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***Assessing Departments'
Capability to Contribute to
Strategic Priorities***



**STATE SERVICES
COMMISSION**

**Te Komihana
O Ngā Tari Kāwanatanga**

This paper was prepared as part of the State Services Commission's "Assessing Departments' Capability to Contribute to Strategic Priorities" project. It identifies a framework with supporting criteria to assist with capability and ownership assessments of departments' capability to contribute to Strategic Priorities, and sets out the key findings from a pilot of the framework.

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Introduction

*“Would you tell me please, which way I ought to go from here?” said Alice.
“That depends a good deal on where you want to get to,” said the Cat.*

(Alice in Wonderland, by Lewis Carroll)

In 1998 the Government replaced the Strategic Result Areas (SRAs) as the formal expression of its primary objectives with a new framework of Overarching Goals and Strategic Priorities. The change signalled a move towards a sharper focus for the Government's priorities, a move away from broad areas to key outcomes that Ministerial Teams with supporting lead agencies and departments could focus on.

This shift was coupled with a growing desire by Ministers and central agencies to know more about the extent to which departments and sectors were gaining traction in the strategic priority areas and why. This paper is a result of a project undertaken in the State Services Commission (SSC) that should be seen in the context of this enhanced strategic environment.

This paper outlines work undertaken by the State Services Commission, and covers the following key areas:

- identification of a framework with supporting criteria to assist with capability and ownership assessments of departments' capability to contribute to strategic priorities (see Appendix 1);
- consultation undertaken in relation to the framework;
- pre-piloting of this framework in the Justice and Security Young Offender policy and programme area using information held by the SSC; and
- key findings of this pre-piloting and how they have informed the capability pilots being undertaken as part of the SSC capability project in 1999/2000.

Background

The SSC agreed with the Minister of State Services as part of its purchase agreement for 1998/99 to develop a framework to assist in assessing the contribution of departments to achievement of the Government's Strategic Priorities.

During 1998/99, the SSC has also been working to design replacement for the present departmental performance assessment system. The SSC's proposed new system would balance both purchase and ownership issues by considering both departmental performance (with a retrospective focus) and capability (with a forward-looking, predictive focus). The capability element of the system would involve working with departments to determine: what capability – that is, what mix of resources, systems and structures – was necessary to deliver the department's objectives; to assess what capability was actually present; and to assist in identifying strategies for resolving any capability gaps.

Capability can only be defined in relation to desired performance, and a department's contribution to the achievement of the Government's Strategic Priorities is obviously a key element in its performance specification. A capability assurance system is therefore partly about determining whether departments have the capability to contribute to the achievement of the Strategic Priorities. The SSC intends to pilot the new performance and capability assurance system with several departments in 1999/2000.

Research and evaluation experts from both inside and outside the Public Service have reviewed the framework and its composite elements and criteria. The criteria to support the elements under the framework were chosen after research into international good practice and consideration of its applicability to the New Zealand environment. The papers were also sent to the relevant agencies within the Justice and Security Ministerial Team for comment, as well as to central agencies. Discussion of agencies' comments follows the description of the framework's elements.

Strategic context

Strategic management system

The Government signalled its determination to make progress on its Strategic Priorities by establishing Ministerial Teams, with responsibilities for achieving progress on the Strategic Priorities.¹ Currently there is not a lead Minister identified for every Strategic Priority. The SSC's view is that there may still be advantages in identifying a Minister for each Strategic Priority.

Three new features have been added to the strategic management system recently:

- overarching goals and strategic priorities;
- the requirement for sectors to develop supporting indicators; and
- the expectation that departments develop intervention logic linking their Key Result Areas (KRAs) to the Strategic Priorities, where appropriate.

A key to making progress towards the achievement of Strategic Priorities is gaining a better understanding of which interventions are most effective. This knowledge is dependent on having good quality research analysis and evaluation of the outcome of different interventions. Evaluation enables lessons learned to be used to improve future progress.

Although the Department of Prime Minister and Cabinet and SSC have both provided guidance on the general requirements of the strengthened strategic management system, particularly in terms of the strategic priorities, additional guidance and incentives are required, in the SSC's view, to ensure departments systemically evaluate their activities.

¹ See: State Services Commission, "A Better Focus on Outcomes through SRA Networks", Occasional Paper No. 3, October 1998.

The SSC, in its 'Improving the Quality of Policy Advice' project, considered that:

“many departments engage in evaluation of some kind” and that

*“most are focussed on evaluation for the purpose of better delivering and implementation of programmes. Less emphasis has been placed on evaluating the impact of interventions on broader outcomes or on how departmental activities contribute to Government’s stated policy priorities”.*²

The Office of the Controller and Auditor-General is also carrying out a project to identify the extent to which major policy initiatives have been supported by impact evaluation. The SSC view, based on its regular assessment of departments, is that evaluation coverage could be enhanced at all stages of the strategic management process and that the capability to improve both the coverage and quality of evaluation within the Public Service will take time to evolve.

Why do we need to know the extent of departmental capability vis-à-vis the strategic priorities?

A systematic approach to assessing departmental capability to contribute towards the Strategic Priorities should provide information that leads to improved policy and purchase advice to Ministers, as well as information that enables departments to identify which interventions could usefully be extended, which could be modified, and which are best terminated. Evaluation is costly, and therefore an analysis of the costs and benefits of evaluation should be made, based on the criteria developed by the Office of the Controller and Auditor-General discussed on page 11.

