

**Transformation in a fish bowl**

*A New Zealand context*

*Public sector thought leadership*

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# ***Insights into transformation***

## **Seven lessons for the public sector**



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# Foreword

## Transformation in a fish bowl

In 2008, PwC Australia undertook a pivotal study to understand the insights, lessons learnt and experiences around transformation and large-scale change. At that point, transformation in the New Zealand public sector was largely in its early stages.

The transformation agenda in the public sector has progressed over the past few years and, while the Australian transformation insights have proven an important reference guide, PwC New Zealand has taken the opportunity to refresh the 2008 study from a localised perspective, with a specific focus on the public sector.

PwC New Zealand undertook face-to-face interviews with 15 executives and transformation leaders from 13 government agencies at various stages of their transformation journeys. As with the previous study, there were seven clear lessons leaders told us were critical to successful transformation.

Chief executives and transformation leaders had examined the role of transformation in their organisations thoroughly and all, without exception, saw the act of transforming their organisation as much harder to execute than first envisaged.

One of the main differences between undertaking transformation in the public and private sectors was the element of transparency in public sector transformation; something that can only be described as undertaking 'transformation in a fish bowl'. The level of transparency required, and the number of stakeholders involved, makes transformation in the public sector an extremely demanding journey and one that must be carefully considered before entering the fray.

Among the findings that stood out was the need to clearly differentiate between 'transformation' and 'change'. Change as a means of continuous improvement has become a constant activity within public sector organisations, which has created a misconception that transformation equals continuous change. This has created a sense of 'transformation fatigue', where the energy and focus that step change

transformation needs is dulled to a sense of diminished and never-ending change. To overcome this, the chief executives echoed that transformation must have a defined vision with a clear beginning and end point, focused on creating a step change to truly transform an organisation. **You don't need to know how you are going to get there, but you need to know where you are going and why.**

Despite the fatigue, there was an almost unanimous focus on transformation delivering better experiences with government. Much work is being done across government in this space; however, chief executives acknowledge they have only begun to scratch the surface when it comes to the potential. Interestingly though, there has been little done to identify and measure the benefits of the improved customer experience at this point in the government transformation lifecycle.

These and other take-away lessons from this report provide an insight into the 'dos and don'ts' of successful transformation in the New Zealand public sector.

There is great benefit in being able to learn from those who have gone before and we wish to convey our sincerest thanks to those chief executives and transformation leaders who so graciously gave up their time to inform the contents of this report.

We trust this publication, together with the 2008 Australian white paper, will continue to inform transformation programmes for both public and private sector organisations undergoing, or considering, significant programmes in the future.

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## **Methodology**

Fifteen executives and transformation leaders from 13 different agencies across New Zealand's public sector were interviewed face-to-face, with each interview lasting 45 to 60 minutes. A set of questions was asked, tailored slightly to what stage each organisation was at in its transformation journey. The content of these interviews was analysed and has been used to inform the findings within this report.

# Lessons learnt: what you need to know

When comparing the lessons learnt by PwC between the 2008 and 2015 studies, while there were a number of similar messages, the emphasis has changed – primarily due to the passage of time and maturity of the change agenda in the New Zealand public sector.

Today we are seeing a different level of maturity in transformation projects; much transformation in the public sector is about customer-driven change, rather than technology updates. Transformation in 2008 was very tech-driven and, while this continues to be a key enabler for transformation, it's no longer at the centre of it. The sophistication of the thinking around customer involvement continues to grow. A key understanding of the lessons outlined below is crucial before committing to transformation and its challenges.

There is also significant energy being put into how public sector organisations manage transformation 'in-flight', particularly given the pace of change in today's world. This is particularly difficult in a public sector context where citizen interactions are typically about needs or entitlements. This differs from the private sector, where many interactions are about wants or 'nice to haves'.

While focus on the citizen as a customer has improved, there is still a need for chief executives to think beyond technology transformation to how do we better serve citizens. Broader transformation of process and culture across agencies will be critical to achieve step change transformation of the whole customer service delivery model.

**Lesson one: Transformation is as much about the journey as the destination.** Like the 2008 findings, creating a shared understanding of the drivers for transformational change is critical to ensure staff and stakeholders understand the overall transformation vision and end point. This will better enable buy-in and focus and help to mitigate transformation fatigue.

**Lesson two: Technology: Driving force or distraction?** While the 2008 report identified that most Australian leaders focused on cultural and behavioural change as the key transformation drivers, New Zealand public sector leaders are more focused on technology and customer-driven transformation to modernise aging systems amidst rapid technology disruption. Leaders need to continue to place the citizen central to transformation and ensure technology does not distract them from transforming the whole public sector's service delivery across processes, people and technology.

**Lesson three: Power for the people.** 'Citizen as a customer' remains the central focus of transformation, but service delivery transformation is still based on agencies' own requirements and processes, rather than being driven by the needs of the citizen in many cases. This poses both an opportunity and a challenge to view transformation

through the lens of the citizen's entire journey across agency boundaries, and not as purely insular single agency transactions.

