



The Treasury

Benchmarking Administrative & Support Services Independent Key Stakeholder Assessment



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Introduction

Background

The Better Administrative and Support Services (BASS) Programme commenced in 2009 and aims to lower the cost and strengthen the effectiveness and efficiency of State Sector Administrative and Support (A&S) services across the State Sector. . The BASS process has generated considerable activity between agencies and across multiple functions. As well as support, BASS has received criticism. The key objectives of this engagement were to provide Treasury with an independent key stakeholder assessment to determine:

- Perceptions of BASS, across participating agencies and across functions.
- Information on how agencies are using, and want to use, BASS to improve performance and reduce costs.
- Stakeholders' recommendations for next steps in relation to the development of BASS as a benchmarking tool; and use of BASS within and between agencies.

This feedback will help Treasury assess BASS and continuously improve the benchmarking process. Equally, it will help agencies use BASS to drive improvements and measure savings.

Objectives

The key objective of this engagement was to provide Treasury with an executive summary report which identifies the key findings, evidentiary support and recommendations from the Independent Stakeholder Assessment of Benchmarking Administrative & Support Services undertaken in July 2012.

Method

This engagement covered the five largest administrative and support (A&S) service functions: information and communications technology, property, human resources, finance and procurement. We surveyed 158 users of BASS and conducted 10 interviews with opinion leaders to explore questions in greater depth. 70 valid responses were received, representing a 44% response rate.

We interviewed two Treasury managers and the five functional leaders to elicit the key questions that the survey should probe. We then identified the questions to be investigated through the survey and in-depth interviews.

Ten opinion leaders were selected purposefully because they were seen as active users of the BASS process, or constructive critics of it. These interviews focussed on whether BASS was influencing managers' behaviours, or changing planning and budgeting processes. The interviews probed for specific actions that BASS had triggered, and for their aspirations for what BASS could deliver for future public sector leaders.

Quotes from survey respondents and people interviewed have been included to illustrate the range of views, the depth of some feelings and their understandings of BASS. A few quotes have been altered to ensure the anonymity of the people making them.

Statistics have been rounded. Because the survey was small and sample was not drawn randomly, the statistics need to be interpreted cautiously.



Summary

Managers are generally positive about BASS. Increasingly, they see it as a vehicle for improving performance in A&S services as well as reducing costs.

- 40% of survey respondents agree that 'BASS supports improvements to the quality of A&S services' (40% were neutral and 20% disagreed).
- Several people gave examples of where new Capability Maturity Measures (CMMs) had generated useful discussions and practical actions to improve the capability and quality of A&S services. A number said that CMMs allowed agencies to explicitly identify the level of capability required by each function within each agency, and set a plan and timeframe for reaching the appropriate level. 50% of people agreed that 'BASS has increased the visibility and perceived value of A&S services' (30% neutral, 20% disagree). Several people commented that while BASS does not directly drive change, the increased attention on A&S services made it easier to review and improve services.
- The survey asked people to rank a number of statements about BASS to assess how they perceived the programme. 50% agreed with the statement that 'BASS promotes continuous improvement' (30% neutral; 20% disagree). This clearly indicates that BASS is seen positively as a performance improvement process. However 45% agreed that 'BASS is merely a compliance exercise with limited business value' (25% neutral, 30% disagreed). Analysis showed that some people agreed (or disagreed) with both statements; this suggests some tensions in the way BASS is perceived (and shows the limitations of small surveys).
- To clarify this tension, this question was explored in detail in the interviews. Interview responses clearly show how managers' views of BASS are changing as they begin to see its value to agencies; many survey comments illustrate evolving views of BASS.

"Some agencies were active from the get-go, and others not. That's changing as Ministers ask for more information and BASS gets incorporated into accountability processes."

Stakeholders believe BASS measures cost and capability well.

- 60% of survey respondents said that BASS does a good job of measuring cost (30% neutral, 10% disagreed).
- Views were mixed about BASS's contribution to cost reduction. 25% agreed that 'BASS helps agencies reduce the cost of A&S services' (40% were neutral, 30% disagreed).
- Survey respondents were almost unanimous in their praise for the new CMM measures. These metrics prompt agencies to reflect on the capability of their A&S services. This opens discussion on what is appropriate for the agency, which in turn generates discussion about the quality of A&S service delivery.

Managers say they want better measures of efficiency and effectiveness, but responses may indicate that existing efficiency and effectiveness metrics are not well understood.

- 30% agree that BASS measures efficiency well (45% neutral, 25% disagree). A number of people commented that BASS is perceived to measure cost at the expense of quality or efficiency. BASS has a balance of cost, efficiency and effectiveness measures, but this is not well understood. Several people highlighted they would be interested in any opportunities to improve efficiency measures".

