

## Meeting the environmental challenges of the 21<sup>st</sup> century (C): epilogue

By 2011, Paul Reynolds was seeing the achievement of most of the targets the State Services Commission set for him when he started at the Ministry for the Environment (MfE), and the initial goals he had set for himself. In many ways MfE was a different agency, rebuilt from within, with newly recruited staff, new senior leadership, and a new focus on policy capability.

Since 2008, there had been a dramatic escalation in the pace and scope of MfE activities (*Exhibit I*), and a positive change in its public profile. Unprompted, key external stakeholders were remarking about the dramatic improvement in the quality of work out of the Ministry, achieved along with a significant increase in the quantity of work. Dr Nick Smith, Minister for the Environment and Minister for Climate Change, publicly praised the achievements of Paul Reynolds and his officials at MfE for their success with complex reforms such as bringing new sectors into the Emissions Trading Scheme.<sup>1</sup>

An April 2011 survey of the Chief Executives Environmental Forum, which brought together representatives of local government and the natural resources sector of central government, provided very positive endorsement of MfE-led initiatives. MfE's 2010/2011 output of 106 Cabinet papers, with input provided to a similar number led by other departments, compared more than favourably with many larger agencies. Now in a stable financial situation, with spending directed to developing its own resources rather than funding consultants, the Ministry could comfortably manage with a reduced baseline budget.

The Environmental Leadership Team had taken with relish to their new strategic thinking role. For the Tier 3 directors' group, the mental switch proved much more challenging as they were asked to take responsibility for budgeting and business planning. At times, Paul Reynolds had to confront disaffected managers who were actively working against the new structure. This sent some powerful messages. Senior HR Adviser Jane Paterson, familiar with several public sector restructurings, noted the CE's commitment to maintain the momentum of change, and to

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This case was written by Janet Tyson, Australia and New Zealand School of Government for Professor John Alford and Professor Claudia Scott, as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. The case has been developed with the support of the Ministry for the Environment. However responsibility for the final content lies with the author.

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<sup>1</sup> [http://www.edskonference.com/content/docs/2011\\_papers/Smith,%20Nick%20\(Speech\).pdf](http://www.edskonference.com/content/docs/2011_papers/Smith,%20Nick%20(Speech).pdf), accessed 17 July 2011.

consistently model and encourage desirable behaviours and set clear boundaries about what was acceptable. “This is a long term process. It’s hard, and we need to build people, not just systems and processes.”

### **“Line of sight”**

The “People Strategy”, introduced in 2011, took the drivers for cultural change and the development of new capabilities a step further. Both remuneration and performance evaluation had been changed to actively encourage individual development.

New salary bands were established from the beginning of 2011. Performance appraisals were done as “rolling conversations” about development options. One powerful tool introduced with the new performance and development plan template asked staff members to “write their own story” telling how they personally would achieve the strategic direction, and noting future career opportunities they would look out for.

Significant effort had been put into the “line of sight” philosophy, which established that each staff member should have a clear understanding of how their work fitted in and contributed to the overall mission of the organisation, through their reporting line, down to individual performance plans. As the Deputy Secretary, Programmes, Sue Powell said: “We have this common language, so we have got common expectations that run through everyone’s development, from the Chief Executive (in relation to the State Services Commissioner) to the receptionist.”

The COBRA policy approach was now in its second edition, while “Building capable managers”, originally a bespoke programme designed for MfE, had also been revised and was being used across the whole natural resources sector. As Paul Reynolds noted, in a letter introducing each individual performance and development plan: “We are on our way to becoming a high performing agency, however it is now time to take this to new level. Specifically, this means being BAD (better and different).”

MfE was being seen as a good place to work, with regular opportunities to engage with senior managers, many of them informal such as weekly morning teas which the CE attended on a different floor each week. In an increasingly competitive policy analyst environment, unplanned staff turnover at 16 per cent, though higher than the overall public sector average, was in line with the movement of policy staff across government.

On his arrival in 2008, Paul Reynolds had committed the Ministry to take part in the annual Gallup staff engagement survey, though he knew that it was likely to reflect the upheavals of the management and policy restructuring. The lowest point came in 2009, with the survey showing only 21 percent of staff feeling “engaged” and the same number “actively disengaged”.

