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## PERFORMANCE IMPROVEMENT FRAMEWORK

# Follow-up Review of the Ministry of Transport

**AUGUST 2014**

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

## **Lead Reviewers' Acknowledgement**

The assistance and cooperation extended by Martin Matthews, everyone on the Senior Leadership Team, other managers, advisors, recent graduates and other staff members was open and engaging and much appreciated by the Lead Reviewer. He wishes to thank Joanne Harrison, Warren Smith and their team for the smooth organisation of the review and also Mervyn English and Brian Hallinan from State Services Commission (SSC) for their support.

As in the previous Performance Improvement Framework (PIF) Review the stakeholders were generous with their time and provided thoughtful and valuable perceptions of the Ministry of Transport (the Ministry) from their vantage points. The Lead Reviewer is very grateful for their cooperation.

A list of organisations that provided information and comment is in the Appendix to this Review.

**Performance Improvement Framework  
Follow-up Review: Ministry of Transport**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet  
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## AGENCY RESPONSE

We thank the Lead Reviewer for the many insights and challenges presented to us in this Follow-up PIF Review. These are extremely useful to us.

We are proud of what we have achieved to date in building a high-performing organisation. The Ministry is a very different organisation to the one it was just a few years ago. We have lifted our performance and capability by being clear about our purpose and philosophy, setting ourselves a genuine performance challenge, adopting an innovative operating model, focusing on quality, and by leading change well. We've done all of this over a period where our operating budget is less now than it was in 2008 and where our staff numbers have been reduced by 25% over the same period. We believe that, today, we are a significantly more productive and effective organisation, much closer to fulfilling our purpose of ensuring our transport system helps New Zealand thrive. Two key indicators are critical in this regard. In 2014 our overall staff engagement score is the second highest in the New Zealand State sector (with some metrics showing we are achieving results that are worldwide best practice). An independent assessment of the quality of our policy advice would place us third overall in the State sector against 2013 scores. But, our work is clearly not done and we cannot be complacent about the tasks still ahead if we are to truly fulfil our purpose and Greatest Imaginable Challenge (GIC) of creating the environment to double the value from transport initiatives.

The Ministry is ambitious for what it can achieve for New Zealand and what it must do to further lift its performance and capability to deliver these results. The 2013 PIF Review challenged us, among other things, to lift the pace of change. We've done that and will continue to do so. We note the recognition given in this Review to our progress in the last 12 months. This Review also provides us further invaluable insights and constructive action points to continue to make the Ministry more effective.

The Lead Reviewer has acknowledged that the task of further strengthening the culture and capability talked about in this Review is a long-run and non-linear task; one that will require steady and persistent attention. We are committed to driving performance and capability improvement in the Ministry. We will ensure we put in place measures to maintain and build upon the level of success we have achieved thus far, embedding behaviours and keeping up momentum.

This Follow-up Review has taken place one year after the completion of the original PIF Review and less than one year after we released a two-year change programme that was our response to the PIF challenge. Our aim in commissioning the Follow-up Review at this time was to confirm that our response has been appropriate and to ensure any further remedial actions are taken in a timely fashion. The Lead Reviewer concludes that, "there seems to be attention to everything that matters for success". The Lead Reviewer also usefully challenges us to work harder in some areas if we are to be a 'brainy' Ministry. The Ministry's leadership team will now revisit our two-year change programme to pick up and act upon the specific ideas put forward by the Lead Reviewer. This will include self-assessing and revisiting the less-satisfactory areas identified in the formal 2013 PIF Review, that were not subject to attention during the follow up itself.

We look forward to the rest of our journey and doing everything we can to fulfil our purpose and meet our GIC.

**Martin Matthews**  
Chief Executive

## EXECUTIVE SUMMARY

In mid-2013 a full PIF Review was conducted on the Ministry of Transport. The assessment revealed that the Ministry had made solid progress from a previously unsatisfactory situation and was showing definite improvement with the organisational development initiatives. Against a background of general improvement, the ratings across the standard criteria for the PIF showed a mixed picture. There was evidence of clear success in some particular policy initiatives, while performance across the whole portfolio showed weaker results in getting to grips with the transport sector landscape and playing a leading role in developing the broader transport policy agenda. Similarly, the assessment of internal management showed significant achievements and promising developments, combined with some areas needing attention.

The Ministry set a performance goal to create the environment to double the value from transport sector initiatives. The goal was appropriate for the role of the Ministry given the size and nature of the transport sector but had not previously been in its sights. The Review advised there was a large upgrade needed in some dimensions of the performance and capability of the Ministry to achieve this goal over four years. This included investment in capability for policy analysis and advice, more productive stakeholder relationships, refinement of the operating model and some particular issues in the management of risk, information and finance.