"We are the lowest cost [for our IT function] in our cohort. Some of my managers interpret this as the most efficient. But to me it's that we are worst-funded and under-resourced. The metrics shouldn't be interpreted in this one dimensional way."



- 20% of people agree that BASS measures effectiveness of A&S services well 50% neutral, 30% disagree). Survey respondents saw the greatest opportunities in assessing the effectiveness of A&S services.
- A count of indicators shows an equal number of efficiency and effectiveness indicators. Several survey comments suggested that people do not understand that some of the current metrics are designed to measure effectiveness. For example, unplanned staff absence is used by international benchmarking models as a surrogate measure of staff wellbeing. A number of managers interpreted as 'cost leakage'. It is of course both, but a one-dimensional analysis will not draw out these nuances.

Next steps: People strongly support the introduction of the CMM indicators in 2011 to measure capability. They are also seeking for analysis of, and conversations about, the efficiency and effectiveness of A&S services.

- ▶ What can be done to better communicate some of the current indices that measure, or are proxies for, efficiency and effectiveness?
- ▶ What support do agencies want to undertake this more nuanced analysis and have discussions about performance opportunities? And who is best placed to lead this?

"Efficiency and effectiveness are driven by numerous factors, some specific to organisations so the BASS indicators are only a small piece of the puzzle.

With more detailed and granular analysis, and consideration of other data sources, we could start getting insights into efficiency and effectiveness.

But it's not as simple as assessing property costs per employee. And you can't just leave it to us to interpret our own data.

It requires interactive analysis and discussions. We need conversations as well as ratios."

In 2011 many agencies still found data collection challenging. But this reflects deeper problems with performance information and data availability in the public sector.

- 45% of managers reported that data collection for BASS was difficult (45% neutral, 10% easy).
- While several people called for a more stringent audit of BASS data, others commented that the underlying data availability problem is that agencies generally have poor performance management information and limited access to relevant data.
- This view is supported by the recent OAG Report, *'Reviewing financial management in central government'*: "Few public entities seek to collect reliable data about how and where resources are used and the cost of the services delivered, meaning that value for money cannot be understood."
- People stated that they would be more likely to use the BASS results if the data were more robust.
 - 25% of managers agree that 'measures are sufficiently consistent to compare performance between agencies' (30% neutral, 45% disagree).
 - 60% of them agreed with the statement 'some agencies 'massage' BASS data to put them in a more positive light' (40% neutral, 0% disagree).
 - People said that they would use the data more if they had greater confidence in data quality.
- While BASS data quality can – and has – improved, this also raises the question of peoples' expectations of benchmarking data. International benchmarking models include some metrics that are tightly defined. For example, property costs per employee, where, within reason, low costs are good. But for some activities (eg, percentage employees developing and counselling staff) are hard to isolate and measure, and low costs are not always good. Internationally firms have used benchmarking to lift performance, despite inexact comparability.

"Some of the improvements [required] are internal to our agency; the fact is that we are not good at collecting and holding some information and it's an annual scramble, like select committee questions. There may be a cross-over opportunity here. This is a long term problem which is slowly improving.

Next steps: This poses some knotty questions:



- ▶ Who is best placed to manage the quality of resource and performance data?
- ▶ How do agencies improve their core systems so that agencies can measure and manage their own performance and value for money, and provide BASS data efficiently and reliably as a by-product?

Managers are satisfied with the services provided by the Treasury BASS team during data collection and reporting phases

- Survey respondents said that they were highly satisfied with communications and support from the BASS team during the data collection and reporting phases: 60% found communications clear and 75% found them helpful during the data collection phase.
- Reports meet agencies' needs
 - 70% found it easy to interpret the agency reports (20% neutral, and 10% found it difficult).
 - 75% had read the March 2012 report summarising sector performance, and most found it thorough and comprehensive.
 - 50% want better tools to analyse BASS data.
- 50% of respondents said that they would use additional tools to analyse the BASS data (40% neutral, 10% did not want this facility). They said that they wanted the ability to drill into the data set, to select specific organisations (rather than just rely on the three cohorts) and to tailor analysis for their internal audiences.

"It's a tough job that Treasury has done well."

Next steps:

- ▶ People have access to the full BASS datasets to do their own detailed analysis. Are they aware of this facility? Do they need help to use it better? Is an additional analytic tool required or does capability need to be lifted?

Chief executives and senior managers take BASS results seriously, and hold managers accountable for improvements. It is discussed by leadership teams and influences planning and budget decisions, especially during the data collection and reporting phases. But at other times it can drift out of view.

