

Reframe to reform:

Putting people at the center of government transformations

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In Brief



When governments succeed in improving public services and stepping up their performance, the impact can be tremendous. For example, the most satisfied citizens are 9 times more likely than dissatisfied citizens to trust their government. Yet around 80% of initiatives to transform government performance fail to meet their objectives, according to research by the McKinsey Center for Government (MCG). That high failure rate represents a huge waste of effort and resources—and drives increasing citizen discontent in many countries.

What distinguishes successful transformations from failed initiatives? Research by MCG, together with dozens of real-world case studies, shows that a set of people-centric disciplines more than triples the chances of success of major change programs in the public sector. Successful transformations are rooted in a deep understanding of human behavior, and deliberately build capability, motivation, and momentum. But such thinking is rarely part of traditional government practices and culture.

In this paper, we present a set of fundamental reframes that public-sector leaders need to embrace if they are to design and deliver successful, people-centric government transformations. Those reframes are as follows:

- **From “can’t change without a crisis” to “always keep improving”.** Many observers assume it is near-impossible to change governments without a crisis to shake them out of their inertia. But MCG’s research finds that fewer than 20% of major change efforts are undertaken in response to an external crisis or a major performance failure. Transformations are far more likely to be triggered by new leaders with new visions, or the internal recognition that business-as-usual practices have become outdated. That is a reminder that, while burning platforms can help catalyze action, most public services are keenly aware of their limitations and are self-motivated to improve.
- **From “it wouldn’t work here” to “learn from others”.** Many government leaders express skepticism about how much their institutions can learn from others—whether in the public or private sector—given the specific circumstances of their country, region, city, or department. But MCG finds that the opportunity to apply and adapt best practices from other organizations is much greater than commonly assumed. For example, governments that have consciously learnt from similar countries

and mechanistic they can become an obstacle to successful transformation. Indeed, only about 30% of transformation initiatives are implemented exactly as planned. Plans should be developed in rapid “sprints”, then changed and improved once implementation begins. Planning should also be participative: organizations that involve frontline staff in transformation planning are nearly twice as likely to be successful.

- **From “manage process” to “actively problem-solve”.** Traditional program-management offices in government transformations are akin to music critics: they carefully observe and assess a performance, and after the fact they report its successes and flaws in a standardized template.

Truly effective coordinating units, on the other hand, are like conductors: they actively coach the players, providing real-time feedback that constantly improves the performance. They focus on impact rather than just milestones, and action rather than measurement. And rather than reporting on progress and process, these units take an active role in problem-solving the day-to-day issues facing the transformation. Government change efforts need more of such “conductor” units, which are typically called transformation management offices or delivery units.

have achieved savings of as much as 20% in areas such as transport. If other countries were to learn from and match the improvements already demonstrated in existing pockets of excellence, the world’s governments could save as much as \$3.5 trillion a year by 2021—or keep spending constant while substantially boosting the quality of key services.

- **From “try to please everyone” to “have the courage to prioritize”.** Governments’ broad mandate puts pressure on public-sector leaders to try to please everyone—setting more objectives than it is possible to deliver or launching more programs than can reasonably be completed. But many of the successful government leaders we have spoken to have emphasized the power of prioritization: they have singled out a few key areas, such as e-government or education, and devoted disproportionate attention and resources to achieving rapid impact in those. Even within such priorities, successful governments explicitly choose and commit to a small number of specific outcomes to focus on in the transformation—and avoid making their goals too broad.

- **From “communicate top-down” to “nurture two-way engagement”.** Many government institutions continue to be hierarchical organizations that follow the protocol of top-down, one-way communication cascades—on the assumption that civil servants simply need clear instructions in order to act effectively. But MCG’s research shows that these traditional communication approaches simply do not work in most government transformation contexts. To mobilize people and bring about the lasting behavior change that is required in most service-improvement initiatives, governments need to undertake well-planned, in-depth, two-way communication. In an MCG global survey of government transformations, nearly 90% of participants said success would have been enhanced by engaging more regularly with frontline employees.

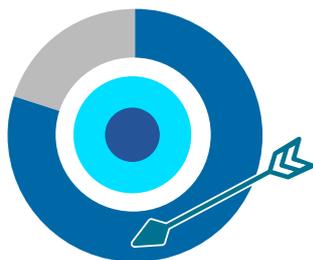
- **From “the perfect plan” to “empower people to get it done”.** Traditional public-sector approaches to policy development and implementation are characterized by slow, systematic and painstaking processes. The focus is often more on developing the perfect plan than on implementing it. But McKinsey’s experience in supporting hundreds of transformations shows that when plans and targets become too rigid

Introduction

Within the first year of the program, 120,000 Serbian newborns were registered electronically in maternity wards — saving citizens an estimated 600,000 hours of waiting in line. That achievement took sustained leadership attention, smart design, and intelligent use of technology. Most of all, it required Serbia's government to shift its mindset to focus squarely on the needs and emotions of citizens at this critical life moment, rather than on the administration's internal requirements. Adopting this people-centric approach was not easy. As Brnabić observed, many public servants do not truly feel they should be serving the public at all — instead, their attitude is that the public should be complying with their rules. That is reflected both in the design of public services and in the way governments communicate with citizens. For example, Brnabić had to intervene personally to change the wording of the text message sent to new parents from the government. She added human warmth and words of congratulation to what had been a bureaucratic notification of the newborn's registration. That is a poignant reminder of how far most governments must still go to put true care for citizens at the core of their work.

80%

of public-sector transformations fail to meet their objectives



The impact of successful government transformations can be tremendous. For example, a McKinsey customer satisfaction survey shows that the most satisfied citizens are 9 times more likely than dissatisfied citizens to trust government.² Yet research by MCG shows just how hard it is to deliver large-scale change in the public sector.³ Around 80% of government efforts to transform fail to meet their full objectives, according to a survey of nearly 3,000 public officials across 18 countries that formed part of the study's evidence base. The study also included insights from 80 transformation cases on every continent, and from in-depth interviews with 30 leaders who have personally driven transformations in government.

² Improving the customer experience to achieve government-agency goals, McKinsey.com, February 2017 <https://www.mckinsey.com/industries/public-sector/our-insights/improving-the-customer-experience-to-achieve-government-agency-goals>.

³ McKinsey Center for Government, Delivering for citizens: How to triple the success rate of government transformations, June 2018.

Ana Brnabić, Prime Minister of Serbia, is not a conventional political leader. She holds an MBA, has spent most of her career in business, and at 42 is one of the world's youngest heads of state. She is also the first woman and first openly gay person to hold senior office in Serbia. Her approach to governing has not been conventional either. When she was elected prime minister in 2017, she embarked on a rapid and far-reaching transformation program aimed at putting citizens at the center of government services.

