

Public sector organizational agility

NACO BUSINESS OF COUNTIES FORUM

Discussion document | September 2018

Industrial Economy

Detroit 1967



Silicon Valley 1967



Digital Economy

Detroit 2017



Silicon Valley 2017



“VUCA” challenges the way public sector institutions are organized

	Definition	Public sector challenges
V	Volatility. The nature and speed of change	<ul style="list-style-type: none">▪ Hierarchy is too slow to share information▪ Need to change ways of working faster than every 2-3 years
U	Uncertainty. Lack of predictability	<ul style="list-style-type: none">▪ Budgets become out of date even before completed
C	Complexity. Situations have multiple interconnected parts and variables, linear solutions fail	<ul style="list-style-type: none">▪ No “single leader” at the top can orchestrate the solutions
A	Ambiguity. Haziness of reality, lack of valuable information	<ul style="list-style-type: none">▪ Sensing weak signals and acting on them in the frontline becomes crucial

Agile public sector organizations balance the conflicting objectives of simplicity, stability, and effectiveness, and flexibility and quick reaction time

Simplicity, stability & effectiveness



Central coordination
and standardization



Long term aspiration
and strategy



Stability to allow
people to focus
on mission



Strong leadership
and steering to
ensure alignment

Flexibility and quick reaction time



Local responsiveness
and flexibility



Rapid reactions
to emerging changes



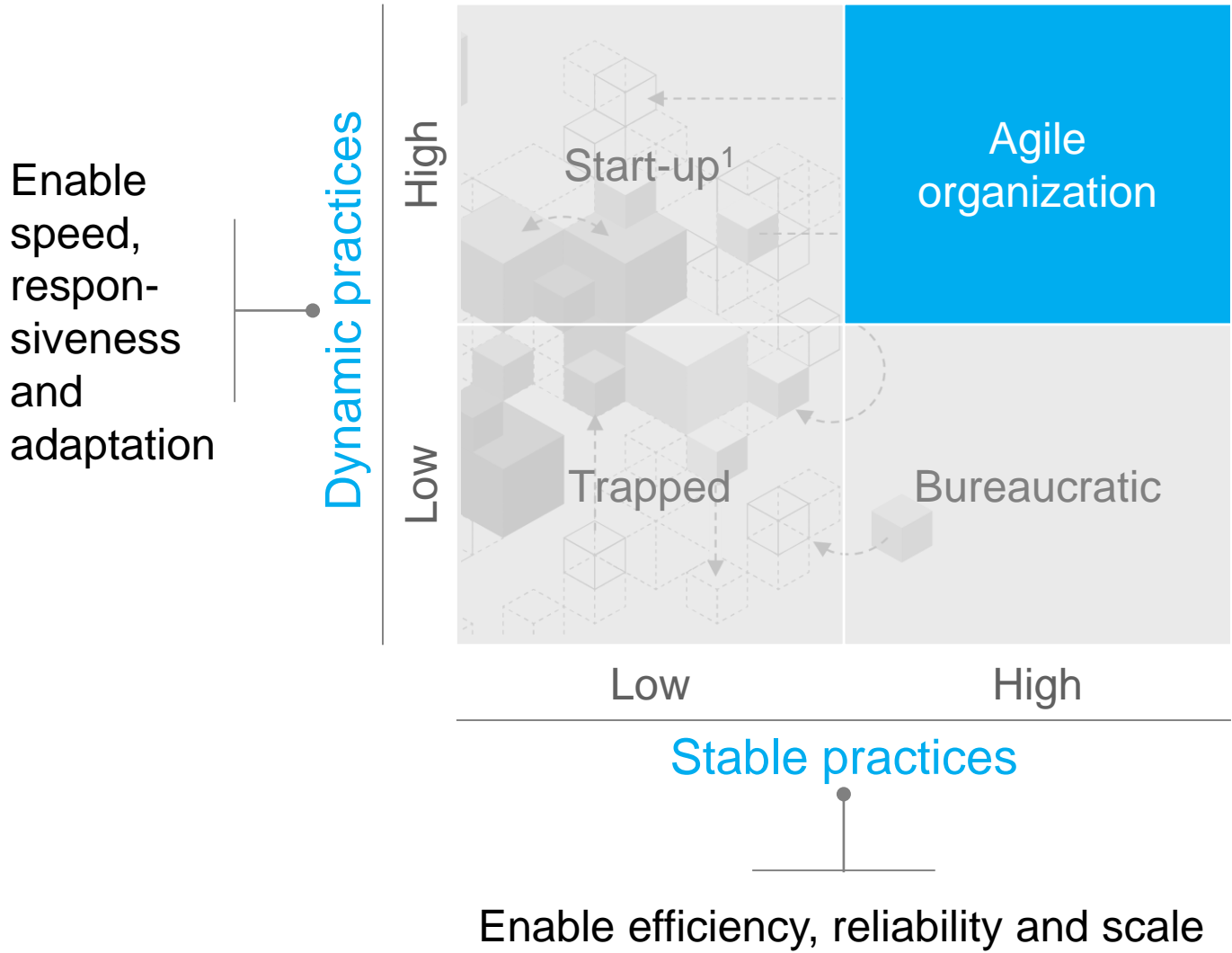
Constant change
to keep at pace
with the dynamic
external environment