- Some senior managers commented that Ministers and CEs are now asking hard questions about BASS results, and this is increasing its use within agencies.
- 60% agreed with the statement 'CEs care about their BASS results and improvements over time' (35% neutral; 5% negative).
- 40% agreed that 'CEs hold managers accountable for BASS results' (35% neutral, 25% disagreed). This suggests that there is strong intent to use BASS, but it is not yet embedded in agency practices.
- 40% of respondents stated that BASS results are discussed in leadership and management meetings 'in considerable detail' while results were 'discussed, but not in detail' in 55%. Only 5% reported that BASS results were not discussed at management meetings. However many people also commented that these discussions tend to be limited to times when data is collected and results are reported.
- At least one agency had incorporated selected BASS metrics into their regular management reporting. This had successfully kept people's 'eyes on the ball'.
- Another agency had used BASS to identify improvements required in finance and corporate services. People did not explicitly identify these as being BASS-initiated projects. So some BASS activities are being sustained, but not under a BASS 'banner'.

"To complete BASS once a year is fine, but we need the stimulus to take action throughout the year. Agencies should identify actions and share improvements once a quarter. It would keep it alive, communicate good ideas, and help us keep the heat on."

Next steps:



- ▶ What are agencies already doing to maintain momentum (whether or not this is explicitly linked to BASS)?
- ▶ What more can be done by CEs and functional forums to sustain continuous improvement outside the data collection and reporting stages?

Agencies compare their performance primarily against the mean of their NZ peers. Few look to international benchmarks.

- Managers' preference was to compare their agency's performance to the norms for their NZ cohort group (60% stated that this comparison was useful, 20% were neutral and 20% found it not useful). They find the comparisons with all other NZ agencies slightly less useful (50% useful, 35% neutral, 15% not useful). 55% of people considered that BASS 'helps agencies track performance changes over time' well (30% neutral, 15% negative). A number perceived that it was problematic to compare performance between agencies, but that they could still track their performance year on year.
- A number of people stated that they wanted to use the BASS data to identify good performers within the NZ public sector, but this required
 - detailed multi-dimensional analysis of BASS data
 - understanding the objectives and context of each agency
 - comparison of the processes as well as the input and performance metrics.
- 20% of survey respondents stated that the international comparisons were useful (45% neutral, 35% not useful).

"Discussions on BASS are typically 'do we look bad compared with anyone else'. Agencies are happy being in the middle of the bunch – in 5 years time we need to do better than that."

Next steps: International experience shows that the greatest benefit from benchmarking usually comes from comparing performance with exemplary performers. Some experts warn that comparisons with league tables can mislead organisations into following relatively static 'current average practice' targets (2).

The surveys and interviews suggest that managers frequently compare their agencies' performance year on year, often use BASS reports to reference their agencies' performance against current norms, occasionally compare with well performing NZ agencies, but rarely use it to compare with international practice. Reasons might include managers' inexperience in benchmarking, lack of confidence in the BASS data, a lack of identification of 'good practice' within the NZ public sector, their belief that international benchmarks are not relevant to the NZ public sector, or their comfort with achieving average performance (3).

Equally, to become world class requires working collaboratively to learn from each other, and to use scale to implement new solutions. District Health Boards have been working together for several years now, and might provide some lessons for the core public sector.

Many managers want to use BASS to identify and emulate good practice. But most lack the experience, tools or time to do this.

- ▶ How can BASS data help identify what 'good' A&S services look like? (For example: deeper analysis of the data; case studies; debate on good practice.)
- ▶ What would help managers understand the usefulness of the international benchmarks? (For instance, case studies of the use international benchmarks to improve performance in NZ companies; demonstration projects; information about the the relevance of the benchmarked organisations to the NZ public sector.)

"Agencies' analysis of BASS data is generally one-dimensional. But it's unlikely that you will be the best if you are cheapest on every input."

In time BASS will do the same for A&S services. It will tell us who performs well on which measures, and why they perform well. But that will require analysis, debate and testing."

This will give agency leaders rich information to help them lift their performance – and share their achievements and problems"

It will help functional leaders see where systemic improvements are required – we are starting to see that happen with the HR and Finance Quick Start initiatives."*

** Now called Optimise HR, and Optimise Finance.*



Many agencies are now achieving tangible results from BASS. But many of these successes have low visibility, and few are formally shared with other agencies.

- 30% of survey respondents cited some tangible actions resulting from BASS.
- As would be expected at this stage in a performance improvement process, evidence of cost savings was anecdotal:
 - Two examples of hard savings were often cited in interviews. One was \$600,000 p.a. in office rental costs, and another was \$110,000 p.a. in procurement
 - One organisation had used BASS metrics to assess the scope and size of corporate functions, which provided a set of indicators to guide changes to functions, capabilities, service levels and costs. Significant savings were made.
 - At least one agency was actively managing levels of unplanned absence to improve staff management and reduce costs of sick leave and relief cover.
 - A number of organisations are now working to strengthen the capability of their A&S services.
- Survey respondents did not proffer information on significant initiatives. But, when probed, people in interviews gave specific and measurable instances of actions related to BASS.

