

Government by Design: New ways of working in the public sector

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Robert Samek, Director, McKinsey & Company Canada

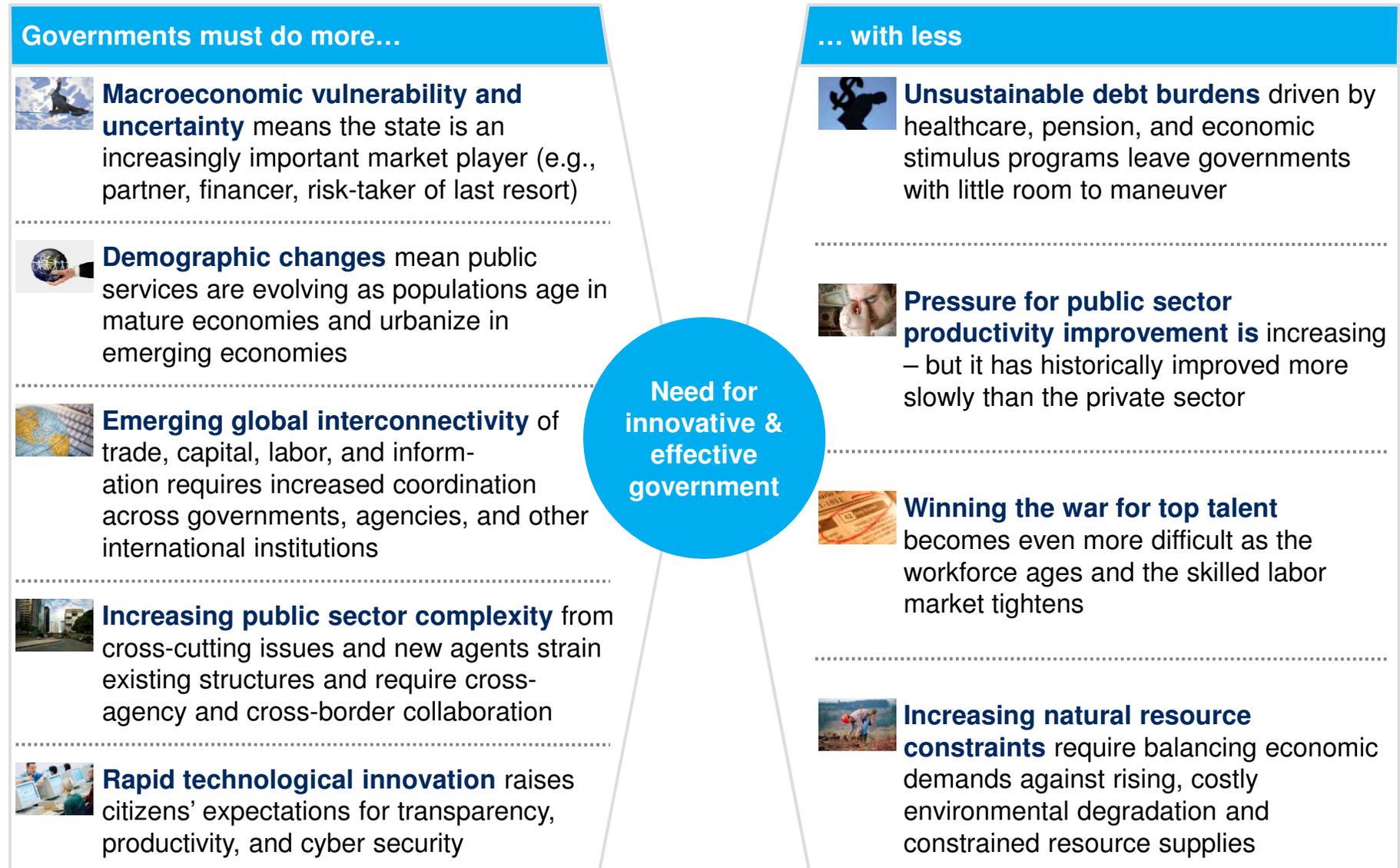
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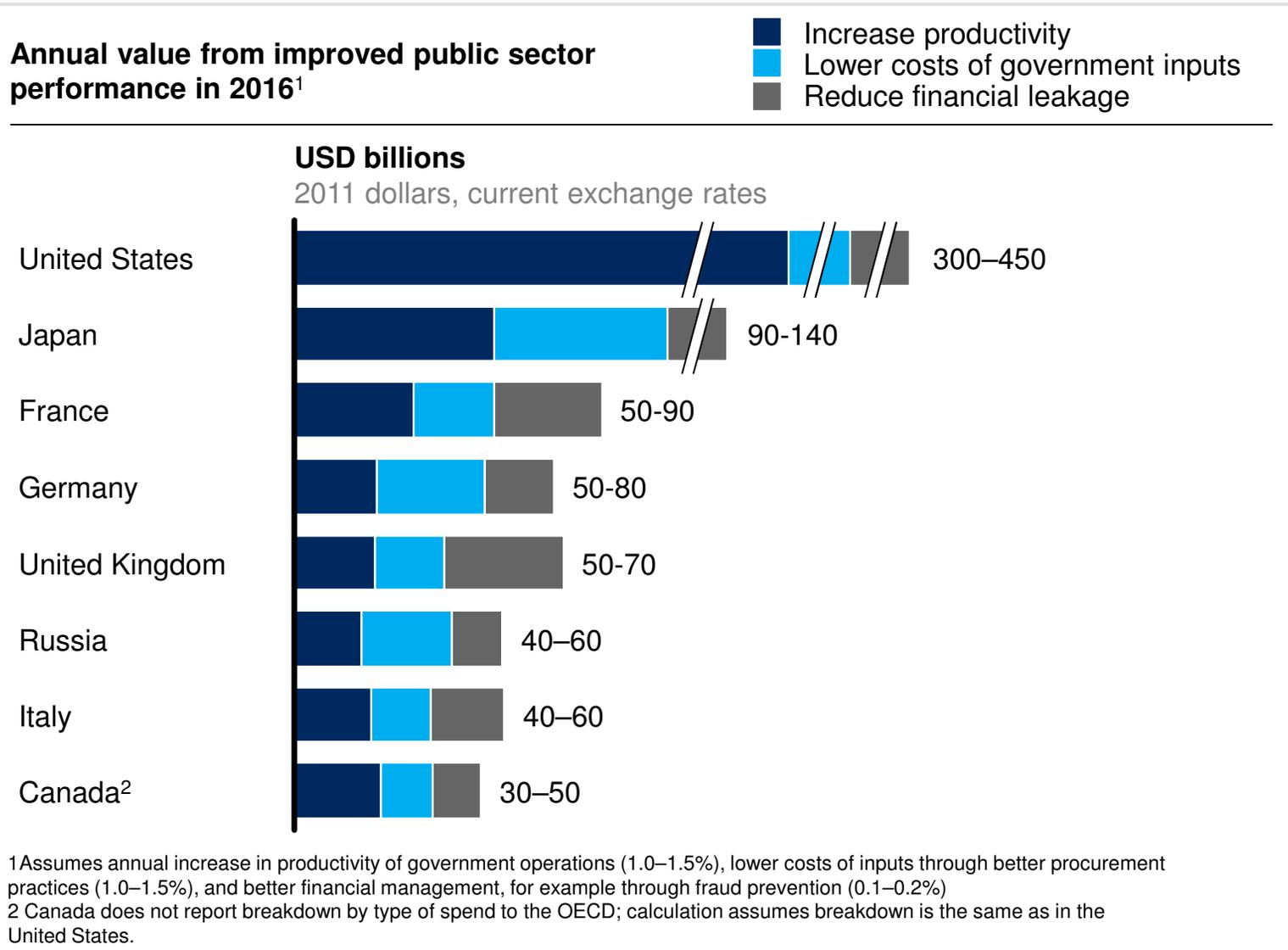
Government matters – and never more so than now



