



Through thick and thin: Improving policy in Australia's regions

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CAPABLE, INNOVATIVE, RIGOROUS

Over the past four decades, public sector processes have failed to reduce the disadvantages evident in regional Australia, despite a booming economy and a rising quality of life across the nation as a whole. The task for current and future generations of Australians is to acknowledge these difficulties and then move on to develop and implement government processes that produce better regional outcomes.

Professor Andrew Beer, Centre for Housing, Urban and Regional Planning, (2015)

If there were a single cultural predilection in the APS that I would change, it would be the unspoken belief of many that contributing to the development of government policy is a higher order function – more prestigious, more influential, more exciting – than delivering results.

Peter Shergold (2005)



Contents

Conclusions and recommendations	iv
Our conclusions	iv
Recommendations	v
Chapter One	1
Introduction	1
Modern systems of government	1
‘Thick’ and ‘thin’ policy problems	2
From the ‘what’ to the ‘how’	6
Chapter Two: The requirements of success: The Will=>Skill=>Fulfil model	8
Some illustrations of the Will=>Skill=>Fulfil Schema	10
Chapter Three: Will	13
Introduction	13
Breaking free from over-regulation	13
Government as impresario: accelerating self-organisation	22
Chapter Four: Skill	29
Program delivery and institutional skill	29
A systematic approach to learning	31
Building capability of partners and communities in the regions	35
Learning through experimentation: the significance of understanding <i>causes</i>	37
Chapter Five: Fulfil	41
Nurturing innovation once initiated	41
Growing or bringing an innovation to scale	44
Working across silos	47
Vouchsafing, institutionalising and spreading learning	49
References	52



Conclusions and recommendations

Our conclusions

Australia has excelled at reform, which can be conceived of from the top and 'driven down' through administration in a fairly straightforward way. This includes the setting of tax and benefit levels (where Australia has the most targeted welfare systems in the world) and using existing infrastructure like the tax and benefits system in new ways as we did with HECS and the Child Support Agency.

Where problems are complex, however, we need to understand what is happening on the ground and to engage those where it is happening. Adapting language from anthropology, we call the former policy issue and solution 'thin' and the latter more complex problem and solution 'thick'.

Where thin problems can be effectively managed from the top, for thick problems, institutional learning must travel 'up' the chain of command as well as down – from out in the field to the centre as well as in the other direction. Yet there are profound institutional and cultural obstacles preventing this from occurring, and where it does occur, preventing it from being embedded or properly institutionalised.

The greater status given to policy making compared with delivery is a central foundational obstacle to achieving what must be achieved if small scale variations and experiments in the field are to be learned from – which is to say:

- assessed and understood and
- scaled on their merits.

We have anatomised these inadequacies in terms of the early, middle and late stage of the necessary process of institutional learning and change-making – which we have summarised using the rhyming triplet of **Will=>Skill=>Fulfil**.

We find deficiencies of practice in each of these stages.

Will: Governments frequently announce their intention to introduce some new policy or approach, but then poor attention to detail often follows and the initiative quietly dies. Sometimes, little progress is made beyond announcement or some stated intention. On other occasions, a pilot proceeds and appears successful but is not continued with as priorities change.

Skill: Pilots, trials and other small-scale initiatives are often used to develop new skills and investigate the value of various new approaches. Some pilots have trialled integration of service delivery and funding streams between agencies – one of the holy grails in 'joined up government'. But this has been very rare. More disconcertingly, the scaling of such learning into larger programs with learning feeding back to agencies, rarer again.

Fulfil: For innovation to be truly 'fulfilled' in our lexicon, it needs to be grown to the appropriate size and to become incumbent – embedded within



organisational and political expectations and 'business-as-usual'. We can think of only one example where this has occurred for regional Australia: Landcare. This was a highly successful initiative in which a range of success factors coalesced.

- It had high-level political support throughout.
- This coincided with its being a very cost-effective and popular response to a policy and political enthusiasm of the time, ecologically sustainable development.
- It was not expensive and was seen by the government as saving money in a range of respects.
- The above factors led to early scaling, which was not difficult to do as the principles and administration of the program were relatively straightforward.
- It did not require any difficult cross-agency collaboration or funding.

Partly because of a political culture that valorises 'announceables', pilots and small scale policy innovations are relatively easily established, but then tend to disappear, often irrespective of their merits, replaced by new announceables, not least new pilots. To tackle this, governments should establish greater accountability for the extent to which the system as a whole supports a healthy process by which trials and pilot programs are widely learned from and grown in scale and impact where appropriate.

Recommendations

Existing regulatory 'sandbox' approaches offer some promise but risk repeating the mistakes of the past. Policy 'labs' such as NESTA, Y-Lab and the Auckland Co-Design Lab offer worthwhile models for pursuing 'thick' policy problems within which regulatory 'sandbox' ideas could happily sit.

As many of the issues relevant to regions span federal, state and local government, such bodies should have a federal remit. They should then work with governments at all levels and other stakeholders including users and the general public to make the 'thick' journey to better policy and delivery.

Where pilots are established, their monitoring and evaluation should be provided in a way that is:

- Expert and collaborative with those in the field to help them optimise their impact and
- Independent.

A unit like a behavioural insights unit could be a useful base from which to build such independent capability ensuring the rigour of the process whilst delivering transparency to the project from outside. This will be important for the local community to be aware of the progress made and will help contribute to the prospects of expanding small projects where they are generating strong benefits and of embedding them in the community's expectations and so in the minds of politicians ultimately responsible for decisions on the projects' destiny.



There should be a register of such projects and small policy initiatives with reporting each year by the Auditor General on the quality of the knowledge they have generated (and by implication the quality of the monitoring and evaluation being undertaken), their success or otherwise and, more importantly given the failings in the current system, in applying the lessons learned, including by adapting and growing the initiatives.

It would make sense to limit such an approach on regional initiatives as a trial, though if the ideas in this report have merit, they should have a wider impact.

An innovation fund should be established by the federal government to fund innovative programs that vary existing mainstream programs in ways that establish better knowledge about the impact of those programs under different conditions. Thus, for instance, one might trial more generous means testing of welfare to understand the behavioural responses to such changes to optimise the impact of tapering welfare payments as people transition from welfare to work.

We should tackle the dominance of policy over delivery in the values of public service beginning with an audit of the extent to which leading successful learning and innovation *in policy delivery* is considered an important qualification for promotion in the public service and take concrete steps to improve perceived problems in this regard.



Chapter One

The man of system ... does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.

Adam Smith (1790)

Introduction

The challenge of meeting the needs of regional Australia is well known. Problems felt in regional areas are interconnected and, largely for that reason, poorly suited to narrowly focused programs and services delivered through siloed institutions with siloed accountabilities. Specific local variations and the interactions between different programs are poorly addressed by programs, the administration of which is dominated by the centre and the politics of which is all too often dominated by Australia's great cities.

This report explores some aspects of these problems in a diagnostic framework that then serves as a basis for offering some suggestions on how to improve the situation. Our particular focus is the extent to which specific remedial initiatives are encouraged that are adapted to particular regional areas, the extent to which they succeed and the extent to which governments learn from such initiatives; in short, the extent to which government is a 'learning system' for regional Australia. Given the resources available for this study, our report was unable to survey the field comprehensively. Nevertheless, we think we have put our finger on some important problems and offered some ways of addressing them.

Modern systems of government

In his book, *Seeing like a state*, James Scott (1998) takes us through the process whereby the states of early modern Europe began to render the geography and communities under their jurisdiction 'legible' – that is, understandable from some centre which might aspire to govern it. Here's his redescription slightly over a decade on:

It is both striking and important to recognize how relatively little the pre-modern state actually knew about the society over which it presided. State officials had only the most tenuous idea of the population under their jurisdiction, its movements, its real property, wealth, crop yields, and so forth. To follow the process of state-making, then, is to follow the conquest of illegibility. The account of this conquest – an achievement won against



stiff resistance – could take many forms, for example: the creation of the cadastral survey and uniform property registers, the invention and imposition of the meter, national censuses and currencies, and the development of uniform legal codes.