The Ministry responded very positively to this advice and set out to lift its strategic focus as exemplified by investments in work on a selection of major transport issues, improving the quality and consistency of advice overall, engaging more effectively with stakeholders and lifting the pace of change.

This Follow-up PIF has a narrower terms of reference to assess whether the changes made since the previous PIF Review mean the Ministry is on target to achieve its overarching performance goal.

It is a little less than a year since the previous PIF Review and the changes prescribed will take several years to be realised. The Ministry has, however, put in place significant changes in the areas highlighted before. These are in relation to embedding purpose and bringing the necessary culture change to meet the goals; improving external engagement, improving the operating model and improving the quality and consistency of advice.

This new Follow-up Review looks at the evidence and assesses whether the changes have the Ministry on track to meet its goals thus far. The overall conclusion is that it is, as reflected in the evidence cited. Advice is given on what should happen to lift the chances of success in the main areas of attention, in addition to pointing to some specific issues that need attention.

This kind of change takes years and the Ministry is advised to be steady and persistent in driving the necessary changes.

## INTRODUCTION

A PIF Review of the Ministry of Transport (the Ministry) was conducted in 2013. The essential conclusions and recommendations from the previous PIF Review were that the Ministry had recovered and developed well from an unsatisfactory situation some years earlier. It had performed very well on some of its key output deliverables, which were focused policy programmes over which it had relatively high control. Its weaker outputs were all in topics that spread across the transport sector and for which the Ministry has influence rather than control.

With respect to its management, its operating model was judged to be appropriate to its situation and working well, while some improvements were suggested to emphasise strategic focus, quality and evaluation. Its human resources (HR) functions and policies were upgrading the skill base and reorienting it to a new vision of what the Ministry should be doing. Management capabilities overall were generally rising – with a mix of strengths and weaknesses and some areas of high performance. A new culture was being energetically embedded – although still rather fragile at the time. Management of people and performance was also notable and reflected in good staff engagement levels. Review and evaluation was an area of weakness, while management of information and finances needed attention.

The previous PIF Review gave deserved credit for bringing the Ministry as far as it had in many areas of its performance and for some notable achievements. The Review emphasised the ‘Four-year Excellence Horizon’, – the goal the Ministry had set itself was doubling the contribution to the economy and society from transport initiatives. This goal was judged to be appropriate to the mandate of the Ministry and a reasonable expectation of its Ministers and stakeholders. The implications of achieving this goal revealed a very large gap between where the Ministry was at that time and where it would have to be in four years’ time. This gap was manifest across facets of the Ministry’s strategies, capabilities and stakeholder management. The Ministry is tasked with influencing a large, diverse and very political sector of the economy, which takes a significant share of the Government’s budget. Most of its work on regulations is channelled through specialised organisations and, being small, it needs to influence and lead with its brains and through its networks.

The advice in the previous PIF Review was that the Ministry needed to raise its capabilities for policy research and analysis, strategic thinking and for managing these capabilities effectively so as to lift the quality and consistency of its work outputs. Also, it needed to reframe and improve its external relationships and work more effectively with its major stakeholders, the New Zealand Transport Agency (NZTA) and Auckland Transport. Overall, the PIF Review advised the Ministry needed to go harder and faster to meet its goals.

Following discussions with chief executive officer (CEO) Martin Matthews and the central agencies, a plan was drawn up to guide action on the Lead Reviewers’ recommendations and in accordance with the agency response to them. The Ministry accepted the need to provide a leadership role in the sector to create an environment that would lift the contribution of the sector to the economy and society. It planned to perform more consistently across its portfolio, refine its operating model to promote professional skill and development and improve stakeholder relations.

This is a large agenda of organisational development that will take years to complete. Even though the previous PIF Review was only ten months ago, the central agencies and CEO agreed there should be a Follow-up Review to check the progress on implementing the changes and to assess whether the Ministry was responding with appropriate focus and pace to meet the objectives it had set for itself over a four-year horizon.

This Follow-up Review was undertaken from 9 - 20 June 2014.

This report is structured upon the main areas of attention within the documentation that lays out the response by the Ministry to the previous PIF Review as follows: Each area summarises the main points of the previous PIF Review, the Ministry's plans made at that time in response and provides a current assessment. The focus is on whether the Ministry is 'on strategy' and far enough along to meet its four-year strategic goals.

**Graham Scott**  
Lead Reviewer

## FOUR-YEAR EXCELLENCE HORIZON

### Performance challenge

The terms of reference for this Review are clear: not to question the strategic goals against which the previous PIF Review was conducted but to concentrate on what is being done to achieve those goals. So it is necessary here only to note in passing the overarching performance objectives, discussed in some detail in the previous PIF Review.