One of Brnabić's core priorities was a drive for "e-government," to transform the efficiency and responsiveness of public services and bring new transparency to government data and decision-making. She emphasized that: "True e-government makes you rethink entire processes. If a citizen is having to go to 5 different counters for the same service, you have to simplify that experience. Digitization and open data is also the single best answer to corruption."¹ Brnabić has championed the transformation personally and invested considerable political capital in it. For example, she corralled the government to make open data compulsory across departments, against the resistance of many civil servants.

Under Brnabić's leadership, Serbia's government has focused on harnessing digitization to transform the services that matter most to citizens — in ways intended to enhance people's experience of those services. An early venture was the country's "eBaby" program, which Brnabić described as follows:

"When a new baby was born, the parents typically had to take 3 days off work to register their baby with different government departments — often standing in line for hours. With eBaby, we connected and digitized all the databases. Today you can register your baby digitally in the maternity ward in just 15 minutes, free of charge, with the technical staff of the hospital. Your baby's birth certificate and healthcare card will be waiting for you when you get home."

¹ Prime Minister Brnabić was the keynote speaker at the recent Challenges of Government conference in Oxford, organized by the Blavatnik School of Government with the knowledge partnership of the McKinsey Center for Government. These quotes are taken from her remarks at the conference.

government organizations work and change. Just like the Serbian government, they need to shift their own and others' mindsets.

In this paper, we present a set of fundamental reframes that public-sector leaders need to embrace if they are to design and deliver successful, people-centric government transformations. Those reframes are:

- From “can’t change without a crisis” to “always keep improving”
- From “it wouldn’t work here” to “learn from others”
- From “try to please everyone” to “have the courage to prioritize”
- From “communicate top-down” to “nurture two-way engagement”
- From “the perfect plan” to “empower people to get it done”
 - From “manage process” to “actively problem-solve”

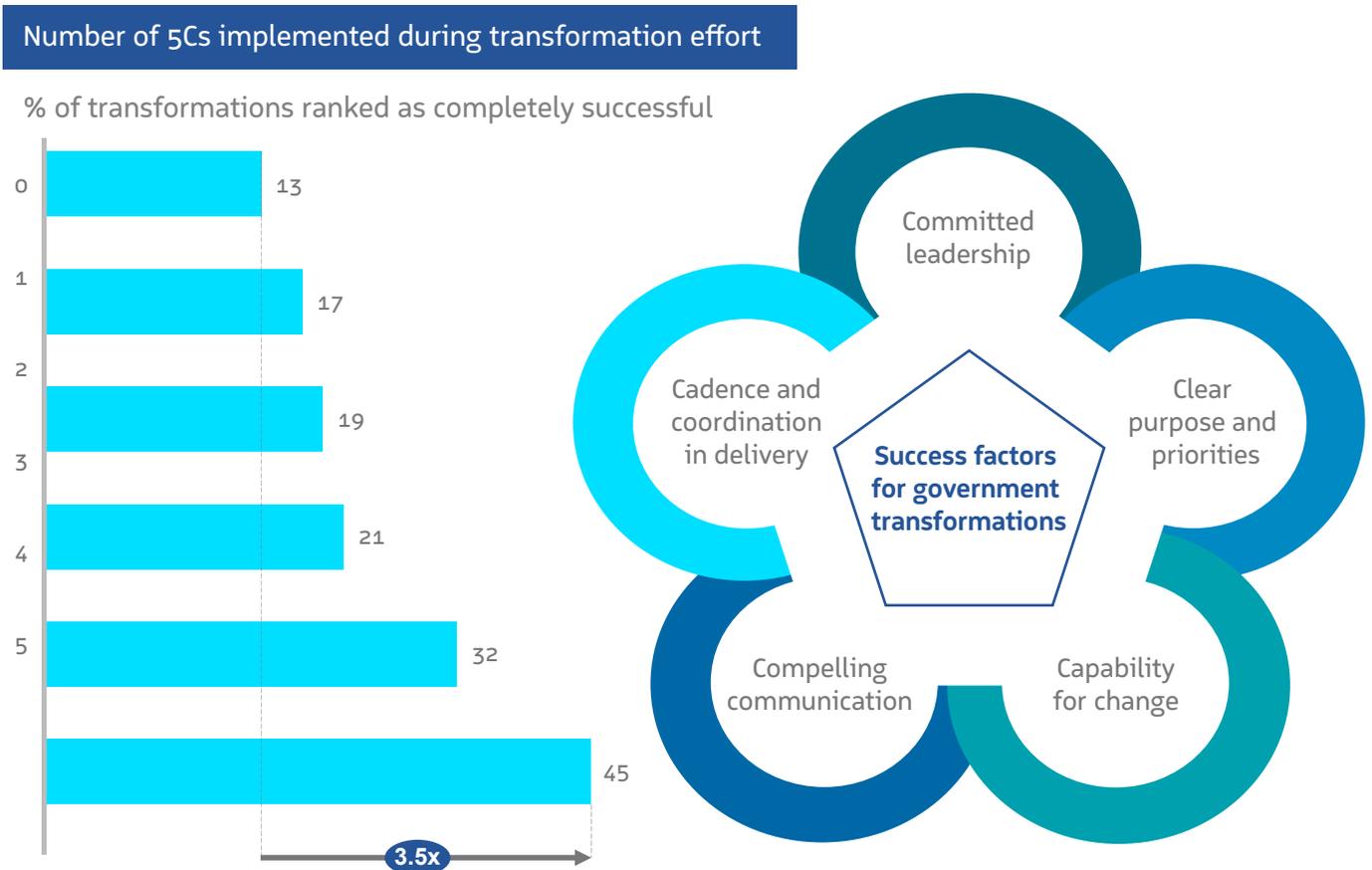
The “from” parts of the reframes are pervasive in many areas of government, but they stand in the way of both change and effective delivery. To make the shift required, public-sector leaders need to grasp a fundamental truth

The high failure rate of government transformations reflects a challenging context: governments face both massive complexity and increasing levels of contestation, amplified by 24/7 scrutiny on both social and traditional media. The failure matters: a global McKinsey citizen survey of 100,000 citizens found that 61% of respondents believe that governments are failing to meet their responsibilities.

So, what distinguishes the 20% of transformations that succeed from the 80% that do not? Our study distilled 5 essential change-leadership disciplines: committed leadership, clear purpose and priorities, cadence and coordination in delivery, compelling communication, and capability for change. We found that transformations that apply all 5 together are more than 3 times as likely to meet their objectives than other change initiatives. (See Exhibit 1 and Box: The 5Cs)

These “5 Cs” may seem obvious, but they are rarely applied effectively—and often go against the grain of public-sector management practices and culture. As MCG’s case studies show, successful transformation leaders challenge long-standing public sector conventions and reframe their understanding of how

Exhibit 1: The five Cs—and how they can more than triple the success rate of government transformations



Note: Based on most relevant surveyed action for each of the 5 disciplines; data weighted by proportion of world GDP
 SOURCE: McKinsey Center for Government Transformation Survey 2017; McKinsey analysis



The 5 Cs

MCG distilled 5 essential change-leadership disciplines that, applied together, can more than triple the success rate of government transformations.