Today, we live in the upshot of all this. Virtually all of us acknowledge the profound benefits of the modernisation project Scott describes. It underpins modern finance, transport and communications and any number of areas in which government systems like systems of title to property facilitate trade, commerce and basic organisation. Yet there are domains that are not so easily systematised, to which we now turn.

‘Thick’ and ‘thin’ policy problems

We characterise some of the limits of modern government which help explain their apparent difficulty in dealing with regional problems by characterising ‘thick’ and ‘thin’ policy domains by analogy with some terminology that emerged in the social sciences in the early 1970s. The terms ‘thick description’ and ‘thin description’ were first coined by philosopher Gilbert Ryle in 1971 and taken up by the anthropologist Clifford Geertz (1973). Here is Ryle explaining the inadequacy of thin distinction for the purposes of understanding other people’s actions.

A single golfer, with six golf balls in front of him, hitting each of them, one after another, towards one and the same green. He then goes and collects the balls, comes back to where he was before, and does it again. What is he doing? He is not playing golf. He has no opponent; he does not putt the balls into the hole. (Ryle 1971)

Ryle explains that a simple description of this golfer’s observed actions is uninformative as to his purpose, a ‘thin’ description. A ‘thick’ description refers to the context and, thus, reveals his intentions. In this case, the context of future golf games and the intention to improve his game suggest that the golfer is practicing.

This language of ‘thick’ and ‘thin’ can be quite useful in thinking about the way governments relate to the job of governing. Just as Ryle and Geertz distinguish between thin and thick descriptions, we offer the analogy of thin and thick policy domains. Clearly, in the description offered by Scott above, as national governments emerged in early modern history, virtually all problems were ‘thick’, but with growing standardisation more and more problems became much more tractable to national systems and to government from the centre. That is, once the heavy lifting of modernisation was done, they became much ‘thinner’.

Thus, governments change rates of taxation and benefit payments constantly. A decision is made at the ‘top’ and then the existing systems of law or government administration make it so throughout the society. Note that the existing systems not only render changes to existing policies – like taxes and payments – thin, they also create the scope for new policies to be piggybacked onto new institutions and thus to be made ‘thin’ policy problems.



Thus, policies like HECS or the Child Support Agency involved a high-level policy idea (income contingent loans and spousal maintenance payments respectively), delivered by what was initially a reluctant Tax Office. Of course, government administration can be more or less efficient, but the policy does not change in kind as a result. The policy remains recognisably itself from the top to the bottom of the system.

But there remain wide domains where, we can now see, the modernisation project has its limits. In the delivery of services like health and education, there is no way for services to be simplified or standardised systematically as tax and benefit payments can be. Likewise for services to generate good jobs and to maximise the extent to which the unemployed in a particular region are skilled and 'job-ready'.

The pathologies of central planning: the absence of local knowledge and agency

It is by now commonplace that the delivery of many services delivered by government is often marred by the pathologies of central planning – by too great an emphasis on management from the top down. This approach to government proceeds as if the act of launching a policy or initiative will filter down through the system relatively unproblematically as changes in 'thin' domains like tax and payments do.

Elmore (1979) has called this the "noble lie" of public administration. It defines the policy-makers as the 'principal' whose intentions are served by the front-line staff as directed agents of the principal. However, delivery requires a range of skills and knowledge that is not held by policy-makers and which is, therefore, not accommodated in accountability processes. The initial design of policies and programs is also limited by central agencies' lack of understanding of the detail of the problems in the field. All these problems are likely to be particularly acute in regions owing to their likely greater distance – geographically, culturally and economically – from the centre where the big decisions are made.

A top-down approach focused on accountability for delivery does not provide flexibility for experimentation or local variation. This limits opportunities to learn and improve policies and programs. A further constraint on responsiveness is organisational incentives that reward a focus on internal priorities and processes, rather than outcomes. As the OECD puts it:

Organisational cultures may either not value innovation – there is not an explicit statement of reward for innovation – or accountability for failure may be discouraging employees taking risks. The rewards for innovation may be much smaller than the sanctions for trying and failing. The broader context in which civil servants operate may present them with a reality that is not conducive to innovation, even when it is difficult to pinpoint the exact rules and procedures that stand in the way. The whole environment may feel rule-driven, strictly regulated and highly procedural. Thus, even if the



rules leave room for innovation, civil servants may not feel it is possible, let alone desirable or imperative, to explore and use that room. (2017)

That means tacit knowledge – including knowledge of context – is a critical part of the performance of these systems. These systems struggle to be effective ‘learning systems’ partly because what they have to learn is so complex and often opaque. But there are other compounding reasons. It’s very possible that the state systems that were established to ‘thin’ out these domains and make them amenable to state action in the past now hold back progress – perhaps very substantially. The masters of high policy in Canberra and in State capitals typically have only shallow engagement with the people affected by policy and programs.

There’s another potentially powerful resource that is often ‘crowded out’ in government programs – the *agency* of local actors on the ground. The State represents and embodies the sovereignty of the collective interests of the community. This is often in clear tension with individual desires. Thus, the citizens acknowledge the right of the State to compulsorily claim some of what would otherwise be theirs whenever they pay tax. In return, they relinquish any responsibility they might otherwise have had within communities to provide many social and economic amenities such as building or maintaining suburban roads or collecting and removing household garbage. Where this division of labour works well in such areas, there are many areas – such as health and education and the repair of social disadvantage – which will not proceed as well without some shared responsibility between citizens, their local communities and their government. This established subordination of the citizens’ agency – and the culture associated with it – may now be impeding the policy and organisational learning we now wish to see from governments.

‘Thin’ policy to deal with a ‘thick’ issue: The case of the Northern Territory Intervention

Recent evaluations of income management offer an illustration of these themes of lack of knowledge and the crowding out of individual agency. Income management commenced in 2007, part of the Australian Government’s Northern Territory Emergency Response (commonly known as “The Northern Territory Intervention”) and has since been implemented in other parts of Australia. Under income management, a proportion of each recipient’s welfare payments (usually 50%) is quarantined and linked to a ‘BasicsCard’ for use at approved stores. Used like a debit card, the BasicsCard provides a regular, limited allowance for daily purchases. The card is intended to prioritise spending on a shortlist of household essentials and so will not fund spending on alcohol, tobacco, pornography or gambling.

The Australian Government (2009) expressed its policy rationale for income management in these terms



[I]ncome management lays the foundations for pathways to economic and social participation through helping to stabilise household budgeting that assists people to meet the basic needs of life.

Income management provides a paradigm illustration of a 'thin' attempt to solve a 'thick' problem. The initiative was 'thin' in two ways. Firstly it is a single, simple, idea. The basic principle seems fairly unobjectionable in its 'thin' or decontextualised form. Generally speaking, the community does not want to see people using welfare payments to support products and practices that are harmful to individuals and the families and communities of which they are a part. On the other hand, when such treatment is imposed, whether it will make things better or worse is a much more difficult question. It depends on the details of the situation which discloses a 'thick' policy domain.

The initiative was also 'thin' because it was simply imposed from above, rather than as part of a larger package with close attention to local circumstances. If our argument is correct that it is generally a mistake to impose thin solutions on a thick policy problem, we can, in principle, anticipate the following outcomes from the policy:

- A. The outcome will be beneficial for some, deleterious for others.
- B. There can be no presumption as to which effect will dominate.
- C. Unintended consequences (which we have made minimal effort to anticipate or avoid) may be very important.

Broadly speaking, the evaluations of the Intervention that we have seem to confirm these expectations. In 2012, a review by the Parliamentary Library found that, "thus far, the evidence provided for or against income management is inconclusive. At best, the evidence has only partially clarified particular aspects of a complex situation."

An updated 'New Income Management' was implemented in the NT in 2010, with a detailed evaluation that concluded in 2014 that there was no evidence of it having led to any improvement in the conditions it was aiming to improve. Overall, there were no improvements in financial management, child health, alcohol abuse, violence or parenting.

This raises concerns about both the design and delivery of the program. In the NT, 35,000 people had been subject to income management. For most of these people, income management was compulsory, based on the length of time receiving income support, or specific criteria such as child protection risks. The evaluation found that many people subject to Compulsory Income Management did not appear to have the behavioural or financial problems that income management was aiming to address (SPRC 2014, p. 6).