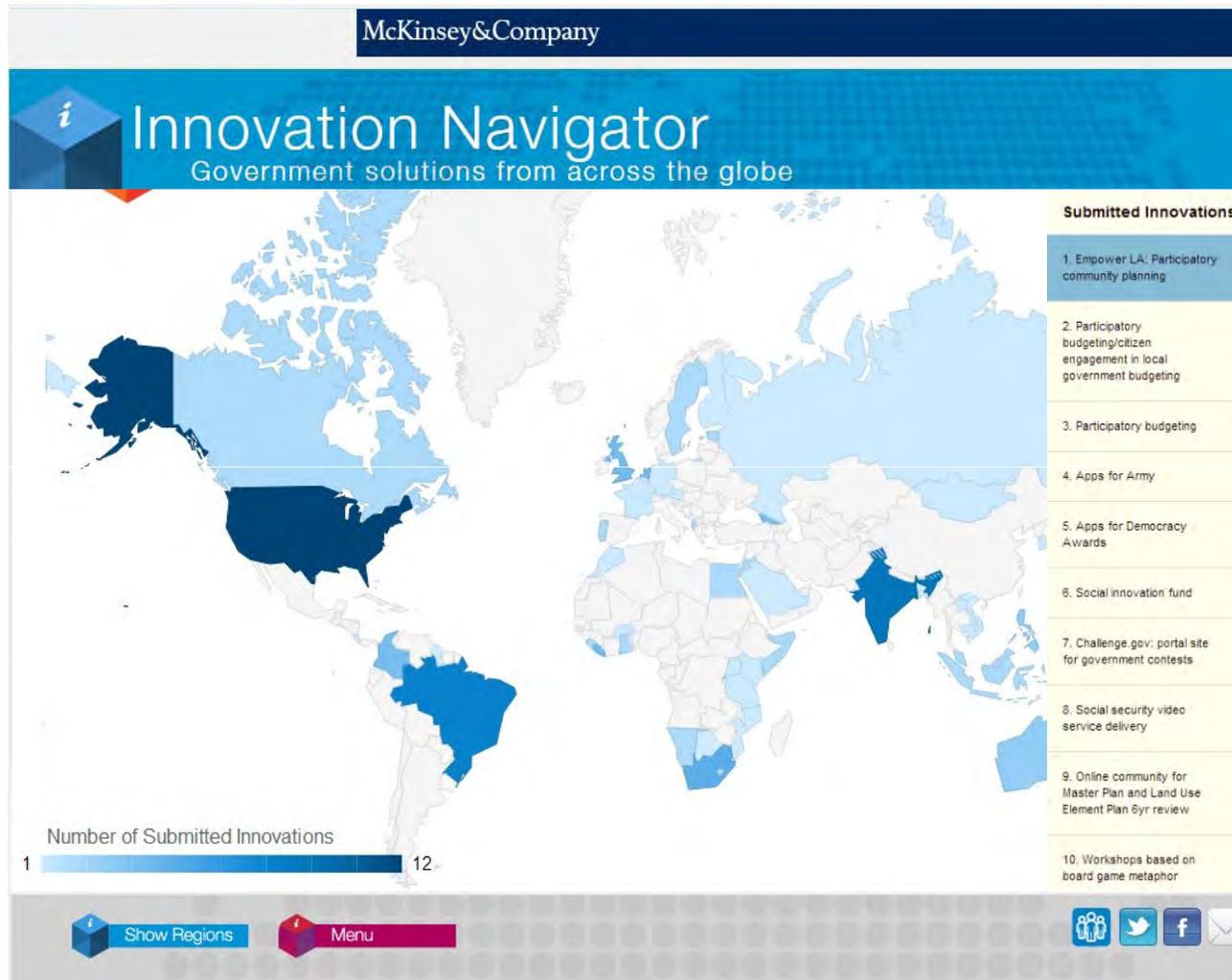
Governments around the world are facing a set of major trends that increasingly mean that they must innovate in order to do more with less