They are:

- **Committed leadership.** Transformation leaders must go beyond standard public-sector management routines – committing extraordinary energy to the effort, taking personal accountability for success or failure, leading by example in making the change they want to create, and challenging long-established conventions. To inspire transformation, they must spend substantial time communicating face-to-face with the people affected, listening as much as they talk.
 - **Clear purpose and priorities.** Successful transformations paint a compelling picture of their destination, and make it crystal-clear to public servants and citizens why the change is necessary. When it comes to objectives, less is more: successful efforts keep targets few, specific and outcome-based. For example, one successful education transformation in our study had just 4 major targets covering enrolment in schools and universities, evaluations, and information systems.
 - **Cadence and coordination in delivery.** The delivery of transformations differs markedly from traditional public-sector policy development and implementation approaches. It requires a fast yet steady pace, a flatter hierarchy with close collaboration between different agencies and functions, and the flexibility to solve problems as they arise. It also requires an empowered and focused transformation team to drive and track progress.
- **Compelling communication.** Every government communicates, but only a few do so effectively enough to shift mindsets and behaviors: nearly 90% of participants in our transformation survey said success would have been enhanced by engaging more with frontline employees. Transformations need well-planned, in-depth, genuine two-way communication with all the groups affected by the change—especially the organization’s own employees.
 - **Capability for change.** Although civil services are often staffed by highly skilled people, their expertise and experience is rarely in change management. Reliance on business-as-usual capabilities is a major contributor to the high failure rate of government transformations. 3 sets of skills are particularly important: the ability to run complex, large-scale service-delivery organizations; project and program management; and digital and analytics skills.

that most organizations fail to live by: governments are made of people, serving people. That means that any transformation approach must be rooted in a deep understanding of human behavior: people respond to positive motivation, communication and collaboration, and they need help to overcome inertia and learn new behaviors. Leaders who embrace the “to” part of the reframes can unlock tremendous energy, innovation, and productivity. They are also much more likely to succeed in the unpredictable, rapidly changing environment in which governments find themselves today. And they are more likely to deliver on citizens’ true needs—with better outcomes and often at lower cost.

From “can’t change without a crisis” to “always keep improving”

Can governments transform without a crisis? For many observers, the answer is “no”: governments are seen as inherently slow-moving, cautious, and change-resistant. Public-sector organizations are generally more risk-averse than private-sector businesses, where employees or entrepreneurs who innovate are often richly rewarded; by contrast, civil servants are more likely to be penalized for failure than rewarded for innovation or outperformance. Government change efforts must also typically contend with time-consuming requirements for regulatory compliance and public consultation, the constant glare of publicity, and the complexity of having to work across multiple departments or agencies.

It’s understandable, then, that many political leaders and civil servants have come to use crises as a springboard for reforms. Indeed, “never let a crisis go to waste” has become something of a mantra. One example is the changes made in US banking regulation in the wake of the 2008-09 financial crisis. Those reforms were already under consideration, but the crisis likely changed people’s judgment on the balance of costs, benefits and risks of different options, and created a sense of urgency that accelerated regulatory change.

MCG’s research, however, reveals a surprising truth: while a crisis or “burning platform” can certainly be a powerful prompt, it is by no means a necessary precondition for government transformation. In our global survey, we found that fewer than 20% of major change efforts were undertaken in response to an external crisis, media or public pressure, or a major performance failure. Transformations were far more

From “it wouldn’t work here” to “learn from others”

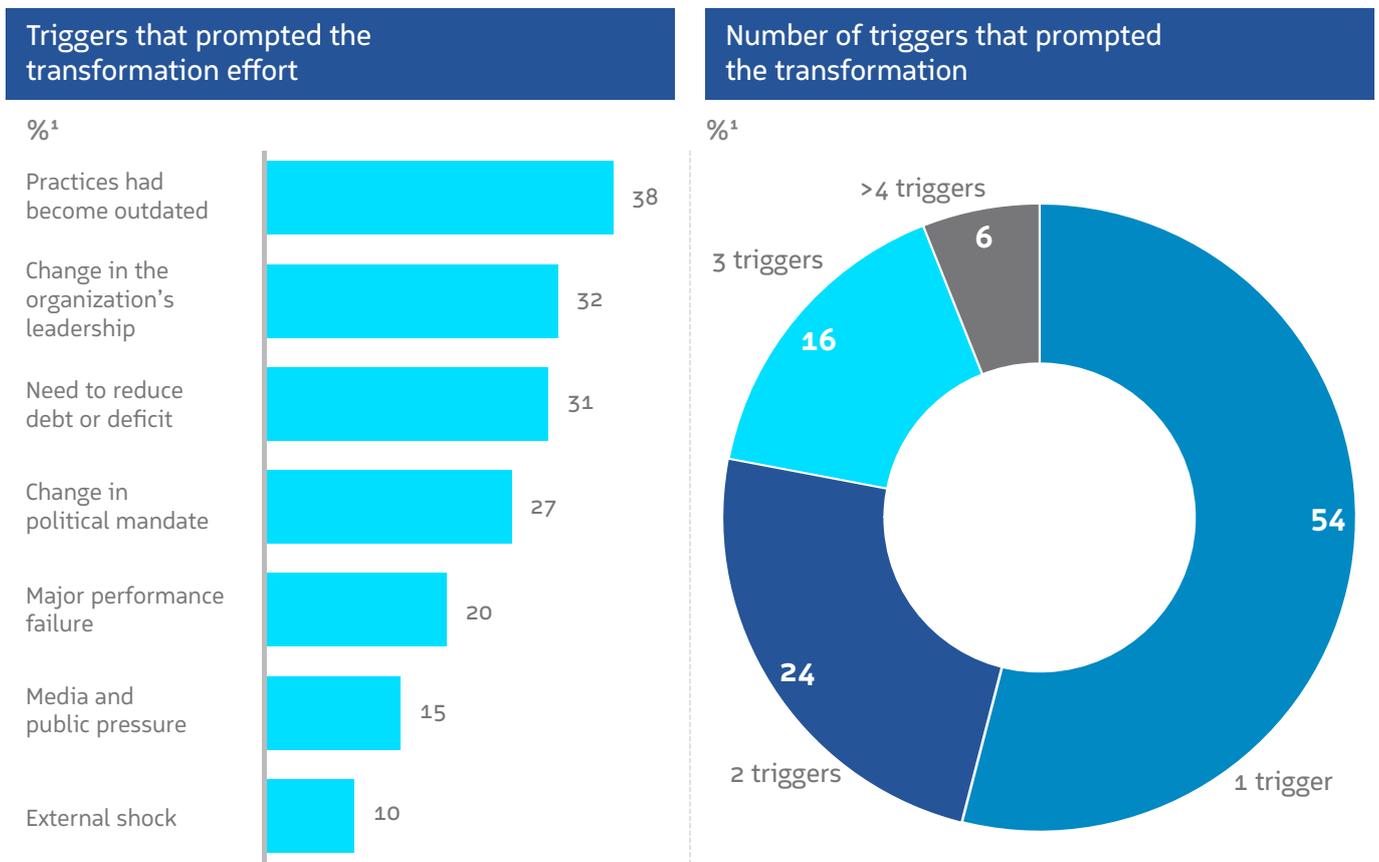
McKinsey research has found that barriers to diffusion of best practices are often higher between governments than between private-sector firms — despite the fact that governments have few “trade secrets” to protect, and in theory have every incentive to share ideas on how to improve public services. But it turns out that competition in the private sector actually accelerates the adoption of new approaches, as does the existence of multinational corporations, which have no equivalent form in the public sector. There is also evidence that diffusion is slower for the kind of knowledge intensive innovation needed in the public sector than it is for physical products.⁴