**Lesson four: The bottom line for successful transformation is leadership.** The need to make tough calls early and get the right senior management team in place remains a key success factor. Where Australian chief executives focused on adaptive leadership across the transformation journey, New Zealand leaders were more focused on communication and engagement to create transformation buy-in. It is clear that both approaches are relevant: the right team needs to be in place, and leaders need to be agile and adaptive to develop and manage relationships to overcome resistance and create buy-in.

**Lesson five: Bringing the right stakeholders along for the ride.** Leaders still view internal stakeholder engagement as critical; however, New Zealand leaders were more aware of proactively engaging ministers as well as transcending external stakeholder boundaries with partners, suppliers and citizens. This increases the complexity and challenge for agencies to engage stakeholders and ensure transformation delivers to those stakeholders' needs, but does create an increased level of acceptance in the end result.

**Lesson six: Talking the talk, walking the walk.** 'Transformation fatigue' was more prominent in this survey than 2008; however, leaders still view traditional communications, engagement and monitoring as their key tool rather than utilising innovations and social media to lead transformation conversations. Establishing the case of change was still critical to achieving stakeholder buy-in and establishing the point for the transformation.

**Lesson seven: Running today's business alongside tomorrow's.** Senior leaders continue to invest in the right capability for the transformation initiative, while balancing and maintaining 'business as usual' performance, with back-fill as required. A new lesson learned is the value of documenting the benefits and successes achieved during, not after, the transformation journey to provide visibility of where transformation projects are succeeding or failing, allowing organisations to take appropriate, well-timed action before it hits the inevitable media circus.

# Lesson one

## Transformation is as much about the journey as the destination

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*“...it might look like transformation from the outside but actually, it’s evolution, not revolution. The thing I’ve struggled with, is what people also get tired of, that is too much dressed up as transformation.”*

Dean Kimpton,  
Chief Operating Officer  
Auckland Council

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*“Transformation conjures up, for me – you’re going to start here and you’re going to be something completely different. Well, governments don’t actually get to be completely different. If you are paying benefits, you might be able to pay the benefits better to different people or whatever, but you’re still going to be paying benefits ... we’re still collecting tax, running a police service, running a justice system, etcetera.”*

Lyn Provost,  
Controller and Auditor General  
Office of the Auditor General

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A sense of fatigue relating to the word ‘transformation’ was something that came across very clearly in our interviews with New Zealand public sector chief executives, both in terms of the reaction of chief executives and the response from their staff and other stakeholders.

There was also a concern about a lack of clarity around what actually constitutes transformation. Those interviewed conveyed a real sense that in today’s ever-changing environment, organisations, particularly in the public sector, need to be continually evaluating what they’re doing – how they could be, or need to be, doing things differently, and why – what they want to achieve and why that’s important.

It’s important to distinguish between transformation, which should have a clear beginning and end point, and change, which is focused on keeping up with ongoing fast-paced changes of the environment, which both public and private sector organisations are operating in.

New Zealand’s public sector chief executives felt it was important to have a clear vision, right from the very beginning. **You don’t have to know how you’re going to get there, but you need to know where you’re going and why.**

There is no one right methodology for transformation and the final outputs are seldom 100 per cent clear on day one. Instead, New Zealand’s public sector organisations work in stages and continually reassess their position.

Nearly all of the chief executives we spoke to suggested the job of transforming the organisation was significantly harder than envisaged at the outset.

Transformation is not seen as a quick fix. In fact many organisations identified as being two or more years into their transformation still very much viewed themselves at the start of their journey. There are challenges in managing this reality while trying to maintain the initial passion and enthusiasm of staff, stakeholders, citizens and even senior management when there appears to be little tangible action or change for long periods of time.

What is clear is that while every transformation journey is different, there are common elements to every transformation project. Given that a number of large transformation and change projects are underway in New Zealand, we must become smarter about understanding the lessons learned by others, rather than reinventing the wheel. It’s important to understand and apply existing frameworks, approaches and the experiences of others, before commencing the transformation journey to help ensure success.

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*“I think it would be really premature to see an end to the journey that we are on.”*

Ed Sims,  
Chief Executive  
Airways

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# Lesson two

## Technology: driving force or distraction?

Inadequate or outdated IT systems were often identified as the catalyst for transformation because of their impact on the service experience, both in terms of the ability of government agencies to perform their roles efficiently and effectively, and the impact on citizens' experiences interacting with government in the digital world.

Many government IT systems were built, or have been built around systems that were implemented, 20 to 30 years ago, limiting an organisations' flexibility to deliver a customer experience comparable with the experience offered in the private sector or what is demanded by today's customer.

While all of the Government's Better Public Services results call for some degree of transformation or change, results 9 and 10 almost always require better technological capabilities and enablement than what currently exists in government agencies today.