People receiving income support can also participate in income management on a voluntary basis. In the NT, 20% of people on income management are participating voluntarily, and of these, 80% wanted income management to continue. While there was overall no benefit from income management in general, there was some positive change in objective measures of household



well-being for people participating in voluntary income management as one might expect.

Negative impacts included the limited range of shopping choices to places accepting the BasicsCard, with some shops imposing a minimum purchase amount or surcharge for using the card. Rent was an eligible expenditure under income management, but there were problems using these funds for rent to private landlords. Some people subject to compulsory income management reported a sense of unfairness and stigma of using a BasicsCard, particularly where shops had a single checkout allocated to BasicsCard purchases.

There were two main unintended consequences, one negative and one positive. The evaluation report suggested that the income management appears to have increased people's dependence on the welfare system rather than promoted independence by reducing poor spending choices, and "the tools which were envisaged as providing them with the skills to manage have rather become instruments which relieve them of the burden of management" (SPRC 2014, p. 320). The unintended positive consequence was the benefits to people in remote areas from the free banking services available with the BasicsCard, who otherwise had less access to banking services.

The evaluation report showed different experiences and outcomes across different groups of people, on both demographic and local factors, and family context. But income management was mostly a 'thin' policy implementation – a standardised solution offered for complex situations – where the policy intervention was not closely aligned with the underlying problems.

The evaluation found that New Income Management failed to achieve the objectives set for it, probably due to incorrect assumptions – about spending patterns, the influence of 'humbugging'¹ in some communities and the idea that spending restrictions would lead people to develop financial management skills. The evaluators concluded that:

Making income management a large-scale program – in the context of the Northern Territory where it applies to a substantial proportion of income support recipients – has meant that by and large, income management has been implemented as an operational process with limited working with individuals and tailoring the program to their needs. Building capacity is a challenging process that requires time and resources, and it cannot be developed by simply imposing restraints (SPRC 2014, p. 321).

From the 'what' to the 'how'

It is a no doubt a pipedream to have government services perfectly tailored for each situation, but we have known for many years that, when it comes to providing services, governments must get better at providing services that are

¹ A term used in aboriginal communities to refer to a practice whereby those who have money are pressured by others to share it with them.



not “one size fits all”. Government organisations must become better at learning. And they must become better at involving and engaging people in addressing issues both individually and as communities.

For instance, Tony Blair’s Government in the UK frequently intoned the need to get beyond “one size fits all” approaches to service provision.² Yet, despite several decades in which many people have opined that this is *what* we have to do, the fact remains that little progress has been made. The obvious conclusion is that, for all our confidence about what we have to do, we don’t know *how* to do it. In one sense this is not so surprising, for building a system that *learns* is no thin problem and it won’t be built by assuming that it is. It requires much learning itself.

In what follows, we explore attempts to overcome the pathologies of central planning – both to foster regional development and also more widely. Our presentation of these attempts is provided within a schema that assumes that certain preconditions are required for the necessary learning to firstly be initiated, secondly for it to take place and thirdly for it to become embedded within the system. This is taken up in the next chapter.

² Thus, fifteen years ago, for instance, Blair said this:

We need an NHS true to the principle of care on the basis of need, not ability to pay, but personalised, built around the individual patient.

Both require an end to the “one size fits all” mass production public service. The purpose of the 20th century welfare state was to treat citizens as equals.

The purpose of our 21st century reforms must be to treat them as individuals as well. And we can’t make that change by more bureaucracy from the centre, by just flogging the system harder. We need to change the system.

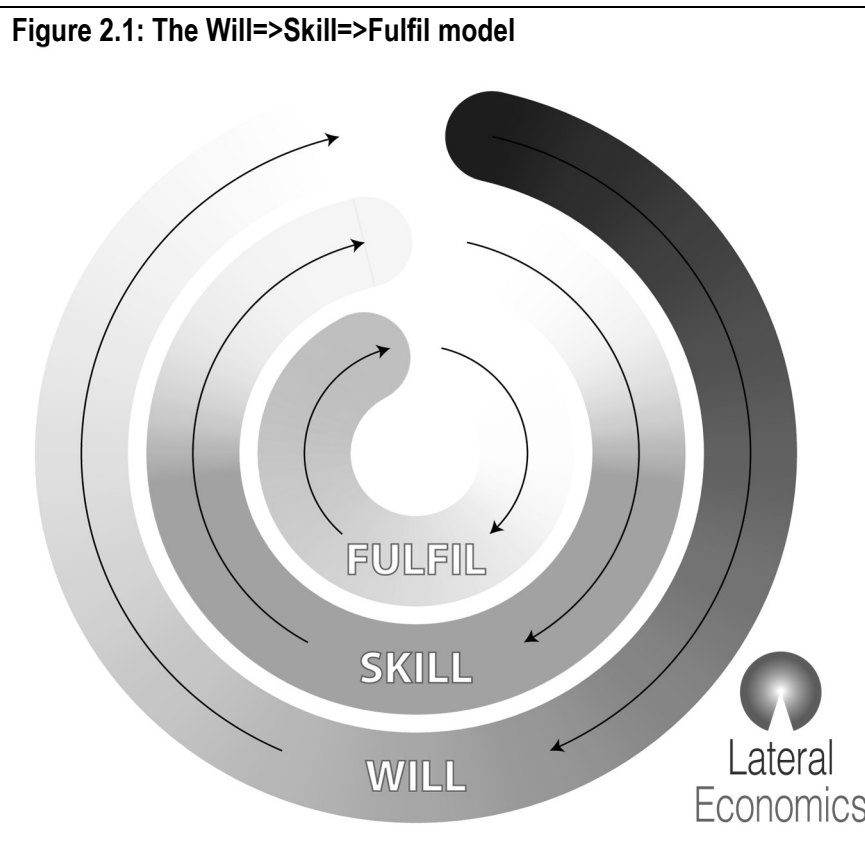
Tony Blair’s speech to the Labour party conference in Blackpool, October, 2002. [The Guardian, 1, October, 2002](#). See also “Blair to end ‘one size fits all’ state schooling”, [The Telegraph, 9 Sep 2000](#).



Chapter Two: The requirements of success: The Will=>Skill=>Fulfil model

In this report, we focus on the question of how some new policy initiative can go from idea to reality, which is to say that it grows to a size commensurate with its merits and becomes embedded within policy, no more prey to the next rearrangement of departmental or political priorities than any other policy. Accordingly we argue that, beyond ideation and the creation of the policy idea, a successful initiative involves three aspects which we name with the rhyming triplet: **Will=>Skill=>Fulfil**.

Though there are substantial overlaps in practice through time, the list is also indicative of a progression as we elaborate on the concepts as illustrated in the diagram below.



Will

An initiative won't be established without the will to do so. Sometimes that exercise of will simply involves a decision to be made at some appropriate level within an organisation or system. Some improvements may come from fixing known problems in programs and regulations, or by simply allowing something that was not previously allowed under regulation.



More often, it will require some more public and deliberate expression of will and will often require the mobilisation of some resources to pursue the initiative.

Box 2.1 There's more to 'Will' than a decision from the top

In 2010 initially lunching with the secretary of a state Education Department followed by discussions with his senior managers, I suggested we tap into free resources all around to update the curriculum and help teach our kids coding.

Second, while teacher training, support and specialisation should be better resourced, on its own that would achieve very little. The last thing we should do is insist on widespread in-service training for existing teachers – for instance in teaching computer skills – who'd simply go through the motions.

Meanwhile an immediate human resource is students. We should find those already doing it for themselves and empower them to enthuse and teach their peers – not to mention reverse mentoring their teachers. And if we're to do that, we must make room for it in kids' timetables and in the recognition they receive – their marks.

However that requires some real transformation of existing routines and priorities. And incumbent organisations find that almost impossible. Much better to seek funding for some new, bolt-on initiative. What I'm proposing can't simply be 'rolled out'. Just as a manufacturer wouldn't release a new product without extensive design, prototyping and testing, that's what should happen here. We should draw out in-system entrepreneurs, cultivate a community of practice, fund experiments and pilots, fixing or jettisoning the failures, identifying, tweaking and growing successes and rewarding those behind them.