But the 2010 survey, taken in August as the new strategic direction and policy function was being introduced, showed the tide clearly turning towards engagement. The upward trend continued in 2011, putting MfE in the top 6 agencies of the New Zealand state sector, and closing on a “very good” ranking by international standards (*Exhibit 2*). Similarly, the organisational scorecard (*Exhibit 3*) showed a definite upward trend.

## Exhibit 1: Ministry for the Environment activities 2008-2011




Date	Government initiatives & related Ministry activities	External events relevant to the story
2008	<ul style="list-style-type: none"> <li>• Forestry sector enters ETS (1 Jan)</li> <li>• Updated 5-yearly State of Environment report issued (31 Jan)</li> <li>• Waste Minimisation Act 2008 passed.</li> <li>• Climate Change Response Amendment Act (Emissions Trading Scheme) (September)</li> <li>• National Policy Statement under RMA (Electricity Transmission) gazetted</li> <li>• National environmental standards for telecommunications and sources of human drinking water come in force</li> <li>• Board of Inquiry calls for submissions on National Policy Statement on Freshwater (September)</li> </ul>	<ul style="list-style-type: none"> <li>• National Government elected (November): Nick Smith Minister for Environment and Climate Change Issues</li> <li>• Natural Resources Sector Network established</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Resource Management (Simplifying and Streamlining) Amendment Act 2009 introduces Environmental Protection Authority and other changes</li> <li>• Sustainability priorities discontinued or scaled back</li> <li>• Government announces Land and Water Forum New Start for Fresh Water. (June).</li> <li>• Waste minimisation levy introduced with very short lead time (July)</li> <li>• Phase 1 of LUCAS land use and carbon analysis system database introduced. (September)</li> <li>• Govt announces conditional target of greenhouse gas reductions by 10 and 20 percent of 1990 levels by 2020.</li> <li>• ETS to be modified to reduce costs to households and impacts on jobs. Full application by 2015 (August)</li> <li>• Amendments to Climate Change Response Act passed (Dec)</li> <li>• Environmental Protection Authority established as statutory office within MfE (Oct)</li> <li>• Investigation into poor RMA performance by some councils commissioned</li> </ul>	
2010	<ul style="list-style-type: none"> <li>• Liquid fossil fuels, stationary energy and industrial process enter ETS (1 January)</li> <li>• ETS full obligations for transport, energy, industrial processes(1 July)</li> <li>• Special Legislation passed removing ECan Regional Council (April)</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioners take over water management in Canterbury (May)</li> <li>• Govt announces review of expenditure on policy (August)</li> <li>• Scott review of expenditure on policy advice reports to Government (December)</li> <li>• Land and Water Forum report to Cabinet (October)</li> </ul>
2011	<ul style="list-style-type: none"> <li>• National Policy Statement: Fresh Start for Fresh Water announced (May)</li> <li>• National Policy Statement on renewable energy (May)</li> <li>• EEZ and ECS environmental effects legislation announced (June)</li> <li>• ERMA disestablished, new EPA formed from merger of EPA statutory office and ERMA commences (1 July)</li> </ul>	<ul style="list-style-type: none"> <li>• Government response to review of expenditure on policy advice announced(April)</li> </ul>

Q12 Questions	Our GrandMean 2011	Our GrandMean 2010
Opportunities to learn and grow	4.22	3.93
Progress in last six months	4.39	4.18
Best friend	3.54	3.21
Coworkers committed to quality	4.28	4.18
Mission/Purpose of organisation	3.94	3.85
My opinions count	3.96	3.77
Encourages development	4.00	3.76
Supervisor/Someone at work cares	4.20	4.03
Recognition last seven days	3.88	3.65
Do what I do best every day	3.53	3.43
Materials and equipment	3.85	3.76
I know what is expected of me at work	4.01	3.88



**Ministry for the Environment - Organisational Strategy Scorecard for ELT: “How well are we executing our strategy?”**

*Our Strategy:* Generate opportunities for New Zealanders to prosper by delivering robust environmental policy that has widespread support from stakeholders and the confidence of the Government