There are a significant number of core public sector technology replacements scheduled to happen over the next three to five years, which, while enabling public sector organisations to deliver better customer experiences, will present their own challenges. These are systems and services that are integral to the everyday lives, entitlements and supports for New Zealanders, and in many cases will also require the delivery of a refreshed operating model to accommodate service delivery in the new world.

Infrastructure projects, especially technology driven ones, don't make for good business cases on their own. Clearly identifying improved efficiency and customer experience, and linking these to benefits makes business cases more results focused and portable. Understanding what business efficiency and improved customer experience opportunities can deliver around

these infrastructure changes is what drives the benefits. It is our experience at PwC that these changes are often viewed from a one-dimensional perspective; either technology or business change. To really deliver against today's service delivery challenges, we will need to focus on both technology and business change concurrently to deliver maximum benefit.

New Zealand's public sector chief executives also feel limited in their ability to respond in an agile fashion to technology challenges and opportunities due to the pressure, primarily from media and citizens, not to get it wrong, particularly when compared to their private sector counterparts. They're unable to get something out there quickly and responsively, see what happens and then make changes if required, because what is seen as part of the creative process and innovation for the private sector is seen as failure on the part of government. People – and the media in particular – expect government to get it right, first time.

Public sector organisations of the future need to be able to respond quickly to changing circumstances, which means organising into adaptable, flexible and agile entities, resilient in the face of uncertainty. How, and in fact whether, government agencies can make this change is something chief executives are grappling with. This will play a significant part in shaping not only their transformation journeys, but also the services they're able to provide and whether they will lead or follow, going forward.

There is also a recognition that with better IT infrastructure more could be done with the information held by individual organisations; information that could be shared across agencies to improve both the customer experience and the efficiency and effectiveness of government agencies.

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*"It (the need for a change in technology) was the starting point of the conversation. But I think once you started thinking about changing 20-year-old technology, you realise that actually some of the customer's needs were different, customer experiences were different, business processes that were built 25 years ago don't suit today's world."*

Naomi Ferguson,  
Chief Executive  
Inland Revenue Department

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*"So that was a case of taking something which was seen as a technology change and shifting its frame to be more about business. Here, I think it was always seen as technology but it's part of a business opportunity; a business change for us."*

Peter Mersi,  
Chief Executive  
Land Information  
New Zealand

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This co-creation, both across government agencies and, to a limited extent, with other stakeholders, is not only an accepted part of IT transformation in particular, but is seen as being integral to the design of new products, services and ways of working.

Public sector organisations need to continue the move from a product focus to a customer focus, and from the lens of outputs to outcomes, if they are to adapt to this new normal. This is something New Zealand's banking industry has done well and public sector organisations could learn a lot from. Citizens do not distinguish in their expectations between the public and private sector. They expect a certain level of service when and where they want it, and they are not currently receiving this from the public sector.

At best, the service delivery model for most government agencies is outdated and in transition.

Despite all this, on deeper consideration of the need IT system upgrades were filling and what the organisation could, or needed to, look like in the future, our public sector chief executives, were clear that it was citizens and their experiences with government that needed to sit at the centre of their transformation journeys (see Lesson three: Power for the people).

As technology facilitates the disruption of 'business as usual', it is more crucial than ever for government agencies to be in tune with technological change and its implications on citizen expectations, security and public services delivery. However, this must not be at the expense of the experience for the citizen. In examining an organisation's transformation goals, it is important to ask 'Could some of these be achieved without the distraction of technology complexity?', before embarking on the transformation journey.

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*"Ministers are encouraging us to take more risks, to do things differently. Departments want to do it but the pain you experience when your problems end up on the front page of the newspaper – it's pretty sharp pain. While the leaders of the organisation might say, 'Look, it's okay, keep going', it's the people in the organisation that really feel bruised when that happens ... There are only two headlines in the world, 'What a scandal' or 'Isn't that amazing?'. Government is always 'What a scandal'. That's always the way they go. They never go, 'Isn't that amazing?'"*

Colin MacDonald,  
Chief Executive  
Department of Internal Affairs

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# Lesson three

## Power for the people

In-line with findings of the 2008 Australian white paper, delivering a better experience for the customer or, in the case of government, the citizen, continues to be a key focus for organisational transformation alongside the ongoing disruption of traditional business models.

This same focus, several years apart, could suggest that New Zealand is on a different journey to Australia, or that the public sector is on a different journey from the private sector. However, most likely it suggests that the transformation from traditional operating models to a more customer – or citizen – centred approach is not a fast or easy process. Years down the track, organisations, senior leadership teams and chief executives on both sides of the Tasman, across both the public and private sectors, are still trying to get it right.

While some New Zealand public sector chief executives initially found themselves looking at transformation through an improved technology lens (see Lesson two: Technology: driving force or distraction?), when looking at what improved IT systems would allow organisations to deliver and why that was important, they quickly realised the development and delivery of service model centred on the citizen was the real driver.

