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Delivery 2.0: The new challenge for governments

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Delivery 2.0: The new challenge for governments

Most governments face rising public expectations just as they find their budgets under unprecedented pressure. If "Delivery 1.0" entails simply delivering the outcomes people want and need, "Delivery 2.0" means visibly delivering even better outcomes faster and with less money.

Even in the best of times, delivery is hard for governments: objectives are not always clear; they change in response to events or leadership transitions, and those of different departments sometimes diverge. Governments at national, state, and local levels—even interdependent departments—often work in silos. It is difficult to mobilize a large civil service with an entrenched culture focused more on policy making than on delivering outcomes. And governments face a highly complex stakeholder-management challenge in a constantly evolving political environment.

In recent years, delivery has become even more challenging. The instant transparency into government performance made possible by the proliferation of online media, coupled with the innovation and improved value for money people see in other parts of their lives (such as online banking or low-cost air travel), raises expectations for public services.

That said, governments worldwide have been able to meet the delivery challenge in many contexts—even in times of crisis. Some have achieved extraordinary results within a year or less.

One Asian country reduced the overall crime rate by 15 percent and street crime by 35 percent in the first year of a transformation program. In the same year, it also connected 35,000 rural households to a clean water supply, compared with 6,000 households in previous years.[1] A South American government reduced hospital waiting lists by over 80 percent and increased by more than 50 percent the number of top graduates choosing teaching as a profession. An emerging-market government, within two months, introduced a social-security scheme to hundreds of thousands of workers who previously had been ineligible. A South Asian country increased the number of tourists by more than 70 percent in 12 months.

These results come from a diverse group of countries. In each case, the progress made was due to a well-designed and executed delivery program that applied most, if not all, of the following seven best practices.

1. Define the priority outcomes to be delivered

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

The first step, then, is to choose three to six priority outcomes—any more will be too many—that respond to what people most want and need government to deliver, and then stick with them for two or three years despite inevitable pressure to modify or expand their scope. We understand how difficult this is; any government leader can probably come up with dozens of priorities. But they can't all be equally important. Hard choices must be made.

How should they be made? Some governments poll the populace, follow hot topics in the media, interview business leaders, and benchmark country performance against peers. These governments typically involve political and civil-service leaders in selecting priorities. The cabinet and top civil servants of one Asian government reviewed a detailed fact base and debated priority areas before identifying six national priorities (corruption, crime, education, poverty, rural infrastructure, and transport) to anchor its transformation program.

Other leaders rely more on their political instincts. One prime minister chose 4 priorities (crime, education, health, and transport) and 15 to 20 "subpriorities" from among 140 targets his government had agreed on, on the basis of his instinct about what the public wanted and what was most important.

There is merit to both processes. A fact base speaks for itself, but government leaders also have a reliable sense of what must be done, even if it is inflected by what is necessary to get oneself elected. And in times of crisis, decisions must be made quickly, leaving little time for analytically driven prioritization.

Choosing a small number of priorities also goes a long way toward securing the support of senior civil servants, who often complain—with some justification—about a never-ending list of priorities. This support helps ensure a sustained focus on delivery.

1 Eoin Daly and Seelan Singham, "Jump-starting Malaysia's growth: An interview with Idris Jala," mckinseyquarterly.com, October 2011.

The second step—establish the right metric for each priority and ensure it does not yield unintended, negative consequences—is as important as the first. Metrics must measure outcomes, not inputs. Don't target an increase in technology spending or an increase in the total number of police officers or teachers. Rather, target a certain level of reduction in crime or improvement in education.

Where possible, performance should be measured against international benchmarks—in part to ensure the robustness and integrity of targets and in part to help deal with a skeptical public. One Asian government measures its performance in reducing corruption against Transparency International's Corruption Perceptions Index. It's also important to measure *perception* of outcomes. In the United Kingdom, in addition to tracking crime, the government measures fear of crime—which certainly affects quality of life—through an annual independent survey of 50,000 people. Several countries have followed this example.

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

2. Unleash the power of 'delivery labs'

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

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

Labs enable collaboration between the private and public sectors. In one country, 350 people from the private sector worked with 150 public-sector employees to develop an economic-transformation program. The labs ensured that the private sector co-led the program, providing over 90 percent of the required investment.