Strategic direction	Key performance indicators (KPIs)	Supporting strategy link to KPIs	Measures	Targets	Balanced scorecard strategy map	
	1. We make optimal impact on our outcome priority areas		1.1 SOI impact measures	1.1 SOI impact targets met or exceeded	Creating Public Value 	
	2. We're trusted to deliver high quality output, right quantity, @ right price		2.1 Minister's feedback on our responsiveness and the quality of our work 2.2 Performance Improvement Framework (PIF) formal review 2.3 Audit NZ annual management report	2.1 Upward trend 2.2 Strong PIF rating 2.3 Trending toward overall rating of excellent (4.5 out of 5)		Customer / Ministers 
	3. We are innovative and forward looking		3.1 Perception of the Ministry's strategic stakeholders for “do you understand our strategic work programme?”	3.1 Upward trend		Stakeholders 
	4. We have effective relationships with influential sector leaders		4.1 Perception of the Ministry's strategic stakeholders for “are you surprised by us?” 4.2 Perception of the Ministry's strategic stakeholders for “do you understand the evidence we use, and why?” 4.3 Perception of the Ministry's strategic stakeholders for “do we understand your strategic priorities?”	4.1 Upward trend 4.2 Upward trend 4.3 Upward trend	Process 	
	5. We reflect Māori perspectives in our thinking		5.1 Proportion of Cabinet papers that adequately reflect Māori perspectives	5.2 Upward trend toward 100%		Learning & Growth/ Our People 
	6. We lead collaboration across Natural Resources Sector agencies		6.1 Ministers' feedback on whether advice on Natural Resources Sector priority issues is joined-up	6.1 Ministers increasingly satisfied	Learning & Growth/ Our People 	
	7. Our business processes ensure high quality products are planned and delivered, efficiently		7.1 Quality of policy advice assessments 7.2 ELT Strategic Risk Profile status of risk #7 “Key projects might not be effectively monitored and receive negative publicity” 7.3 Year end variance from Ministry's overall annual funding package 7.4 BASS public sector benchmarking comparison, for selected cost & performance indicators 7.5 Policy advice public sector benchmarking comparison, for cost and quality	7.1 >70% policy papers sampled meet or exceed quality standard 7.2 Risk status = green 7.3 Variance within 3% 7.4 Trending to, or below, the mean 7.5 Trending below mean for cost, and above mean for quality		Learning & Growth/ Our People 
	8. Our people are engaged and understand how they contribute to our mission		8.1 Gallup grand mean 8.2 Sick leave trends	8.1 Trending toward, or above, 75 <sup>th</sup> percentile, NZ state sector 8.2 Static or trending down	Learning & Growth/ Our People 	
	9. We are acquiring, developing and maintaining the skills and culture we need		9.1 Proportion of internal vs external appointees to director, manager and principal analyst vacancies 9.2 Proportion of on-site contractors to total staff FTEs	9.1 Trending above 50% 9.2 Downward trend		

