

Turn and Face the Strange: Policy, Technology and the Modernisation of Government

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GOVIS, Te Papa, Wellington

16 June 2016

I'm delighted to be here at GOVIS. The title of my speech today is, as some of you will no doubt know, a line from the David Bowie's 'Changes'. I'm using it because it's pertinent to the theme of this year's conference – 'Disruption'. And I like the song.

How we as individuals – in whatever sphere we work in, be it public or private sector, IT or policy – turn and face 'the strange' new world we all operate in is fundamental to creating the kind of environment we want to live in, now and in the future.

I'm confident that many of you, or at least those of you over the age of 40 will recall a time when IT departments were wheeled out just to 'fix' things that weren't working. These days, information and technology experts like you are increasingly called upon to create, to harness and to explore.

And if you've been attending this conference since it started 25 years ago, I suspect you'll have seen quite a lot of change. In particular, you'll have noted that this is the Treasury's (and my) inaugural address at GOVIS. I'll try and make the two and a half decade wait worth it!

What I'm going to talk about today is why disruptive innovation is such an important topic for the Treasury.

Broadly speaking, I'm going to outline the Treasury's interest in the role technology and information have to play in how government delivers value to the New Zealand public.

More specifically, I want to highlight the Treasury's role as a leader of better state sector performance and steward of the government's finances. But I'd also like to touch on the nature of change and what's driving it and how these catalysing forces are and could be playing out across the state sector.

The Treasury's role

To start, let me give you a potted version of the Treasury's role because I think it's fair to say that most people have a somewhat narrow view of us.

We are the government's lead advisor on economic, financial and regulatory issues. We advise the government on its macroeconomic and fiscal policy frameworks and help manage the financial affairs of the Crown.

This work is focused on delivering three things that we see as at the core of New Zealanders' living standards: prosperity, sustainability and inclusion. We aim for improved economic performance, a stable and sustainable macroeconomic environment and a more efficient and effective state sector.

Our vision is to be a world-leading Treasury working towards higher living standards for New Zealanders.

Now when we talk about living standards, it's not all about money. For the Treasury, that's a means to an end. As I've said before, people don't live in an economy, they live in communities.

We focus on New Zealand's economic performance because that matters for our living standards. But living standards also depend on the quality of our environment and on the trust people have in our institutions and in our communities. It depends on all New Zealanders having the opportunity to live the lives they value.

The point I want to highlight here is that the Treasury's world view is far broader than many people realise.

One of the areas that is more familiar is our focus on the Crown's investments, whether in agencies or SOEs, or whether in school buildings or financial assets. We are interested in effective performance. Or to put it another way, we want to see the Crown's investments making a difference for New Zealanders.

We're interested in the challenges and the opportunities confronting the state sector as it 'turns and faces the strange' of the disruption offered by the worlds of policy and technology, and as it asks how these two worlds can work together to 'collude' rather than 'collide' and deliver maximum value.

In essence, that's the rationale for the Treasury's interest in disruption.

Let's turn and take a look at what's going on around us that's driving change and disruption.

Changes and challenges: what's driving disruption?

There's probably nothing new an economist can tell you about technology and disruption and the impact they're having on how we live and work.

But it would be remiss of me not to reference – albeit briefly – how technology and information are catalysing disruption and change. I'm also going to talk about additional factors at play that are contributing to disruption, specifically within the context of modernising government.

Disruption is pervasive.

We see it expressed in almost every facet of life – the economy, the environment, our neighbourhoods – even the way we raise our children.

The fact that there are now more mobile devices than people in the world is remarkable.

The fact that more people own a mobile device than a toothbrush is perhaps even more remarkable.

We don't need to hold a book to read it anymore.

We don't need to post a letter to write to someone overseas anymore.

We don't need to queue to renew our passports anymore.

Disruption is rapidly becoming the new normal, a way of life even.

By its very nature it challenges the status quo.

In fact, whole industries have been born or dramatically re-born within the 'disruptive' environment we find ourselves in.

You all know that a lot of disruption is driven by technology and information. Of course, there are other unique forces at work.

Even in the last decade New Zealand society has changed dramatically.

We're a nation that's more urbanised, tech savvy, mobile, connected and diverse.

Over two hundred ethnic groups now live in New Zealand. One in seven New Zealanders is Māori. One in eight is Asian. By global standards, Auckland is now 'super diverse' with over 40 percent of people living in Auckland, born in another country.

The kinds of families we have has changed, our age structure, our aspirations have shifted, and critically our expectations of government and public services has shifted.

These are big transformations that the state sector needs to grapple with. Some call this a 'problem' but I see 'opportunity'.

Opportunities

What hasn't changed is the importance that government places on the wellbeing of its citizens.

And citizens' expectations of government are changing as disruption becomes the new normal in their lives.

And governments around the world are having to re-think and re-imagine how they go about their business in the midst of that disruption.

Information and technology play a critical role in this.

We're starting to face how changes to technology and in particular access to information might 'disrupt' the state sector for the better.

We know, for example, that the opportunity exists to increasingly use technology and information to develop policy and create responsive services that can adjust to and anticipate peoples' needs.