The framework

Setting the scene

A strengthened Strategic Management System requires clarity of leadership from both individual Ministers and Ministerial Teams to ensure progress is made on Strategic Priorities. Systematic assessment of departmental capability to contribute towards Strategic Priorities is required to improve policy and purchase advice to Ministers on which interventions should be extended, modified or terminated. Specific guidance is also required to enable departments to strengthen the evaluation part of the system to accurately track achievements and to modify systems and behaviours. The following elements are necessary for departments to make progress on Strategic Priorities:

- clearly-defined Strategic Priorities;
- a strategy for Strategic Priority implementation;
- well-developed intervention logic;

² State Services Commission, *“Looping the Loop: Evaluating Outcomes and other Risky Feats”*, Occasional Paper No. 7, 1998, p.8.

- indicators³ to provide robust information on progress towards Strategic Priorities;
- sound ex-ante and ex-post research, evaluation and review; and
- partnerships with well-defined roles and relationships.

The extent to which these elements exist in departments, in the view of the SSC, will directly influence whether or not a department has the capability to make progress towards Strategic Priorities.

Appendix 1 sets out the capability assessment criteria under each of the elements which can be used to reach a view on the extent of departmental capability to contribute to the Strategic Priorities.

Identified limitations and barriers to assessment of the Strategic Priorities range from the definition of the Strategic Priorities; the research, information and measurement systems underpinning them; and the difficulties of differentiating the effects of multiple influences on outcomes related to the Strategic Priorities.

Current and inherent limitations to evaluation and assessment logically point to the use of a “test of reasonableness” approach (i.e. what progress towards achieving Strategic Priorities can be reasonably inferred based on strategic influences and the tools and information available over the relevant period).

Elements of the framework

In this section we discuss in greater detail the elements under the framework that we consider need to be in place for departments to make progress against the Strategic Priorities. Our underlying assumption is that, where a department demonstrates these elements consistent with the criteria in Appendix 1, a department will be well placed to contribute to the Strategic Priorities.

Clearly-defined Strategic Priorities

It is important that Strategic Priorities define clearly what is to be achieved and clearly distinguish between outcome and process. Strategic Priorities will inevitably have inter-relationships with one another. *It is necessary to identify the most significant relationships* – those that will have a major impact, either positive or negative, on the achievement of another Strategic Priority.

An important part of the process of defining each Strategic Priority will be discussion between Network Ministers and agencies to agree on key areas of focus. Ideally, these key focus areas will be reflected in sectoral and departmental strategic business plans.

³ Range of qualitative and quantitative measures, which need to be read within the context of a range of complex influences.

A strategy for strategic priority implementation

Identification of a clearly-defined Strategic Priority by Ministers will not be sufficient to ensure the optimum implementation and progress towards achievement. A strategy provides an explicit and agreed account of what is to be undertaken by whom, and how assessment will be made of the success of the strategy at the end of the cycle.

It is anticipated that the proposed capability assurance system will involve a discussion between the SSC and each department of the risks facing a department in making progress against the Strategic Priorities, including risks which might need to be managed collaboratively with other agencies in the sector. The SSC will be concerned to ensure that the department has carefully assessed the probability and likely impact of all risk factors, and that such assessments are reflected in the department's planning, resourcing and management systems.

The process of deciding the strategy, at both sectoral and departmental levels, rests on an agreed understanding of the intervention logic that will support achievement against the Strategic Priority. The selection of activities must be based on robust research and information about the key drivers for change. The strategy represents the vehicle by which all the elements are pulled together to achieve progress.

Well-developed intervention logic

Intervention logic is the rationale on which departments base their selection of activities. It also provides the basis for selecting the indicators that will best encourage and measure progress against the Strategic Priorities. To some extent, the capability to produce sound intervention logic rests on the strength of the policy advice capability within departments.

The mix of activities should be able to be explained on the grounds of:

- sound research and current thinking within the relevant literature;
- previous experience gleaned from testing, within New Zealand, where possible;
- extension of overseas research programmes and trials, where appropriate; and
- valid theories of cause and effect, where this is possible.

Identification of contributing departments and the nature of their contributions

A key outcome of the intervention logic is the accurate identification of contributing activities. In general, contributing departments will have money tagged under their Vote/s for outputs or parts of outputs directly related to the Strategic Priority and will be represented on the relevant Ministerial Team. Departmental contributions could include:

- direct provision of services;
- funding organisations that provide services; and
- purchasing services from other providers and the provision of policy advice (including policy development, research, evaluation and purchase advice).

It is important that each of these departmental roles is included and assessed.

A range of indicators that will provide robust information on progress towards achievement of the strategic priorities

The selection of indicators involves two steps :

- the selection of those key areas of focus that are likely to make progress on the Strategic Priority; and
- the selection of a series of measures (indicators that reflect how well a programme is achieving its objectives).⁴

Although it should be clear what each indicator is designed to measure, indicators are not precise measuring instruments. The SSC considers that a range of indicators should be read in tandem to establish a profile of information and trends. The literature suggests that indicators should focus on providing a reasonable indication of progress on the Strategic Priority.⁵ A reasonable indication of progress is likely to encompass a mix of quantitative and qualitative indicators. For example, an indicator should be:

- clear as to what is being measured;
- cost-effective; and
- able to measure progress based on those factors that are within the Government's control.⁶

⁴ The Ministry for the Environment defines an indicator as "... a quantitative measure (i.e. a distance from a goal, target, threshold benchmark) against which some aspects of policy performance can be assessed".

(Reference: Ministry for the Environment *Environmental Performance Indicators: Proposals for the Marine Environment*, Ministry for the Environment, Wellington, 1998.)

⁵ Such as: Van Peursem, K.A., Pratt, M.J. and Lawrence, S.R. "Health Management Performance: A Review of Measures and Indicators" in: *Accounting Auditing & Accountability Journal*, Vol. 8, No. 5, 1995.

⁶ It is accepted that most Strategic Priorities are not totally within the Government's absolute sphere of influence but that the Government wants to measure results.