## What the measures tell us, and who is responsible for measurement

KPI measure	What the measures illustrate over time (suggested discussion points for ELT)	Responsibility for measurement	Measurement process
1.1 SOI impact measures	Are we making a greater impact on our outcome priority areas each year?	Director, Business and Finance	External reporting in our Annual Report, annually
2.1 Minister's feedback on our responsiveness and the quality of our work - <i>proposed questions to include with quarterly report (rating on 1-5 scale)</i> : - How satisfied are you with our responsiveness to your priorities over the past quarter? - How satisfied are you with the quality of our work over the past quarter?	Are we increasingly better at meeting our customer needs?	Director, Business and Finance	As part of quarterly output report to the Minister
2.2 Performance Improvement Framework (PIF) formal review	How are we tracking against the public sector benchmark for effectiveness and efficiency in: - achieving results, and - organisational management (leadership, direction, external relations, people development, financial & resource management)	Director, Business and Finance	PIF review conducted by SSC, three yearly intervals
2.3 Audit NZ annual management report	How are we tracking against Audit NZ's opinion of the quality of: - our financial and management control systems, - our planning and reporting, and - how we manage public money and accountability obligations	Director, Business and Finance	Audit NZ's annual audit report
3.1 Perception of the Ministry's strategic stakeholders for "do you understand our strategic work programme?" (average rating on 1-5 scale)	Are we increasingly at the forefront of the thinking and the debate on the medium/longer term environment and economy policy issues?	Director, Communications	Stakeholder perception audit, annually
4.1 Perception of the Ministry's strategic stakeholders for "are you surprised by us?" (average rating on 1-5 scale)	Are we getting better at communicating our thinking with our strategic stakeholders?	Director, Communications	Stakeholder perception audit, annually
4.2 Perception of the Ministry's strategic stakeholders for "do you understand the evidence we use, and why?" (average rating on 1-5 scale)	Are our strategic stakeholders increasingly confident we're using the information needed to validate and produce excellent policy advice?	Director, Communications	Stakeholder perception audit, annually
4.3 Perception of the Ministry's strategic stakeholders for "do we understand your strategic priorities?" (average rating on 1-5 scale)	Are we getting better at understanding what our strategic stakeholders say is important to them in the medium/longer term?	Director, Communications	Stakeholder perception audit, annually
5.1 Proportion of Cabinet papers that adequately reflect Māori perspectives	Are we getting better at understanding and reflecting Māori perspectives in our policy advice to Ministers?	Tumuaki, Kaahui Taiao	Kaahui Taiao's analysis of papers from quality assessments of policy advice, every four months
6.1 Ministers' feedback on whether advice on Natural Resources Sector (NRS) priority issues is joined-up - <i>proposed question to include with quarterly report (rating on 1-5 scale)</i> : - How satisfied are you that advice from NRS agencies on priority issues is joined-up? - Assessments of samples of our policy papers to Ministers, against our quality assessment criteria for policy advice	Are we getting better at collaborating with NRS agencies on the policy issues that matter most? Is our Natural Resource Sector leadership role effective at driving change in the way agencies work together across the sector?	Director, Business and Finance	As part of quarterly output report to the Minister
7.1 Assessments of samples of our policy papers to Ministers, against our quality assessment criteria for policy advice	Are we steadily improving the quality of our policy analysis and advice to Ministers?	Director, Climate and Risk Policy	Quality of policy advice assessment panel, every four months
7.2 ELT Strategic Risk Profile status of risk #7 "Key projects might not be effectively monitored and receive negative publicity"- drawn from PMO monthly dashboard report to ELT	Are we getting better at managing and delivering our most critical pieces of work?	Internal Auditor, Executive Management	ELT strategic risk profile report, every six months
7.3 Year end variance from Ministry's overall annual funding package	Are we getting better at planning and managing our finances?	Director, Business and Finance	From year-end budget outcome
7.4 BASS public sector benchmarking comparison, for selected cost & performance indicators: - Percentage of new hires still in the role after 12 months - ICT management practice indicators - Office property costs per square metre - Corporate and Executive Services function (Comms and Legal services primarily) cost per FTE	Are we driving down our administrative costs whilst maintaining and/or improving service levels and capability? How are we tracking against public sector benchmark for administrative efficiency?	Director, Business and Finance	Benchmarking conducted and reported by the Treasury, annually
7.5 Policy advice public sector benchmarking comparison, for cost and quality – to be developed by the Treasury as follow up to the Review of Expenditure on Policy Advice.	How are we tracking against public sector policy advice benchmarks for quality and efficiency?	Directors Business and Finance/ Climate and Risk Policy	Benchmark conducted and reported by the Treasury, annually
8.1 Gallup grand mean ("lag" measure of engagement)	Do our people increasingly understand the direction the organisation is heading in and the part they play in that? Are they increasingly engaged in their work? How are we tracking against the public sector benchmark?	Director, Human Resources	Gallup engagement survey, annually
8.2 Sick leave trends ("lead" measure of engagement)	Are our people increasingly engaged in their work?	Director, Human Resources	HR quarterly report to Directors Forum
9.1 Ratio of internal appointees at director, manager and principal analyst levels versus total appointees to vacancies at these levels	Are we getting better at developing and retaining our high performers? Are we getting better at talent management and succession planning?	Director, Human Resources	From HR data
9.2 Ratio of on-site contractors to total staff FTEs	Are we getting better at anticipating and developing sufficient in-house capacity and capability to meet our core needs?	Director, Human Resources	From HR data