Autonomy to
ensure engagement
and motivation

and

Agile organizations manage to crack the paradox – being both Stable **and** Dynamic at the same time



¹ That is, companies with a mode of operating suited to a very small start-up (not necessarily actual start-ups).

An Agile Organization: A living, evolving “organism”

FROM

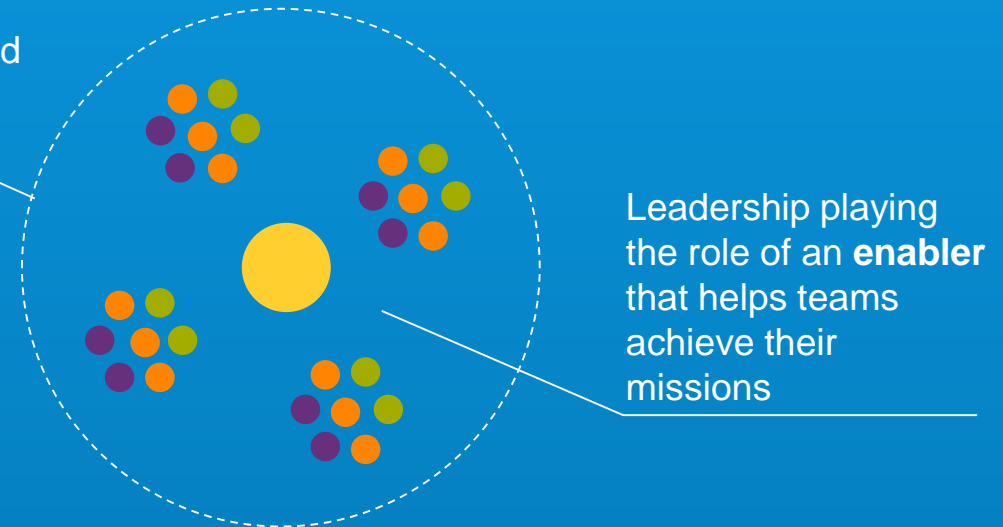
Organizations as “machines”



TO

Organizations as “organisms”

Network of empowered teams that work to achieve a common North Star and can be **quickly redeployed**



Agile organizations exhibit 5 trademarks, underpinned by 18 stable and dynamic practices