After our discussions, I attended a showcase of students' achievements in IT projects. There I met Ben, a year 8 student. He'd built an iPhone app to hone his brother's mental arithmetic.

"How do you find maths" I asked.

"Boring! We keep doing the same stuff.

"How'd you like to teach other students to write iPhone apps?

"Awesome!

"Wait right there.

I fetched the Departmental Secretary. Here was an opportunity to get going with what I'd proposed. Excited, he summoned his Innovation Chief saying "I want to start on this tomorrow!"

The next year I asked Ben how things had gone. I still have his reply: "Nothing really went anywhere with my school, didn't really surprise me".

Adapted from Gruen 2015.

Skill

To succeed, the initiative will generally require the development of new skills. And because so many skills are the result of 'learning by doing,' that will generally be part of the point of the original initiative. Note, however, that by 'skills,' we mean far more than skills that can be learned at educational and training institutions and bought on the labour market. We mean everything that's necessary for a system to learn. That may include skills that are learned on the



job. It also includes the flows of information both within and without formal government organisations that allow those organisations and the systems of which they're a part to learn and make informed decisions.

And importantly, it will often include skills at the interface between things. We intend an expansive meaning here. The 'things' referred to might include silos within some organisation or larger system. It might be between levels of some system – for instance, between a government agency and its political masters. And often, it will involve evolving the skills necessary for some new relationship between formal organisations and the life world of people and communities.

Further, where organisations are often oriented around tight rules of accountability, for an innovation to be successful, that organisation will have to learn the skills necessary to support the *agency* of individuals and groups of individuals in a local community, and of front-line staff with knowledge of the local context. As the lack of progress we have made over the last few decades illustrates, this will often be a difficult business. And yet we have enough experience to know that it is not a pipe dream to try to nurture and mobilise this agency.

The inherent challenges in addressing 'thick' policy problems mean that there is always a need for learning – where the causes are not well understood and there is no clear evidence for a reliable way to address the problem. Complex problems have multiple interrelated causes, a successful program in one place may not work in another place where the causes and context are slightly different.

Fulfil

The fulfilment of a policy initiative in our schema requires firstly that the innovation have sufficient resources available to it to grow or be 'scaled' to a size appropriate with its merits and suitability. Secondly, the initiative needs not just to survive its introduction to incumbents constituting the *status quo*, it must ultimately acquire the natural benefits of incumbency itself. To do so, it must acquire sufficient legitimacy within the policy community – amongst opinion leaders, the bureaucracy and from politicians and perhaps directly from the public – that it cannot be swept away in the next restructure of the portfolio or the next 'rebadging' of an initiative – without consequences for those in positions of power and authority.

Some illustrations of the Will=>Skill=>Fulfil Schema

In this section, we illustrate the Will=>Skill=>Fulfil Schema with examples. Box 2.1 above provides an example in which those at the top of a system imagined that they had provided sufficient will to initiate some process of change. But nothing happened. This is not unusual in our experience. For it turns out that, despite appearances – one presumes even to those in positions of considerable power like the Secretary – the secretary's instruction to make something happen



and to do it “now” was insufficient to even initiate the next stage of change, which was to trial Ben’s tutoring of other students.

It may have been that those in his school never had any interest in facilitating the idea. More likely, they responded with initial goodwill, but the practical challenges involved in freeing up Ben’s time to provide the relevant teaching, identifying and freeing up the time of those whom he might teach, finding some room for them to do so, and solving a range of other practical problems, meant that no further steps were taken.³ The innovation was not realised.

Another useful way of illustrating the model is to consider Uber, for it illustrates a slight but very important distinction between the first generation success of ‘scaling’ services on the internet and the next generation foray of using similar internet resources to spearhead the ‘sharing economy’. Most particularly, Uber is not a pure digital product. It is a digital product (the Uber platform is accessed either through a browser or via a mobile ‘app’), but it is used to deliver a physical service of taxi-like services.

Accordingly, much of the Will and Skill parts of the process are similar to its first generation Internet successes like Google and Facebook. Each had to find the resources to initiate the project. It was at least as straightforward for Uber to build its app. Indeed, given a decade’s progress in the market in software development, it is likely that Uber was easier to build than Google or Facebook.

There were, however, two important differences. Firstly, because Uber’s app was also delivering a physical and location specific service, it was necessary for Uber to build substantial managerial networks on the ground in markets where it delivered its services.

Thus, Uber’s ‘will’ needed to be much greater than that of Facebook or Google because of the cost of rolling out local business networks to organise services on the ground. Though the scale of its local skill building was much greater than was necessary for ‘pure’ internet plays like Facebook and Google, the nature of those skills was nevertheless relatively straightforward. Local Uber subsidiaries hired local labour – or exported it from headquarters – and contracted in relevant professional services such as legal, regulatory, government relations and public relations services. Each of these responsibilities could be achieved using established professional skills and practices.

³ It is easy to list many more practical questions. How should Ben and those he teaches be supervised in the new endeavour? Should the success of the endeavour be judged? Should Ben and/or his students receive some recognition for their endeavours and their success or otherwise – and if so, should this be within the formal system of evaluation in the school or a more informal kind of recognition? Will teachers think that their role is being usurped? Mapping these possible explanations onto our Will=>Skill=>Fulfil schema illustrates the extent to which the three categories can overlap. Here one can regard the failure of even some trial to get off the ground as a failure of will – which surely enough it was. But one can also argue that the degree of will required would have been far less if the system had more of the skills necessary to permit the flexibility necessary to enable such trials to be easily initiated.



Box 2.2: Uber seeks to 'Fulfil' its mission by becoming "too big to ban"

The question of how Uber would spend its billion-dollar investment was never really much of a riddle. More rides in more places has always been the plan.

But with its ten-figure cushion, the San Francisco-based ride-hailing startup can be more cunning about how it tries to get huge. Uber wants to grow as quickly it can, and right now, it's chasing that goal by undercutting the competition on price—even if it loses money in the process. This isn't a novel approach among tech startups, for which profits aren't valued nearly as much as popularity. But for Uber, playing in the new realm of the so-called sharing economy, the stakes are higher, since so many entrenched interests are trying to regulate it out of existence. With not just success but survival on the line, Uber has even more incentive to expand as rapidly as possible. If it gets big enough quickly enough, the political price could become too high for any elected official who tries to pull Uber to the curb. ...

[F]or its current stage of development, the approach holds little but upside for Uber. Rapid expansion helps Uber both locally and globally. In cities, underselling traditional taxis gets more riders in UberX cars, striking a blow against yellow-cab competition. Popularity in one city creates covetousness in others. Demand spreads, and Uber follows (it now operates in about 140 cities in 40 countries around the world).

Excerpted from: Wohlsen, Marcus, 2014.

Secondly, there were some important institutional obstacles that could be anticipated as Uber 'scaled' that were largely absent for pure internet start-ups. Uber services compete directly with the taxi industry. And in virtually every market it competed in, the taxi industry was heavily regulated and quantitatively constrained. This had put the taxi industry in a strong position of incumbency to see off previous, less well organised and funded attempts to introduce 'ride-sharing'.

Here Uber's strategy has been to use the vast multi-billion dollar resources of its investors to 'Fulfil' its mission, by 'scaling' so fast that it becomes, in the words of *Wired Magazine*, "too big to ban".



Chapter Three: Will

Rowing is the perfect preparation for public life: you face in one direction while moving in the other.

Lord Acton.

Introduction

The problems facing regional Australia are multiple and complex, solutions are uncertain and both the problem and potential solutions cross traditional policy domains. Governments need to become effective at responding to specific regional needs, the localised impacts of broader problems and the ability of affected groups and individuals in regions to contribute.

Change begins with the perception that action may be worthwhile because it solves a problem or seizes an opportunity. Often the existence of the problem will be part of the conventional wisdom – whether it is right or wrong. Thus, for instance, in one of the examples we cite, the problem of ‘over-regulation’ and ‘red-tape’ was perceived as a widespread problem. Sometimes this stage of recognising a problem may require a period of learning and problem definition as for instance one might argue was the case when the “Bringing them Home” report highlighted the problems arising from decades of removal of children from aboriginal families who were parenting them satisfactorily.