However, our interactions with governments around the world suggest that the barriers to diffusion in the public sector are as much cultural as structural. Many government leaders express skepticism about how much

likely to be triggered by new leaders with new visions— as in the case of Serbia, cited earlier. Altogether, more than half of all transformations were prompted by a change in leadership of the department or unit, or a significant change in political leadership or mandate, or a combination of these reasons (Exhibit 2).

Perhaps even more surprisingly, the trigger for transformation most frequently cited was the recognition within government that business-as-usual practices had become outdated. Almost 40% of all respondents identified this internal realization as a primary driver of change. That is a reminder that, while burning platforms can help catalyze action, most public services are keenly aware of their limitations and are self-motivated to improve. For government leaders everywhere, the message is clear: you don’t need to wait for the next crisis before you embark on major change.

Exhibit 2: The most common reasons for starting transformations were the need to update working practices and changes in leadership



Note: Data weighted by 2016 share of GDP among the countries surveyed (current prices, purchasing power parity adjusted); unweighted total number of respondents = 2,909

SOURCE: McKinsey Center for Government Transformation Survey, December 2017

⁴ See, for example, Innovation matters: Reviving the growth engine, McKinsey & Company, June 2013.



suggests a key opportunity for the lower-performing country to learn from and apply the innovations developed in its better-performing neighbor.

In transport, the case of Norway provides a compelling example. Norway has low population density and complex topography, features that make road transport costly. Comparisons with similar countries, however, revealed that Norway had room to greatly improve efficiency. Norway's expenditure per kilometer of road was around 70% higher than in Sweden, and the government's estimates attributed around half of that cost difference to project execution and design choice. In 2015, Norway's government created a stand-alone, state-owned company that would be responsible for all the country's major road networks. The government tasked the new company with improving the quality of roads and reducing their cost by actively learning from international best practices in road design. One key innovation was to create a delineation for the "standard road" — a lower-cost road with clearly defined design-to-cost standards based on similar countries' practices.

Such approaches are expected to achieve future savings of 15 to 20%, while significantly increasing the socioeconomic value of new roads. In one major road project, the company revised the design to achieve savings worth 17% of the total project cost.⁷

MCG's research reveals that several countries have achieved dramatic productivity improvements in recent years—for example, by improving health, public safety, and education outcomes while maintaining or even reducing spending per capita or per student in those sectors. If other countries were to learn from and match the improvements already demonstrated in these pockets of excellence, the world's governments could potentially save as much as \$3.5 trillion a year by 2021. Alternatively, countries could choose to keep spending constant while boosting the quality of key services (Exhibit 3). For example, if all the countries we studied had improved the productivity of their healthcare systems at the rate of their best-practice peers over the past 5 years, they would have added 1.4 years to the healthy life expectancy of their combined populations.

their institutions can learn from others—whether in the public or private sector—given the specific circumstances of their country, region, city or department. They genuinely believe that the huge differences in stages of development, demographics, and political systems make public-sector best practices hard to translate and replicate. That entrenched belief, we contend, hampers efforts to bring the best of the global public sector to citizens. Skepticism about the applicability of private-sector practices to the public sector is even greater—and represents a further missed opportunity to improve the responsiveness and productivity of government.

This does not mean that barriers to sharing best practices are not real. Governments' legislative frameworks and powers vary widely, as do the dynamics of countries—and even of cities within the same country. Countries' degrees of political stability vary widely too, as do the social, environmental, and security risks they face. Citizens' expectations of government also differ in surprising ways. For example, a recent McKinsey survey found that citizens of Asian and African countries were more likely than their European peers to support government reforms that required short-term sacrifices to deliver long-term benefits.⁵

Learning from other governments

Governments should not let these differences cloud out opportunities to learn from others. For any government, it is eminently possible to find comparator geographies or institutions, learn from their experience, and adopt (or adapt) their best practices.

In healthcare, for example, MCG's research on government productivity found tremendous variation in the spending of countries with similar levels of healthy life expectancy (HLE).⁶ For instance, two neighboring European countries have the same HLE (73 years), but one country spent a third more per person on health care than the other. These variances might be influenced by factors such as population demographics and density, behavioral characteristics, quality of infrastructure, and public safety levels—but health-system management also appears to be a central driver of productivity. That

7 Ingrid D. Hovland, "How will a Norwegian governmental company improve road development efficiency?" presentation at a Via Nordica conference, June 10, 2016, <http://atlanticmicevent123.no/NorskVeiforum/ViaNordica2016/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=68778>.

5 2018 McKinsey Global Citizen Pulse.
6 McKinsey Center for Government, Government productivity: Unlocking the \$3.5 trillion opportunity, April 2017.





From “try to please everyone” to “have the courage to prioritize”