The goal the Ministry set is, “creating the environment to double the value of transport initiative”. This sets in place the challenge for the Ministry over its Four-year Excellence Horizon, as explained in the previous PIF Review:

“The wider context for the transport sector is that the economy is underperforming and the key indicator of rising living standards, productivity has been disappointing for over a decade. There is no prospect on present trends for the gap to the top ranked OECD countries to close. Political programmes for addressing growth and wellbeing will change as governments change but this challenge will remain for years to come. The current Government’s programme for economic development is summarised in its Business Growth Agenda, which calls for exports to rise to 40% of GDP and implies that total factor productivity will have to double. For this to happen the transport sector will have to step up and produce the outcome captured in the Ministry’s ‘Greatest Imaginable Challenge’ (GIC), which is to double the value of the contribution of transport to the economy and society. Transport costs infuse the entire economy and inefficiencies within the sector can be a serious constraint on our economic development.

The Ministry is in the key position to survey and analyse the transport landscape and to participate in the conversations on, and give advice about, large scale strategic options and significant projects, funding streams and regulatory interventions. To do so it needs to establish its role clearly and set its high-level goals and principles in place to guide what it will try to achieve and how.

It needs a strong programme of external engagement with myriad stakeholders so as to fully earn its place among the powerful and not so powerful interests in the sector, and establish the value it can add. It then needs to build on this engagement to promote and encourage the deep interaction, analysis, problem-solving and decision-making that will be needed to ensure the sector contributes strongly to economic growth and wellbeing.

To achieve its mission the Ministry must bring into its network of relationships, insightful and accessible data sets, thoughtful, practical and far-sighted analysis and top class policy advice.

To get where it wants to go in relation to its Four-year Excellence Horizon and beyond will require continuing investment, strong leadership, sharper management and learning-by-doing across all the main foundations for performance excellence: leadership direction and delivery, external relationships, financial and resource management and people development”.



## **PROGRESS SINCE THE PREVIOUS PIF REVIEW**

For convenience, this section lays out the challenge, the situation and the ongoing response under the five headings being used by the Ministry in planning and managing the pursuit of its four-year overarching goals. The Review is satisfied that all the significant issues deserving attention can be covered under these headings. There is some final comment on a few points that arose in the previous PIF Review. These need attention but are not central to the terms of reference for this Follow-up Review.

### **Embedding purpose and philosophy**

The question here is whether the whole Ministry ‘gets’ the performance challenge; not just the general message but that the daily work of managers and staff are aligned in practice to those goals and that all staff are motivated to their achievement. Also, do staff throughout the Ministry buy in to the vision of what the Ministry can become and into the cultural evolution that must be completed to get there? Are the substantive changes to the body of work being done ‘on strategy’ and is the supporting culture as far advanced as it needs to be along the Four-year Horizon?

### **Previous PIF Review**

The previous PIF Review observed that, while staff ‘got’ the big ideas behind the transformation, a major effort was needed in unpacking and translating broad objectives into practical and achievable deliverables and requirements for capability improvements. This was always going to take time. The systems analysis and policy intervention analysis have to be scoped in sufficient detail to support well founded decisions on what needs to be accomplished across the Ministry and what resources are needed to do so.

Although the Ministry had performed strongly on some major initiatives, the allocation of resources was not fully consistent with the new strategic purpose at that time. In particular, the Review noted that resources seemed more focused on road safety than the Ministry’s overarching strategy would imply. The resources needed to be redirected to the strategy, which was a challenge at the time, because it was not always apparent to managers what being aligned to the new objectives meant for them in practice.

The culture was changing for the better, with an energetic and determined effort by some in the management team, though changes were fresh, not deeply embedded, and a bit fragile.

### **Ministry response**

In response to the Review, the leadership group emphasised the importance of the sector and specialist teams working alongside a strategy team doing the thinking needed to progress the strategy. The leadership group undertook to set specific expectations for these teams to build the knowledge and experience required. Emphasis was put on the National Freight Demand Study as one exemplar, along with the Intelligent Transport Systems Strategy.

### **The situation today**

Today, there are many indications that the purpose and strategy of the Ministry is much more embedded than it was. The senior leadership team is strongly committed in words and actions to the goal of doubling the benefits from transport initiatives. The team is more focused and more open, bonded and energetic than it seemed previously. The sense of common ownership of the strategy is noticeably stronger in the team. By bringing General Manager Organisational Development into the leadership team there is visibly greater integration between the changes to work priorities, resource allocation, HR practices and culture change. Previously, the culture change efforts seemed less well connected to the other parts of the transformation.

The Lead Reviewer's interviews with staff across the Ministry showed much more uniformity than previously in responses to questions about understanding the strategy and its implications and improvements to how they see their work aligned with it. While this is a continuing work in progress that is never complete, the benefits of the efforts can be seen in improvements in engagement surveys, as well as in the interviews.