McKinsey estimates that improvements in government performance could create value in the order of \$650 bn – 1 trn in the G8 alone



MCG has conducted extensive research into government innovation around the world



- Database of over 180 case studies of MCG developed and crowd-sourced examples of government innovation
- Case studies classified by country, type of innovation, relevant ministry and function
- Case studies detail actions taken and initial impact assessment

We have also assembled an anthology of essays – *Government Designed for New Times* – by thought leaders on effective government



Competing with complexity
Peter Ho

Crises are erupting around the globe with increasing frequency. Countries should use an adaptive, whole-of-government approach to cope with these problems. [more](#)



How to tame a budget crisis
Göran Persson

Almost 20 years ago, Sweden faced an economic crisis not unlike the one in Europe today. Here's how the government enacted the difficult reforms that returned it to prosperity. [more](#)

WAY OF THE WORLD
The New York Times
Governing Effectively, at Any Size
By CHRYSTIA FREELAND | REUTERS
Published: October 4, 2012



AGI @tonyblair_agi
@tonyblairoffice has contributed a chapter to the new @McKinsey book on 21st century government. Read it here: goo.gl/pbtqv



11 Oct.



The servant state
Daron Acemoglu

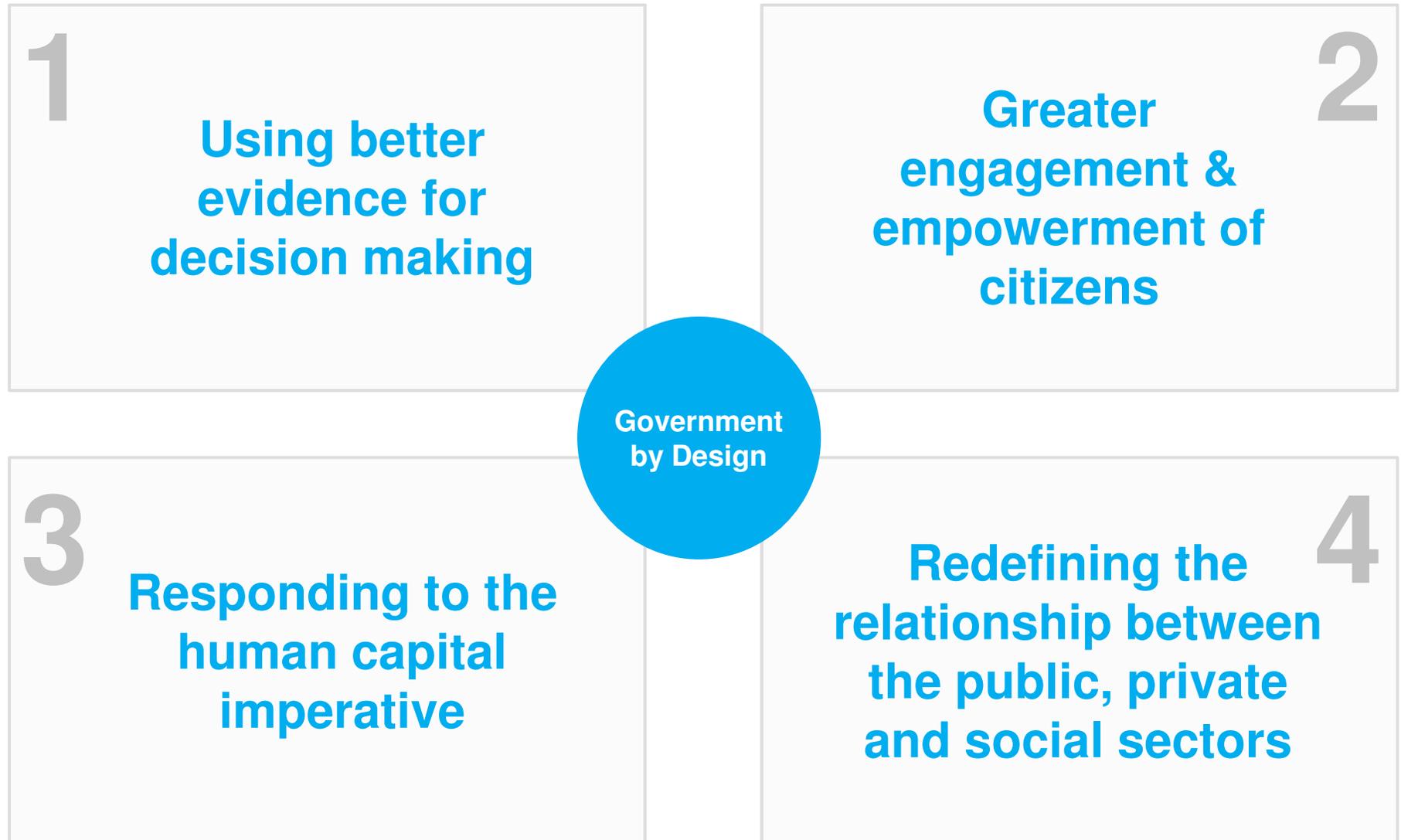
The strongest governments will be those that serve the people rather than a political elite—but guarding against the potential to backslide requires constant vigilance. [more](#)



For every citizen, an identity
Nandan Nilekani

Nandan Nilekani leads an effort to provide a digital ID to all Indian citizens so they can establish a legal identity, participate in the economy, and receive services—200 million have signed on. [more](#)

This research highlighted the importance of ‘Government by Design’ to achieve improvements in government performance



1 Government by Design means collecting and using better evidence for decision-making

Collecting meaningful and credible performance metrics



Benchmarking consistently against national and international peers



Using data to design and review government interventions

Global examples



During its transformation program from 2007, the French **DGME** defined and collected metrics linked to ~50 life events for citizens and ~30 for businesses. These metrics were designed to reduce the complexity of interaction with government at critical points.