Breaking free from over-regulation

Since at least the mid-1980s, governments have sought to address the commonly expressed concerns of leaders from business and community groups that we are becoming progressively more heavily regulated and that this is clogging up the arteries of our economy and society. This presents policymakers with a problem, which is that a great deal of regulation addresses questions of micro-detail. This is not easily addressed from on high, but must be tackled on its merits on matters of detail.

At least two mechanisms can be identified that have been used to address the situation: Mechanisms of *ad hoc* challenge on the merits and regulatory ‘sandboxes’ in which a policy environment is developed to authorise limited experimentation with alternative arrangements. Early experience in both areas has not been particularly encouraging, and below, we present case studies of each initiative in which a failure of will and arguably of skill has tended to constrain success.

Challenge mechanisms: and the case of ‘Request and Response’

One way to overcome the limitations of top-down government is to engage the perspective of people and organisations who are subject to the policy, program or regulation, and to consider changes. Responding to these other perspectives



requires some degree of will. It has the potential to challenge the top-down authority. But even short of this, some injection of a new perspective, a new approach or even a new routine will necessarily disrupt existing ways of doing things.

Nevertheless, the regularity of routines is one of the *raisons d'être* of organisations – for some scholars, their DNA (Nelson and Winter 1982). In this light, it is hardly surprising that it takes a focused effort of will to change organisational routines even where such changes do not directly threaten authority. Very often the problem is nothing so straightforward as a threat to authority, but rather the inconvenience and uncomfortable uncertainty of organisational learning.

Within two years of the 1986 establishment of the Hawke Government's policy of 'minimum effective regulation,' one of the world's first 'regulation review' initiatives commenced, in a form that became standard over the subsequent decades. When introduced in 1988, it was announced as 'industry-led regulatory reform' with the government agreeing to amend regulation, or its application, where there was shown to be a net economic or social benefit. According to the guidelines (Department of Industry, Technology and Commerce 1988), it was expected to address significant problems created by regulations, including:

- negative outcomes of the regulation; where compliance would make products more costly, inhibit innovation, affect firms' ability to export or compete with imports
- an overlap or conflict with other State or Commonwealth regulations
- high costs or administrative burden to comply with the regulation.

The Industry Commission (now the Productivity Commission) administered this 'Request and Response' procedure, on the basis of guidelines that placed the onus for assessing regulatory impacts onto the regulated businesses. Any request was expected to set out the problems with the regulations and propose which regulation/s to remove or change. The guidelines required such requests to quantify the costs and identify benefits of the current regulation, and the distribution of these costs and benefits across businesses, customers and the government. The costs and benefits of the proposed change were also required to be explained (Department of Industry, Technology and Commerce 1988).

The procedure promised a response to each request. The guideline required that the relevant Department respond to the applicant within one month of a request, indicating whether it would:

- agree to implement the change;
- reject the request on the basis that it would provide no net benefits; or
- refer it to an appropriate body for more analysis, or to State agencies where there was an overlap across jurisdictions.

There were few applications and these were mostly responded to with a polite letter of rejection. Fewer requests led to action by Departments. Some of these were requests by businesses seeking review of a specific unfavourable application of regulation, such as a drug being rejected for listing on the PBS, not



for the original intent of improving regulation. The Request and Response procedure was ended in the mid-1990s.⁴

On the surface, Request and Response appears to be a clear statement of Will by a government – to act to reduce onerous regulation. But the procedure did not effectively enact this will. It was inadequate because the procedure placed the onus to demonstrate regulatory problems on the regulated businesses, and it did not effectively challenge the authority of regulators. Regulatory agencies could readily dismiss any request, as there was no mechanism to challenge the regulators, Minister or Parliament and force proper consideration of changes to regulation. By not using the procedure to drive regulatory improvements, the government demonstrated that there was no real will to improve regulation, and did not attract interest by businesses who would have no reason to expect a beneficial outcome.

The Request and Response procedure appears to be government ‘going through the motions’ of seeking feedback and considering changes, but the reality reveals it to be a shallow and incomplete expression of the will to improve regulation. It demonstrates that implementing a procedure is insufficient to drive change in an organisation – where decisions are also shaped by authority, status, tradition, access to knowledge, habits, and the body of existing procedures.

For a method like Request and Response to be effective, it requires a stronger expression of will. The will for change could be more effectively expressed through a procedure designed to achieve improvement in regulation, and not one ‘going through the motions’ of consideration of requests. Such a procedure could counter the organisational inertia common in government agencies, particularly regulatory ones, which are – to some extent rightly – risk-averse. In addition, a more effective procedure could require the administering agency to investigate and assess the impact of a nominated problem with regulation. This could allow more informed decision-making about impacts than requiring a regulated entity to demonstrate the problem with the regulation and the costs and benefits of any change. Organisational inertia could also be countered through use of a mechanism to challenge the authority of the regulator, Minister or Parliament and require them to assess requested changes properly with the aim of improving regulation. A further way to make such a procedure effective would be through independent and public supervision of the process and quality of responses.

Regulatory sandboxes

In 2002, amidst much ‘third way’ rhetoric about ending the ‘one-size-fits-all’ mentality of government service provision (see Chapter 1 above “From the ‘what’ to the ‘how’”) and fostering government innovation, the Education Act was

⁴ The procedure was administered by the Industry Commission (which became the Productivity Commission), which was required to report on the number of responses given to requests. The relevant annual reports show very few reports of the procedure being used, and descriptions show that it was rarely used for the original intent of improving regulation,



revised to give the minister (in the UK, the Secretary of State) the power to exempt, amend or relax “any requirement imposed by education legislation” for a school or education authority that sought permission. Known as the ‘power to innovate’ provision, it allowed changes to be trialled for up to three years.

Over the period it operated (2002-03 to 2009-10), 32 orders were made, affecting 639 schools. Schools and Local Authorities used exemptions for both educational and operational reasons, to: establish collaboration between schools; adjust school hours; change the way they dealt with exclusions; or include senior students in school management, and other changes.

Some Local Authorities applied to be exempt from the requirement “to charge every person the same price for the same quantity of the same food”. The exemption allowed them to use the primary school meals budget in a more flexible way. Some provided more free meals, or reduced the price of school meals, while others discounted healthier food choices. The aim was to encourage more children to eat school meals, particularly in response to the economic downturn and concerns about poor nutrition for children either not eating lunch or bringing unhealthy food. Hull City Council in Yorkshire received an exemption to allow it to provide free school meals, as part of a broader program to improve the nutritional intake of children. An evaluation of the program after three years reported that teachers observed a difference in the students eating the free meals, reporting more energy and less tiredness in the classroom which are seen as indicators of ‘readiness to learn’. As a result of these trials, the legislation was amended to allow schools more flexibility to provide discounted and free school meals.

To support the ‘power to innovate’ provision, the Department for Education established an Innovation Unit to provide advice and support to schools considering innovation, and to process applications for exemptions. However, many of the applications for exemptions were unnecessary, as schools already had the flexibility to make the changes requested (OECD 2017, p. 37). This is a known problem in highly regulated environments. “Often it is not the formal regulations that provide obstacles, but instead people’s interpretation of them. In those cases, red tape reduction, deregulation or rule exemption policies cannot help, unless the goal is to confront organisations and individuals with the actual amount of discretionary space they have, and clarify the boundaries of formal authority if necessary” (OECD 2017, p. 37).

This example demonstrates ‘will’ at a high level – the intention to empower innovation by removing regulatory impediments on request. It was also notably more successful than Australia’s more general and less considered Request and Response procedure. In particular, it encouraged far more applications than the Request and Response procedure, and the provision of resources for innovation showed an understanding of the need for resources to be directed towards developing the skills necessary to innovate.

Yet, while the ‘power to innovate’ permitted some administrative flexibility, for instance, in school hours and the prices charged for school meals, it did not stimulate widespread innovation or improvement in British schools. Perhaps a



clue to this relative failure is that both initiatives suggest an understanding of innovation in which identifiable hard constraints such as specific regulatory inflexibilities lie behind the lack of innovation with some relaxation of them expected to unleash substantial innovation.

