relationships

Q. How does your agency identify its key stakeholders?

Q. Is your agency clear about what it will achieve through these relationships?

Q. How does your agency build and maintain key relationships?

Identifying relationship skills and competencies

Q. How does your agency identify and develop the skills and competencies it needs to successfully manage its relationships now and in the future?

Relationships with other State Services agencies and partners

Q. How is your agency coordinating its relationships with other agencies?

Q. How does your agency know whether its coordinated activities and relationships improve its effectiveness? How does your agency measure progress?

Q. How is your agency developing its skills and competencies to support coordination and effective relationships with stakeholders, non-government partners and across the State sector?

Q. Is your agency perceived as cooperative and wanting to work with others?

Q. How is your agency using technology to reduce barriers to sharing information with other agencies?

Relationships with service users

Q. How does your agency or sector find out about New Zealanders' experiences and expectations of its service delivery, and how is this information used to inform improvements?

Q. How does your agency or sector ensure all New Zealanders who are entitled to its services access them?

Relationships with the media

Q. How does your agency engage with the media and monitor media reports?

Indicators of high performance

- agreement among stakeholders about the agency's purpose
- positive staff engagement surveys
- high client satisfaction levels, measured through client surveys and/or the agency's other feedback mechanisms
- systems or processes in place to record information on client needs and satisfaction with services
- the agency using mechanisms, such as shared knowledge databases or inter-agency teams, to work collaboratively with its stakeholders
- the views of clients and stakeholders being sought and incorporated into the agency's work
- the agency seeking out and acting on the perspectives of others
- media outputs and relationships being planned, monitored and evaluated, with the agency acting on the results

Early warning signs of poor performance

- significant or rapid changes in stakeholder views of an agency
- frequent legal action and/or poor industrial relations
- evidence of low levels of client focus
- low commitment to collaboration internally or with other agencies and an 'us against them' culture
- no agreed protocols to work with other agencies in the same sector
- inwardly-focused agency, characterised by a lack of interest in learning from New Zealanders or from other agencies
- frequent media reports of that the agency is failing to meet customer needs
- sustained bad press or gossip about an agency
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ICT AND INTERNAL MANAGEMENT SYSTEMS CAPABILITY DIMENSION SUMMARY - 1

Q. How does your agency ensure it has the ICT and internal management systems it needs to achieve its outcomes and contribute to sector-wide outcomes?

ICT strategy, planning and governance

- Q. Does your agency have an Information Systems Strategic Plan (ISSP) that meets best practice and articulates how your ICT systems will enable the achievement of your agency and sector outcomes?
- Q. How does your agency ensure it has appropriate mechanisms to govern its large ICT investments?
- Q. How does your agency maintain a portfolio view of its ICT initiatives, and manage and prioritise its ICT investments?

All-of-government ICT standards and services

- Q. Does your agency comply with all-of-government ICT standards and participate in all-of-government initiatives?

ICT investment

- Q. How clear is your agency about the way ICT investments support the achievement of its outcomes?

ICT portfolios, projects and programmes

- Q. How does your agency ensure it has the capability it needs to deliver its portfolio, programme and project-related activities?

ICT service management

- Q. How does your agency address continuous quality improvement?
- Q. How does your agency benchmark its processes?
- Q. Is your agency aware of and following government procurement procedures?

Indicators of high performance

ICT strategy, planning and governance

- ISSP (or equivalent) endorsed by the executive management team
- clear mechanism to identify and measure opportunities and risks presented by emerging technologies

All-of-government ICT standards and services

- mandatory and recommended Cabinet ICT expectations followed
- use and/or early adoption of all-of-government identity management, network and information services

ICT investment

- investments aligned with the agency's business outcomes and strategies
- business cases regularly updated
- investment clearly addressing a business problem
- clearly defined critical success factors and criteria for ICT projects and investments
- benefits realisation plan to identify and track benefits of ICT project and investments

