Research Team

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1.0 Purpose of this research

1.1 The research was commissioned by State Services Commission and constitutes the first independent assessment of the Performance Improvement Framework (PIF). The report does not constitute a full evaluation, as was agreed by all parties.

1.2 The project brief was to produce three key sets of information:
- Comparative research with similar interventions across international jurisdictions;
- An assessment of the value and impact derived from the PIF, and;
- Recommendations for the future development and application of the PIF.

1.3 In order to meet the project brief, our research was conducted in three streams:
- Stream One – documentary analysis of the origins and evolution of PIF, along with an international comparison of similar interventions;
- Stream Two – survey of 430 respondents from 35 State Sector agencies who had been through the PIF process.
- Stream Three – qualitative analysis of three case study State Sector agencies that have been involved in the PIF review process.

1.4 Findings were then brought together to synthesise insights from each section into what was going well and what areas still needed to be addressed.
2.0 What did we find?

2.1 Origins of the PIF

2.1.1 The Performance Improvement Framework was created in 2009 and has thus far published 46 reviews and 23 follow-up reviews of public sector agencies.¹

2.1.2 PIF came into being following the appointment of a new State Services Commissioner in July 2008. The Commissioner singled out performance as a key area of concern, stating that: “the public service was not perceived as taking ownership of its own performance improvement.”²

2.1.3 The key driver behind the design of PIF was to provide “a shift to a more explicit standard of defining and tracking performance, changing the nature of incentives, boosting the role that the corporate centre can play, and enhancing the ability for stakeholders and the public to scrutinise what they are getting for their tax dollars.”³ It is governed and funded by the SSC, Treasury and DPMC. The details of the review process will not be included in this review although specific elements will be analysed.

2.1.4 The stated aims of PIF were to:

- help chief executives drive improvements in agency and cross agency performance
- give ministers, stakeholders, and the public assurance about current levels of agency and system performance, and progress on improving both; and
- give central agencies a coherent view of agency and system performance and position central agencies to prioritise and drive improvements.⁴

2.1.5 PIF embodies two approaches to performance: (1) an output based tool reporting in the form of ratings and traffic lights; (2) a strategic, more discursive approach based on negotiated agreements for change. The combination of these approaches raises numerous challenges but also has made the PIF a resilient tool in the system of performance in New Zealand.

2.1.6 The PIF framework was implemented in 2009 and has shown considerable evolution since then. Thus far there have been several significant upgrades to the PIF Model:

- the inclusion of the Four-year Excellence Horizon in October 2011;
- the Strategic Financial Management upgrade in December 2012;
- the Better Public Services upgrade in January 2014. Central agency chief executives agreed a four year sustainable funding arrangement for the PIF programme from 2011.

¹ All reviews are publicly available at https://www.ssc.govt.nz/PIF-reports-announcements
² State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet, “Fact Sheet 1: Introducing the Performance Improvement Framework” (Wellington, N.Z.: State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet, January 2014), 3.
³ State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet, “Fact Sheet 3: How Does the Performance Improvement Framework Fit with Other Business Improvement Tools?” (Wellington, N.Z.: State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet, January 2014), 3.
⁴ State Services Commission (2011) Road Map: Performance Improvement Framework, Wellington: State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet.
A PIF Refresh in 2015, making explicit the focus on delivering value to customers and New Zealanders – a significant shift in the framework.

2.1.7 The PIF framework is used in three distinct ways:

- as a diagnostic tool to drive improvements in agency and cross-agency performance by helping ‘senior leaders lift the performance of the agencies they lead’;
- as a tool for central agencies to ensure improvement in overall system performance and;
- as a tool to provide Ministers, the public and other stakeholders with the assurance that improvements in agency performance and across the system are occurring.

2.1.8 In its early incarnation, the PIF was successful in pointing out the lack of future-focus on the part of reviewed organisations. The SSC’s own summary of PIF Reviews, concluded: “while many of our public institutions are adept at managing immediate issues, transactional stakeholder relationships and the priorities of governments of the day, they tend to be less successful in building strong and enduring public institutions whose purpose and roles are clear and whose core business effectiveness and efficiency are as strong as their ability to manage issues and events.” Other commentators noted that despite much success “the harder yards’ are still ahead”.

2.2 How does the PIF framework compare with other performance frameworks?

2.2.1 We looked at five different jurisdictions by way of comparison with the PIF: the United Kingdom; Australia; Canada; South Africa; and, Norway. The first four of these countries have been identified as appropriate comparators in previous commentaries, whereas the non-Westminster model of Norway was to provide contrast for the analysis.