North Star



Network of empowered teams



Rapid decision and learning cycles

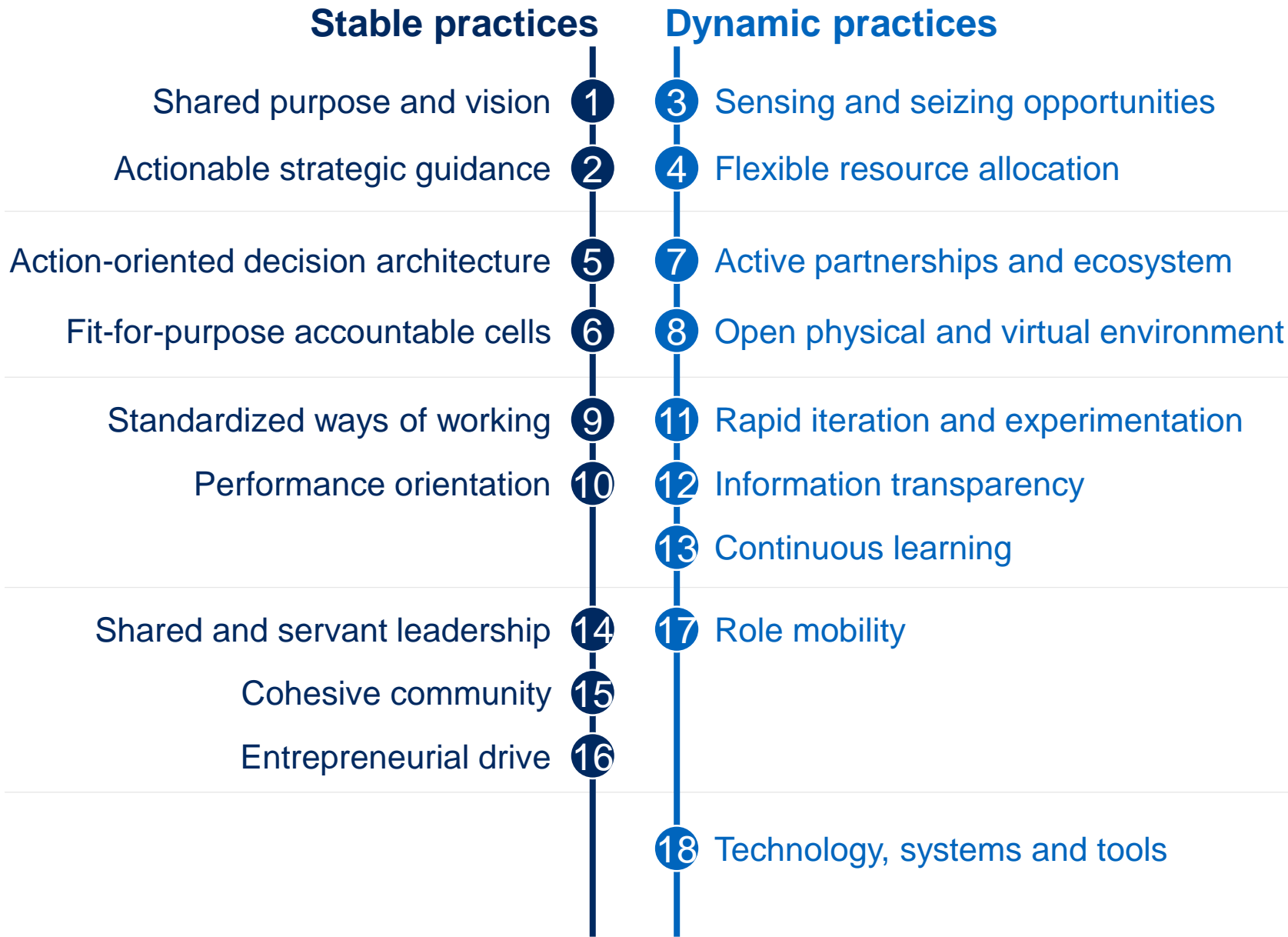


Dynamic people model that ignites passion



Enabling tools & infrastructure





Network of autonomous teams

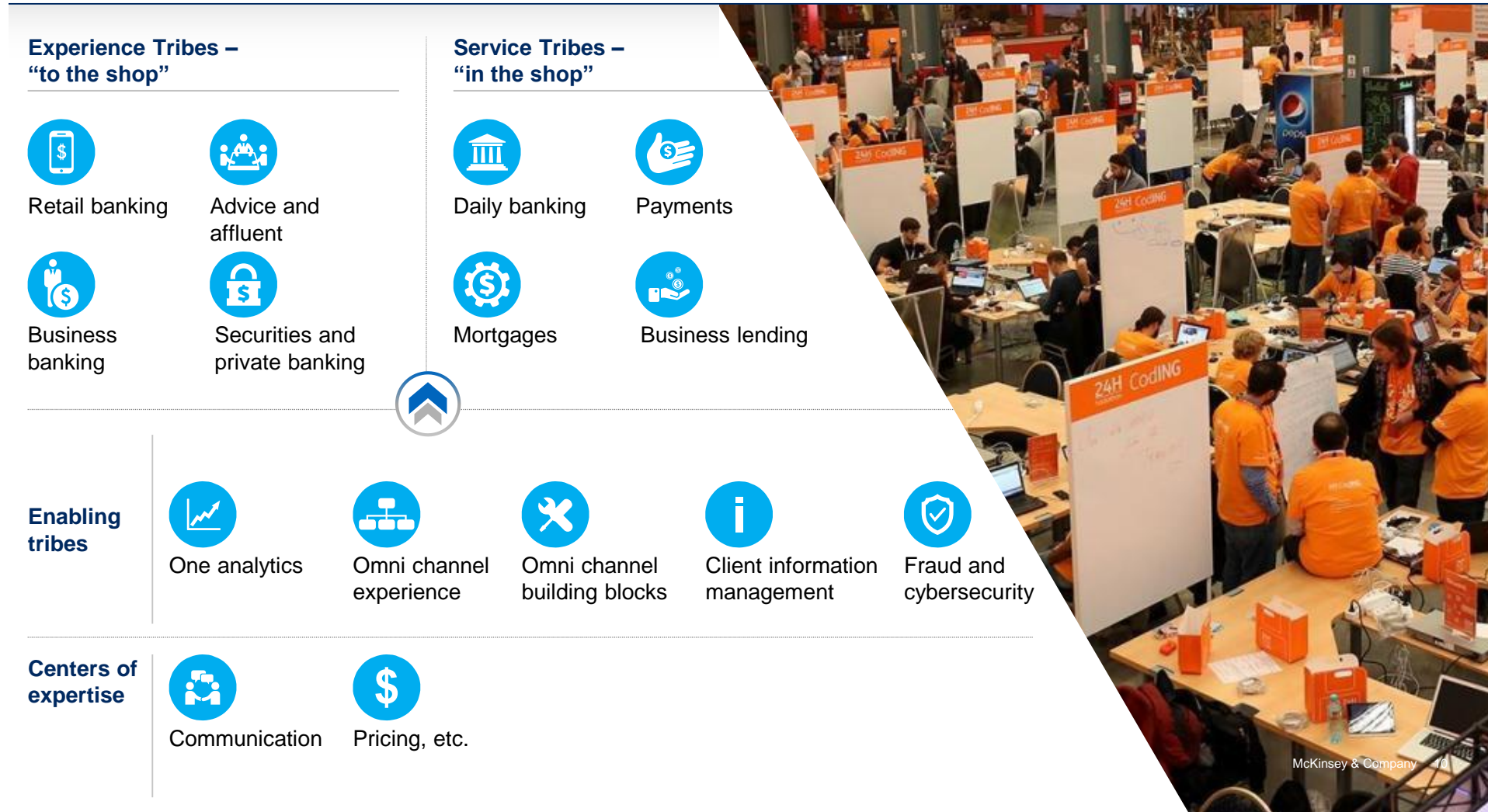
Key characteristics

- Clear, flat structure
- Fit-for-purpose accountable cells
- Hands-on governance
- Distinct accountable roles
- Robust communities of practice
- Active partnerships and eco-system
- Open physical and virtual environment

Example



ING created a network of 300 autonomous teams that are grouped into 13 tribes



Operating in rapid and iterative learning cycles

Key characteristics

- Rapid iteration and experimentation
- Standardized ways of working
- Performance orientation
- Information transparency
- Continuous learning
- Action-oriented decision making