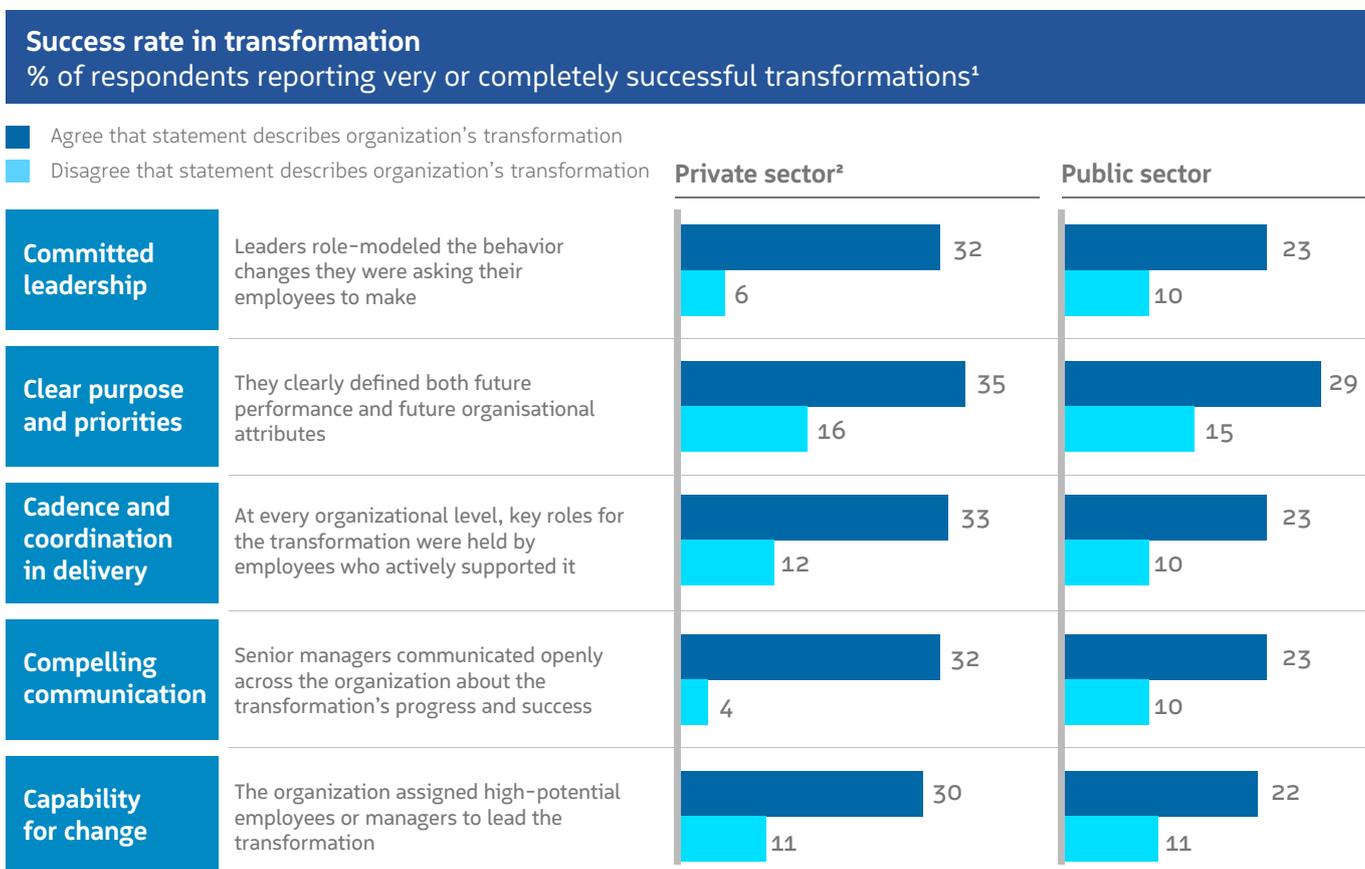
Governments exist to serve all their constituents equally, and their responsibilities span a great many areas, from education to security to transport to public finances. Unlike private companies, they cannot choose to focus on “core business” or to exit sectors or geographies that are challenging. This broad mandate puts pressure on government leaders to try to please everyone—setting more objectives than it is possible to deliver, and launching more programs than can reasonably be completed.

Fredrik Reinfeldt, prime minister of Sweden from 2006 to 2014, gave us a vivid image of this pressure. When a new premier comes into power, he said, “all the doors open around you and people come screaming from all directions.” But Reinfeldt resisted the urge to respond to all those demands. Over the course of several years in opposition he had prepared detailed plans on 3 key priorities: tax breaks for low and middle-income earners,

such role-modeling more than doubles the chances of success in a major change program. Defining clear purpose and priorities—not just about performance, but also about organizational attributes—is also a critical element in both sectors. Likewise, the success rate in both sectors more than doubles when key roles in the change program are held by people who actively support the transformation. Finally, success rates improve significantly in both sectors when senior managers communicate openly across the organization about the implications of the change for individuals’ day-to-day work.

Leo Tolstoy famously wrote in the novel Anna Karenina, “Happy families are all alike; every unhappy family is unhappy in its own way.” That’s a fair analogy for governments, each of which faces a unique set of struggles and challenges at any one point in time. Yet public-sector leaders do not have to struggle alone: the lessons and practices of their peers in both the public and private sectors are often surprisingly useful, adaptable, and applicable.

Exhibit 4: Drivers of success are largely the same in public and private sector



1 Respondents who report “success” say the transformations they are most familiar with have been very or completely successful at both improving performance and equipping the organization to sustain improvements over time.
2 For more details, refer to <https://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds>

(PISA), run by the OECD. As Saavedra told us, effective basic education is “the make or break for a country.” His first act was to simplify the complex strategy into a four-point plan focused on teachers, pedagogical interventions, infrastructure, and management. To deliver the plan, he assembled a team with deep public-management expertise, quickly moved to implementation, and personally led communication with teachers across the country. The transformation achieved rapid impact. In only 3 years, Peruvian schools had moved up to the average for Latin American countries—the fourth-fastest improvement in the world.

From “communicate top-down” to “nurture two-way engagement”

Many government institutions continue to be hierarchical organizations that follow the protocol of top-down, one-way communication cascades, on the assumption that civil servants simply need clear instructions in order to act effectively. And public-sector protocols, together with the sheer breadth of activity of many governments, mean that communication is typically by memo or email, rather than face-to-face. Even governments that profess to take a more participative approach often default to top-down, memo-driven communication when under pressure.

Engagement drives success

MCG’s research shows that these traditional communication approaches simply do not work in most government transformation contexts. To mobilize people and bring about the lasting behavior change that is required in most service-improvement initiatives, governments need to undertake well-planned, in-depth, two-way communication. That communication should be targeted at all the groups affected by the change—especially the organization’s own employees. Indeed, in our global survey of government transformations, nearly 90% of participants said success would have been enhanced by engaging more regularly with frontline employees. And successful transformations were more than twice as likely as unsuccessful ones to have the senior-management team communicate openly and across the organization about the progress of the change effort.

Examples of communication failure are unfortunately all too common. Consider the UK’s ill-fated FiReControl project, which was launched in 2004 to merge 46 local

reforms to unemployment benefits, and changes to sickness entitlements. It is imperative to “stay focused on what you want to do,” Reinfeldt told us. He formed a team around him to help focus on the reforms, held regular follow-up meetings with cabinet ministers on exactly what they were doing for the reform program, and then asked them to present this information in front of the cabinet. “I wanted them to take and show responsibility, which they did.” As he had promised the electorate, Reinfeldt implemented his first 3 reforms within his first 3 months in office. Of course, the Swedish government continued to deliver across its broad set of responsibilities — but Reinfeldt understood how important it was to single out a few priorities for leadership focus and accelerated delivery.