There is some risk in establishing indicators. When designing indicators, policy-makers should be mindful of the power of measurement systems to generate perverse incentives and inappropriate behaviour. Measurement of any kind will influence the behaviour of organisations and individuals in both positive and negative ways. International literature is unanimous that indicators in themselves will not ensure outcomes are met. The key requirement is to develop a culture for choosing, using and revising indicators to enable departments to focus on continuous improvement and learning over time.

Evaluation and review

It is essential to specify *ex ante*, as part of the intervention logic, what will be evaluated and why. The evaluation of the design of interventions is also considered a critical component of robust evaluation systems and practices.

Ex-post evaluation is a means of learning about what worked and what did not (and why). For this reason it is essential that the approach selected for evaluation is appropriate. Fundamental to developing an evaluation culture is that its focus is not just on success or failure, but about learning to do things better. The results of the evaluation should be both shared (amongst all interested parties) and acted on.

As evaluation is costly in both dollars and time, it is expected that departments will be realistic in selecting where to place their evaluation resources, particularly in view of the shortage of skilled evaluators in New Zealand. The Office of the Controller and Auditor-General has identified some criteria for selection of areas for evaluation.⁷ They:

- have a significant strategic focus for the Government;
- are of a significant cost (in both monetary and social terms) to the community;
- are potentially past their “use-by date” (i.e. have been in place for a period of time and may need review); and
- affect other significant policy areas (i.e. where there is a need to know the results in one area before proceeding with/changing a policy intervention in another area).

Attributes of sound evaluation

Some facets of sound *ex-post* evaluation include:

- a focus on results;
- a balanced approach to the issues of methodology selection and resources available, especially time;

⁷ Office of the Controller and Auditor-General, “*Impact Evaluation Project*” (letter to Mr M Wintringham), 3 November 1998.

- a cost-effective approach to deciding what to evaluate (for example, thorough evaluation of interventions in their pilot stage may prevent costly mistakes nationally);
- clear criteria for success, including a pre-determined means of determining the level of change; and
- differentiation between the evaluation of the design phase and evaluation of the implementation and results phases.

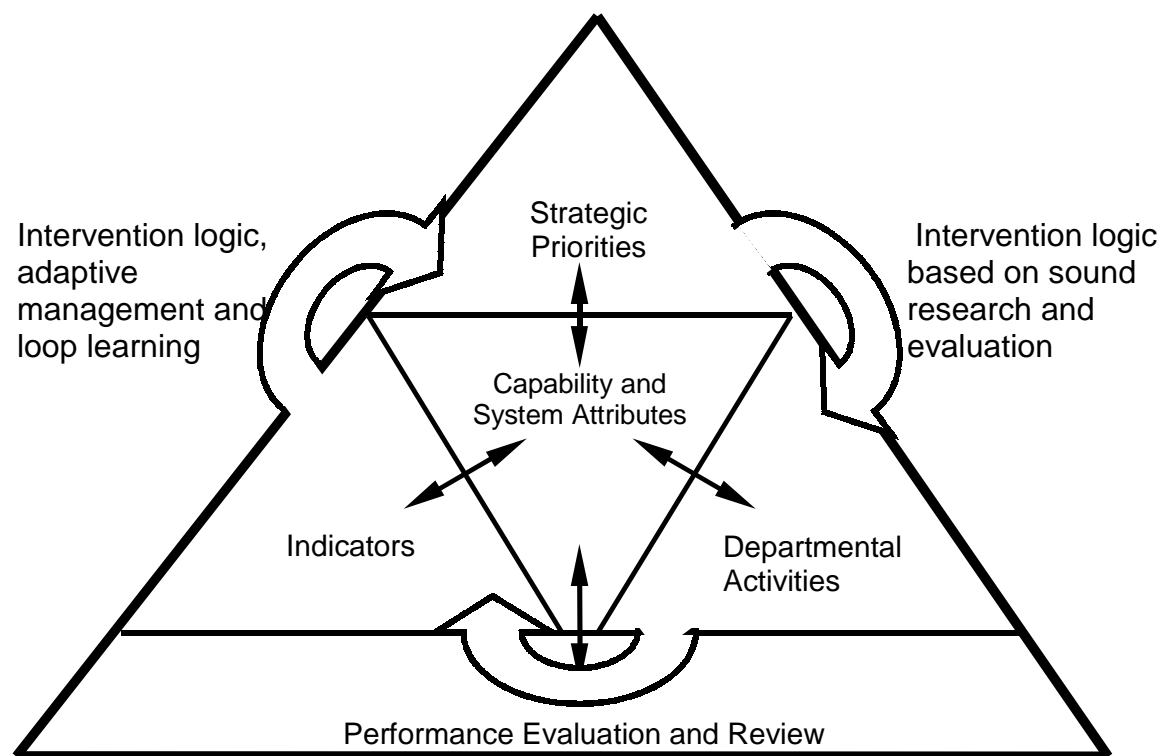
A key component of evaluation against indicators will be the expectation that the evaluation will provide information on:

- why the intervention is making a positive or negative impact on the targets and outcome measures;
- whether a particular policy direction should be revised;
- whether particular programmes should be continued, revised, extended, or terminated; and
- adjustments in capability (systems, resources, people) that will be required by a department or sector in order for the intervention(s) to be delivered effectively.

It is important to note that the use of indicators is but one way of evaluating outcomes and activities. There are other types of evaluation which are not discussed in this paper, but which may be equally valid means of answering the same questions. We have focused on the role of indicators, given their present use under the strengthened strategic management system.

We expect that evaluation information in the above areas could inform planning, reporting, policy and purchase cycles, by improving the intervention logic supporting the selection of activities and informing sectoral discussions to provide policy and purchase advice to Ministers (see Diagram 1).