Citizens today have a greater awareness regarding their rights, better access to information through technology and higher expectations of service levels. They expect quicker delivery and more individualisation of services. This is an area where government agencies cannot afford to continue to lag behind the private sector.

As mentioned in the previous section, chief executives are somewhat limited, and rather frustrated, by the barriers they face in responding quickly to challenges and opportunities in a way that would see a more responsive service for citizens. However, what they do have is access to a rich source of information about almost every citizen – information that presents the most significant opportunity to improve citizen interactions and experiences with government.

For example, there are multiple activities, services or entitlements that go along with the birth of a child or other life events that are often accessed through various government departments. In the past, the best case scenario required logging on to multiple government websites or multiple face-to-face interactions, which can somewhat sarcastically be referred to as making the customer ‘the carrier pigeon for government’. However, citizens should be able to aim for a single interaction with government around a common event, in which government becomes the carrier pigeon or, more importantly, the facilitators of service provision – that’s why government agencies need to define their targets and waypoints, to ensure they are focused around the customer journey.

Most of the agencies we spoke to are not only working to their own change agenda, but also to fit in with a wider government transformation, centred on the citizen. It is acknowledged that this is an extremely hard, multi-dimensional transformation, which will require a number of key conditions to be in place.

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*“Being customer focused and a community-centric organisation is one of the aims of the transformation ... We really need to change the way that we deliver our services.”*

Karleen Edwards,  
Chief Executive  
Christchurch City Council

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*“...engaging with people and understanding how they want to operate their lives is key to ...delivering public services around that.”*

Maria Robertson,  
Deputy Chief Executive  
Service Delivery and  
Operations  
Department of Internal Affairs

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Agencies are typically only beginning to unpack the potential that cross-government information sharing offers for improved citizen experiences, but recognise that the opportunities are only limited by organisations' and sectors' abilities to capitalise on them. Making the most of this potential will require very different governance and management models, driven and enabled from the very highest levels of government. **This will be an interesting challenge for the future.**

The 2009 global financial crisis also provided governments globally with a mandate for significant transformation. The requirement to do more with less was a burning platform for change in public sector organisations. While our government has set ambitious targets for Better Public Services, largely in response to this, how well public sector organisations have risen to this challenge is not yet clear.

Though it is widely acknowledged that transformation must significantly involve the customer or citizen, the enactment of this concept seems to be the exception rather than the rule in New Zealand's public sector organisations to date. The public sector chief executives and transformation leaders we spoke to understand and support the concept; however, the reality is that the customer engagement model used by public sector organisations is not clear or effective at this point for many. This will need to change in order to lead successful transformation across the public sector.

Most are still grappling with how to engage citizens. Part of the problem is that, despite their best intentions, many government agencies continue to design and deliver services based on their own requirements and processes, rather than the needs of the citizen. Another is viewing transactions in isolation, rather than viewing

transformation through the lens of the entire citizen journey, including across multiple agencies.

This is not to underestimate the sheer size of the citizen engagement exercise for public sector organisations, but while it is, without a doubt, challenging, it is necessary. However, public sector chief executives suggest there is a fine balance to be struck – you must engage citizens in the right way in order to obtain meaningful, actionable insights.

Let citizens inform you what matters most to them, but avoid asking directly.

For example, in order to obtain the most accurate and usable insights about what is important to their citizens, asking users to rate each of an organisation's core services, rather than asking which aspects of service delivery (e.g. polite/helpful staff, time taken to resolve requests) are most important to them, is likely to be most effective. This is because the majority of people, given the opportunity, will identify the various aspects of service delivery as equally important, providing little indication of what changes need to be made.

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*“...our maturity level is still low. We're starting to invest quite big time into the customer insights, we've got a framework. As we found out, we've got quite a lot of data – it's what we do with it.”*

Nigel Bickle,  
Deputy Chief Executive  
Immigration New Zealand  
(Ministry of Business,  
Innovation & Employment)

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*“If I give you a real example, which is the redesign of the govt.nz website ... That was beta tested for over 12 months with multiple focus groups, multiple groups of users coming in, observational studies, and the whole nine yards ... and then we launched it. Within three months we had changed the look and feel quite dramatically because the overwhelming feedback we got was that it was so easy to use that it can't really be a government website. It didn't look authoritative enough. It missed the logo and we used nice, quite soft colours and now we've gone to black, banner heading – government.”*

Colin MacDonald,  
Chief Executive  
Department of Internal Affairs

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# Lesson four

## The bottom line for successful transformation is leadership

One of the strongest points regarding leadership that came across when speaking with New Zealand public sector chief executives was the need to make tough calls early and get the right team in place, with particular reference to senior management. This echoed a similar sentiment by Australian chief executives interviewed for the 2008 Australian white paper.