The Ministry engagement score, according to the standard Gallup Survey, has risen to 4.08, which is the second highest in the public sector. The ratio of engaged to actively disengaged staff has risen to 12.25:1, compared with 2.70 across the State Services and Gallup's worldwide database average of 4.50:1.

Overall, the Ministry has made clear advances in embedding its purpose and philosophy in its culture and in the minds of its staff. Continuing achievement will require constant attention to matters best described under other headings below. This includes strengthening the high-level systems analysis and policy analysis, more emphasis on the strategic alignment of the operating model, further investments in capability, learning by doing and making external relationships more productive.

### **Looking ahead**

The leadership team's own behaviours are crucial to further embedding the strategy into what is done and how it is done. This reviewer's impression is that the leadership team can be pretty confident now it knows how to manage the Ministry day to day and how to sustain its purpose and the engagement of its people. Also it has big investments behind it by way of management and organisational developments. It is ready to reach for a higher level of strategy-driven performance through its leadership. The commitments to strategy, culture change and performance should pervade everything the leaders do and these elements should present more seamlessly. Some indicators this is occurring would be:

- more engagement of the organisational development function in substantive workstreams, where the skill match is appropriate and more engagement of the other leaders and line managers in organisational development activities
- the production of outputs merges better with research, learning, innovation and investment. This happens in a policy-driven professional organisation. Much learning and development happens on-the-job.

For further advice see: policy capability.

### **Lifting external engagement and reputation**

The transport sector sprawls across the economy and society, has powerful commercial and political interests in play, yet the Ministry is small, does not control funding and most of its regulatory powers are exercised through independent Crown entities. So, as the previous PIF Review explained, really effective management of its external relationships is crucial to the Ministry's success. It has to lead with only the powers of thought, knowledge and persuasion.

### **Previous PIF Review**

The previous PIF Review noted the Ministry was performing relatively well on well-defined projects where it had significant control, such as road safety. But it was challenged by issues that required thinking comprehensively across the transport landscape and where large and powerful interests were in play that would have to be engaged with productively.

That Review revealed a mixed picture regarding the effectiveness of the Ministry's external relationships. Whereas some endeavours, including the vehicle licensing project and the handling of the Rena disaster, brought praise, there was also critical feedback from significant stakeholders. Some thought the Ministry had not brought value to the relationships and some thought it too reactive and lacking what amounted to the necessary 'presence' in the sector. A survey at the time concluded the Ministry's external relationships should be more courageous, proactive and strategic.

Relationships with the transport Crown entities varied from 'very good' to 'needing urgent attention'. In particular, attention was needed to develop more productive relationships with Auckland Transport and NZTA.

### **Ministry response**

The Ministry accepted the need to engage more effectively with stakeholders. It appointed its senior managers to work with key stakeholders and worked with other government agencies on Clifford Bay and the Kiwirail issues. It already had a policy team in Auckland. It planned for an annual stakeholder engagement programme as input into its work programme, using sector reports, research and studies to expose, frame and discuss the policy issues. It also planned for greater attention to its Auckland stakeholders and deeper understanding of Auckland transport issues. Further, it accepted the need for a stronger basis for its relations with the Crown entities, including improvements to processes surrounding the development of transport rules.

### **The situation today**

In contrast to the previous PIF Review, the present Review revealed marked and widespread praise for improvements in external engagement among the stakeholders. Reputation overall is much improved. Some important stakeholders' views have shifted 180 degrees away from quite sharp previous criticisms. Credit is due for an 'innovation workshop' run by the Ministry with stakeholders, which is reported to have gone well and can be seen as doing more substantive thinking with the stakeholders and responding to the previous PIF Review advice. This improvement in the general tone and content of the relationships is a credit to the Ministry team.

However there is still some way to go with the major stakeholders: NZTA and Auckland Transport. These two relationships are crucial to the attainment of the Ministry's objective to double the benefits from transport initiatives. But these relationships will remain challenging. The Ministry is tasked with providing a check on proposals to garner and deploy public money, which these two organisations depend on. The test of the quality of the relationships is not about being liked or even appreciated but about respect for the contribution from the Ministry.

The principles of good constitutional governance and public management require that NZTA must be effectively challenged in its use of the sequestered tax revenues it spends and in the efficiency and effectiveness of its construction and maintenance programmes. Small improvements here can have big benefits to the public interest. NZTA accepts this but there will always be tensions in the relationships given their respective roles.

The Government Policy Statement (GPS) has been recently released and the Ministry can justifiably see it as an improvement on previous efforts, though there is scope to lift it to a higher level on the next occasion. It is a crucial document, which is required under the land transport legislation and is ultimately owned by the Minister of Transport, so its preparation requires careful management of the substance and policies it contains and the effective handling of relationships. NZTA is less than pleased with the GPS and the differences in perspective between the Ministry and NZTA are wider than expected.