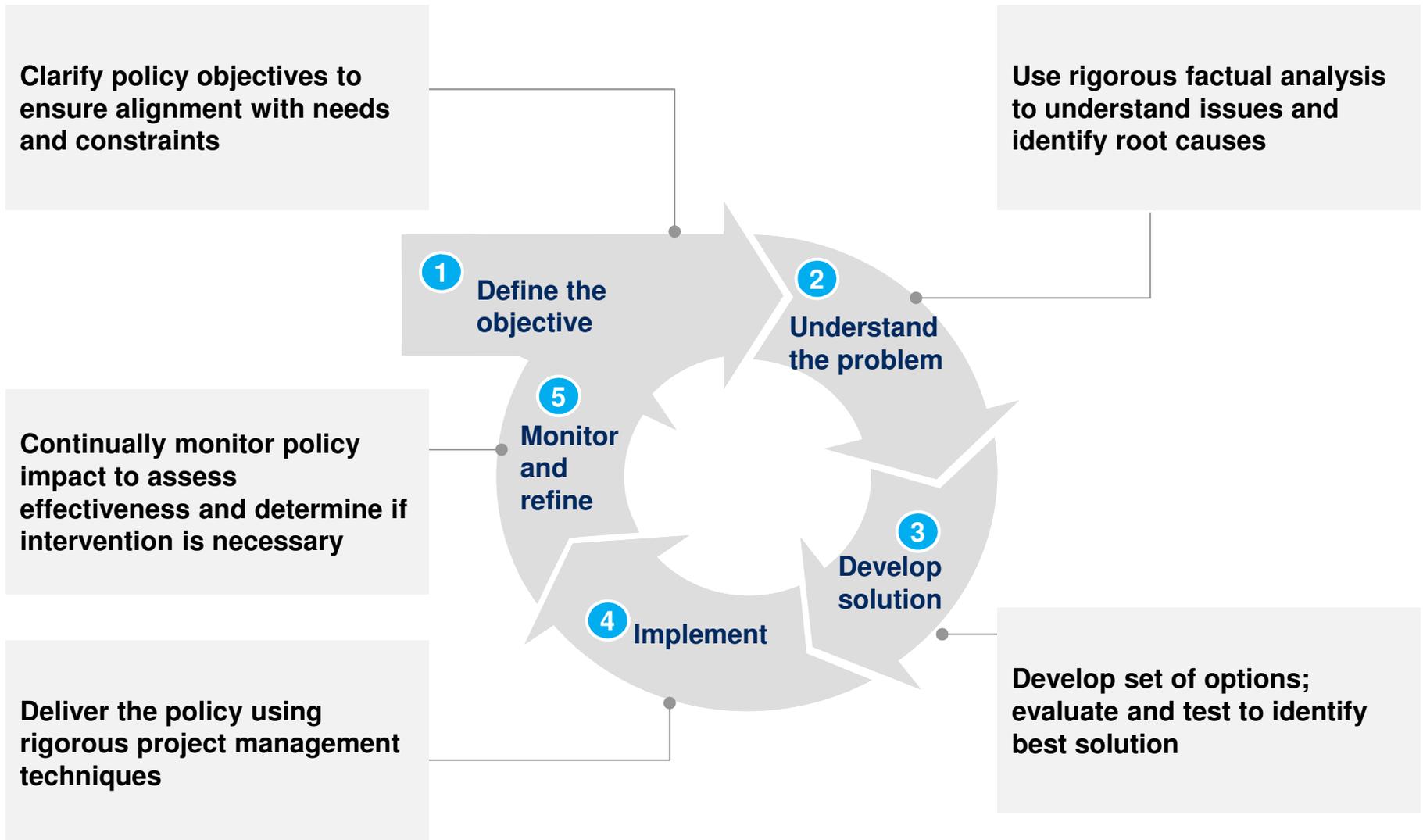


The introduction of the **OECD's PISA tests** in 2000 allowed robust international comparisons of education systems for the first time, serving as a wake-up call to Education ministers in the US, UK and Germany



The UK government's **Behavioural Insights Team** identified £70m in savings currently lost to fraud, debt and error based on randomized control trials (RCTs) of eight targeted interventions

1 Deep dive: Policymakers should focus on achieving cost-effective outcomes based on metrics as a core part of the policymaking process



1 Deep dive: The UK Cabinet Office has achieved significant cost savings by making better use of data to design government programs



- The UK Cabinet Office's Behavioural Insights Team was set up in July 2010 with the aim of understanding and using behavioural evidence and insights within government
- The team focused on the use of Randomised Control Trials (RCTs) to test the impact of interventions to reduce Fraud, Error and Debt, to which the UK loses ~£38bn pa

Results of evidence-based Trials



Telling late tax payers that most people in their town had already paid their tax increased payment rates by 15ppts, worth £30m annually



Personalised text messages are 6x more effective than letters at prompting fine payments, worth £30m annually



Sending photographs of untaxed cars 'caught on camera' to their owners has the potential to unlock £40m in annual lost revenue

Insights

- 1 Pre-populate forms with existing government data to make completion simpler
- 2 Personalise all messages and draw attention the positive behaviour of others
- 3 Highlight required actions at the start rather than the end of letters
- 4 Prompt honesty at key moments and highlight the risk and impact of dishonesty

Achieved savings of 22x the cost of the team & identified interventions expected to save over £300m