Getting the right team in place might mean reassigning roles and responsibilities within the existing senior management team, or replacing people in key positions entirely. Many chief executives found that members of their senior leadership team were great at what they did, just not at leading transformation – they were better off in the business, keeping it running.

Our experience around leadership teams and transformation is that few that run business as usual are well equipped to run transformation. This means that either a significant degree of upskilling or new capability within the leadership team is required. As such, some of the chief executives we spoke to specifically brought in people with previous transformation experience to join their senior management teams.

However, while sourcing the right experience, (including from external partners such as PwC), is acknowledged as important, chief executives believe strongly that transformation must be led – and owned – from within the organisation. They identified a number of reasons for this, including a reluctance from staff to buy-in to externally-led change, building IP and learning internally, the intimate knowledge of the business and associated pain points required to overcome challenges and deliver sustainable, effective change, and the importance of a sense of ownership and responsibility for the journey the organisation is on.

It is also interesting to note that many of our chief executives began their roles simultaneously or just before their organisation's transformation journey began. This suggests that these chief executives were either brought in to lead change or were appointed on a platform of the changes they believed the organisation needed.

The chief executives we spoke to were also keen to stress the importance of standing on the shoulders of previous transformation efforts, building on the successes of the past and harnessing the knowledge that already exists within an organisation. **As Socrates said, “The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”**

It is also not the norm in New Zealand public sector organisations that one person be solely responsible for the transformation agenda. Rather, the responsibility is shared by the senior management, including the chief executive.

While the Australian white paper identified that chief executives may need to change their leadership style at one or more points in the transformation process, this was less pronounced in the public sector chief executives we interviewed in New Zealand. They spoke of being aware of a need for a greater focus on communication and of needing to balance between being directive and creating buy-in and taking people along with you; however, few spoke of any real conscious or significant change in leadership style.

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*“...one of the key things for me was to bring into the organisation, a senior, experienced leader who had driven large scale transformation. There are lots of people in the organisation who've run change but not on this scale and not of this complexity.”*

Naomi Ferguson,  
Chief Executive  
Inland Revenue Department

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*“If you're going to drive transformation deeply into the organisation and if it's going to 'land' and be successful, you won't get there unless the business ultimately leads it. So if somebody says, 'You need to do this' – we will fail at that point, if for no other reason that inherently Kiwis, by definition, don't like being told what to do.”*

Dean Kimpton,  
Chief Operating Officer  
Auckland Council

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*“...in many ways it wasn't a changing of style, it was probably more a refinement of style...”*

Ed Sims,  
Chief Executive  
Airways

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*“I think, not denigrating the past, so it’s standing on the shoulders of the things that have happened. There’s been enormous change in this organisation. Some has worked and some hasn’t but it’s actually about building on that change and saying that, ‘We’re in a different context now, a different time. We need to continue to change but we’ll build on the success of the past.’”*

Karleen Edwards,  
Chief Executive Officer  
Christchurch City Council

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*“All of the team are involved in some way, shape or form in the transformation programme. Although we have a ‘transformation group’ and now a GM Transformation, it isn’t the mandate or sole responsibility of a single group – to make a real difference, the whole organisation needs to be involved, and that has to be led from the leadership team.”*

Alison Andrew,  
Chief Executive  
Transpower

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That said, leaders need to be agile, taking on different roles when the situation calls for it, and to move across levels and boundaries within and outside of the organisation. Leadership in times of transformation also has a lot to do with influencing and defining relationships, this is particularly relevant when faced with those people who are resistant to change, or as staff and stakeholders grow weary of the transformation journey (see Lesson five: Bringing the right stakeholders along for the ride and Lesson six: Talking the talk and walking the walk).



# Lesson five

## Bringing the right stakeholders along for the ride

Transformation in and across government has many stakeholders and, with many stakeholders come many challenges.

Getting buy-in from management in a public sector organisation should be easier than other sectors, as it often starts with some form of a directive from government.

However, the nature of government also presents unique challenges for public sector organisations' transformation programmes – frequent (typically at least every three years) change in ministers, and navigating the various levels of government, both across and up and down.

Many government agencies have seen two, three or more ministers throughout the life of their transformation programmes. Getting each new minister not only up to speed but also on board can be challenging and time-consuming, but is necessary. In addition, many transformation projects, if they are to make a difference in the public sector, span multiple departments and, therefore, multiple ministers. Achieving alignment across ministers is often a long and difficult task and, from PwC's perspective, the vertical perspective of most ministers will become more of a barrier to transformation in the public sector unless a new approach and incentives are found to ensure alignment horizontally across the public sector, rather than vertically.

Other than ministers, the key external stakeholders for our public sector organisations throughout their transformation journeys tended to be other government agencies. This is due to the focus on delivering a better government, not only individual agency, experience for citizens, which has been discussed in previous sections.