Diagram 1: Systematic Representation of Elements Contributing to Strategic Priority Achievement



In the diagram, Strategic Priorities provide the basis for the intervention logic that drives departmental activities. Departmental activities have indicators that establish the level of contribution to Strategic Priorities. This enables modification of departmental activities through adaptive management, loop learning and continuous improvement. In addition, evaluation can provide comprehensive information in public documents to demonstrate how evaluation results have influenced policy direction and programme specification to enhance the contribution to the Strategic Priorities.

The system as represented by the diagram is underpinned by research, performance evaluation and review. Strategic Priorities, departmental activities, indicators, and performance evaluation and review, continuously interact with departmental capabilities and system attributes, thus maximising movement towards the achievement of Strategic Priorities.

We also consider that Treaty of Waitangi obligations will need specific consideration in terms of consultation and the methods of research and evaluation used.

Limitations of evaluation

Experience from those sectors of Government already carrying out systematic evaluation indicates that this is difficult and complex work. International literature supports this view. It is important therefore to ensure that our expectations are reasonable. Initial efforts are unlikely to be perfect, but will improve our ability over time to make robust judgements of progress against Strategic Priorities. We consider

that improvements will be most rapid with a well-defined demand for evaluation embedded in the system.

Partnerships with well-defined roles and relationships

In order for strategic networks (departments and sectors supporting the Ministerial Teams) to operate effectively there must be agreement among the contributing departments as to the partnership roles of each player and on how co-ordination will be achieved among the players. In particular:

- the role of the lead agency needs to be agreed;
- departmental monitoring roles (e.g. where services are being purchased) should be explicit;
- key relationships should be a main element in the implementation strategy; and
- how information collected by the sector will be used should be agreed at the outset (e.g. is it to support purchase advice to Government?).

Consultation on the framework

The main comments and issues raised by agencies in relation to the framework were:

- the need for any framework to be practical and applicable;
- a “one-size-fits-all” framework would not be appropriate;
- the product must be clear and flexible given that much of any assessment is likely to comprise qualitative judgements open to widely different interpretations;
- the need for recognition of departments’ “other business”, as well as of work undertaken on strategic priorities, some of which could also be usefully evaluated;
- the framework could be used to assess progress on strategic priorities at a Team or Network level or to develop a best-practice model;
- the framework provides a useful tool for departments to follow a structured process for assessment and monitoring of progress on the strategic priorities;
- it is not appropriate for the Commission to monitor the behaviour of departments or Teams;
- the accountability and responsibility implications of the various pieces of central agency work need to be co-ordinated and agreed upon, to ensure a consistent direction in the strategic management system; and
- lower-level indicators may be required to support the outcome indicators attached to the strategic priorities, to enable meaningful evaluation and assessment.

Relationship between outputs and outcomes

During consultation, some concern was expressed that the proposals should not lead to a shift in the focus of departmental accountability away from outputs to outcomes. The SSC accepts that departments are only accountable for outputs under the Public Finance Act, and considers that the changes to the strategic management system reflect a shift towards more of a partnership between Ministers and Chief Executives in relation to the responsibility for outcomes. The requirement for Chief Executives to establish the intervention logic between KRAs and strategic priorities (outputs and outcomes) is a possible illustration of this shift.

We consider that further debate is needed on the relationship between outputs and outcomes in the accountability system. It is important to note that, in relation to recent work undertaken on outcome measures to support strategic priorities, central agencies consider that indicators or measures should not be used as formal accountability mechanisms.

Timing and cost

Agencies raised the need for:

- targeted evaluations on the basis of strategic focus, cost and time; and
- consideration of the potential costs and benefits resulting from the use of the framework.

The SSC is of the opinion that the draft criteria developed by the Office of the Controller and Auditor-General, discussed above, provide a sound basis for determining where evaluation effort should be directed.

A number of agencies raised the timing factor in undertaking meaningful assessment for evaluation, and in feeding results into annual processes, given that credible results will only be provided after longer timeframes. We accept that there is conflict between longitudinal studies, especially in the social and environmental sectors, and the annual nature of government decision-making processes, and that further analysis is required in this area. In some cases, proxy measures may be able to be developed. By proxy measures, we mean something that will give us a feel for progress in the short-term (e.g. an existing survey or statistical study on a similar topic) when a more accurate measure would take a lot longer to collect or to become meaningful. It is also considered that a policy programme needs time to 'bed in' before it can be usefully or properly evaluated.

Pre-pilot of the framework

The purpose of the pre-pilot was to test the framework using information from selected agencies in the Justice sector to ascertain:

- the robustness of the framework for wider application as part of the pilot capability assessments to be undertaken next financial year; and
- the applicability of the framework as a component of the ownership assessment of departments in relation to the Strategic Priorities.

Readily available documents were considered, primarily the 1999/2000 Key Result Area material recently assessed by the Commission, some purchase agreements, and strategic policy documents where available.

The purpose of the pre-pilot was to test the robustness and efficacy of the framework and its supporting criteria, not to make an assessment of the Justice sector's capability against the Strategic Priority. Any attempt to draw capability conclusions about Justice sector agencies from the pre-pilot would be imperfect, given the limited range of information considered and the lack of consultation with the Justice sector on the pre-pilot exercise.

The overall question the SSC wished to answer from the pre-pilot exercise was:

- does this framework give us a useful means of determining whether a department has the capability needed to deliver its contribution to the achievement of the Strategic Priorities?

On that basis, we assessed the criteria under the framework against the information, using the following questions to guide our judgements:

- what did we find when we assessed the information using the criteria?
- what would we conclude from the use of the criteria?
- do the criteria need to be adjusted in order to make a meaningful assessment?
- what useful insights did we uncover which may suggest the need for additional criteria?