Services designed without a business or customer focus are unlikely to offer value for money, nor be effective.

Decision-making processes which are inflexible are unlikely to be able to cope with disruption.

The state sector cannot afford to simply be a bystander as disruption happens around us.

We need to actively embrace it and the potential it brings.

We can't spend our time thinking about change when people are actively and loudly demanding it.

Digital media – its speed, its proliferation its pervasiveness – mean people are telling us what they want and how they want it, not the other way around.

Let me give you an example.

We recently hosted Andrew Peckham, Mighty River Power's GM Customer, who shared with us what MRP was doing with data analytics.

They discovered that when pre-pay customers from lower-income households are given more information about their power usage, they tend to use more electricity. They do so because they can be confident in doing this without risking getting stuck in a debt spiral.

Conversely when monthly-billing customers from higher-income households are given similar details, they tend to use less power.

So two things really stood out for me from this: what we can learn through data and analytics and the need to understand the people behind the data.

There are some important lessons in this for the state sector.

Disruption is creating an environment where public services can be co-created, and in some instances, even co-delivered. The NZ Police and their use of social media is a one example.

The challenge of wider, more open, data is not the technology – which already exists – but the rules which apply to access and use.

Developing rules which allow wider access while protecting privacy rights and preventing inappropriate access and use is essential. It's difficult but it's achievable. And the Data Futures Partnership is helping us with that.

These are policy problems, not technology ones. And this is another way that the policy and technology worlds need to 'collude' rather than 'collide'.

Disruption doesn't have to hit us like a tsunami and sweep us off course. We have the ability to master the wave. The disruption we've all experienced in our lives didn't just happen. It was the result of decisions and actions taken by producers of goods and services and decisions and actions taken by consumers like us.

Let me touch on some examples I see happening now.

- Result 9 of the Better Public Services programme has delivered and is currently developing some remarkable pieces of work aimed at making things easier for business when they interact with government. They're presenting here at GOVIS so I won't give the game away. But I was particularly intrigued by one of the ideas they're currently exploring which is a tool that will take a business query and direct it to the appropriate team within government to answer it. Music to the ears of any SME that's had to speak with 5 different government departments to get an answer to a question!
- Perhaps more significant is the Inland Revenue's transformation programme. IRD is using technology to better fit the tax system with how businesses operate. It's enabled a new method for businesses to calculate tax payments that more accurately match income as it is earned. This will make paying tax easier and more certain, reduce the burden of interest and penalties, and help smaller businesses tailor payments to their own circumstances.
- The NZ Police's Open Data work is showing the wider state sector what can be done when you use technology, specifically – in this case – the use of real time location based data to deliver safer communities.

And, looking ahead, we have the significant opportunity offered by the Expert Advisory Panel's report on Child, Youth and Family.

The EAP report has harnessed the power of information and technology to examine the inter-generational impacts of poor outcomes and where lives gone wrong. It will lead to major reforms to improve the long-term life outcomes for New Zealand's most vulnerable population.

It's adopted an approach that represents a shift in the traditional top-down policy process to a customer focused one that leverages information to inform decision-making.

In this case the child is at the centre of that process, enabling better understanding of what they need and ensuring it is provided, regardless of who the provider is.

Clearly data, information and technology sit at the heart of this. And for me, the response to the EAP report is a great opportunity for the worlds of policy and technology to 'collude' for better outcomes.

Conclusion

Let me conclude.

Developing, designing and delivering policy needs to be based on information and evidence not assumptions and assertions. Disruption can enable that information and that evidence.

Equally, you as IT professionals are enablers. Collectively, you can help policy makers see what might be possible if we use technology to its full potential.

You can help us embrace disruption and treat it as an asset. You can help us become more comfortable in what already is, and will continue to be, a very fluid environment.

You can help us – the state sector as a whole – work differently. You can help us transcend agency boundaries, seize the opportunity offered by technology and enable a 'collusion' of diverse skills, experiences, and ideas.

Of course you need to be alive to what is constant and what needs to be held steady to ensure the state sector has the capacity to deliver reliably over time. Because, as we know, notwithstanding all the disruption, deep human needs, values and beliefs persist over time.

For example, one reason that Airbnb has been so successful in disrupting accommodation markets is because it has built trust between people into its business model. And the importance of trust is a constant in human behaviour.

So I leave you with some thoughts to harness disruption:

- Be bold. Be innovative. Don't make the avoidance of failure your main objective. Remember that the road to success invariably starts with trial and error. As Thomas Edison said: "I have not failed. I've just found 10,000 ways that won't work."
- Be nimble, adaptable and flexible. Don't try to design a perfect product. It's unlikely to exist, and even less likely to last.
- Be magpies. It's a truism but there's no such thing as a new idea. The majority of innovation proliferates through adaption and adoption not invention. You may just need to select tyres that suit the conditions not reinvent the wheel itself.
- Be customer-focused. Policy design is most successful when it's focused on effective delivery. And effective delivery is most successful when it's designed around the customer. So think customer, whether a business or a citizen or even your own colleague.
- Be collaborative. You'll only be able to put the customer at the centre through working with others and not in silos.

Thank you for the invitation to speak to you today.