The reviewer is not in a position to see the nuances in the relationship but notes, without presenting a judgement, some see the relationships between the working-level staff of both organisations as more collaborative than at the top management and governance level.

Overall, the Ministry's external engagements show marked improvement. With continuing effort and innovation in the substance and style of these key relationships, they can remain 'on strategy', notwithstanding some challenges that will require effort and imagination.

### **Looking ahead**

There are steps the Ministry that could take with some benefit.

The Ministry should work to ensure that all its stakeholders see substantial value in their engagements. The work done to improve the tone of the relationships has gone well and this can be sustained. Ultimately, the value in these relationships is the contribution of the business that gets done within those relationships to raise the economic and social contribution of the transport sector.

The Ministry should make opportunities to promote and seek advice from NZTA on its emerging policy development activities. It has been doing this with some success but there appears to be scope to do this more effectively. Periodic engagements on land transport strategy and policy with NZTA should be better planned and conducted by both parties, with adequate time for the homework, to ensure a rich exchange of views and information. It is important the preparatory work for these major engagements, created by the staff of both organisations, is also owned by the top management of both organisations. Brainstorming sessions have their place. But building the base of research, analysis and discussion, which is essential to support sound advice and judgement, demands a disciplined process for defining the issues, gathering the evidence, teasing out the options and making the decisions. As noted elsewhere there should be early agreement on what the next GPS can aspire to, which should drive the preparatory work and display the disciplined process. The statistics domain plan for transport will support the use of more metrics in the stocktake of land transport, which should be a foundation for the next GPS.

The Auckland relationship is equally important and challenging. A single major project in Auckland can cost the equivalent of the annual expenditure of NZTA. Whether the Ministry meets its strategic goal will depend largely on its impact on the timing, effectiveness and efficiency of Auckland's major transport investments. It appears the relationship is on a better footing than at the time of the previous Review but the scope of this Review does not include probing this again. The Ministry's Auckland staff appears to be in a more comfortable situation than previously and better connected and supported by the rest of the organisation. Where they seemed somewhat embattled at the time of the previous PIF Review, it is notable they now have amongst the highest engagement scores in the Ministry today. One independent, but well informed, observer thinks the Ministry's work and presence in Auckland is going well. The major issues are intensely political and working with the professional advisors in Auckland Transport will never be simple.

The Ministry needs to take a long view of the Auckland transport issues and get in front of the policy research and analysis. The political relationships between Auckland and the central Government will take years to mature and the Ministry needs to position itself for the long haul, striving to be a respected source of advice and analysis for both Auckland's and the national interest.

The Government has taken several initiatives to lift the quality of regulation, all of which have implications for the Ministry. The Ministry should work to stay abreast of developments across the State sector in regulatory design and operations along the lines of the recent New Zealand Productivity Commission's advice, subject to the Government's response to this advice. The Ministry can contribute to cross-government work needed in clarifying the roles of oversight ministries in relation

to their corresponding Crown entity regulators. The Ministry should be a leader in getting much needed improvements here. This will be significant in meeting its objectives through aligning the goals and operations of these regulators to the wider goal of more effective transport initiatives.

## **Improving the operating model**

### **Previous PIF Review**

The previous PIF Review noted that the ‘professional services’ operating model in the Ministry was an appropriate choice as it provides for flexibility and speed in allocating resources to projects across the management structure. It was noted that – like any matrix management model – expertise can be diluted as people move around and that conflicts escalate to the top corner of the matrix for resolution. Comment was also made that this model works in professional consulting firms where there are powerful market disciplines that make it work in a decentralised way and correct errors. Hence the leadership needs to substitute for those disciplines to make the model work in a public sector environment.

That Review recommended more could be done to ensure vigilance in the commissioning process, that the project costing system could be reinvigorated and the model evaluated and tuned up. Also recommended was that the Deputy CEO in charge of the matrix be given more authority to make it work.

### **Ministry response**

In response the Ministry recognised there was more work to be done on refining the professional services model and substituting for the commercial pressures that the model effectiveness relies on in the private sector. It undertook to set specific performance targets and expectations for specialist and sector teams, to ensure that teams invested appropriately in building knowledge and expertise in the transport system and in developing opportunities to lift the Ministry’s performance in the longer term.

### **The situation today**

This Review shows that the operating model continues to serve the Ministry effectively. The Deputy CEO’s role has been strengthened usefully and the model has been assisted by the more focused and integrated behaviours of the leadership team, as already commented on.

