



The Pathfinder Economic Alert

Delivery 2.0: The new challenge for governments

Introduction

McKinsey & Company, the leading management consultancy, has undertaken a great deal of work in assisting governments around the world to improve their delivery of services to the people. Their public sector practice has distilled seven lessons from this work. The Pathfinder Foundation (PF) acknowledges its debt to McKinsey & Co for authorizing publication of extracts from an article authored by Senior Partners Eoin Daly and Seelan Singham setting out these lessons.

“If ‘Delivery 1.0’ entails simply delivering the outcomes people want and need, ‘Delivery 2.0’ means visibly delivering even better outcomes faster and with less money.

Even in the best of times, delivery is hard for governments: objectives are not always clear; they change in response to events or leadership transitions, and those of different departments sometimes diverge. Governments at national, state, and local levels—even interdependent departments—often work in silos. That said, governments worldwide have been able to meet the delivery challenge in many contexts—even in times of crisis. Some have achieved extraordinary results within a year or less. In each case, the progress made was due to a well-designed and executed delivery program that applied most, if not all, of the following seven best practices.

1. Define the priority outcomes to be delivered

Often, governments commit to reform without identifying the outcomes they want to achieve. Defining outcomes leads decision makers to clarify what they are aiming for and to focus on the value actually delivered to the population.

The first step, then, is to choose three to six priority outcomes—any more will be too many—that respond to what people most want and need government to deliver, and then stick with them for two or three years despite inevitable pressure to modify or expand their scope. Hard choices must be made.

How should they be made? Some governments poll the populace, follow hot topics in the media, interview business leaders, and benchmark country performance against peers. These governments typically involve political and civil-service leaders in selecting priorities. Other

leaders rely more on their political instincts. There is merit to both processes. And in times of crisis, decisions must be made quickly, leaving little time for analytically driven prioritization.

The second step—establish the right metric for each priority and ensure it does not yield unintended, negative consequences—is as important as the first. Metrics must measure outcomes, not inputs. Where possible, performance should be measured against international benchmarks.

As to how ambitious the targets should be, best practice is to create a portfolio of targets at varying levels of ambition. Modest targets enable government to achieve results quickly and build momentum. More ambitious targets help boost the government's capacity to deliver, because such targets are not achievable through business as usual.

2. Unleash the power of 'delivery labs'

Many outcomes require several agencies to work together, which is notoriously difficult to pull off in a world of silos, disparate agendas, and competition for funding. Governments typically respond by setting up committees or task forces—but the people on such committees tend to represent their organization's view of why change is difficult, do not generally feel ownership of the problem, and thus feel little pressure to deliver. Little progress is made in meetings; even less between them.

One approach that has yielded remarkable results in a variety of contexts is the **delivery lab**, which brings together 20 or 30 people from all the departments involved to develop implementable solutions through a full-time, six- to eight-week process. Deliverables include clear targets, a prioritized set of initiatives, a delivery plan at an actionable level of detail, estimated funding requirements, and full stakeholder sign-off. Labs also enable collaboration between the private and public sectors.

Although one wants to avoid unnecessary disruption to people's day jobs, to create the magic of the lab, people must work together full-time. Only then are they able to focus entirely on the problem, reach shared conclusions, and, crucially, work out how to make delivery happen. Labs also create a rare link between planning and implementation: lab participants are typically given responsibility for implementation. They feel absolute ownership of the plan because they have painstakingly developed it, vigorously debated it, and deeply understood it.

3. Deliver more for less

Governments in almost all developed—and some developing—countries face a dramatic fiscal challenge. They must deliver more for less. The good news is there are a number of proven approaches to do so.

One way is to reallocate resources to priority outcomes. Government leaders may argue that this is difficult given that much of their operational budget is already accounted for in salaries, pensions, and debt servicing. Capital spending is more fungible, but there are often continuation

projects to be funded and political demands to be met. Our experience shows, however, that funding is more flexible than first impressions suggest.

Another solution is to agree on criteria for continuation funding, so that governments can avoid continuing to allocate funds to ineffective projects simply out of inertia. Governments can also deliver more for less on capital programs by applying “value management” tools—breaking down a program into its components, testing the value of each component to the end user, and designing the specifications to deliver optimal value for money. Finally, governments can raise additional funds through levers such as improved procurement, more effective tax collection, and reductions in subsidies.

4. Intensify the internal and external pressure to perform

Performance improves when it is explicitly managed. Governments should focus on managing the performance of people involved in the priority areas: top leadership, middle managers accountable for priority outcomes, and the front line (for example, teachers or police). Internal performance management should begin with assigning accountability for outcomes to individuals, whether political or civil-service leaders. Once accountability is established, performance dialogues—intensive, regular conversations between the leader of the government and the leader accountable for each outcome—are essential.

Internal performance management must be reinforced by differentiated performance evaluations and appropriate rewards and consequences. Governments can publicly acknowledge great performance, promote high performers faster, and move underperformers to lower-profile roles—all of which help create a performance culture.

Not surprisingly, external pressure is often more powerful than internal performance management. Governments should publicize targets, their performance against the targets, and the relative performance of different parts of the system (for example, through rankings of schools or hospitals). Inevitably, some stakeholders will be skeptical of government-reported results. Governments can partly offset such skepticism by reporting progress against international standards and having credible third parties validate the results.

5. Establish small, high-powered delivery units

Many governments are setting up delivery units to work through the relevant public-sector agencies and ensure delivery. Some of these units struggle while others succeed. Four elements make the difference:

- 1) A clear, unwavering mandate from the top echelon of government.
- 2) A successful leader with top-level access.
- 3) A few good men and women from the private and public sector make the unit more effective. The unit should be small so as to stay focused.
- 4) A delivery chain to connect policy makers to end users. A delivery chain must bridge the gap.

Delivery units need not be at the center of government. Several government departments in Europe and Asia have established their own delivery units.

6. Ensure visible sponsorship from top leaders

Visible sponsorship from the highest levels of government is essential. The head of government should play an active role in setting bold aspirations, making tough decisions on priorities, removing obstacles, and engaging stakeholders. He or she should dedicate real time to overseeing delivery.

Top-level sponsorship signals the importance of the program to the rest of government. Leadership is so important that the selection of the priority outcomes should in part be determined by where there is the best leadership.

7. Don't just communicate with stakeholders—engage them

The best intentions—and the best program—can be brought down by lack of transparency. From the outset, a government must make its priorities clear to stakeholders. But communicating is only the beginning. Stakeholders must be engaged all the way through to delivery of the promised outcomes.

Conclusion

The Delivery 2.0 approach can deliver big outcomes within one to three years. But to broaden and sustain the impact, governments will need to undertake a more fundamental transformation of the civil service. It also requires an enhancement in leadership, talent, and capabilities—for example, through lateral injection and rotation of talent into the civil service from the private and social sectors, the development of world-class capability-building centers, and robust performance management.”

Other key elements of a successful transformation include shifting to outcome-based budgeting, so that funding is directly linked to and contingent on the delivery of key outcomes; applying “lean” techniques to government operations; and leveraging technology (for instance, by offering e-government services such as online tax filing) to achieve dramatic improvements in delivery time and quality.

Delivery programs will always be challenging, but they also present an opportunity to create—and sustain—tremendous impact. Governments that put these practices in place will boost their chances of success in delivering better outcomes for their citizens.

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