2.2.2 In order to provide a comparison we adopted the comparative framework used by Hood et al and adapted by Martin et al on regulatory regimes, which identified four essential mechanisms that shape any regulatory regime:

- Descriptors – Standard setting: how standards are set;
- Detectors – Information gathering: how information is gathered to assess if standards are being met;
- Effectors – Behaviour modification: how actions are modified in order to comply with standards;

5 State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet, “Core Guide 3: Getting to Great; Lead Reviewer Insights from the Performance Improvement Framework” (Wellington, NZ: State Services Commission, April 2013), 6.
7 Ibid.
Overview and Key Messages

- Innovators – Internal development: how the regime develops in response to endogenous growth and exogenous shocks.\(^9\)

This four-dimensional framework is the basis for the taxonomy of performance provided in Appendix 1 of the main report. Key findings across the jurisdictions are reported here.

2.2.3 Each jurisdiction shared a heritage in term of origins and development of their respective framework. The turn toward performance was not unique to New Zealand by any means. All performance regimes are part of a post-NPM turn in public service reform, an attempt to exercise indirect control over the outcomes of the public service by shaping internal management practices.

2.2.4 A further shared characteristic was that each performance regime was seen as an additional framework. They did not replace the management techniques that came before; instead they graft onto what was there, adjust the mode of what was there or add on new elements.

2.2.5 Each jurisdiction also demonstrated the tensions between the impulses of centralisation and decentralisation, a tension that is likely an irresolvable feature of performance improvement rather than an inconsistency to be “solved” or otherwise displaced.

2.2.6 Unsurprisingly, the performance instruments of New Zealand, Australia and the UK are the closest in kind, the first two models directly inspired by the latter, in what is an example instance of transgovernmental networks within the Anglosphere. Such networks have been categorised as “a prior consensus on the nature of domestic and transnational policy issues as well as an implied determination to prefer forms of knowledge and partnership stemming from network peers.” (Legrand, 2015).\(^10\)

2.2.7 PIF has thus far outlived its peers, however. The UK Capability Reviews have been abandoned and the Capability Review programme in Australia has been altered significantly. The longevity of PIF is likely down to a number of factors. Thus far the New Zealand PIF model has shown the capacity for change and adaptability, undoubtedly key features to retain going forward.

2.3 What is working well in PIF?

2.3.1 We found evidence that a number of key areas are working well in PIF, with positive outcomes. The survey and case studies underline that most

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\(^9\) While we accept that regulatory regimes are not the same as performance frameworks, we believe that the framework is suitable for adaption in the sense that performance regimes could be seen as a subset of risk regulation regimes, designed to manage that class of risks that are inherent to the public services—that is, its performance challenges. Indeed, New Zealand’s Parliamentary Service has framed PIF Reviews as part of its risk management, as mitigating the risks inherent to “leadership, direction and delivery.” “The impact of this risk is that the Service may end up with material disruption or progressive degradation to sustainable service delivery and programmes caused by poor or delayed management decisions or lack of adequate management and supporting frameworks.” Please see Parliamentary Service | Te Ratonga Whare Pāremata, “Statement of Intent for the Years 2011 to 2014,” Report Presented to the House of Representatives pursuant to Section 39 of the Public Finance Act 1989 (Wellington, N.Z.: Parliamentary Service | Te Ratonga Whare Pāremata, May 19, 2011), 17.

respondents acknowledge significant value in the PIF process. The survey shows that respondents felt that benefits accruing from PIF were worthwhile and endurable. The case studies indicate that organisations who have undertaken a high-quality self-review seem better prepared to discuss operational issues and how and why the organisation may be struggling or indeed thriving in particular areas. Focus groups were identified as particularly valuable both for the reviewers and for the organisational members.

2.3.2 Support for PIF was high across both the survey and case studies. Generally speaking public servants perceive the PIF as being of high quality and displaying high accuracy. This was clearly reflected in both the surveys and the case studies; even respondents who had experienced a challenging review process accepted the expertise and judgement of the reviewers; and the value of their independence was repeatedly emphasised.