We are often asked whether the lab has to be full time: can't people just meet to review progress twice a week? Although one wants to avoid unnecessary disruption to people's day jobs, to create the magic of the lab, people must work together full-time. Only then are they able to focus entirely on the problem, reach shared conclusions, and, crucially, work out how to make delivery happen. Labs also create a rare link between planning and implementation: lab participants are typically given responsibility for implementation. They feel absolute ownership of the plan because they have painstakingly developed it, vigorously debated it, and deeply understood it.

3. Deliver more for less

Governments in almost all developed—and some developing—countries face a dramatic fiscal challenge. They must deliver more for less. The good news is there are a number of proven approaches to do so.[1]

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

Our experience shows, however, that funding is more flexible than first impressions suggest. Sometimes it is allocated to broadly defined initiatives rather than specific projects; sometimes existing programs can be modified. One police force wanted to install a network of security cameras in specific locations. The government had already agreed to fund 500 security cameras, but in locations other than those the police identified as crime hot spots. The plan was modified accordingly; the network was rolled out without additional funding.

1 For detailed examples of how governments deliver more for less, see "Better for less: Improving public-sector performance on a tight budget," McKinsey & Company, July 2011.

Another solution is to agree on criteria for continuation funding, so that governments can avoid continuing to allocate funds to ineffective projects simply out of inertia. In one developing country, funding was redirected to an economic-development program based on the additional gross national income the program generated from each dollar of public funding—an objective measure hard to argue against.

Governments can also deliver more for less on capital programs by applying "value management" tools—breaking down a program into its components, testing the value of each component to the end user, and designing the specifications to deliver optimal value for money. To take a simple example, the cost of elevators for a new underground train system was reduced by more than 50 percent by replacing the original glass design with a more conventional specification, after a survey of customers showed them to be indifferent to the elevator design.

Finally, governments can raise additional funds through levers such as improved procurement, more effective tax collection, and reductions in subsidies—then redirect these funds toward the delivery of priority outcomes.

4. Intensify the internal and external pressure to perform

Performance improves when it is explicitly managed. Some governments manage performance by deciding on a set of metrics and "cascading" them across the whole of government—typically a long process that yields results slowly. Governments should instead focus on managing the performance of people involved in the priority areas: top leadership, middle managers accountable for priority outcomes, and the front line (for example, teachers or police).

Internal performance management should begin with assigning accountability for outcomes to individuals, whether political or civil-service leaders. One government made a lead minister accountable for each of the six priorities in its transformation program, even though many of the priorities were cross-ministerial challenges. Another government put one senior civil servant in charge of each of almost 20 targets across four ministries.

Once accountability is established, performance dialogues—intensive, regular conversations between the leader of the government and the leader accountable for each outcome—are essential. One prime minister reviews the performance of each of six priorities every Monday morning. Every six months, he holds a 30-minute performance dialogue with each minister and follows up with a one- to two-page feedback memo, on the basis of which each minister's overall performance is rated.

Performance dialogues must be informed by performance-management data, clearly presented on a weekly dashboard—ideally online—for leaders to review and manage in real time. The data should be standardized so that dialogues can focus on action rather than on the data's validity or reliability.

Internal performance management must be reinforced by differentiated performance evaluations and appropriate rewards and consequences. There are, of course, constraints in what governments can do: large financial incentives are typically not an option, and dismissing underperformers isn't always possible. However, governments can publicly acknowledge great performance, promote high performers faster, and move underperformers to lower-profile roles—all of which help create a performance culture.

Not surprisingly, external pressure is often more powerful than internal performance management. Governments should publicize targets, their performance against the targets, and the relative performance of different parts of the system (for example, through rankings of schools or hospitals). An appropriately courageous government will encourage the opposition, the public, and the media to hold it to account.

The UK government was among the first to publish targets in the form of Public Service Agreements. A South American president committed publicly to a set of targets, regularly speaks about the performance of his government and ministers, and makes all the relevant information available online. An Asian government details the progress of its transformation program in an annual report, and goes even further in some areas—for example, it published a league table of the performance of the country's 10,000 schools.