Key findings from the pre-pilot

In developing an assessment model to test the criteria, it was necessary to develop additional questions in order to focus the criteria and reach a view.

The criteria set out ideal features of strategic priorities and indicators. It was concluded that the criteria were at too high a level to test the quality of the strategic priority and indicators, as it was necessary to develop questions under the criteria to enable assessment. Once the questions were added to the framework, the criteria worked well.

It was found that additional criteria or questions will be required to test the relationship between the process elements and the outcome elements of strategic priorities and supporting initiatives. In assessing the capability of departments to contribute to strategic priorities, it will be important to be able to distinguish between the relative impact of implementation (process) and the quality of policy advice.

Lack of information limited our ability to form a view on the usefulness of the criteria in some areas.

The criteria and questions seemed to be the right ones to assess the robustness of intervention logic. However, lack of information limited the completeness of the assessment. Central to our finding was that access to a greater amount of specific information is required to make a comprehensive judgement on departmental intervention logic.

Given that intervention logic is a central component of the strengthened strategic management system, it is suggested that the criteria on intervention logic are further tested during the capability pilots in 1999/2000 to establish whether the criteria are sound, or whether the assessment could be strengthened by the availability of more comprehensive information.

The criteria need to be tailored to fit the nature/level of the assessment and/or the department being assessed (e.g. policy/delivery).

It was clear that particular criteria were more relevant to particular types of departments (e.g. there was more information available on the criteria in relation to strategic priorities, indicators, and intervention logic for departments with a strategic policy and leadership role). By contrast, there was less information available for operational departments in relation to intervention logic and indicators, but their contribution to the strategic priority was evident. This may suggest that a different emphasis needs to be placed on different aspects of the criteria depending on whether a policy or operational agency is being assessed.

The criteria covering roles and relationships appeared to be particularly relevant for a lead agency attached to a strategic priority. This set of criteria enabled findings to be made about the importance of clear roles and the need for informal relationship management to underpin explicit roles.

There is evidence of ex-ante evaluation of previous policies informing intervention logic.

The criteria and supporting questions, setting out the ideal features of ex-ante and ex-post evaluation and review, proved useful, but could require the availability of research and evaluation expertise to be applied effectively. During the pre-pilot, there was some evidence of ex-ante evaluation of previous policies informing intervention logic. However, from the information considered, it was difficult to make judgements on ex-post evaluation. In addition, it was not possible to determine the level of detail required to respond in a rigorous way to the criteria for evaluation.

It was also found that criteria on research and evaluation appeared too specific for assessment at the strategic priority level. These criteria are more appropriate for assessing specific evaluations of programmes. Further consideration is needed of how to assess research and evaluation at a more strategic level. This suggests that this is an area to be considered in greater depth in the capability pilots.

Summary of the pre-pilot findings

In summary, the key conclusions on the applicability of the criteria under the framework were:

- in developing an assessment model to test the framework, it is necessary to augment the criteria with supporting questions in order to reach a view;
- some of the criteria and clarifying questions are detailed and require further simplification;
- the criteria should be tailored according to the nature of the agency and the depth of the assessment required;
- the pre-pilot identified problems around access to information as well as lack of detail in the information available, which limited the robustness of the analysis and the applicability of the criteria; and
- consultation with the relevant sector and specialists is essential to obtain the necessary level of detail sought under the criteria.

Future use of the framework

Capability project

It is proposed to further test the framework in the capability pilots, during which we expect comprehensive information will be available. It is also considered that there are significant benefits in considering strategic priority capability as part of a complete package, so that other departmental business is taken into account.

Ownership advice

The SSC will also consider the integration of the framework into the SSC's ownership assessments. Capability and ownership issues in respect of a department's ability to contribute towards the strategic priorities could be a key component of on-going ownership advice.

It is envisaged that the role of the SSC in the strategic priority capability assessments would be to:

- use the framework as far as is necessary to understand the business of the department;

- pass the framework to lead agencies/departments for their use;
- use the framework as an element (strategic priority capability assurance) of the capability pilots; and
- use the framework to inform overall ownership assessments of departments.

Final comment

The SSC considers that this framework provides a platform for considering whether a department has the capability needed to deliver against the Strategic Priorities. We also consider the framework to be a starting point for departments and central agencies to test the extent to which the Public Service is well placed, in terms of its people, systems and processes, to 'make a difference' in the priority areas identified by the Government. We welcome any feedback or comment on this paper and the framework.

Appendix 1: Ideal features of well-defined Strategic Priorities

Strategic Priorities are developed by Government. They are high-level statements that articulate the Government's priorities for the public sector in order to focus effort and performance.

A well-defined Strategic Priority:

- Is clear*
 - It is an unambiguous statement of what the Government aims to achieve.
- Is realistic*
 - It is realistic to expect progress towards it to be made given time and resource constraints.
- Is discrete*
 - It has readily apparent boundaries.
- Is sensitive to assessment issues*
 - It reflects the need for progress towards the Strategic Priority to be measurable. Thus, the criteria for success are clear.⁸
- Is sensitive to inter-relationships with other Strategic Priorities*
 - It is developed with awareness that progress towards one Strategic Priority will have an effect (either positive or negative) on progress towards other Strategic Priorities.
- Is stated as an end-point*
 - It helps to maintain the distinction between outcomes and process.
- Is evidence-based*
 - It is based on a clear identification of key drivers and levers.

Ideal features of a strategy for strategic priority implementation

Criteria

1. *Is explicit*
 - There is an explicit account of what is to be undertaken and by whom.
2. *Is agreed*
 - There is an agreed account of what is to be undertaken by whom.
3. *Provides for assessment*
 - It is clear how assessment will be made of the success of the strategy at the end of the cycle.
4. *Is sensitive to risk assessment issues*
 - The strategy considers the risks facing the department/sector in making progress against the Strategic Priority.
 - There is rigorous analysis of the risks facing the department.