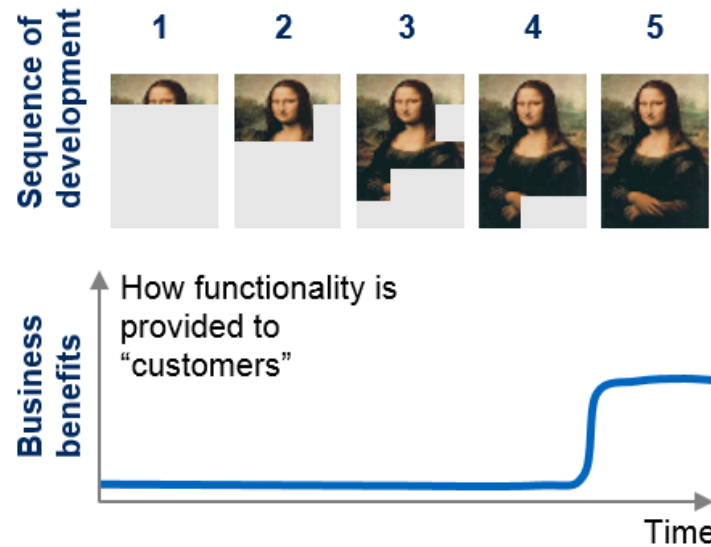
Example

ZARA

Early and frequent testing with “customers” enables incremental development

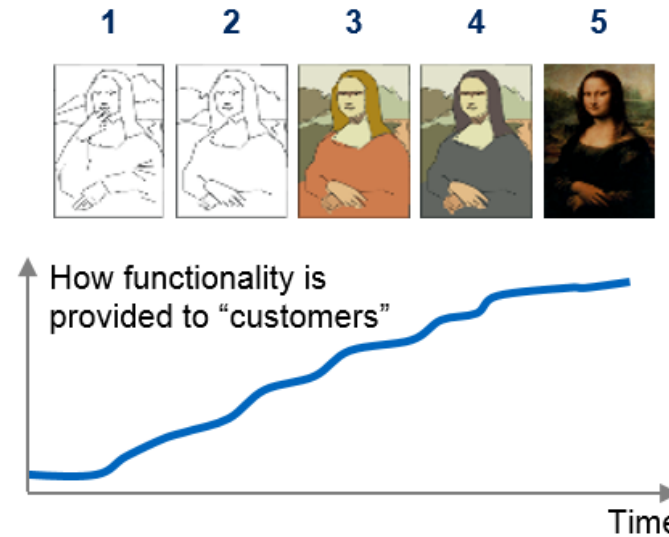
Traditional model

Non-iterative and non-incremental development



Agile model

Iterative and incremental development



Constant feedback and visible progress

Co-create value with and for all stakeholders

Key characteristics

- Stakeholder and customer centric
- Shared purpose and vision
- Sensing and seizing opportunities
- Flexible resource allocation
- Actionable strategic guidance
- Business model innovation

Example

The Haier logo is displayed in a bold, blue, sans-serif font. The letters are thick and the spacing is consistent, with the 'H' being the tallest and the 'a' and 'i' being slightly shorter.



How Internal Revenue Service shows agility in response to a crisis...

Organization overview

- The IRS, part of the US Department of Treasury, is responsible for tax collection and tax law enforcement. Its mission is to provide taxpayers (both individuals and organizations) with quality services; it does so by helping them understand and meet their tax responsibilities while enforcing the law with integrity and fairness

Crisis description

- In 2008 the new Commissioner, Doug Schulman, faced number of challenges including:
 - Implementing the newly enacted Foreign Account Tax Compliance Act (FATCA)
 - Closing a \$140bn tax gap from small businesses
 - Reducing identity theft and fraud in the Earned Income Tax Credit (EITC) program

Crisis response highlights

- The Commissioner created a new Office of Compliance Analytics (OCA), a nimble, project oriented team to tackle the toughest problems in collaboration with the IRS's operating units
- OCA was led by highly motivated, analytics savvy staff and external experts
- A signature early success was rewriting and streamlining automated fraud detection scripts in the tax filing system to help close the small business tax gap

Process



Process design and decisions

- Operating units have extremely consistent and well codified standard ways of completing the lifecycle of tax activities - over 200 million US citizens and millions of businesses rely on this process for rapid and accurate tax returns and refunds

Systems and technology

- IRS-wide adoption of new analytics, business intelligence and data management software such as software as a service (SAS) established ongoing access to core computing and analytics competencies

Structure



Governance

- Strong decision making team at the top, with Operating Unit directors empowered to make decisions about fraud cases to pursue, helping direct the work of 90,000+ employees
- Standing meetings of the IRS senior leadership team across all operating divisions enable ongoing reviews, decision making
- **Roles and responsibilities**
- The Office of Research and Statistics continues to develop and deliver overall performance reports and annual forecasts on IRS core activities

People



Talent and skills

- Awareness of OCA and analytics as a key competency of the agency is built into onboarding and training programs
- Executive sponsorship helps to secure cooperation from target functions within the agency and was sustained by targeting strategically important agency challenges or opportunities



Dynamic capability



Agility

Process design and decisions

- Leaders and teams embrace a problem-solving approach based on issue trees and hypothesis testing to how it made decisions

Performance Management

- Daily, weekly and monthly reviews are "radically transparent" and focus on real-time assessments of results

Linkages

- Partners with Operating and IT divisions to jointly identify projects where advanced analytics capabilities could have impact
- Develops connections with other functions by recruiting leaders to be detailed to OCA

Boxes and lines

- Extensive use of "dotted lines" to connect with other divisions; nimbly build project teams

Governance

- Core decision-making team comprised of a project director, initiative director, program manager, analysts (and external consultants)

Roles and responsibilities

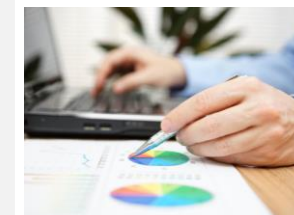
- Program managers lead the work with a consistent set of internal clients to deepen their relationships, facilitated by weekly meetings with executives in other divisions to understand the data analytics needs