Yet, at least in the private sector, successful innovation requires a considerable amount of investigation, experimentation and coordination (Ries, 2011). Innovation is not only the implementation of discrete ideas but also the systematic investigation of new possibilities. Facilitating innovation through exemptions assumes that schools and local authorities have a clear idea for an innovation to trial, whereas many would need expert resources and access to communities of practice to trial and evaluate the effectiveness of different approaches. It seems that the Innovation Unit has moved more in this direction in recent years.

Regulatory Sandboxes revived

The ideas identified above have made a comeback recently in the United Kingdom in 2015 with the Australian Securities and Investment Commission launching a financial technology or 'fintech' regulatory sandbox in December 2016. Other regulators internationally have also begun similar sandbox programs. None of these sandbox programs have yet completed the first round, so it will be impossible to judge them properly for some time.

In some ways, the aims are more modest than earlier 'sandbox' approaches, with the idea being to lower the cost of market entry by exempting them from some regulation while they determine the shape and viability of their new business. Certainly, the complexity and multi-agency regulation of financial services is costly for fintech start-ups (See Box 3.1).

The ASIC arrangements exempt businesses from the requirement to hold a financial services or credit licence for up to 12 months, in order to trial new financial or advisory products. This is complemented by ASIC's fintech innovation hub which offers guidance to start-ups on the compliance requirements for financial operation in Australia.

At the end of April 2017, no applications had been made to participate in the regulatory sandbox. It appears that the rules for participants were based on assumptions about businesses structure and management that did not hold for startups, which were using automated software for decision-making rather than traditional management processes (FINSIA 2017).

NSW began a potentially broader regulatory sandbox program in 2016. It invited businesses to nominate specific regulations that impeded innovation, where exemption might allow them to develop new a product, service or business model. From these submissions, Innovation NSW will select relevant regulation for the first regulatory sandbox, in conjunction with the relevant regulator. Once the regulation is selected, businesses can apply to participate in the sandbox. The expectation is that these businesses will be able to release a product or



service at the end of the sandbox period, and that the regulator will make relevant changes to legislation or policy to permit these to operate.

Box 3.1: Regulatory costs of fintech innovation: the case of Rismark

The Australian government must appoint an over-arching body to guide innovators through the regulatory maze or risk missing out on genuine product development in financial services, one of the entrepreneurs behind the shared equity market contends.

Rismark International's Founder and CEO, Christopher Joye, said Rismark spent more than two years negotiating with ASIC, the ATO, the Treasury, state Fair Trading Offices and the ACCC to launch the company's new shared equity mortgage. "We spent \$4 million on legal fees alone."

Joye said Rismark started working on its shared equity mortgage in 2003. Would the product be treated as a consumer credit contract regulated under the Uniform Consumer Credit Code, or a financial product regulated by ASIC, needing a full prospectus and distributed only through licensed financial planners? Eventually ASIC gave Rismark relief from coverage under certain parts of the Corporations Act but made it a condition that the company issue a detailed disclosure document with the loan.

With the product having no interest rate, only repayment at the end of the loan, what was the tax treatment of the loans once securitised back to investors? The ATO has indicated that the securities will be taxed on realisation and not on accruals, thereby aligning the investors' tax liabilities with the timing of EFM cash flows. At the same time, Treasury was planning changes to taxation that could have an effect on the taxation of these securities.

Targeted at first home buyers and upgraders, the new product was to be used in conjunction with a standard home loan – in this case, via Rismark's partner, Adelaide Bank. But this raised the question of whether this pairing involved 'third line forcing'. The ACCC reviewed Rismark's submission, clearing it to proceed.

Would state Fair Trading departments have additional requirements? Under the terms of the Uniform Consumer Credit Code (UCCC), lenders must disclose the interest rate being charged in a credit contract. However, Rismark's loan did not have an interest rate. Fair Trading departments advised Rismark to clearly disclose the method used to calculate the cost of the product.

As well as costly representations to regulators, Rismark consulted extensively with consumer groups, research companies and other industry bodies to get feedback on its approach to disclosure and to show the rigour of its approach.

Another lender wanting to get a shared equity loan into the market would face similar challenges. The product rulings, relief and general guidance Rismark received applied, in almost all cases, only to that product. Therefore, a rival would have to go through the same process before offering a similar product.

Joye said that despite the time and expense involved in getting the Equity Finance Mortgage to market, it was worthwhile, but would like it to work a bit more smoothly next time. "I think there is a role for a high level coordinating body within government to get innovation going. Too many people in regulatory bodies are there to manage the downside."

Paraphrased from Kavanah, 2008. "Regulation stifles industry innovation", *The Sheet*



While it's too early to be definitive about the likely outcomes of these initiatives, they have an eerie similarity with the earlier initiatives mentioned above. And underpinning them appears to be the same implicit theory of innovation – as existing or unproblematically flowing from the market, once 'unleashed' by appropriate deregulation. There are at least two problems with this view.

First, it assumes innovation begins with 'ideas' that are then 'implemented' in some organisationally stable form – a product, a business model or a new approach for an organisation. But this is too 'thin' a description to fit much innovation, which will, in fact, involve myriad ideas, many of which will be false starts, research, development, testing in the market, failure and, with luck and perseverance, some kind of success. It is far from clear that one can identify the regulation that is the problem early in this process, and yet the 'sandbox' model is of limited use if one cannot.

The sandbox could provide some level of comfort that future requests for regulatory amendment will be considered sympathetically. Where the process turns up some straightforward regulatory fix that is painless for all such assurances about the future may be well worth having. But such situations are relatively rare.

Beyond this, however, regulatory decisions require trade-offs and one encounters the tension comically adverted to by Lord Acton's dictum at the head of this chapter. It costs politicians and regulators little to indicate their preparedness to be flexible in the future and in general. But when that future comes in the form of a specific request that may disappoint some interest group or upset some applecart, those 'in principle' general commitments suddenly come into relief in the concrete.

Secondly, however much regimes to simplify regulatory compliance may show that governments are listening to the regulated, the regulation of concern is not likely to exist in the first place if it is not addressing some perceived need which exists in a social and political context. For the sake of illustration, it could be consumer, occupational or environmental safety. In this case, the most promising avenue will be a conscientious attempt to jointly optimise the government's need to deliver regulatory objectives and the businesses' need to meet that at minimum cost.

Regulatory reform principles – like regulating for outputs and regulating in a technology neutral way – will often be a painfully 'thin' introduction to these problems. Even if they offer a way forward that would improve policy efficiency without any substantial *policy* downsides, they will not change the political dynamics that produced the regulation in the first place.

More often, the practical exigencies of the regulatory problem and situation themselves mean that simple principles cannot be costlessly implemented. They involve trade-offs of their own and so do not, on their own, produce



unambiguously better outcomes.⁵ The upshot is that ‘thin’ principles only do the work of posing questions. Those questions can only be worked towards with a ‘thick’ engagement to see the issues from all important stakeholders’ perspectives, explore alternatives, test and prototype alternatives looking for some new, better way forward. There are some interesting prototypes for such an approach often run by ‘government innovation labs’ around the world (See for instance, Boxes 3.2 and 5.1).

⁵ Thus, for instance, outputs are usually harder to observe than inputs. So output regulation tends to target proxies for outputs and may increase scope for avoidance and other kinds of gaming. Given this, following the principle may produce net costs rather than benefits.



Box 3.2: Policy and delivery innovation as social problem solving: the case of New Zealand drivers' licences

In recent years, New Zealand introduced graduated licensing as a road safety measure, increasing the stringency and length of the process by which young people qualify for a driver's licence. This has had the intended consequence of taking young drivers with minimal experience and no supervision off the road with some benefits for road safety. At the same time, it generated unintended social consequences.

[A] a sizeable minority of young Kiwis – around 70-90,000 people per year – struggle to access the licensing system as it stands and are either stalling part way through, or failing to enter the system in the first place. These people miss out on all the benefits of holding a full licence (including access to jobs), and many report risking their own and others' futures by driving anyway.