The same logic applies to economic development. For example, a regional government in an African country sought to accelerate economic growth and create jobs on a large scale. It identified more than a dozen sectors that had promise, but realized that, given limited resources and leadership bandwidth, it would need to focus on only a few if it was to move the needle on growth and jobs. The prioritization was fraught, with several stakeholders arguing that government had no right to “pick winners.” Yet the narrow focus paid off. In one of the selected sectors, tourism, the region achieved record visitor numbers within 2 years — thanks in part to government interventions such as facilitating more international flight arrivals, ramping up destination marketing, and expanding the region’s capacity to host conventions.

Many of the successful government leaders we have spoken to have emphasized the power of prioritization. One, mentioned earlier, is Prime Minister Ana Brnabić of Serbia, who came into office with just 2 core priorities: digitization of government and transformation of education. Another is Rachna Gandhi of Service NSW, who told us her institution “would never have got up if we had taken the approach of, ‘let’s get everything right.’”

Even within priority areas such as education, governments should explicitly choose and commit to a small number of specific outcomes to focus on in the transformation—and avoid making their goals too broad.

In Peru, for example, Jaime Saavedra Chanduví came into office as education minister in 2013—and inherited a strategy with more than 200 objectives. He knew that would not deliver the urgently needed improvements: the country was about to be ranked last in the world in the Programme for International Student Assessment

“Transformation is a bit like climbing a mountain. If you want to climb a mountain, first pick the mountain and then start walking. Don’t plan too much because you don’t know what kind of roads and obstacles and opportunities you will get. You need to know where you are going, what is your final goal.”

Boris Koprivnikar, former Deputy Prime Minister of Slovenia

my wall where I mark the places I've visited. There is no other way to really understand the work we do and how we in the department can make it even better.”

Actions speak louder than words

In any communication program aimed at winning hearts and minds for transformation, actions speak louder than words — leaders' behavior is under a microscope and truly matters for success. Indeed, MCG's government transformation survey found that efforts where leaders role-modeled the change expected of employees were 2.6 times more successful than those where such role-modeling did not occur. As a real-life example of this truth, consider the case of Japan, where paid paternity leave is more generous than almost anywhere else in the world — a policy aimed at helping to reverse declining birth rates. But very few men take advantage of the leave they are entitled to, because deep-rooted cultural norms dictate that they prioritize work over family. It takes true role-modeling to change that behavior. After the then labor minister Yasuhisa Shiozaki declared himself an “Iku-boss” — someone who values men playing their part in caring for children — take-up of paternity leave among labor-ministry employees rose from under 14% to over 40%.¹²

As these examples suggest, successful government transformations require much more than clear instructions from the top. Rather, leaders of transformation must live and breathe the journey, and stretch their capacity for emotional resilience and inspiring people-leadership. That means spending a substantive amount of time face to face with the people affected, listening as much as seeking to inspire.

From “the perfect plan” to “empower people to get it done”

Traditional public-sector approaches to policy development and implementation are characterized by slow and systematic processes, and time-honored rules and hierarchies. The focus is often much more on developing the perfect policy — and the perfect plan — than on implementing it. By contrast, the planning and delivery of transformations requires a fast yet steady pace, a flatter hierarchy with close collaboration between different agencies and functions, and the flexibility to solve problems as they arise.

fire-control centers into 9. According to the UK National Audit Office, the program was doomed from the outset by a complete failure to communicate its purpose with fire services and to take account of their needs and concerns. As a result, it did not secure their support, and was also unable to deliver a system that met their requirements. The project was canceled in 2010, wasting around \$700 million.¹⁰

What does effective communication look like in practice?

One example comes from Colombia's successful education transformation, launched under the leadership of Education Minister Cecilia María Vélez White in 2002, and continued by her successor María Fernanda Campo Saavedra. Colombia's mean performance on the PISA improved by 28 points from 2006–15, the second-largest improvement among the 52 countries with comparable data. Vélez White developed a comprehensive approach to communications, spanning multiple forums. She held a regular central forum of 1,500 teachers to discuss the transformation, as well as two-to-3-day meetings every 2 months with regional education administrations across the country. These information and dialogue sessions were complemented by a Saturday meeting held by the president and ministers in a different town or city every week with local administrators and communities, including teachers and educational authorities. The result of this carefully orchestrated set of dialogues was that the government kept close attention on the pulse of progress and challenges of the transformation and built trust with stakeholders. Vélez White told us: “We would hear people, and they spoke about problems of the sector. Sometimes I had more information than the local education secretaries because I went to speak with the people.” In her 8 years as minister, there were no national teacher strikes.¹¹

Our interviews with other senior government leaders back up these practices: successful transformation leaders spend a considerable amount of their personal time with implementers at the front line, and engage in frequent two-way communication with them. Peter Schofield, Permanent Secretary of the UK Department for Work and Pensions, told us: “I try to spend 2 days a week visiting frontline staff all around the country. I have a map on

¹² “Japan prompts more civil servants to take paternity leave”, Japan Times, January 9, 2018.

¹⁰ The failure of the FiReControl project, report by the Comptroller and Auditor General, HC 1272 Session 2010–2012, National Audit Office, July 1, 2011; The failure of the FiReControl project, House of Commons Committee of Public Accounts, Fiftieth Report of Session 2010–12, HC1397, National Audit Office, September 20, 2011.

¹¹ McKinsey Center for Government, Delivering for citizens: How to triple the success rate of government transformations, June 2018.

priorities, each bringing together a mix of skilled and motivated leaders from the public, private, and social sectors.

Don't direct people — empower them

Such approaches stem from the understanding that most great insights and ideas come from outside the top team and are improved through collaboration.

Frontline staff and citizens often know far better than those at the center how things can be improved.

Beyond new ideas, the participation of a wide group of interested parties brings much-needed legitimacy

to high-level aspirations. Research studies show

that when people choose goals for themselves, they are far more committed to the outcome, and that

successful transformations require broad empowerment and training across the organization.¹³ Our survey

corroborates this finding: organizations that involved

frontline staff in transformation planning were

nearly twice as likely to be successful. We call this

“participative planning.”

As discussed above, successful transformations also

focus on a few specific, outcome-based targets,

rather than dozens or hundreds of key performance indicators (KPI). Rather than prescribing actions and

outcomes at every single step, the right targets will empower employees to act in a principles-based way.

For example, New Zealand's police force abandoned a complicated set of targets for 2 simple and measurable

objectives: “Be Safe” and “Feel Safe.” That helped drive significant improvements. New Zealand's homicide rate

fell from 1.2 per 100,000 people in 2008, to 0.9 per 100,000 people in 2015 — a reduction of 25%. Over

the same period, the proportion of people reporting confidence in the police rose to 90%, from 78%.¹⁴

The US Veterans Administration (VA) provides a further compelling example of empowering employees to work

in a principles-based way. Traditionally, the VA had measured a long list of KPIs, but trust levels among

veterans were low. This prompted the leadership team to adopt a single, survey-based metric as the

organization's guiding light, supported by a set of

around 10 core KPIs. It asked veterans to rate how

strongly they agreed or disagreed with the statement: “I as a veteran trust VA to fulfill our nation's commitment

to veterans.” This metric clearly communicated to all

That is not to say that good planning is not important.