2

Government by Design means greater engagement and empowerment of citizens

Engaging citizens to share ideas to improve public services



Using lean processes, open data and engaged citizens to provide better services at a lower cost



Using innovative channels to make public services more citizen-centric

Global examples



The US **Consumer Financial Protection Bureau** seeks feedback on simplified loan applications by putting prototypes on their website for input. The CFPB also observes actual consumer behavior to inform its rule-making



Several US States are combining lean processes with citizen engagement to provide leaner citizen services across a range of service categories including licensing, payments and inspections



The Australian Government has pioneered the use of **mobile government offices** (2 trucks with satellite connectivity providing services to rural communities). This one-stop shop approach has taken govt services to over 47,000 people

2

Deep dive: Many US states are innovating to provide leaner citizen services across a range of service categories

Innovation Examples

Permissions, licenses, and inspections



Iowa

- State launched a state-wide lean effort (ongoing for 7+ years)
- Department of Natural Resources reduced air-quality permit time from 62 to 6 days

Benefits and payments



PA

- Pennsylvania created one website, COMPASS, where citizens can simultaneously apply for the full range of state social program benefits

Infrastructure



SF

- San Francisco monitors public parking space availability and transit delays in real time and provides that data to a variety of open applications

Information

NY City
Chicago
Georgia

- 311 NYC, 311 Chicago, and 1-800-Georgia provide non-emergency online and phone information; can get help, navigate services, make complaints,

Cross-cutting services



Georgia

- Created nation's first state-wide customer service agency in 2006
- Rapid Process Improvement teams reduced child healthcare approval from 113 to 15 days among many others

3

Government by Design means responding to the human capital imperative and building new capabilities

Using adult learning best practices to build operational capabilities



Developing deep specialized capabilities in critical sectors



Adapting to address 'complex' as well as merely 'complicated' challenges

Global examples



The **Swedish Migration Board** used a capability-building approach to lean management to cut average processing times from 267 days to 85 days, saving over \$160 million annually



Hong Kong's Metro (MTR) has developed deep capabilities in operations, maintenance, property management and innovation (e.g., Octopus smart card), facilitating MTR's expansion to operate other rail systems around the world



The Government of Singapore created the **Centre for Strategic Futures** in 2009 to promote Whole-of-Government Integrated Risk Management (WOG-IRM), a governance chain designed to manage 'complex' risks

3 Deep dive: Lean management capability building has been extremely effective in improving productivity across government agencies

Capability building approach to Lean



Example of Impact: HUD Federal Housing Authority MFHA Lean Program

- ~35% improvement in productivity (decisions per FTE per month)
- >70% reduction in loans-in-process more than 90 days
- 10% increase in employee engagement scores
- Program has been rolled out to ~40 offices nationwide by internal change agents

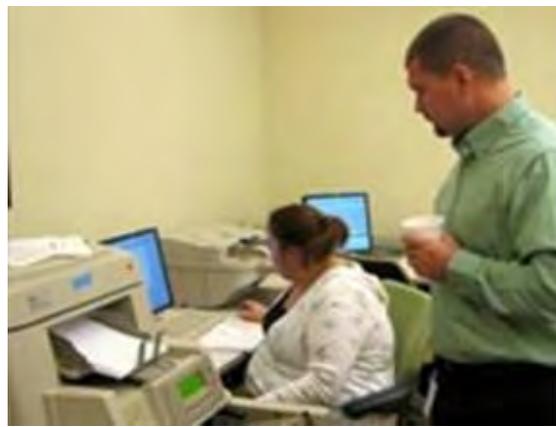


3 Deep dive: Implementing lean management in the public sector requires building human capital as much as new processes

Huddles to build a sense of shared goals



Daily walkabouts to touch base with employees



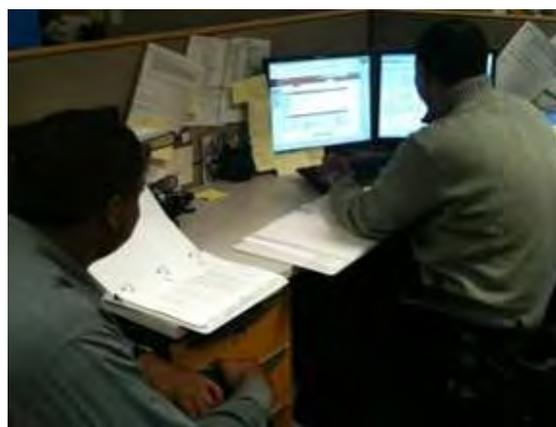
Joint problem solving to involve employees