Inevitably, some stakeholders will be skeptical of government-reported results. Governments can partly offset such skepticism by reporting progress against international standards and having credible third parties validate the results—rather as the United States' Congressional Budget Office publishes the cost of programs put forward by each of the two political parties. One national government commissioned a large accounting firm to audit the results of its transformation program. Skepticism can also be moderated by admitting shortcomings and failures—an act that can be difficult politically, but that builds credibility.

5. Establish small, high-powered delivery units

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

A clear, unwavering mandate from the top echelon of government. This mandate should specify the unit's role and remit, and ensure that the unit maintains its focus on the government's top priorities. It's especially important that ministers and senior civil servants understand the mandate. One government expanded a delivery unit's remit in response to its success but had to pull back when the unit quickly became visibly overstretched.

A successful leader with top-level access. Effective delivery units are generally run by people who have a track record of delivering big results fast. They know how to use influence to make things happen in the public sector, as they do not have line authority and cannot afford to overuse the power of their boss (usually the head of government). At the same time, they must have—and be widely recognized as having—direct access to the head of government when they need it.

A few good men and women. Some delivery units are recruited entirely from the civil service, some entirely from the private sector. But many are mixed. What the good ones have in common is that the people are driven, effective problem solvers able to collaborate with the civil service. The unit should be small so as to stay focused. Large delivery units can generate backlash from the civil service if they drift into doing the work of civil servants (and getting the credit for it).

A delivery chain to connect policy makers to end users. There is a great distance between, for example, the minister of education and what happens in any given classroom. A delivery chain must bridge the gap, with each link in the chain having a well-defined role in delivering a particular service.

Delivery units need not be at the center of government. Several government departments in Europe and Asia have established their own delivery units. One African country does not have a central delivery unit but instead has established a delivery unit for each of its priority programs.

6. Ensure visible sponsorship from top leaders

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

Top-level sponsorship signals the importance of the program to the rest of government. It role models what is expected of ministers and civil-service leaders; ministers, in turn, should drive delivery within their respective ministries. And this sponsorship should be sustained so that when the initial excitement of the program launch has passed, leaders remain engaged in the relentless work of delivery. One minister chaired a two-hour performance review of priority areas, involving all senior officials involved in delivery, every two weeks—which had a huge impact on the success of the transformation program.

Leadership is so important that the selection of the priority outcomes should in part be determined by where there is the best leadership.

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

The best intentions—and the best program—can be brought down by lack of transparency. From the outset, a government must make its priorities clear to stakeholders. It should begin with, and persist in, reinforcing a single narrative with a compelling overall aspiration, the case for change, the priorities within that case, and the projected benefits for each stakeholder segment. One middle-income country explicitly communicated its transformation program's overarching goal: to become a high-income nation by 2020.

But communicating is only the beginning. Stakeholders must be engaged all the way through to delivery of the promised outcomes. In a public-sector program, "key stakeholders" is often an all-encompassing term—it includes the civil-service leaders who manage the service, the government employees who deliver it, the people who use it, and, where the service is not universally used, the taxpayers who fund it.

Soliciting early input from stakeholders can help them get—and feel—involved. One Southeast Asian country invited the media, the opposition, and the general public to a series of "open days" at which the proposed targets and plans were shared and feedback was sought. More than 20,000 people attended these open days. When one government was wrestling with the question of subsidy reductions, it solicited the public's opinions through text messages.

It's important to acknowledge stakeholders—for instance, by recognizing officials who have been instrumental to delivery or by hosting events among groups (such as police or teachers) to thank them for their contributions. Involving the public in delivery can also be effective. Initiatives such as volunteer policing and SMS messaging of suspicious incidents, for example, engage the public in the fight against crime.

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The Delivery 2.0 approach can deliver big outcomes within one to three years. But to broaden and sustain the impact, governments will need to undertake a more fundamental transformation of the civil service. The specifics of such a transformation will vary depending on factors such as the government's priorities, its organizational structure, and the political context—but in our experience it typically involves structural changes across the civil service. It also requires an enhancement in leadership, talent, and capabilities—for example, through lateral injection and rotation of talent into the civil service from the private and social sectors, the development of world-class capability-building centers, and robust performance management.

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

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

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