To understand these social consequences and options to improve the situation, the NZ Transport Authority set a design challenge: *'How can we improve access to the things that a driver's licence enables (legal driving, employment, access to services) – while making our roads safer?'* The Auckland Co-Design Lab coordinated the research and design process across multiple agencies. Information in this box is taken from their report on this project (2017).

Research showed that "being licensed is key to peoples' future employability", with 70% of jobs requiring driver's licences. Economic analysis estimated the cost to government of young people being without a licence. One scenario suggested that increased employment of those currently without licences would save NZ\$16 million in Ministry of Social Development outlays on welfare whilst generating around NZ\$7 more in PAYE tax income (NZIER 2016, p.10). This helped frame the issue as being broader than road safety and licence compliance.

The design team investigated underlying reasons for low rates of licence completion, and tested the assumptions underlying the licensing regime. From this, it developed an intervention logic to map out the barriers to higher licence completion and the outcomes that any intervention must achieve to meet the joint goals of road safety improved economic outcomes and the resulting budget savings.

Using social research techniques used in software development, the design team interviewed many young people and developed 'user stories' of example 'personas' – common types of users of the system whom the new approach needed to assist.

This rich understanding of 'users' currently excluded from full participation enabled the development of a range of new interventions: A mix of programs and changes to policy or processes, each designed to target specific 'user' groups and to address known barriers to licence completion. Together, these formed a coherent package for decision-makers to consider, which could then progress to implementation design.

Source: Auckland Co-Design Lab, (2017)

It is possible that such approaches could develop under existing sandbox models, and in this regard it is encouraging that ASIC's fintech innovation hub provides some services to start-ups rather than leaving it all to them. Nevertheless, given that this resource is run by one of the stakeholders – it seems plausible that any change will be modest.



Where problems are ‘thick’ we think a ‘thicker’ conversation is likely to lead to results that are better thought through, more likely to attract stakeholder support by their demonstrated solving of problems. We suggest experimenting with a process that seeks an open and independent way through the issues taking industry, the regulator and others as stakeholders searching for mutual accommodation with the resources to go through a policy and service design process which is open, and independent of all stakeholders.

Policy labs such as NESTA, Y-Lab and the Auckland Co-Design Lab offer worthwhile models. They could be established in specific sectors to pursue projects with stakeholders to better understand the practical compromises necessary to build arrangements that truly balance and jointly optimise their interests. Currently, there are many executive bodies within the public sector that do this kind of work. The Office of Best Practice Regulation is one such. But it operates in a closed environment within the bureaucracy and so does not have the licence, legitimacy or the skills to pursue the kind of work done by policy labs around the world.

Further, as many of the issues span federal, state and often local government, it makes little sense for such agencies to be structured along traditional lines exploring issues as if they neatly arranged themselves into federal, state or local issues. Accordingly, policy should explore the scope for such bodies to have a federal remit. They could then work with governments at all levels and other stakeholders including the public to make the ‘thick’ journey to a better system. The methods used would include those of

- human centred design,
- research going beyond standard ‘desk based’ policy research extending to ‘ethnographic’ work to understand the perspectives of all stakeholders,
- prototyping and A/B testing where possible.

The work would be done independently of any stakeholder and would be transparent to all. To get buy-in, and because of its much greater financial capacity, we would suggest that funding be predominantly federal – with the intention being that learning is shared widely between state jurisdictions – but with some state contribution going with some state involvement in governance.

Government as impresario: accelerating self-organisation

A simple model of the world has it that competitive firms generate private goods – like hamburgers, horses and holidays⁶ within the market, whilst government provides public goods (like suburban roads, a legal system and defence) and/or ‘beneficial goods’ which act as a ‘safety net’ for services like education and health and for basic income.

⁶ As illustrated in this example, except where otherwise implied in this report, the expression “goods” includes services.



However, the world is more complex. Firstly, a critical ingredient of a functioning private sphere – both of the market and of civil society – is social capital which somehow sits in the background operating as a public good,⁷ but which governments have not typically been satisfactory at supporting. Indeed, many would argue that many things governments do ‘crowd out’ spontaneous self-provision in the community.

Secondly, it will often be the case that many stakeholders have some interest in the creation and provision of some good, but none have a sufficient stake in it, to bring it into existence on their own. In principle, they could enter into mutually beneficial partnerships with others to bring about the good. But without some kind of entrepreneurial impetus, the possible partners in creating the public good may be unaware of its possibility, or may lack the imagination or the will to explore a partnership that may lead nowhere.

This is similar to a public good problem where governments have typically had the role of compulsorily taxing the community to fund such goods. But if there are stakeholders with a natural interest in the provision of a particular good there are important benefits in engaging them in some form in that good’s provision:

- Their funding is in principle more equitable because the good is funded by those who wish to bring it into existence and not others.
- It is also more efficient because government funding must be administered, can often be gamed and requires the expenditure of funds which increases the tax burden, imposing costs on the economy.
- Their interest in the project makes them typically better informed than others – including governments – as to how to design, govern and adapt the delivery of the good. In this sense, partners brought on board help, not just with the motive force or ‘will’ and resources behind the project, but also with the skills necessary to deliver, sustain and govern it into the future.

All this having been said, governments may be able to play a very useful facilitative role as ‘impresario’ seeking to use their capacity for leadership, moral suasion, their convening power and perhaps some facilitative resources to bring parties together and back collaborative action to address perceived issues in local areas. Ultimately, where problems are thick, the more people solve their own problems, either on their own, or together amongst those affected as an act of self-organisation, the more confident we can be that those solutions will meet their needs.

⁷ This was partly the point of the first book of Adam Smith, the founder of modern economics in his *Theory of Moral Sentiments*, published in 1759, 17 years before the publication of the work that is more famous today – though not in his own time – *The Wealth of Nations*.



Box 3.3: The Documentary Australia Foundation: an uncovered commons

In 2004, Ian Darling, a fund manager with a passion for documentary filmmaking, saw patterns emerging in the credits of some successful documentaries doing the circuit with his own:

a significant number of the documentaries had received financial support by way of philanthropic grants from foundations, corporations and private individuals.. These disparate groups were not only raising awareness and funds, but also promoting the particular documentary, to keep it alive long after the broadcast ... and creating new audiences outside the traditional streams of cinema and television.

Along with other filmmakers, Darling established the Documentary Australia Foundation (DAF). Amongst other things, this brought together documentary filmmakers and philanthropists with common interests in creating change. It educated unions, businesses and community groups to understand the benefits of being less controlling with their funding to bring on board other like-minded partners, at the same time as bringing government funded organisations like the ABC, SBS and the screen agencies to a much more sophisticated appreciation of sponsorship.

DAF quickly became far more than a conduit and soon took on some remarkably complex functions. Every funded documentary has a chain of milestones, IP requirements, and financial drawdowns. In this area, it has a parallel set of tasks about the social media presence, the impact production and ultimately the outreach delivery. All of this is channelled through DAF, so donors know that the production is transparent and professionally controlled.

In partnership with the international NGO Good Pitch Squared,⁸ Filmmakers could raise substantial budgets, donors could see the range and integrity of projects, and both sides could see just how carefully a good advocacy film is planned. From that moment on, outreach was a word in Australian documentary. Over three events, "more than \$14 million has been raised in philanthropic grants for the funding of 19 social impact documentaries and their impact campaigns, forging priceless pro bono support and 300+ powerful strategic partnerships between community groups, the corporate sector, NGOs and policy makers."

Source: Screenhub, Wednesday 12 April, 2017 at www.screenhub.com.au.

⁸ Good pitch squared offers this description of its activities on [its website](#).

Good Pitch brings together documentary filmmakers with foundations, NGOs, campaigners, philanthropists, policymakers, brands and media around leading social and environmental issues - to forge coalitions and campaigns that are good for all these partners, good for the films and good for society.