⁸ Hinton, S. and Dickie, B. *Policy Implementation and Evaluation: A Review*, 1996.

- 5. *Is based on an agreed understanding of intervention logic***
- Does the process underpinning the strategy rest on an agreed understanding of the intervention logic supporting achievement against the Strategic Priority?
 - The selection of activities is based on robust research and information about the key drivers for change.

Ideal features of robust indicators

An indicator is a measure (for example a distance from a target or threshold) that reflects how well a programme is achieving its objectives. It has the characteristic that when it moves, it is possible to determine whether it is reflecting a positive or a negative effect.

For example, a programme is designed to increase the number of a species of endangered bird. An indicator would reflect the relative positive change in the number of such birds over a specified period of time.

Although it should be clear what each indicator is designed to measure, indicators are not precise measuring instruments. The literature⁹ suggests that indicators should focus on providing a *reasonable indication* of progress towards the Strategic Priority.

While it is not necessary for every indicator to meet all desirable criteria, the overall package of indicators should provide a balanced picture of progress towards the Strategic Priority.¹⁰

Good practice suggests a consideration of whether each indicator:

- Is stated simply***
- It is simple and easy to understand.
 - It is clear as to what is being measured.
- Is policy-relevant***
- It provides information to a level appropriate for policy decision making.
- Is cost-effective***
- It uses existing information where possible, or information that can be obtained cost-effectively (although data availability is not the main driver).
 - It is simple to monitor.
 - It has a target, beyond which further progress is not necessary (for example, an optimum number of endangered birds beyond which further resources will not be spent).

⁹ Such as: Van Peursem, K.A., Pratt, M.J. and Lawrence, S.R. "Health Management Performance: A Review of Measures and Indicators" in: *Accounting Auditing & Accountability Journal*, Vol. 8, No. 5, 1995.

¹⁰ Ministry for the Environment *Environmental Performance Indicators: Proposals for the Marine Environment*, Ministry for the Environment, Wellington, 1998.

- Is controllable***
- It is designed to measure progress based on factors that are within governmental control.
 - Where possible, other influences (economic, social or environmental) are isolated.
- Is reasoned***
- It indicates what it is intended to indicate (bearing in mind that it is worse to select an indicator based on information that is easy to measure, but which measures the wrong thing, than it is to have a poor measure of the right thing).
 - It is supported by a robust theoretical rationale, and is thus independently verifiable.
- Is focused***
- It clearly contributes to the necessary coverage of the Strategic Priority.
 - It is based on an explicit link with the Strategic Priority.
 - It forms part of a logical pathway that describes progress towards the Strategic Priority.
 - It is ranked to reflect its relative importance (bearing in mind that indicators convey a strong message to agencies about Government priorities¹¹).
- Is discrete***
- It has clear boundaries.
 - It specifies a degree of change relative to a specified starting point.
- Is time-bound***
- It specifies a realistic timeframe for change (which may include intermediate targets linked to the budget cycle).
 - For example, an increase in the number of endangered birds by 50% over the period 1999 to 2000 followed by a further 30% increase over the period 2000 to 2001.
- Is mindful of unintended consequences***
- It is mindful of the fact that most departmental interventions have unintended and complex consequences.¹²

¹¹ Douglas, D. "Queensland Government's Experience with Performance Measurement" in: *Performance Indicators in the Public Sector*, Institute for International Research, Auckland, 1992

¹² Causality: A limitation of using indicators as measures of progress is the inherent difficulty of determining exactly what has caused movement in the indicator. Causality issues around indicators are complex and multi-dimensional. Where causality is difficult, or impossible, to establish indicators may still point the way towards making such links. A reasonable estimation of causality is perhaps all that is realistically attainable, and there is still value in having indicators of progress, even if causality can not be established. The Ministry for the Environment suggests that indicators are "helpful in relating causes, effects and responses" (p. 7). For example, the number of endangered birds may be affected by a change in weather patterns, or other factors beyond a department's control. The number may also be affected by the indirect actions of other departments (such as reductions in pollution levels). (Reference:

- Is a relative measure***
- It measures relative, rather than absolute change. An increase of 50% over the current number of endangered birds is more useful than specifying an increase of 10 birds.
- Is based on agreement***
- It may be better to have several good indicators that are agreed upon by the department than many that have not been agreed to.
 - It has clear parameters around its use (to avoid distrust of how information generated will be utilised¹³).
- Is statistically valid***
- It uses standard methodologies with known accuracy and precision.

Qualitative indicators

In order to obtain the highest quality results, progress on Strategic Priorities should incorporate both qualitative and quantitative methodologies. Qualitative data concentrate on words and non-structured observations to express them, resulting in in-depth information of high validity about fewer cases. Qualitative information provides insights into attitudes, beliefs, motives and behaviours, with depth of understanding about what people think and how they feel. It attempts to answer 'why' and 'how' questions, and deals with the emotional and contextual aspects of response, adding 'feel', 'texture' and nuance to quantitative findings.

An indication of the *quality* of progress (for example, client perceptions and values, or changes in attitudes) towards a Strategic Priority is as valuable as information on the *quantity* of progress. Capturing this aspect of progress may involve indicators that include client surveys or focus groups (for example, an indicator might measure the number of clients who perceived an improved quality of service over the past year). Particular attention should be paid to measuring the effects of those interventions of which the outcome is 'no change' (for example, prevention programmes). Qualitative indicators may reflect survey responses of 'at risk' groups.

Ideal features of sound intervention logic

Intervention logic is the rationale on which many aspects of the framework are based. It supports the choices made at a lead agency level on outcome measures and targets, and the choices made by departments on their selection of activities.