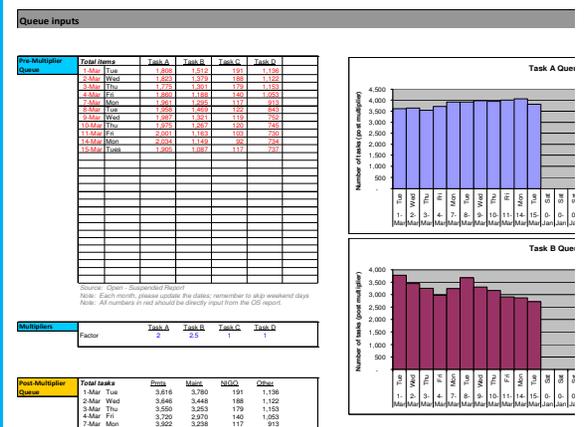
One-on-one coaching to develop employees



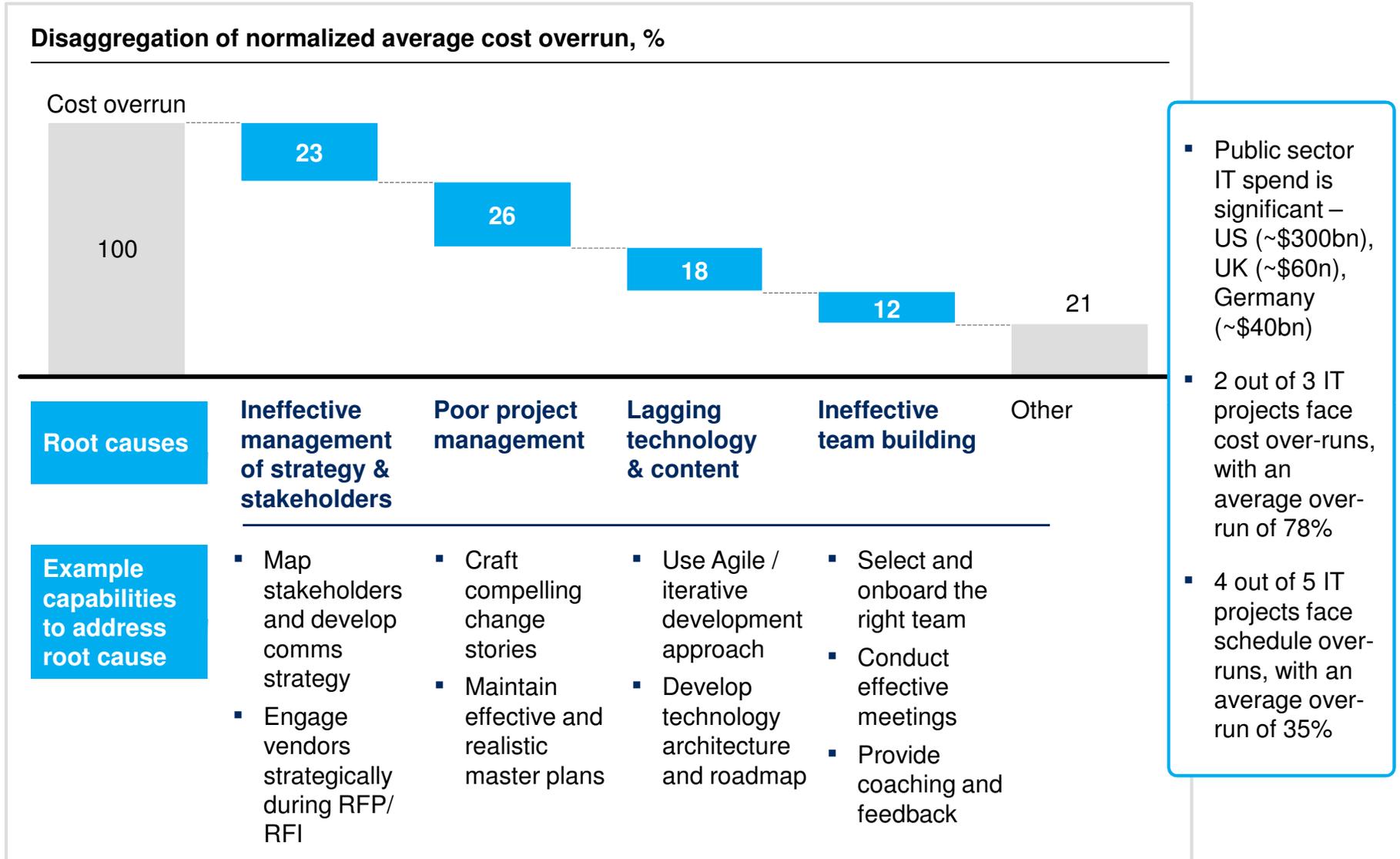
Sit-withs to observe adherence to standard work