Public sector organisations need to collaborate across sectors and organisations, and across a variety of platforms, both physical and virtual, to deliver for the citizen. While this appears to be a significant focus for the majority of those we spoke to, the reality of this kind of significant change to the way government agencies have traditionally worked, both externally and internally, could take some time to shift – particularly within the larger public sector organisations. This will require support from central agencies and the highest level of government.

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*“When I came in I sent a note out to all staff introducing myself and saying, ‘I want to pull together a transformational strategy team. I don’t know what it looks like. I think there’s a great likelihood that you could be spending three months doing very long hours.’ I had 70 people put their hand up and that was such an interesting process because it gave me 70 people who were saying ‘Thank goodness, someone is talking about change.’ It may only be 10% but it was a very powerful 10%.”*

Ed Sims,  
Chief Executive  
Airways

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*“There have been three ministers in five years ... They each bring different strengths and preferences and I think it’s trying to understand their preferences for getting things done and how they want to work with you ... I think the critical thing has been that direction of travel for the organisation hasn’t really shifted much across those three ministers, so that’s probably a good signal for the organisation.”*

Ray Smith,  
Chief Executive  
Department of Corrections

Internally, chief executives note that while the majority of people want to embrace transformation, there will always be those who want to stay in the past (the frozen middle). Making some effort to bring these people on board is evident, before consciously deciding to continue on the journey and preserve energy and motivation by focusing on those who want in.

Some of our chief executives spoke of making the most of people's enthusiasm for change and empowering their employees by getting them to self-nominate to be involved in shaping the organisation's transformation strategy.

Proactively involving ministers, other public sector bodies, central agencies, staff, partners and citizens in transformation from the beginning creates a shared understanding and buy-in to the future. It also helps to ensure transformation is on the right track to delivering what each stakeholder group needs from the respective government agency.

In our minds, given the nature of the cross-government transformation task, we have discussed previously in this report the importance of the role of central agencies as facilitators and catalysts of collaboration. This will need to feature on the public sector agenda if we are to be more efficient in this space.



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# Lesson six

## Talking the talk and walking the walk

New Zealand's public sector chief executives are realistic about the toll that transformation can take on an organisation, particularly in the short-term. As mentioned previously (see - Lesson one: Transformation is as much about the journey as the destination), chief executives believe the word 'transformation' itself induces fatigue.

Staff who have spent any length of time in the public sector have likely been involved in one or more organisational transformation projects, which are likely to have seen of varying degrees of success. This has made many wary of any kind of change.

Some staff anxiety or unhappiness, and even increased staff turnover, is to be expected during transformation, and can sometimes be a useful way of moving on some people who may have otherwise stood in the way of, or undermined change. However, in the long-term, chief executives want to know that the changes the organisations are making are for the better, and staff, particularly front-line staff, can be one of the best indicators of this.

Some chief executives spoke to us about monitoring staff morale and engagement through regular staff surveys or workshops. While they often noticed a slight downward turn in engagement at the beginning of transformation, it typically began to pickup in second and subsequent surveys, though there is acknowledgement that it may be a long road.

Clear, consistent communication plays a critical role in staff engagement. While New Zealand's public sector chief executives did not highlight significant changes to their leadership style as part of transformation (see Lesson four: The bottom line for successful transformation is leadership), they did identify a greater focus on communication, and weaving transformation into all communications, as key. Again, it is important to distinguish between transformation and ongoing change.

The power of social media to lead transformation conversations, interaction and engagement seems, as yet, to be largely unharnessed by the chief executives and transformation leaders we interviewed. Organisations need to embrace multiple channels, particularly those that feed into two-way communication, and make the most of any opportunity to share transformation journey progress with staff – if in doubt, say it again! Repetition is key; never underestimate how many times a message needs to be communicated in order for it to be really heard.

People are less likely to get fatigued if they can see a point to what they're doing. Organisations must establish the case for change. This is particularly important at the beginning of an organisation's transformation journey when a lot of thinking and strategy is undertaken but staff may not see a lot of tangible 'transformation'. Chief executives spoke of the importance of making a particular effort to communicate 'mini-wins' at the beginning and through the duration of a transformation journey.

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*"For a CEO, I would stick to culture. Absolutely. That's where transformation starts from."*

Lou Sanson,  
Director-General  
Department of Conservation

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*"There were issues of fear, lack of engagement, not being listened to ... It's improving - our turnover has fallen significantly ... Our sickness rates are not low but they're not as high; they're actually slightly better than they were. All good indicators of culture moving in the right direction, but I still think there's a long way to go."*

Kevin Lavery,  
Chief Executive  
Wellington City Council

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*“I think one of the key things for us has actually been about getting some quick wins and showing some real signals about what we want it to look like and making some of those changes, big and small, so that people can actually understand why we’re trying to do it and also galvanize their enthusiasm around that.”*

Karleen Edwards,  
Chief Executive  
Christchurch City Council

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*“...we’re not looking at one long road and then it transforms. You have to be able to deliver stuff as you go, whether that’s process change, capability change or IT change. You need to be able to demonstrate progress as you go and deliver some results as you go...”*

Peter Mersi,  
Chief Executive  
Land Information  
New Zealand

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How different chief executives and organisations undertake their communications and staff management varies, from regular email updates and workshops with staff, to efforts to ‘walk the floor’ and award ceremonies. However, while the chief executives we spoke to recognise celebrating success is very important, most acknowledge it’s something they are poor at. Some of this relates to uncertainty around the balance between adequately celebrating milestones and achievements, without looking excessive to the public and media. This is seen as especially sensitive in the public sector.