The purpose of the criteria below is to set up the ideal conditions that would exist for intervention logic generally, in order that a sound assessment of departments' contributions to Strategic Priorities can be made.

Ministry for the Environment *Environmental Performance Indicators: Proposals for the Marine Environment*, Ministry for the Environment, Wellington, 1998.)

¹³ Knight, H. "Making Evaluation Work" in: *Evaluation Journal of Australasia*, Vol. 2, No. 2, June/July 1990.

Sound intervention logic:

- Is backed by research***
 - It takes into account the literature (including debate within the literature) on the subject.
 - It is based on research by recognised experts or reputable organisations, which has been subject to peer review.
- Is based on previous experience and testing***
 - It has been tested within New Zealand or overseas.
 - It has been tested by pilot schemes or in fully operational interventions.
- Is, where possible, founded on valid theories of cause and effect***
 - It is based, where possible given the complexity of this issue, on reasonable estimates of causation.
 - It relies on clear establishment of causal links, where they can be made.
 - It is based on reasonable causal assumptions, or on research-backed correlation, where direct causality is impossible.
 - It makes any assumptions explicit, where causality is unclear or is undesirable.
- Is practical***
 - It takes into account the availability of local resources and personnel.
 - It pays attention to the likelihood of support from key interest groups (in particular Maori).
- Informs as part of a learning cycle***
 - Intervention logic is an on-going activity.
 - Ex-post evaluation feeds back to the next round of intervention logic.

Ideal steps to identify contributing activities

Step One: Identifying contributors

Contributors to a Strategic Priority are those government agencies that:

- have money provided under their Vote/s tagged for outputs directly related to the Strategic Priority, including non-departmental output classes (NDOCs); and which may
 - belong to the strategic network focused on the Strategic Priority; or
 - which have a KRA that links directly to the Strategic Priority.

Rationale

Those agencies that belong to the strategic network have been tasked by Government to address the issues of the Strategic Priority. It is, therefore, reasonable to expect that

they will have developed initiatives that are explicitly directed at relevant indicators. Where money is appropriated to achieve a defined outcome, it is reasonable to expect that information has been collected that assesses achievement. Where departments assert a contribution within their KRAs, this assertion will be tested.

Step Two: Identifying contributions

Departments are likely to contribute in a variety of ways:

- the most direct contribution is likely to be through the provision of services provided by the department directly;
- departments may, in addition, have a role in funding another government agency that provides services; in this situation, the department may have a monitoring role;
- departments, in addition, may purchase services from other providers;
- Government also purchases policy advice to support its Strategic Priorities; this advice is likely to include development of new initiatives, research, evaluation of existing programmes and purchase advice directed at the target outcome.

Rationale

By using output funding, KRAs and the Strategic Priority Network Teams, a direct connection can be made between the activities and the Strategic Priority. This should ensure that the selection of an activity is based on its identified link to the Strategic Priority and its potential to contribute towards the achievement of that Strategic Priority.

Ideal features of ex-ante and ex-post evaluation and review

The principles outlined below are intended to provide a general and non-specialist summary of issues to be considered around ex-ante and ex-post evaluation. The examples provided are illustrative only, and are intended to provide some context.

It is not intended that this paper is used as a guide for methodology selection, nor is it intended that a third party re-evaluation of departmental evaluations should take place. It is considered that evaluation of the pilot and design phase of a programme is a core component of a robust system of evaluation.

A sound method of assessing programme results:

- Is results focused***
- It answers the right questions.¹⁴
 - It is responsive to the information needs of stakeholders and decision-makers (whether, and to what extent, the need to evaluate depends on the nature of the programme – e.g. is it new or controversial? – and on how relevant it is to the Strategic Priority).
- Is based on informed trade-offs***
- It is the most reliable and thorough method possible given resource and information constraints.¹⁵ The most accurate and thorough methodologies are often those that require the most resources and the most time (e.g. randomised experiments).
 - It achieves a balance between appropriate methods and the need to minimise compliance costs (the nature of this balance depends on the activity and department involved).
- Is rigorous***
- It is as rigorous as is practical and appropriate. Complete certainty is not always needed, even if it could be achieved (so, quasi-experimental methods may be appropriate).
 - In many situations, it is better to use approximate techniques than to avoid evaluating a programme at all.
- Is cost-effective***
- It makes the best use of limited resources (for example, an inappropriate intervention that is introduced full-scale may be much more costly than a reliable pilot).
- Is appropriate***
- It is based on an assessment of priorities within the department, as it may not be necessary (or possible) to evaluate all activities.
 - It is not focused entirely on quantity, but uses qualitative information where appropriate (for example, surveys or direct observation).

¹⁴ Often there is no one right way to do this, and a number of different methods may be used to obtain the same information (triangulation).

¹⁵ Funding for evaluation in the public sector is currently problematic. Ideally, the costs of evaluation would be incorporated into original policy proposals. This may require a shift in the emphasis afforded to evaluation issues by Ministers, and an increased willingness to expend resources in this area.

***Is, where possible,
causally sound***

- It demonstrates, where possible and where required, a clear causal link between activity and result.¹⁶
- It establishes reasonable causal links where certainty is impossible (for instance, using modelling or regression analysis).
- It makes all causal assumptions explicit, and is used to inform the next round of intervention logic.

***Is conducted within a
meaningful
timeframe***

- It is primarily an ex-post activity, but is also considered at the programme design stage.
- It is not focused on evaluating only what is possible within time constraints, but is viewed as an on-going activity, with progress considered as movement along a continuum (especially given the reality of annual budget rounds).

***Is clear on criteria for
success***

- It has clear criteria for success, and includes a means of determining the level of change that is considered to be acceptable progress, good progress, or optimal progress (a good example of this is benchmarking).