"I've done this off my own bat. I've certainly received support from my manager and [DCE]. I suggested that we discuss it at our [functional forum] but the people have little time, so we never shared it. Others must be making improvements too, but we don't make the time - or create the opportunities - to share successes."

Next steps: While a few people have achieved creditable results, most others would make faster progress with some training and tools. The successes identified though this exercise might form useful exemplars.

- ▶ How can successes and lessons be identified and shared? Who is best placed to do this?
- ▶ What more can be done by CEs and functional forums to sustain continuous improvement outside the data collection and reporting stages?
- ▶ How can cross-agency work support continuous improvement of A&S services?

Communication and support throughout the year might accelerate further action

Several people said that they were interested in which agencies were doing what processes well – but agencies or cross-agency forums did not pursue this systematically.

They also commented that some simple and low-cost supports could accelerate improvements. For example:

- communication of successes and lessons so that agencies can replicate the benefits achieved in other organisations
- coaching and support from people who have already achieved results
- pertinent and credible examples of successful benchmarking in similar public sector agencies.

They also stressed that time needs to be budgeted for performance improvement.

"BASS operates on the premise that if you provide comparative measures, that will drive behaviour that gets reflected in future years results. I'd challenge that that's sufficient."

"Data alone is not enough to get the most from benchmarking exercises. Seeking to meet the target of a best practice benchmark requires support and learning to help organisations make the changes."

"BASS has a very low profile within agencies at the moment and we risk losing the achievements to date. We need to communicate successes to keep it in front of CEs and Ministers – and maintain momentum on the ground"

Next steps: A principle of benchmarking is that organisations improve their performance by both identifying potential performance levels, and understanding how exemplary performers achieve those benchmark results. This raises questions:

- ▶ What activities are required to 'jump start' a wider range of performance improvement activities?



- ▶ Of these activities, which can be initiated by managers themselves, and which require actions from CEs, functional leaders and the corporate centre?

Cross-agency initiatives are complex and slow to deliver results

- BASS has increased discussion of cross-agency initiatives. 33% agreed with the statement 'BASS gets people talking about cross-agency collaboration', while equal numbers were neutral or in disagreement. However 65% agreed with the statement 'central coordination is needed for successful cross-agency collaboration' (20% neutral, 15% disagreed).
- BASS has increased discussion of cross-agency initiatives, and is laying a platform for this work. BASS has triggered the Optimise HR and Optimise Finance Initiatives and led to the establishment of the Property Management Centre of Expertise.

Next steps: There are significant opportunities to reduce costs and increase capability through shared services and joint initiatives. But progress is slow. For whole of government benefits to occur, some agencies first need to invest up front and take calculated risks. This is a significant challenge – it requires dedicated resources to complete solid business analysis to support robust business cases, then active management to drive through the changes.

- ▶ What are the systemic barriers to cross-agency initiatives?
- ▶ Where does it make sense to plan and implement change in a coordinated federal manner? And where is a devolved approach best?

Where to next?

People interviewed expressed clear views on the next steps for benchmarking in A&S services. They want:

- to open challenging conversations, move agencies out of their comfort zones, and set stretch targets
- to look to the future, and identify what future 'good' performance looks like, not just the current norm
- to make continuous improvement an ongoing activity, not a once a year task
- to work across agencies to identify collective benefits – and plan collective investments
- to provide a clear mandate for inter-agency change.

People were equally clear that they did not want centrally enforced change. They want centrally enabled, but agency driven, change.

During interviews, people also wanted stronger links between BASS and other performance management instruments (monthly management reporting, PIF reporting etc).

"[My aspiration is that BASS will] be a tool for change; that it will inform and educate; but that it will not generate a 'one size fits all' response."

Next steps: The role of the corporate centre is evolving. Many people initially saw BASS as a centrally driven initiative to drive down costs of A&S services. Increasingly people view it as a central tool for enabling and accelerating performance improvement. Internationally, public sector reforms are learning how to achieve the efficiencies of a federal approach with the flexibility of devolution and innovation. This requires a nuanced approach to 'federated' performance management, to avoid reversion to the command and control model of the 1980s (4).

- ▶ Treasury has established the data and reporting tools to *enable* performance improvement. But who needs to *drive* it? And how do CEs and functional leaders help lead that improvement?
- ▶ How does BASS become embedded into agency management and inter-agency planning?

"We are accumulating huge amounts of data. We need to use that data to ask the challenging questions. Government has set stretch targets for result areas – we need to do the same for administrative services. Agencies are as ready for this as they ever will be."

"BASS has provided a really good starting point. But it's just the start. It's a question of where we go from here."