There is also a perception by the chief executives we interviewed that people feel uncomfortable with recognition. This is, to some extent, ingrained in the New Zealand psyche. However, recognition is a fundamental human need. When people feel valued, they are motivated to maintain or improve their work, making it key to retaining good staff, particularly in times of uncertainty and change. While some staff may be uncomfortable receiving recognition, it is just as likely that chief executives feel equally as uncomfortable giving it – something they must overcome, particularly in a transformation environment.



# Lesson seven

## Running today's business alongside tomorrow's

Business as usual activities and transformation are seen as separate, but interrelated by our public sector chief executives. There is recognition that transformation cannot happen with existing resource, on top of business as usual activities, as the risk is that nothing gets done well.

The ongoing effectiveness of business as usual activities is perhaps more of a concern for government agencies, where customer interactions are typically around needs or entitlements. This differs from the private sector, where many interactions are about 'wants' or 'nice to haves'.

Chief executives typically believe there should be a clear distinction between business as usual initiatives versus transformational initiatives, though the realities of operationalising this are something most have grappled with.

Lessons learnt from some recent large-scale public sector transformation projects have highlighted a lack of, or the wrong kind of, governance. There has not been enough clarity around transformation versus business as usual and the differing governance needs at each stage.

New Zealand public sector chief executives want transformation programmes executed by their best staff. This is similar to the findings of the 2008 white paper for Australian chief executives. However, New Zealand chief executives are quite pragmatic about the need to back-fill roles with the right people and dedicate the right resource to ensure business as usual can not only continue, but continue to thrive.

At least one chief executive made a case for taking some time and dedicating some resource at the beginning of the transformation journey to ensure you have the right people, systems and processes in place to minimise any disruptions to business as usual activities that might be caused by transformation. This involves figuring out how to run today's organisation alongside tomorrow's, without losing sight of what that looks like for not only the customer experience but also for staff working through the transformation.

If you are always in transformation mode, transformation becomes business as usual. Change may never stop, but transformation – as a programme of work – needs to have an end date.

Measurement of transformation success is difficult and is largely non-existent in the public sector. Typically, public sector organisations are not measuring benefits as they progress, but rather at the end. This is not a reflection of the real world; benefits are accrued and realised throughout the journey. There is no dashboard for what successful transformation looks like and any measurements tend to be incorporated into existing reporting processes. This makes it difficult to see where transformation projects are succeeding or, on the flipside, failing, in order that appropriate, well timed action can be taken.

Transformation is similar to a sentiment made famous by accountant Charles Lyell, in that we have many observers who watch the transformation battle from the safety of the hills and then come down to bayonet the wounded. Without documenting the benefits and successes achieved along the transformation journey, so we can see what went right and what lessons can be learned, we cannot hope to change this approach.

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*"We keep a distinct and separate focus on, 'How are we running today' as well as a distinct and clear focus on what works for transformation, and two sets of management processes and governance that come all the way to the top around both of those things. So I think you've got to invest in those processes and in the people capability to manage it. If you haven't got that then don't start the transformation, because you'll fail."*

Naomi Ferguson,  
Chief Executive  
Inland Revenue Department

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*"I also believe that if you use your best people to help drive transformation efforts, you need to backfill their roles or help them with resources behind them. It's about that balance, about putting your best people out, but not overpowering them. You can't give them both the day job and transformation if you want great outcomes"*

Alison Andrew,  
Chief Executive  
Transpower

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# What does this mean for the public sector?

Together, this report and the 2008 Australian white paper provide valuable lessons and insights for New Zealand organisations about to embark on their transformation journeys.

As noted in our 2013 Future of Government publication, the world has moved quickly through the course of the recent global financial crisis, but governments have often struggled to keep pace.

It's clear that in the future, more than ever, the public sector will need to cope with disruptive changes and re-engineer the way it approaches service delivery, while delivering these services more affordably.

Expectations of public services have grown exponentially with rapid developments in technology and shifts and improvements in service delivery models. Industries such as financial services and utilities are setting the benchmark for the public sector. However, strategically these changes are significantly harder to architect in the public sector.

Public bodies must decide if they want to continue the legacy left behind by predecessors or create a new legacy for the next generation. They must do this while navigating the new paradigms in government that have emerged, set out in Figure 1 below.