### **Looking ahead**

The areas where further attention to the operating model is needed are to keep aligning the discretionary workstreams more tightly to the overarching strategic objectives and strengthening the pseudo commercial incentives and disciplines, including attention to project costing. The commissioning process has received the attention it requires but there is further development that can be expected to embed an integrated approach to production, capability building, quality management and innovation, as already discussed. For example, the commissioning processes for workstreams could incorporate organisational development activities that are a good fit to the substantive work to be done. The whole model should be infused with the strategic intent, so it is reflected in all decisions about priorities, resource allocation, organisational development and research and development (R&D). The decisions made in the model should be subject to periodic review on whether improvements can be made in reflecting strategic alignment.

See below for further discussion on the R&D function. It is sufficient to note that the emerging results from the investments in strategy directors will need to be absorbed into the warp and weft of the routine functioning of the operating model.

## **Lifting policy capability**

Lifting policy capability should be the main focus in the remaining years of the Four-year Horizon. The other four of the five areas discussed in this Review and which the Ministry is focused on, are at, or likely to get to, the standards required to meet the goals that have been set. These four entail organisational competencies that are fairly well embedded and will meet the necessary standards, provided there is a determination in the leadership team to keep on improving and not rest on previous accomplishments.

Lifting policy capability is a challenge of a different character. Simply put, this requires policy thinking to infuse the whole organisation through its way of operating, its goals, products, investments, relationships and culture. This is necessary to fulfil its mission to become a top class policy ministry in its field. This is not easy and many ministries have fallen short of the excellence in policy capability their mandates imply – as the 2010 review of Expenditure on Policy Advice showed.

This Review interprets capability not only as the resources needed to make excellence in policy possible but also as the leadership and culture needed to make it happen. This is about deep and sustained thought, research and analysis about transport and the intertwining of transport modalities with the economy, society and environment. It is also about the Ministry being widely respected for its leadership of, and support for, nation-wide discussion of transport issues. And it is about maintaining an admirable reputation for sound policy analysis and advice amongst Ministers in successive government and amongst its professional peers.

### **Previous PIF Review**

In the previous PIF Review, the assessment of policy capability, policy leadership and performance was spread through various performance criteria in the standard PIF template. The assessment noted strong performance on some particular initiatives but also the need for greater effort to understand how to get better outcomes across the transport sector as a whole. With respect to capability, the types and levels of analytical capability needed to crack the big issues was scarce and some skills were entirely missing. The Review noted the importance of the Ministry becoming a ‘hub’ of multidisciplinary transport policy analysis and also said attention was needed to improve knowledge management.

### **Ministry response**

In response, the Ministry emphasised its commissioning of the National Freight Demand Study, the Port Case Study and the Intelligent Systems Strategy as exemplars to drive enhanced internal capability and deepen understanding of the transport system. It also undertook to engage at least two director-level thought leaders on major policy projects and to review and refocus its research and evaluation programmes. Future scenarios would be developed to test policy options.

### **The situation today**

These promised measures have been implemented. Three external strategy directors have been appointed with briefs for analysing possible transport futures, transport and the economy and future funding. In addition, one internal director has been appointed to develop analytical frameworks for use in transport policy analysis. These appointments are going well at the time of this Review. The directors are enthusiastic about their roles and bring high levels of skill and experience to their tasks. The management has associated an internal team with each of these directors to ensure that not only the work but the ways of doing it, are absorbed into the fabric of the Ministry. The directors say the staff are good students. These enhancements to capability can be expected to provide a strong impulse to the achievement of the Four-year Horizon.

There is an impressive list of other capability enhancements:

- 22 graduates have been appointed with a wide range of educational backgrounds and completed an eight-week induction course. A sample of these graduates speak highly of the process of recruitment and induction and compare it very favourably with other ministries where their friends were employed.
- The Ministry has sponsored and organised a training course in policy analysis and advice in partnership with the School of Government at Victoria University. The Ministry's staff are doing the course, along with policy staff from other ministries.
- Ministry staff are being seconded domestically and internationally for wider experience, some have participated in the Leadership Development Centre (LDC) leadership programme.
- There is attention to developing talent, eg, an assessment centre for the development of policy managers and general managers that all tier 3 people have completed; there are development programmes for staff; acting manager positions are used to provide opportunities for development.
- Turnover rates have halved, vacancies are down, Engagement Survey scores are up.
- More attention to clarifying performance expectations; many poorer performers have moved on.
- A Policy Leadership Group made up of general managers and chaired by the Deputy CEO is mandated to provide inspiration and challenge to the policy staff.

The reviewer's overall impression of the Ministry's efforts to lift policy capability is that a lot has been done since the previous PIF Review to lift performance to a higher level and to crack into some of the big issues for the future of the transport system. This does seem to reflect the Ministry's response to the advice to go harder and faster. It will help to build valuable linkages to international centres of high-end transport policy.