***Is sensitive to data
availability***

- It is based on a realistic assessment of information required, and information available.
- It uses existing (if necessary, tailored) data where possible. For example, it may involve adding to a census or time-use survey.
- It uses existing data appropriately, and in the way that it was intended to be used. For example, while official crime statistics are a useful measure of crime levels, they have limited use in informing about causes of crime (i.e. they may reflect differences in police practices).

¹⁶ Causality is a key evaluation issue, especially with regard to government interventions, as it is common for a single problem or group of the population to be the target of several programmes with the same or related objectives (Hogwood and Gunn, 1984). Moreover, departmental activities may have unintentional effects on Strategic Priorities other than those they were intended to influence. As with causality and indicators, the focus of evaluation should be on establishing causal links where possible, and where practical (given resource constraints). Complete certainty may not be needed by decision-makers, who may accept a high correlation between the activity and the outcome as sufficient evidence of effectiveness. (Reference: Hogwood, B.W. and Gunn, L.A. *Policy Analysis for the Real World*, Oxford University Press, Oxford, 1984.)

Is founded on good data analysis

- It is performed by appropriate personnel.¹⁷
- It is well presented, including limitations/margins of error.

Is part of an evaluation culture

- It is linked to a broader framework of strategic management, and is an integral part of departments' 'business as usual'.
- It has an internal sponsor, and is not simply done 'by rote'.

Is ethical

- It has the informed consent of all participants.¹⁸
- It provides assurance of confidentiality to participants.
- It uses control groups wisely with regard to potential benefits.¹⁹
- It is culturally appropriate and, in particular, is based on consultation with Maori.

Ideal conditions for partnerships with well-defined roles and relationships

The emphasis on progress against Strategic Priorities demands an increased level of co-operation between departments within each Ministerial Team, as success requires the co-ordination of many initiatives, both individual and joint, within the sector. It is therefore important that the roles of, and relationships between, departments within each Team are clear.

¹⁷ The options are: (1) Departmental staff (appropriate where detailed programme knowledge is required, and has the advantage that knowledge is retained in-house; however, there may be skill shortages, and the activity may involve multiple agencies); (2) Specialised staff within the agency (this may be conducive to a more objective evaluation); (3) external experts may be contracted in (which may lead to a greater public confidence in evaluation results, and is therefore useful for more controversial public sector activities; however, there may be a danger of 'giving the client what they want'). Given the current lack of skilled evaluators in the New Zealand Public Service, a combination of all three may be appropriate.

¹⁸ Participants are aware of all potential effects (either positive or negative). They are advised on what information will be sought, how the information will be recorded and used, and the likely risks and benefits arising from their participation in the evaluation. Their role in the evaluation is based on written contractual arrangements (Australasian Evaluation Society, 1998). (Reference: Australasian Evaluation Society *Guidelines for the Ethical Conduct of Evaluations*, Australasian Evaluation Society, Curtin, ACT, 1998.)

¹⁹ If the intervention involved is potentially beneficial (especially with regard to drug testing) it may be unethical to withhold it from some people. Muraskin (1993) notes, for example, that in education evaluations, denying a new or potentially more effective treatment to a group of students is not encouraged. (Reference: Muraskin, L. *Understanding Evaluation: The Way to Better Prevention Programs*, United States. Dept. of Education, 1993.)

Clarity of roles

Clear leadership role

- Each Strategic Priority has an identified lead agency;
- The role stems logically from Ministerial direction and discussion on Strategic Priorities.

Lead agency responsibilities are explicit

- The lead agency has a role as facilitator of the strategy developed for the achievement of the Strategic Priority (strategic policy and purchase advice);
- This facilitating role is not prescribed, but is explicit, and within parameters agreed to by Team members. It encompasses monitoring and evaluation advice, leadership, co-ordination and relationship management;
- The role encompasses an understanding of the inter-relationships between departmental activities.

Roles of departments are communicated

- There are clear lines of communication from the lead agency to departments within the Ministerial Team (including regional agencies).

Roles of departments are clearly specified

- The lead agency ensures that each department is clear about its contribution to the Strategic Priority, including how its activities affect indicators.

Clarity of relationships

- Relationship between lead agency and departments is defined***
- The scope of the supervisory role of the lead agency is defined and accepted;
 - The lead agency is not dominant at the expense of input from smaller, perhaps less influential, agencies.
- Positive inter-agency co-operation and co-ordination***
- Each agency has a nominated staff member responsible for promoting and overseeing inter-agency co-ordination;
 - Departments co-operate to make decisions on who will collect information, how this information will be shared, and how it will be analysed. These decisions may be formalised in written form.
- Process for conflict resolution***
- There is a pro-active, positive process for conflict resolution within the Ministerial Team.

These conditions represent an 'ideal situation', in which both lead agencies and departments work together towards the achievement of each Strategic Priority. There are, however, several, potentially serious, limitations to attaining this state:

1. The development of effective inter-agency relationships is a long-term and evolving process. Once established, such relationships require constant nurturing.
2. While consensus on the 'strategic pathway', driven by the lead agency, is the ideal, it is difficult to secure in practice due to the divergent perspectives of different departments. There is difficulty in striking the balance between allowing all departments to have input and maintaining a consensus view.
3. Sharing resources may incur funding difficulties.
4. It is possible for one Strategic Priority to fall under the jurisdiction of one department; or, more problematically, for it to fall under the jurisdiction of many (even all) departments. There are consequent difficulties in co-ordination and consensus.
5. Conversely, one department may have a commitment to several or all Strategic Priorities (for example, this may be a difficulty for Te Puni Kokiri), thus creating an unmanageable workload and conflicting priorities.
6. Effective co-ordination may require compatible information technology systems and common work patterns that do not currently exist.