Daily Capacity Management (“Every Task Every Day”)



3 Deep dive: Capability building is also critical to improving the success of public sector IT project implementation



4

Government by Design means redefining the relationship between the public, private and social sectors

Government as a consumer of products and services



Government as a provider of new public goods including open data



Government as a critical economic shaper, stakeholder and integrator

Global examples



Challenge.gov
Government Challenges, Your Solutions

Challenge.gov is a platform for US government agencies to open up specific challenges to the US public. The DoE X Prize challenge hosted on the site yielded over \$100m in private investment in response to a \$10m prize

HealthData.gov

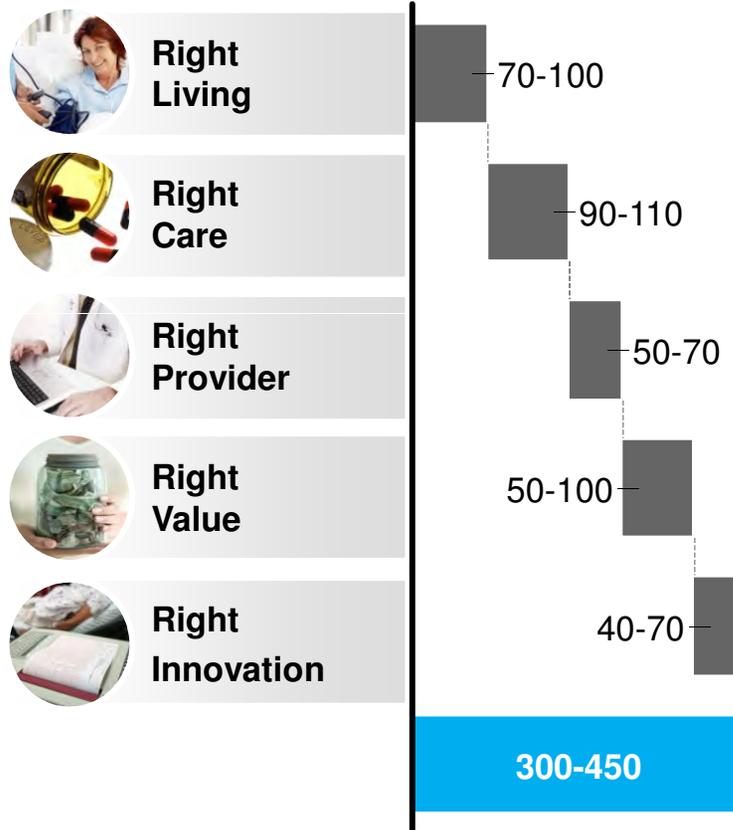
Under the direction of US CTO Todd Park, **12 different US health agencies** have released over 350 government datasets and launched ‘**Datapaloozas**’ to encourage companies to develop cost-saving apps and APIs using this data



The **Australian Workforce Productivity Agency (AWPA)** is one of the world’s only education-to-employment system integrators – responsible for holistic collaboration between industry, providers and government

4 Deep dive: The US Government has had early successes in opening up public data in healthcare to private companies to reduce costs

Value from big and open data in US healthcare (US\$ Billion)



Sources of value

- Informed lifestyle choices that promote well-being and active engagement of consumers in their own care
- Evidence-based care that is proven to deliver needed outcomes for each patient
- Care provider (e.g., nurse, physician) and setting that is most appropriate to deliver prescribed clinical impact
- Sustainable approaches that continuously enhance value by reducing cost while maintaining quality
- Innovation to advance the frontiers of medicine and boost R&D productivity in Discovery, Development and Safety

4 Deep dive: The challenge.gov platform has helped the US Government to improve performance and spur private investment



Challenge.gov
Government Challenges, Your Solutions

- Challenge.gov is a platform for US government agencies to open up specific challenges to the US public
- Agencies offer cash prizes to companies and individuals who submit solutions to specific problems posted on the platform
- Platform launched in September 2010 at the White House's Gov 2.0 Summit, just 12 months after President Obama called on agencies to promote innovation by using tools such as prizes and challenges to solve tough problems

Benefits of Challenge.gov

- 1 Lowers cost of procurement** – Apps for Healthy Kids challenge generated 100 apps from \$60k in government investment
- 2 Allows rapid and transparent procurement** – MyBlueButton challenge selected a vendor to make medical records downloadable in 6 weeks
- 3 Pays only for results** – no prize awarded where no satisfactory solution submitted



45 federal agencies have awarded more than \$13.9 million in prize money in 205 challenges

McKinsey Center for Government

Thank You



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