A great public policy team will reach a point where a kind of critical mass is reached and the whole becomes much greater than the sum of its parts. Ideas beget further ideas, new connections between things are spotted, people get a buzz out of going to work and lasting professional friendships are formed. Work output attracts praise abroad and top talent knocks on the door. The Ministry has not reached this point yet but with continuing drive and energy it can expect to within its Four-year Horizon. It is encouraging to see staff taking their lunch breaks to attend debates on policy issues and to observe the common 'good humour' that exists.

### **Looking ahead**

But to complete the transformation from a ministry that does policy to a policy ministry, continuing drive and relentless attention to doing better will be needed for a while yet. One element of this will be the direct engagement of top leadership in the production and promulgation of policy advice. One practical suggestion is for the Policy Leadership Group to be evaluated for its effectiveness and potential for further improvement. While it has a role in quality control, responding to, and editing inadequate advice, it also should take a proactive leadership role in encouraging lines of thought and analysis, opening up issues and adding new insights.

The strategy directors should be engaged with this somehow. It seems that a more secure and accountable centre of focus is needed for the R&D work that will ground future policy advice. Care is needed to avoid creating an isolated think tank and to ensure instead that the role is about Ministry-wide facilitation of policy development. One example of a possible model to enquire into is the Economics and Research team in the New Zealand Productivity Commission, which works across

the Government mandates set for the Commission and run by other teams but also promotes government-wide research and discussion of productivity issues through the 'hub' it sponsors.

Centring the policy capability in this way can help to ward off a loss of focus, as advisors chase after individual points of interest and managers fill the in-baskets of staff with interesting questions to investigate. The Ministry needs a policy development strategy as well as an organisational development strategy.

The Ministry's GMs and the CEO should also take the lead in policy projects that are appropriate to their skills and responsibilities.

The major policy projects and ongoing workstreams should be planned well ahead as a way to help focus the policy capability on specific performance requirements. In particular, as suggested already, the next GPS should be chosen as a major product that will demonstrate the step-change in capability that is sought in the next two years or so. A research programme, stakeholder engagements, policy debate and advice should be planned when the first draft is made from the work of the strategy directors.

Down the track, the Ministry can aspire to be a high-performing team of seasoned professionals each taking responsibility to stay on top of their fields.

## **Improving quality and consistency of policy advice**

### **Previous PIF Review**

The previous PIF Review made the assessment that the Ministry was producing advice that was, in the view of many of those interviewed, of variable quality. Some was seen as very good and tended to be on projects where the Ministry 'had the pen'. But the view there was also work not of a high standard was widespread. There were many proximate and deeper explanations for the weaker items in the portfolio. These variously reflected holes in capability, overstretched managers, lack of adequate quality control, priority given to specific projects while others slipped under the fence, inadequate investment in deeper bodies of knowledge that could guide priorities and result in a less reactive style of working. The review and evaluation functions were assessed as being 'weak'. With all these contributing factors there was no quick fix.

### **Ministry response**

The Ministry's response encompassed:

- reconfiguring sector teams to reflect future needs
- more rigorous selection processes to get staff with the right skills for the future,
- putting new graduates through the 'Applied Policy Adviser Development' programme, developed with the School of Government at Victoria University
- seminars with industry experts to extend staff knowledge
- leadership development activities
- enhancing the internal quality assurance processes based on the New Zealand Institute of Economic Research (NZIER) assessment criteria and the Regulatory Impact Statement (RIS) Quality Assurance panel
- enhancing the availability of analytical tools and frameworks



- supporting the development of policy managers and principal advisors
- reviewing the practice of the Ministry's responsibilities in relation to Crown Entities
- improving the process for commissioning projects within the operating model.

### **The situation today**

The assessment of this Review is that the quality of work is more even than it was and has risen on the whole. With one exception, the stakeholders interviewed made no negative comments about the quality of work and there were many positive statements noting the improvement.

The main impacts on quality appear to have come from upgrading the capability of the professional and managerial staff and a tighter top leadership team willing to push back on suspect work. The Policy Leadership Group can be firm in stopping inadequate work from being released. The further embedding of the quality assurance function is also having an impact on quality, as does the attention to stronger processes of commissioning work in the operating model.

Changes in structure and new appointments in some places have engendered an uplift in the analytical sophistication of data gathering, analysis and policy discussion.

The NZIER rankings for 2014 are not available yet but the latest Ministry ranking suggests it has made measurable improvement in quality of policy advice and is near the top of the second rank of ministries.

### **Looking ahead**

The dividend from the strategy directors is emerging. Elegant papers on transport economics, transport and social change, funding scenarios and forecasts, transport and the economy are coming through. But these have generally yet to show through in the content and quality of policy work. If the Ministry responds effectively to this in ways noted above, it can be expected that recent investments will be evident in a lift in product quality, an expanded and valuable network of professional connections and more productive stakeholder engagements.