A solid plan will help a transforming government ensure that all steps required to attain an objective are identified and fulfilled, coordinate the work of multiple stakeholders, allow for timely provision of required resources, and enable effective monitoring of whether the transformation is on track or needs intervention.

First the sprint, then the marathon

But a “perfect plan” is not required. Indeed, the pursuit

of one is likely to cause paralysis: when plans and targets become too rigid and mechanistic they can

become an obstacle to successful transformation. Boris Koprivnikar, former Deputy Prime Minister of Slovenia,

put it this way in an interview with McKinsey:

“Transformation is a bit like climbing a mountain. If you want to climb a mountain, first pick the mountain and then start walking. Don't plan too much because you don't know what kind of roads and obstacles and opportunities you will get. You need to know where you are going, what is your final goal.”

McKinsey's experience in supporting hundreds of transformations in both the public and private sectors shows that this insight is borne out by the facts. In our experience, only about 30% of transformation initiatives are implemented exactly as planned, while a further 30% are changed as they are implemented. Fully 40% of the transformation initiatives that are implemented did not appear in the initial plan at all.

With that in mind, we recommend that planning is treated like a sprint — a rapid, time-bound process of just a couple of months — with clear deliverables and a nonnegotiable deadline. Officials should not spend months in planning working groups; plans can be changed and improved once implementation begins. Delivery, on the other hand, should be seen as a group marathon, with a steady pace and momentum sustained over time.

Even more importantly, planning should be seen as a team sport: the goal should be to develop a participative plan that is owned by the organization and meets citizens' needs. For example, when the city of Moscow launched a far-reaching transformation of transport, the government drew on the city's best talent, a range of external technical experts, non-governmental organizations, and citizen groups. The city established implementation working groups for 20 different program

¹³ See, for example, Matt Andrews, Harvard Kennedy School Faculty Research Working Paper Series “Why distributed end users often limit public financial management reform success,” May 2014.

¹⁴ Government productivity: unlocking the \$3.5 trillion opportunity, McKinsey Center for Government, April 2017.

budget right and secure sufficient funds for the next 12 months. Governments can set up annual checkpoints to evaluate the progress of the transformation, adjust or remove initiatives, and re-allocate budget accordingly. The key is to develop an adequate budget based on the transformation's true needs, rather than simply rolling over last year's budget. From 2006 to 2014, for example, 92% of the annual sector-level budget allocations of EU countries, adjusted for inflation, changed by less than 1% from one year to the next (Exhibit 5). Without breaching public-sector rules that govern how budgets can be reallocated, we believe there is room for much greater flexibility in budgeting for transformations and adjusting resources to the true needs of a change program as it is implemented.

Another way to infuse greater flexibility or agility into budgeting is to earmark a small portion of the budget of a department — say 2 to 5% — and allocate parts of it on a quarterly basis to addressing emerging priorities or for special projects based on ideas from civil servants at the front line. Those priorities can also be driven by citizens. For example, more than 100 of Brazil's largest cities have adopted "participatory budgeting," allowing

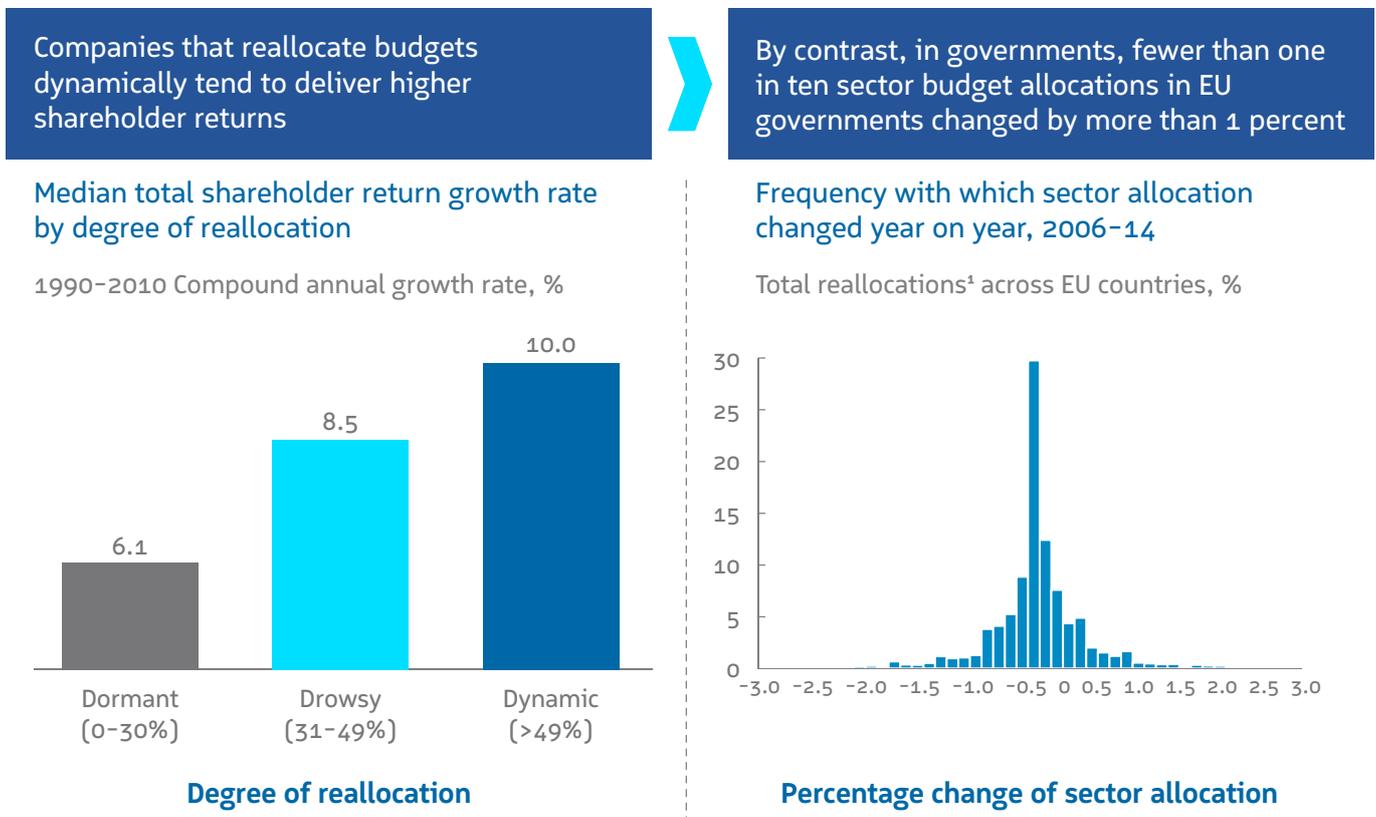
stakeholders the fundamental beliefs and objectives of the VA and allowed everyone to act in accordance with these principles rather than following a prescriptive set of rules or KPIs. When the survey was first conducted in 2015, only 47% of veterans said they trusted the VA. By 2018, that had increased to over 70%.