Talent and skills

- Periodic rotation of core and middle layers of staff (detailed from within and outside IRS)
- Opportunistic case study sessions facilitated by OCA "alumni" in IRS increased learning and knowledge sharing
- Existing IT contractors boosted work capacity

Culture

- Non-hierarchical culture based on honesty





Organization overview

- The New York Governor's Office oversees the State of New York Government Functions including disaster relief and recovery

Crisis description

- In 2012, the State of New York was hit badly by Hurricane Sandy, causing a significant amount of destruction resulting in a state of emergency. The Governor's Office was responsible for leading the recovery effort

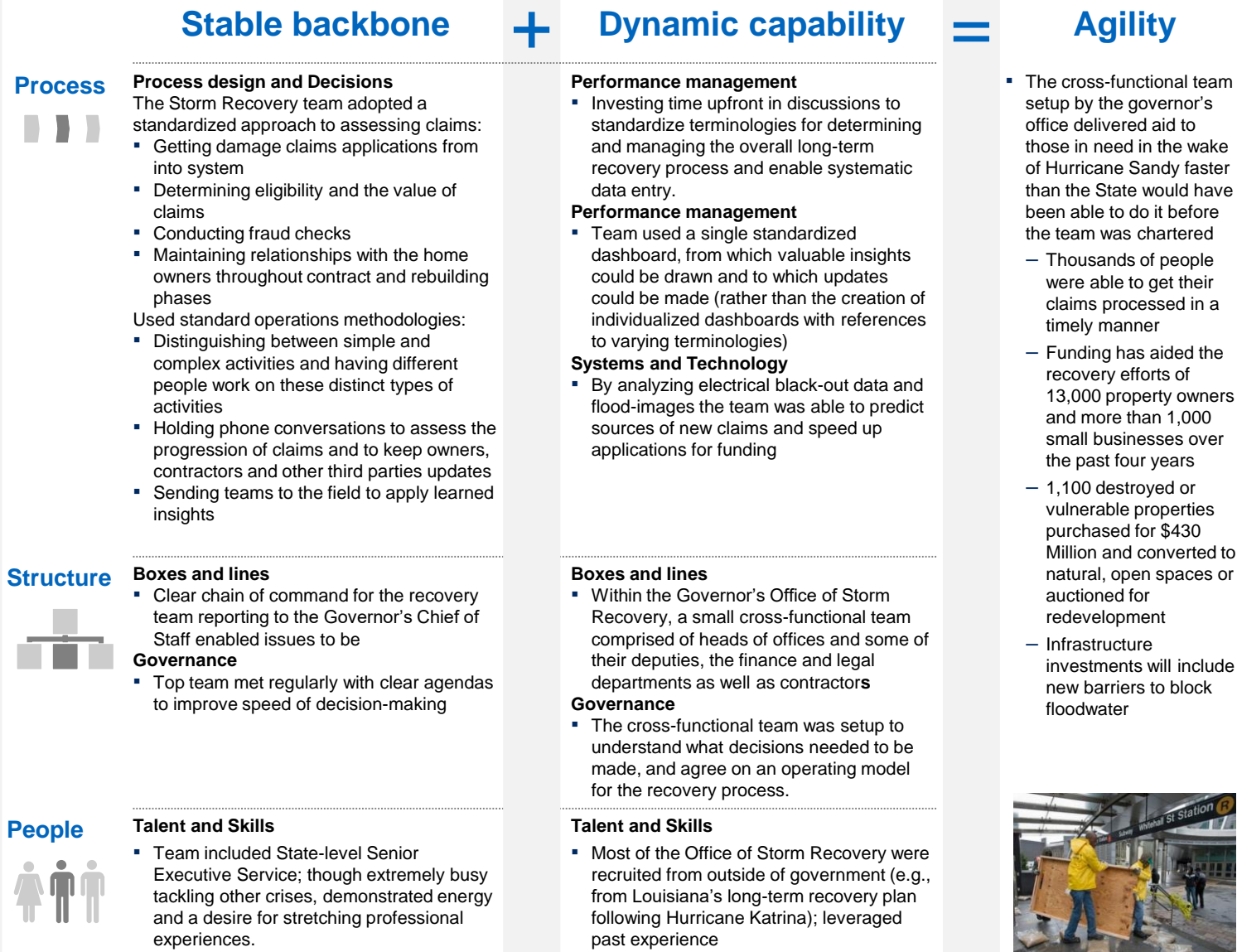
Crisis response highlights

The New York Governor's Office set up a new agency to manage the long-term recovery following Super-Storm Sandy - The Governor's Office of Storm Recovery, which was setup a year after the initial crisis and reported to the Governor's Chief of Staff.