The Ministry has done a lot of important preparation and groundwork for lifting the quality and value of its work and this is showing through. It can expect that with determined and continuing effort it will make a breakthrough to the higher level of performance it seeks. Without that effort it will stop short of its goals for the quality and effectiveness of its policy work. So it should be alert to 'change fatigue' and initiatives that 'fizzle out'.

### **Other points in the previous PIF Review**

This Follow-up Review is not a comprehensive review, rather it is focused on the progress of the changes decided after the previous PIF Review. The general picture is that activities to improve operational management and organisational development have become routine and manageable, provided attention to them does not wane. The dimension of the Ministry where step-change is essential – and in prospect – to keep 'on strategy' is its policy work, which is evolving to be deeper, more grounded in research and analysis, more skilful, more coherent and comprehensive.

### **Attend to weaker areas in previous PIF Review**

But it needs to be recognised that all this rests on assumed competence and a lack of 'fuss' about continuous improvements in management and leadership skills, investments in capability, upgrading of staff and progressive organisational development. To this end it would be advisable for the

Ministry to go back through the assessment points in the previous PIF Review where the traffic lights were not green, judge what the colours would be today and make any plans necessary to attend to any persisting weaknesses. This would, for example, help attend to the 'weak' rating previously for the 'review' criterion.

Staying on the strategy for the Four-year Excellence Horizon would favourably affect many of the orange lights in the previous PIF Review, however, a few stand out as deserving particular attention: risk, information management, financial management and regulation. Comments on these are included below, even though they do not fit closely to the main headings of this Review.

### **Risk management**

The 'risk' criterion produced an unsatisfactory result in the previous PIF Review. A future assessment would probably examine a wide range of risks inherent in the transport system and government transport policies. As the policy frameworks evolve and as knowledge deepens, it can be expected that the Ministry has a good overview of these and has thought through their potential impacts.

### **Information as an asset**

Information management is a criterion for which practices and standards are rising, in part because of the Government's information and communications technology (ICT) strategy, which emphasises 'information as an asset'. Future reviewers will be asking how the Ministry has responded to this general concept.

### **Financial management**

The Ministry is making plans and progressing its financial management competence but standards in this area will keep rising. The focus will be on oversight of the huge flow of public money through the Government's transport interventions. This will encompass forecasting, funding scenarios, fiscal risks and so on. This Review noted that work is being done to improve forecasting and financial modelling and would advise that work on these matters is also viewed in relation to the effectiveness of the Ministry in financial management. For example, the need for policy advice on whether NZTA should be going into debt and under what parameters.

### **More effective regulation**

This Review has noted at several points the different facets of the relationship between the Ministry and the constituent regulatory and executing agencies in the transport sector. A final point of emphasis is that in time the Ministry will be judged on its effectiveness in creating extra value from these relationships. Expectations are going to rise as various ministries respond to current criticisms of the regulatory system and new practices develop. For example, what might the contemporary concept of 'Really Responsive Regulation'<sup>1</sup> mean in the context of transport regulation and what might the implications be for the Ministry?

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1 Black and Baldwin, (2010). *Really Responsive Risk-based Regulation*. Law and Policy 32(2), 181-213.

## SUMMING UP

This Review was intended to answer the question of whether the concepts, plans and activities that constitute the Ministry's current response to its main challenge are sufficient for success in meeting the specific goal it has set for itself.

The assessment leads the reviewer to the judgement that there seems to be attention to everything that matters for success: purposefulness, alignment to strategy through systems, culture, leadership, capability and external relationships. The priorities seem right.

There needs to be continuing attention to detail and discipline in encouraging the growth of the new capabilities and embedding the new behaviours needed.

This Review endorses a view heard in the Ministry that it has had a 'good first half' in pursuing its Excellence Horizon, not just because of what has been achieved but because of the risk this description identifies. The change will take some years to complete fully and organisations can become fatigued by change or get complacent quite easily. Steady and persistent attention to the change processes will be needed.

Change, however, is commonly not a linear process. Breakthroughs to new levels of performance can happen surprisingly quickly as reformed systems and new capabilities merge and interact to make the whole more than the sum of its parts.

The Ministry is on track to become a 'brainy' ministry – not just a ministry with a brain. Subtlety in leadership will be called for in ensuring that while the work throughout the Ministry becomes more strongly based in strategic and operational policy analysis, the operational functions are kept tight and tidy.

## **APPENDIX: ORGANISATIONS CONSULTED**

Automobile Association

Civil Aviation Authority

Department of the Prime Minister and Cabinet

Local Government New Zealand

Maritime New Zealand

Ministry of Transport Performance and Risk Board

National Road Safety Committee

New Zealand Transport Agency

Road Transport Forum

State Services Commission

Transport Sector Leadership Group