2.3.3 Lead reviewers are seen as credible, free from bias and upholding public service standards; indeed, much of the credibility, longevity and sustainability of PIF starts with having perceptive lead reviewers, who are considered to be highly respected by relevant agencies. For the organisation, being able to negotiate who their lead reviewers will be, combined with the timing of the review, were key factors in terms of getting set for the review in the best manner possible. The possibility of gaming and capture – getting the ‘right’ reviewers, was recognised but generally it was thought that this was a manageable risk.

2.3.4 Such a process enables lead reviewers to interact well in their organisations, and have strategic discussions with respondents rather than transactional conversations about operations. Survey results indicate that most respondents agree that alternative viewpoints are considered and that the review process was accurate and free from bias. A number of case-study respondents specifically mentioned the value that was to be gained from speaking with a lead reviewer. Respondents indicated they thought that knowledge and system-wide understanding the reviewers brought to their PIF was invaluable.

2.3.5 The self-review element of PIF is highly valued. Our evidence suggests that for some respondents, the self-review has become increasingly important and contributes to the development of the organisational narrative. Both the survey and interviews noted its importance in terms of how the organisation developed a deeper awareness of its roles and strategic mission. The way in which the self-review is done varies considerably and depends on the nature of the organisation, leadership, communication approaches, CE preferences, and resources assigned. The Survey reported very high scores for self-review in terms of awareness of medium term opportunities, and usefulness; high quality external review, and slightly lower on ‘alternative or contrary viewpoints’.
A positive self-review process has the potential to garner buy-in, raise legitimacy and engage the organisation in better understanding itself and the roles and responsibilities of other stakeholders. In this way the self-review may even mitigate against some elements of PIF that could otherwise cause angst.

PIF is considered to be forward-looking. Public servants perceive that since the PIF review, their organisation ensures its contribution to New Zealand is better and is preparing to meet its future performance challenges better. Respondents across the research tracks perceive that accountability for improvement in the public service is helpful. Furthermore, positive PIF reports were seen as increasing Ministers’ confidence in their organisation’s performance and that if PIF reports were confidential they would have less impact.

Perhaps more importantly, it is generally also perceived as having long-term strategic value. Our survey suggests that the PIF process has helped agencies to improve organisational stewardship for mid-range goals and has helped to make improvements in the business strategies or operating models and to stimulate ‘new thinking’ by senior managers. Follow-up PIF reviews help the organisation stay focused on change, the time and effort required of the PIF process was reasonable, and that the PIF process was undertaken at an opportune time. The case studies reinforces these findings: that PIF enables agencies to really focus on long-term goals, but also on strategic alignment with short and medium term priorities.

Overall, the PIF process is seen as helping to improve clarity of an organisation’s purpose, providing a clear and detailed understanding of what to focus on, and improve the organisation’s strategic framework. It encourages organisations to more accurately report its progress, and enables organisations to improve its management for outcomes.

Actual improvements to management operations, however, are less clear. The survey demonstrated only modest agreement that the PIF improved operating models, responsiveness to customers and management of assets. There was low agreement that it improved its approach to managing employees.

What are the ongoing challenges for PIF?

The challenges facing PIF have been documented before. The 2013 summary of the PIF Reviews noted, “Agencies are better at managing issues and keeping their Ministers happy than they are at building core institutional capability that adds substantial and enduring value to New Zealand.” Our research also detected a number of tensions and challenges.

Views on Ministerial accountability were mixed. The survey indicated that Tier One or Tier Two managers think that Ministers fully support their organisation’s PIF process, and that they expect senior managers to respond to the PIF review.
and to implement PIF recommendations. The case studies unveiled some concerns, however, over Ministerial expectations and timeframes. Some individuals feel that there is insufficient time for strategic thinking beyond the four years thinking of the PIF given that often Ministers generally have a shorter focus.

2.4.3 Whereas the Four Year Excellence Horizon was seen as very helpful to most people, at least one third of survey respondents felt that this was too short. In contrast our case studies suggested that in some instances Minsters felt that it was far too long, and that things needed to be done “in four weeks”. The future focus remains in tension with recognising current achievements, immediate pressures and possibly even discourages still longer term thinking.

2.4.4 PIF is not as well regarded for enhancing organisational values or culture. Just over half the survey respondents felt that PIF had helped to strengthen the organisation’s commitment to core values; a very similar number suggested that the review had helped their organisation to improve its organisational culture.