It focused the recovery efforts on three key areas:

- Infrastructure
- Housing
- Small Business

How New York Governor's Office shows agility in response to a crisis...





How US Marine Corps shows agility in response to a crisis...

Organization overview

- The US Marine Corps, part of the US Department of Defense, seeks to provide combat capability and build relationships with friendly nations: its forces in Japan account for 25% of the total Marines Corps forces around the world

Crisis description

- In March 2011, the Marine Corps aided the disaster relief efforts after the Western Pacific Tsunami off the coast of Japan that damaged the Fukushima Daiichi Nuclear Power plant
 - The crisis posed an immediate and expanding risk of radioactive exposure to the environment and civilians
 - Relief efforts also involved the Japanese military and civilians
- This effort represented an exception for the Marine Corps' traditional mandate focused on combat to one focused on the preservation of life

Crisis response highlights

- Following Presidential consent, the US deployed a carrier group (19 naval vessels, 140 aircraft and 18,000 personnel, including a nuclear-powered aircraft carrier) off the coast of Miyagi prefecture
- Operation Tomodachi was structured around the task and was constituted by all elements of the Marine Corps; Ground and Logistics, led by the Air-wing Commanding General

Process



Process design and decisions

- Standard decision-making processes, centered around "mission-type orders"
- Clear decision framework with entire task team required to understand and co-develop task, purpose, desired end-state and to assess risks
- High-stakes decisions are built around a 'confirmation brief' - iterative team debriefs in which the person responsible for certain tasks can also weigh in with a preferred course of action
- Diverse channels for strategic communication to build trust across the agency and manage messages to shareholders

Structure



Boxes and lines

- Clear primary functional axis to train, equip, and deploy Marines, with secondary axis of "task-organized" teams that deploy against missions

Governance:

- Stable command structure that enables the standup and stand down of "task organized" teams to meet mission objectives

People



Culture

- USMC ensures that its staff develop a deep understanding of the profession i.e. history, nature, psychology of war

Talent and Skills

- Training in common skills, traditional values and leadership integral to all Marines



Dynamic capability

Process design and decisions

- The official Marine Corps Planning Process allows for resource and manning requirements for each mission to be filled in a tailored and dynamic fashion.
- Constant process of innovation to adapt and improve, with rapid test and learning mindset
- Iterative in-depth planning with a Task team divided into two parts: the Red group to identify various constraints and Blue group to develop multiple related contingencies plans

Linkages

- Leadership cultivated strong connections with other military elements in the region and outside experts.

Boxes and lines

- "Task organized" teams are flexible and empowered to adapt to mission needs with small mobile units that can be combined into distinct formations

Governance:

- Decentralization of control - junior staff retain full autonomy regarding 'how to do it'
- Small teams with clear decision-authorities that can operate autonomously in a crisis

Culture

- Mission-minded focus
- Avoidance of micro-management
- Acceptance of mistakes that lead to learning and prevent repetition

Talent and Skills :