ICT portfolios, projects and programmes

- trained and experienced project and programme managers
- appropriate project or programme methodology being used

ICT service management

- continuous improvement process in place
- the agency's processes benchmarked against comparable processes
- appropriate procurement practices in place
- clear service delivery expectations agreed with the customer or supplier

Early warning signs of poor performance

ICT strategy, planning and governance

- no ISSP or equivalent
- no clear senior management or Ministerial ownership and leadership for projects

All-of-government ICT standards and services

- little or no regard for all-of-government services, standards and infrastructure
- development of own solutions when all-of-government solutions exist
- government web standards not followed

ICT investment

- no business case outlining the rationale for investment
- no clear identification of benefits and success metrics for ICT projects

ICT portfolios, projects and programmes

- a project or programme demonstrating one or more of the following eight common causes of project failure:
 - lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success
 - lack of clear senior management and Ministerial ownership and leadership
 - lack of effective engagement with stakeholders
 - lack of skills and proven approach to project management and risk management
 - too little attention to breaking development and implementation into manageable steps
 - evaluation of proposals driven by initial price rather than long-term value for money
 - lack of understanding of, and contact with, the supply industry at senior levels in the organisation
 - lack of effective project team integration between clients, the supplier team and the supply chain

ICT service management

- ad hoc procurement practices
- the same errors happening on a regular basis

ICT AND INTERNAL MANAGEMENT SYSTEMS CAPABILITY DIMENSION SUMMARY- 2

Q. How does your agency ensure it has the ICT and internal management systems it needs to achieve its outcomes and contribute to sector-wide outcomes?

ICT monitoring and review

- Q. Does your agency's chief executive receive copies of Independent Quality Assurance (IQA) reviews of major IT projects?
- Q. Has your agency identified which of its programmes and projects are required to participate in the Gateway assurance process?
- Q. Has your agency factored central agency monitoring, IQA, or Gateway reviews into its resource and project plans where appropriate?

Control systems

- Q. How does your agency communicate to staff its views on business practices and ethical behaviour?
- Q. Effective controls rely on staff having the right knowledge and competencies; how does management ensure that staff in key operational areas have these?

- Q. Is there a clear system of delegations and authorities and is it followed in practice?
- Q. How does your agency ensure it complies with relevant legislation?
- Q. How does your agency ensure that its policies are kept current and are followed throughout the organisation?

Audit

- Q. How does your agency act on the opinions, comments and recommendations of its auditors?

Risk management

- Q. How does your agency identify, access, manage and monitor business risks?
- Q. How is risk management communicated and embedded throughout your agency?
- Q. Does your agency have an effective business continuity plan in place, which is periodically tested?

Indicators of high performance

ICT monitoring and review

- use of Gateway assurance process for relevant projects and programmes

Control systems

- evidence of management review of key internal controls
- comprehensive suite of policies and procedures that are regularly refreshed
- policies and procedures that give effect to the *Standards of Integrity and Conduct*, and are communicated throughout the organisation

Audit

- prompt actions to address recommendations of the audit management letter
- demonstrated improvements in quality of accountability documents over time
- a good audit rating

Risk management

- risk management policy and processes based on the New Zealand risk management standard AS/NZS 4360
- risk management policy and processes entrenched in the business
- a risk register to record and manage identified risks

Early warnings of poor performance

ICT monitoring and review

- project time, cost and scope slippage
- no regular project reporting
- IQA reviews of large projects not copied to the chief executive
- unsatisfactory audit ratings

Control systems

- no evidence of review of key control areas by the senior management team
- no independent governance function for internal controls
- gaps in the agency's suite of policies
- unclear delegations of authority
- inappropriate disclosure of contingent liabilities
- frequent and significant budget variances

Audit

- unsatisfactory audit ratings
- reoccurring issues in audit management letters year after year
- instances of fraud and dishonesty occurring

Risk management

- trend of project or operational delivery problems
- adverse media exposure affecting the agency's reputation
- no risk management policy in place
- audit reports highlighting deficiencies in risk management practices

ASSET CAPABILITY DIMENSION SUMMARY

Q. How does your agency ensure its asset-related decisions are appropriate to meet its current and future service performance requirements?