2.4.5 This view is perhaps reflective of some of the tensions underlined in the case studies between perceptions of PIF as a compliance exercise or as a tool for improvement. While many respondents understood the rationale for the traffic-light system of evaluation, some felt that it placed an unnecessary burden on accountability if negative results were made public; and anxiety about how stakeholders will view the results. In other words, the assessment side of PIF could prove to be detrimental to the improvement side of the review.

2.4.6 Although the traffic light ratings continue to be viewed as an important way to anchor the PIF by many respondents and survey respondents they present a growing challenge with respect to how the ‘blunt-ness’ of ratings translates to ‘assisting’ an organisation in its future-thinking and linking to the strategic missions. While the PIF reviews are generally viewed as helpful in identifying priorities for four years, some tensions remain with respect to the organisational improvement element that is ultimately driven by budgets, appropriations that drive behaviour in and down in the short term and which negate the longer term strategic nature that is being ‘asked’ of the PIF.

2.4.6 Respondents reported on a delicate balance between ‘looking backwards, inwards and down’ (the compliance or ‘assess’ description) and looking ‘forward, out, and across’ (strategic and ‘assist’). To mitigate against potentially negative effects of the ratings approach, early communication, involvement, and buy-in during the self-review is key.

2.4.7 One other potentially important aspect here is that whereas PIF is well-supported by those who have been through the process there was less enthusiasm, especially in the case studies, for the multiplicity of other reviews. Organisations are often going through multiple reviews at the same time and the
PIF is part of the wider ecosystem of performance and accountabilities checks (see Appendix 3 – the Ecosystem of the PIF). Within this, the PIF needs a unique niche and preparation and mind-set. It must be seen as necessary and valuable to those within the organisation. The PIF informs other accountability processes (such as CEO expectations) and also overlaps with related processes.

2.4.8 Another potential barrier to further evolution could be a ‘crowding out’ effect and not only does PIF need to be valuated against itself, therefore, but it may need to be placed in the wider context of the myriad other review processes that are undertaken in the NZ public sector.

2.4.9 A possible challenge is that in the future the number of people who are capable of being lead reviewers is unlikely to be inexhaustible. It may be useful, therefore, to consider short, medium and long term plans for recruitment, training and development in order to ensure appropriate lead reviewer capacity for the probable number of PIFs required in the future.

2.4.10 At the CE level, PIF critique is valued but there is always wariness of the destabilising effect on the organisation. The goal is to find short term stability with long term gains. Increasingly CEs are welcoming the PIF as an opportunity to drive change, though it is difficult to causally link the PIF to any particular changes as it gets embedded in strategy or disappears into the ‘ecosystem’ of performance drivers.

3.0 Conclusions

3.1 The PIF is, on balance, a successful and credible performance improvement tool that has contributed to the development of organisational strategic thinking within organisations.

3.2 The longevity of the PIF is potentially down to the stability of political support offered by successive governments (unlike, for example, in the UK). Adaptations and evolution of the PIF also contributes to its longevity.

3.3 Attention needs to be paid, therefore, to continuing evolution; particularly succession planning for personnel such as lead reviewers who have a trusted position and very positive reputation.

3.4 PIF is one of many review processes and therefore attention needs to be paid to situating PIF within these broader themes; and also to investigate ways in which they can enhance the overall ‘ecosystem’ rather than replicate or challenge or elements of it.
4.0 Recommendations

4.1 Continue to adapt the PIF and find ways to demonstrate value throughout the system

4.2 Demonstrate how the New Zealand PIF sits in the performance management system throughout organisations and across stakeholders for greater system-wide understanding

4.3 Strengthen processes to ensure that PIF/self-reviews lead to sustained momentum for change and demonstrable operational improvements

4.4 Demonstrate cases of where PIF reviews have led to operational improvement and sustained momentum for change and communicate

4.5 Show organisations why and how the PIF is valuable by reinforcing the shaping the organisational narrative and modelling the successful environment for PIF

4.6 Develop the organisational narrative by focusing on the PIF self-review – this could be through ‘success stories’, ‘best practice’ guides, videos, partner organisations

4.7 Develop ‘success stories’ that may not be agency based but theme based such as ‘Stakeholder relationship development’ or ‘Post PIF communication’

4.8 Demonstrate how the lead reviewer approach provides strength to New Zealand model as potential ‘best practice’ with reference to international performance regimes

4.9 Link post PIF process to clear post PIF support that may not include further reviews but other forms of development such as guidance in particular problem areas (such as people management)

4.10 Develop ways for SSC to drive system support by linking up central agency post PIF support
Profile
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