- Training in individual leadership capabilities



Agility

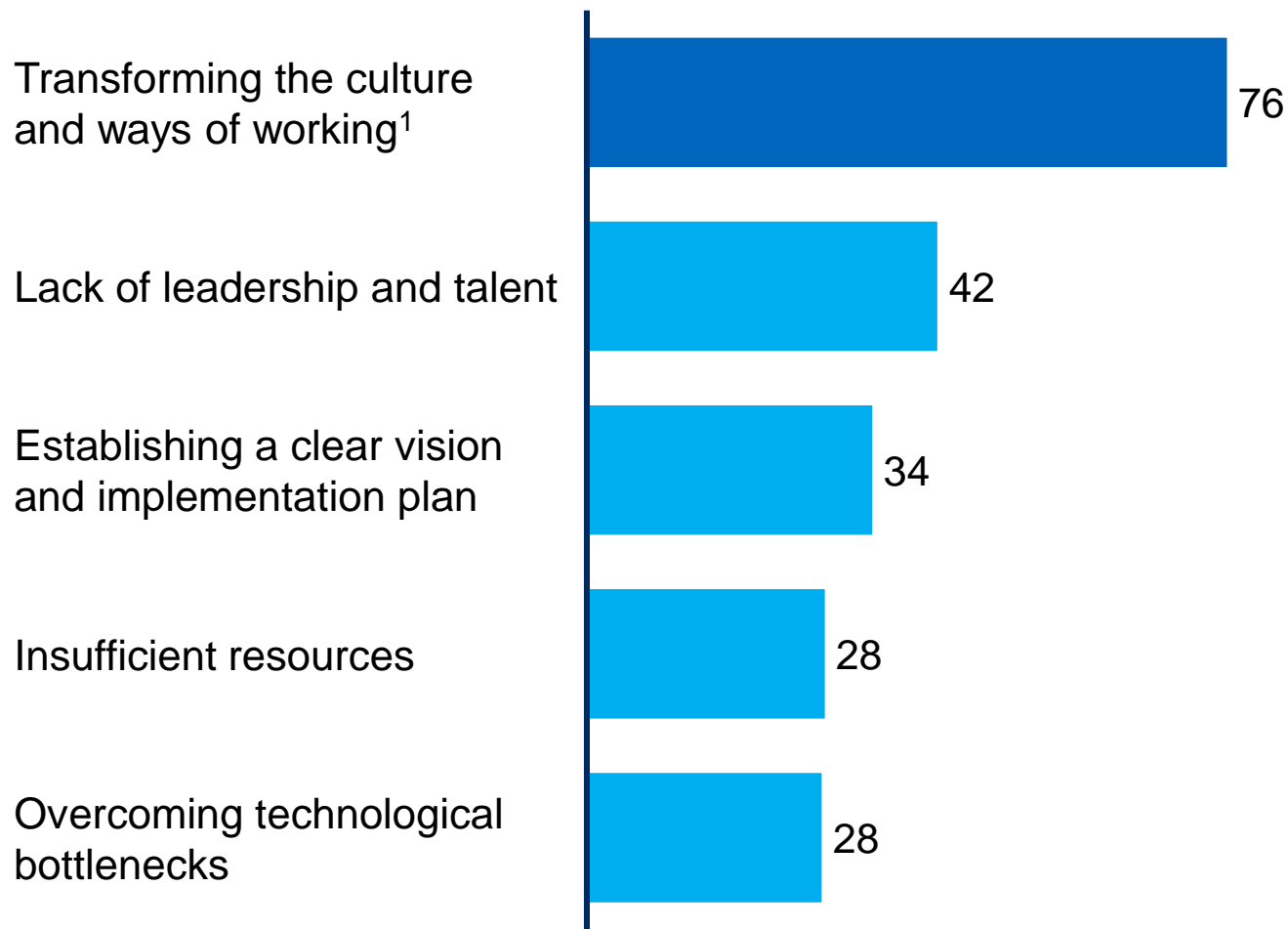
- Immediately during and after the Tsunami that hit Japan in 2011, the Marine Corps deployed:
 - Successful emergency efforts, through use of high-tech instruments in a low tech way
 - Greater coordination of rescue missions and efficient use of resources
- The success of this response was based on:
 - Adaptive planning that accommodated constantly changed circumstances
 - A culture of contingency planning in advance of crisis
 - Leadership trust in the "invisible structure" of support (comprising relationships with outside experts, other military elements and capabilities within the organization)
- Agility commitments
 - Requires that leaders articulate and role-model the necessity for continuous improvement
 - Long-term improvements to decision-making by collecting data, synthesizing the data into useful information, that leads to actionable decision options



The greatest barriers to adopting organization agility are cultural – overinvest in change management

Top 5 challenges during an agile transformation

Selected by participants (top 3 selection possible); N=1,411



“ Culture is perhaps the most important element of this sort of change effort. We have spent an enormous amount of energy and leadership time trying to role model the sort of behavior—ownership, empowerment, customer centricity—that is appropriate in an agile culture. ”

– Bart Schlatmann
previously Chief Operating Officer, ING Netherlands

¹ Misalignment of agile ways of working with requirements of day-to-day activities, lack of collaboration across levels and/or units, employee resistance to changes, entrenched employee behaviors and mindsets.

...and it takes a different type of leader

North Star

Visionaries aligning the organization

Network of cross functional teams

Architects that build the organizational framework

Rapid learning cycles

Catalysts that remove obstacles

Dynamic people model

Coaches that inspire and role model

Next generation technology

Architects of the toolkit used by all teams