Organisational capacity to support asset management

- Q. How effective are your agency's current policies and procedures relating to the procurement, use and disposal of assets?
- Q. Does your agency have the right capability to manage its asset base and/or procure a large new asset – for example, to acquire a new IT system or to contract for a major facility to be built?

Long-term asset planning

- Q. What assets does your agency need to achieve its outcomes and deliver its services?
- Q. Does your agency have a long-term asset management strategy that clearly demonstrates the linkage between asset performance and achievement of its outcomes?
- Q. How well are those asset management plans working in practice?

Asset revaluations

- Q. Does your agency periodically review the value and economic life of its assets, and reflect this new value in long-term capital plans?

Asset operation, maintenance and disposal

- Q. How well does your agency monitor asset usage and operational effectiveness to identify surplus assets or assets that are not meeting requirements?
- Q. How effective is your agency's approach to asset maintenance and protection?

Considering new investments

- Q. How does your agency plan to fund its capital expenditure programme?
- Q. Is the programme affordable?

Managing the overall balance sheet

- Q. How well does your agency manage its overall balance sheet?

Indicators of high performance

- clear relationship between outcomes sought and capital intentions
- regular appraisal of asset performance against agreed standards or external benchmarks, and actions to improve performance
- delivery of expected performance against approved plans

Early warning signs of poor performance

- absence of a long-term asset management strategy or plan, plus relatively old, heavily-depreciated assets
- evidence that assets are of poor quality, breaking down or failing to meet requirements
- rushed or poor quality capital proposals and business cases
- no information on asset status and performance
- adverse comment in external or internal audit reports or organisational reviews

Q. Does your agency have a clear rationale for its structure, which is linked to its outcomes and its future business needs?

Organisational design principles

- Q. What strategies and functions is your agency using to achieve its outcomes?
- Q. To what extent does your agency's structure help it carry out its role?
- Q. What principles and criteria is your agency using to guide decisions about structure?
- Q. How does your agency know that the structure is meeting these principles?

Governance and role clarity

- Q. How do staff learn about the responsibilities and accountabilities of their role? Are these reinforced regularly?
- Q. Has your agency consciously assessed the appropriate level at which particular decisions should be made?
- Q. Does your agency review its governance and accountability arrangements regularly?

Managing change

- Q. How does your agency manage changes to its structure?
- Q. Having made changes, how does your agency go about reinforcing and embedding a new structure?

Alternatives to restructuring

- Q. What alternative options could your agency consider before deciding on structural change?

Alternative ways of delivering work

- Q. Would your agency achieve its outcomes more efficiently and effectively if it delivered its work in a different way?
- Q. How is your agency deciding whether or not to outsource a service or function?
- Q. How is your agency managing its outsourcing arrangements?
- Q. Does your agency follow the *Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown*, where applicable?
- Q. Is there scope for your agency to share any of its services with other agencies? What would such a shared service arrangement look like and how might it be implemented?

Indicators of high performance

- a clear rationale for the structure of the agency aligned to its outcomes
- staff who are clear about why the agency is structured the way it is, where they fit in it and how their role contributes to the agency's outcomes
- roles and accountabilities clearly defined in job descriptions
- no barriers to effective decision-making and communication
- low levels of personal grievances resulting from change
- evidence that the agency undertakes other change activities besides restructuring

Early warning signs of poor performance

- blurred accountabilities
- slow actions and decisions taking a long time to be made
- service delivery staff without the authority to properly respond to client needs
- slow responses to environmental opportunities or changes
- insufficient cooperation and flows of information between different parts of the agency
- staff actively resisting change
- inconsistent policies and practices between regions and head office
- large number of direct reports to the chief executive and senior managers
- duplication between business group functions