**Figure 1: Bridging from now to the future**

From...	To...
Citizen under control	Citizen in control
Governing for citizens	Governing with citizens
Organisation silos	Organisation networks
Public sector organisations as big, all-in-one giants	Public sector organisations as small, flexible, purpose-driven entities
Government as service provider	Government as service facilitator/ broker/commissioner
Government owning inputs and processes	Governments and citizens owning outcomes
Measuring outputs	Measuring outcomes
Forced cooperation based on enforcement	Mutual collaboration based on trust
Trust in the 'strong leader'	Trust in each other, the 'servant leader'

Source: PwC Future of Government

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## What does this mean for the public sector?

These changes add up to a further focus on transformation in the public sector (not transformation of departments per se, but transformation of service delivery models across multiple departments). In many cases this will mean a focus on public sector organisations re-evaluating their purpose and role and whether their current operating models are fit for purpose to deliver services that encompass service components horizontally across the public sector. Consideration should also be given to whether those operating models will need further change to incorporate this shift from organisations silos to more organic organisational networks.

If these transformational initiatives are to succeed, their ability to address these changes is not confined to leaders at a departmental level, but significantly driven by the role and influence of ministers and central external agencies, and their ability to facilitate and adapt to new ways of working.

What is perhaps abundantly clear, is that most organisations, whether in the public or private sectors, cannot afford to stand still. Yet, just as critically, change for change's sake is ill-advised. Without the proper attention, resource, support and planning, transformation will not save your organisation, rather, it has potential to do the opposite.

Our current observations are that the public sector has struggled to demonstrate that it has the right frameworks in place to achieve cross sector transformation successfully at this point.

However, in conducting this research, it is clear that the public sector has progressed in its understanding and execution around its transformational change agenda since 2008.

In our view, the public body of the future will need to behave more like a living organism than a machine (whose parts can be supposedly taken apart and reassembled to better effect).

Organisations need not only to adapt to change, but to anticipate it. Uncertainty and constant change are the new normal. And, if uncertainty and constant change are the new normal, agility is the necessary response.

This response must be led from the top. As highlighted in our research, leadership is the bottom line for successful transformation. Our New Zealand's public sector chief executives must be resilient, forward-thinking, and not afraid to take chances – to try and to fail – or to make the tough calls. They need to understand the drivers for change intimately, and they must surround themselves with the right people. Equally important will be their ability to break down silos within and across government agencies. Only then will the public sector really begin to put citizens at the centre. Our view of the Ten Strategic Actions for tomorrow's public leaders facing this transformation challenge is set out in Appendix 1.

In order to deliver on this promise, there is a significant shift for many organisations in the public sector. In tomorrow's public body, collaboration, co-creation and co-design are the new must-have capabilities.

The seven lessons highlighted by senior executives in the New Zealand public sector serve as another resource to assist those considering undertaking a transformation journey.

We do not underestimate the challenge this journey presents. However, nor do we underestimate the capability of the people tasked to lead this change.

There is no 'one-size-fits-all' blueprint for successful transformation. No two transformations look the same. However, the lessons learned here provide a solid foundation from which to build something that will work for individual organisations, their staff, stakeholders and customers – to develop tomorrow's organisation, today.

Once again, thank you to the many people in the public sector that PwC has worked with to bring this resource to fruition.

## Appendix 1

### Ten strategic actions for tomorrow's public leaders

1. Set out a clear and energising vision to deliver the organisation's political imperative and mission, which buys in all key stakeholders.
2. Create citizen-centricity at the heart of the vision, communicating a focus on meeting citizen needs effectively, affordably and on a timely basis.
3. Develop the organisation's priorities, strategy and channel its scarce resources to deliver the right balance between the necessity of managing internal organisational efficiency and effectiveness while externally delivering 'good growth' for citizens.
4. Develop policies that build the assets for society now, and in the future, by managing the 'capitals' needed for the long term prosperity of any society: social, environmental, cultural, intellectual, infrastructural, ICT and political participation capitals.
5. Be ready to anticipate situations (agility), as well as react optimally to unforeseen events, in a cost-effective manner balancing short and long term needs, supported by a talent strategy which attracts, develops and retains staff with this capability.
6. Incubate ideas and delivery models through creating a culture of innovation and prototyping and then scaling up those that are successful.
7. Seek out and connect across sectors, borders and organisations, with partnerships, co-ventures, co-creation and co-design being key features in the service delivery toolbox.
8. Become truly accountable for actions and outcomes through greater transparency particularly of decision-making.
9. Build the internal management capabilities needed to make change happen, from implementation planning to managing finances effectively and prioritising the organisation's projects, performance, risks, partnerships, assets and human capital to deliver on the vision and mission.
10. 'Lift the tone', particularly in tough times, and motivate staff through inspirational leadership and a supporting culture.

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# Get in touch



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