Rethink budgeting

It is also critical to link transformation planning and the budgeting process, to avoid process duplication or delays in disbursement of funds. More than 80% of our survey respondents said that, with hindsight, having allocated more financial and other resources at the start of the transformation would have improved the odds of success. Agencies should work with the finance ministry (or similar authority) to make cost estimates, secure funding, and seek alternative sources of funding such as private donor contributions or co-investment from state-owned enterprises.

By recognizing that plans change as delivery proceeds, governments will also shift the way they think about budgets. Like plans, budgets will change as implementation unfolds; the key is to get the first year's

Exhibit 5: Most governments change their spending allocations only marginally year on year, suggesting an opportunity to improve allocative efficiency



1 Percent of total budget spend for each Eurostat sector of Culture, Defence, Economic Affairs, Education, Environmental Protection, General Government, Health, Housing, Legislative/Executive, Old age, Public debt transactions, Public safety and order, Sickness and disability, Social protection, Transport and Unemployment.
 SOURCE: Eurostat government expenditure; McKinsey Center for Government analysis



exist in many situations. To date, however, transformation management has been dominated by the critics. Public-sector transformations need more conductors.

Key shifts for successful transformation offices

To go beyond process monitoring and traditional project management, government TMOs—and the leaders who appoint them—need to embrace 5 key shifts:

- 1. From milestone to impact.** Traditional PMOs often adopt traffic-light style reports to track the completion of initiatives. By contrast, TMOs have a relentless focus on the goal of the transformation. In their world, the completion of an action is meaningless if it has not brought the government one step closer to achieving the goal of the transformation — such as increasing the primary school enrolment rate, decreasing hospital waiting times, or increasing government revenue.
- 2. From “the plan is the plan” to “implement and course-correct.”** Traditional PMOs put adherence to the plan above everything else. Often lacking the necessary decision rights and content expertise to revise and update a project plan, they focus on executing as intended even when external circumstances change. TMOs are set up for a dynamic environment. They start with pragmatic plan and course-correct when new information becomes available that suggests a different course of action.
- 3. From measurement to action.** The traditional style of government PMOs often suffers from a bias to measurement. Since monitoring and evaluation in the public sector is difficult, traditional PMOs run the risk of getting lost in measurement discussions. The best TMOs, on the other hand, acknowledge that measurement is important but action is vital. Hence, they do not allow measurement uncertainties to get in the way of decisive and consistent action. They implement rules such as “no meeting is over before next steps are clear,” “no action without an owner,” “shared responsibility is no responsibility,” or “try and refine rather than plan and revise.” Effective TMOs are also adept at engaging the people who are critical to the transformation’s success. They navigate all stakeholders and decision-makers to facilitate solution-finding and decision-making in real time to remove any bottlenecks that cannot be addressed by a single stakeholder alone.

citizens a direct say on spending priorities. The funding amounts are generally in the range of 5 to 15% of the total municipal budget. Brazilian municipalities that have adopted participatory budgeting have spent more than their peers on education and sanitation and have experienced aboveaverage reductions in infant mortality.¹⁵

From “manage process” to “actively problem-solve”

Many governments have realized the need for central coordinating units to drive transformation programs; these units are often called program management offices (PMOs). In our government transformation survey, 40% of respondents reported that their institution had such a dedicated organizing team centrally coordinating the change program.

Be a conductor, not a critic

On balance these units appear to support successful transformations. Our survey finds that, while half of successful transformations were centrally coordinated by a dedicated team, only a quarter of unsuccessful transformations had this dedicated entity. But the key challenge for today’s leaders in government is not merely to set up a central coordinating unit — it is to make this unit effective. In our experience, many governments fall short in designing the coordinating unit and setting it up for success.

By way of analogy, consider the difference between a music critic and an orchestra conductor. Traditional PMOs are more akin to the critic: they carefully observe and assess a performance, and after the fact they report its successes and flaws in a standardized template. Truly effective coordinating units, on the other hand, are like conductors: they actively coach the players, providing real-time feedback that constantly improves the performance. Such “conductor” units are more likely to be called transformation management offices (TMOs) or delivery units.

Of course, both conductors and critics have valuable roles to play in the world of music performance. In government transformations, we do not suggest that TMOs should replace PMOs entirely — indeed, they can and should co-

¹⁵ Brian Wampler and Mike Touchton, “Brazil let its citizens make decisions about city budgets. Here’s what happened,” *Washington Post*, January 22, 2014; Luciano Máximo, “Cidades com orçamento participativo gastam mais com saúde e saneamento,” *Valor Econômico*, 11 February 2014.

Conclusion



The world urgently needs successful government transformations — to improve health and education outcomes, foster growth and job-creation, make cities more livable, make constrained public-sector budgets go further — and ultimately to restore citizens' confidence in governments' ability to deliver. Although the failure rate of such efforts is far too high, there is every reason to believe it can be radically improved—provided that public-sector leaders reframe some of the long-held conventions of how governments approach change.

At the heart of that necessary reframing is the insight that governments are not mechanistic bureaucracies but living organizations made up of people, serving people. Successful transformations go with, rather than against, the grain of civil servants' motivation and energy—and they connect with and respond to the deeply felt needs and concerns of citizens. As pioneering public-sector leaders are already showing us, a shift to truly people-centric government can unlock tremendous passion and performance.



4. **From reporting to problem-solving.**

Standardized reports are the bread and butter of every PMO. These templates are used to report on progress, bottlenecks, and risks. But they often remain descriptive and do little to overcome obstacles. A world class TMO, on the other hand, actively engages in solution-finding and helps address issues and risks rather than just reporting on them. One example comes from the Indian state of Maharashtra, where the chief minister created a “war room” in 2015 that focused on accelerating infrastructure projects—a critical need in a fast-growing, highly populous region with historic backlogs in infrastructure ranging from transport to water. The war room convenes regular meetings focused solely on the issues holding back each project. Each project head has to articulate his or her needs in under 10 minutes, and the decision to solve the issues is taken then and there. This laserlike focus and rapid escalation has enabled a dramatic acceleration in delivery— for example, from delivering 11 kilometers of metro lines in the previous decade to delivering 250 kilometers in the past 3 years.

5. **From spectators to players.**

Traditional PMOs often employ project managers, who are trained in measuring, reporting, and communicating project progress. The most effective government TMOs employ a different type of people. They do not act as mere spectators or critics, but are players actively participating in the music-making. Hence, their skillset is much more geared towards problem-solving, creativity, leadership, and subject-matter knowledge. In addition, most TMOs are led and coordinated by an inspiring “conductor.” The Maharashtra war room is headed by the Chief Minister himself, and he has been personally involved with every single project. This leadership focus has been one of the biggest drivers of the war room’s success.

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