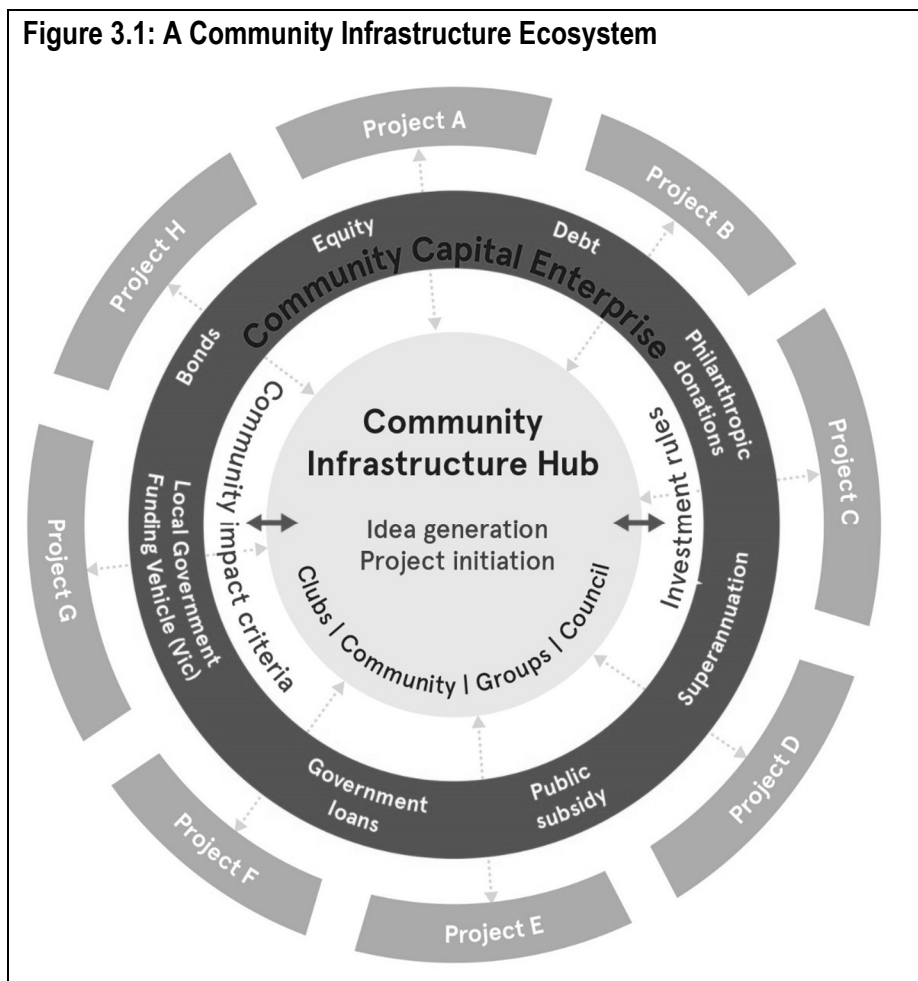
‘DIY Infrastructure’

NAB chair and former Treasury Secretary Ken Henry recently backing ‘DIY infrastructure’ which seeks to unlock self-organisation within local communities to fund infrastructure.

If we can get business, consumers – the DIY protagonists – at the community level to think about the infrastructure their community needs, they may be able to solve many of the problems themselves; they may be able to identify opportunities for their region that would never occur to those sitting behind government and corporate desks in our capital cities.
(Henry 2017)

The Better Infrastructure Initiative (a collaboration between National Australia Bank and the University of Sydney) recently released a report identifying ways to encourage DIY infrastructure proponents in communities. The proposal is to establish an ‘eco-system’ similar in concept to the eco-system Ian Darling established around the production of documentary films to fund local infrastructure.

Figure 3.1: A Community Infrastructure Ecosystem



It would be centred on an independent not-for-profit Community Infrastructure Hub to coordinate proposals and assess them for community benefits. This Hub would interact with a Community Capital Enterprise, providing a market-making function to refine proposals and link proponents with suitable funding from government, philanthropic or commercial funding sources. (Bowditch 2017, p. 26)

The Better Infrastructure Initiative has launched a project to test this ecosystem model with stakeholders, aiming to bring together business, universities, providers of capital, government and the community sector. As Garry Bowditch (2017) put it in the paper supporting the proposals:

Vision and passion of infrastructure protagonists drawn from citizens, community groups and business are key market actors that bring imagination and agility to challenge and disrupt traditional 'silo' infrastructure as well as to help stitch together a better functioning system-wide performance.

Landcare: community action, resourced by governments

'Landcare' began in Victoria in the 1980s, to coordinate community responses to degradation of farmland, public land and waterways, and for improving land management practices. It became a national program in 1989 with the 'Decade of Landcare'. Now there are over 5,000 Landcare and associated groups across Australia – Bushcare, Rivercare, Coastcare and similar groups – with 100,000 active volunteers. As the Australian Framework for Landcare observed (2010):

This army of volunteers and stewards has changed the face of Australia's rural and urban landscapes. It has planted millions of trees, shrubs and grasses; repaired riparian zones and restored water quality by reducing erosion and fencing out stock from riverbanks; protected remnants of native vegetation; regenerated areas to provide habitat for native wildlife; improved ground cover, grazing methods and soil management; and rehabilitated coastal dunes and recreational areas.

Local Landcare groups are managed by volunteer committees comprising local landowners and residents, some with support from a paid Landcare coordinator working across a region. Local committees negotiate and plan for projects to address local priorities, apply for Landcare project funding, and deliver the agreed projects. In the early days of Landcare, tree planting to reduce erosion and salinity was a common project. Now, projects are very diverse and include training programs for low-impact farming methods, dealing with feral species, as well as local rehabilitation projects. Local groups have formed regional Landcare networks to coordinate a regional approach to land and water management. This recognises that land degradation often affects a broad area and has multiple causes, therefore cannot be dealt with in isolation.

Landcare aims to address both local needs and national priorities – such as threatened species, or weeds of national significance. The Australian Government plays a role in shaping the work done by Landcare, through setting these national priorities, and providing most of the funding. State governments



also influence its work by setting regional priorities and providing some funding for projects. But the Landcare approach recognises that local communities have a greater level of local knowledge, skills, financial and technical resources than governments can provide, and therefore, can take reasonable for developing and managing local projects.

As Youl observed:

The strength of Australian Landcare is that community groups and networks, with government and corporate support, conceive their own visions and set goals for local and regional environmental action. Working from the ground up to achieve these goals creates freedom and flexibility, giving communities a great sense of purpose. (2006)

Over time, Landcare groups have become a major part of regional communities, providing a means of coordinating responses to common problems, and an opportunity for community interaction and capacity-building. As the Australian Framework for Landcare observed:

The environmental focus of the Landcare approach evolved to incorporate a strong social aspect. Communities have understood the benefits of joint action to analyse and solve local problems, including many that are beyond the capacity of individuals to solve. This has been vital in providing social cohesion and support structures in rural communities struggling to survive in the face of drought and market pressures. In this sense, the Landcare approach has contributed to the health and welfare of local communities. (2010)

Australia's response to AIDS

The first AIDS case in Australia was diagnosed in 1982. The cause of the disease was unknown, the mode of transmission was uncertain, and there was no treatment. Instead of treating the disease as a political or moral issue, as was done in the USA, Australia chose to treat it as a bipartisan public health issue. The initial momentum for an AIDS policy response came from community organisations representing gay men, injecting drug users and sex workers, as well as clinicians and researchers. As Bowtell observed:

The emergence of these politically active groups occurred spontaneously and without direction from government. Once these groups emerged, however, Australian governments swiftly saw the good sense of engaging them in HIV/AIDS policy formulation and development. (2006)

In 1983, the Health Minister led the development of the national strategy to respond to AIDS, working with community organisations, clinicians and state governments. This strategy had a major role for implementation through community organisations. Commonwealth funding to states required that half the money be allocated to organisations working directly with affected communities. Continuing the focus on harm-minimisation and rights of affected individuals, AIDS responses extended to other policy areas – education, social security, housing, drug law enforcement, human rights and anti-discrimination. These



policy responses were often developed with relevant community organisations. In states where there was no community organisation representing at-risk groups, particularly injecting drug users, governments funded the establishment of organisations for coordination and community education.

Speaking in 2014, both the health minister at the time, Neal Blewett, and the shadow minister, Peter Baume, reflected on the importance of the bipartisan approach and partnership with affected communities. Both believe that the bipartisanship and community partnerships would not be possible today. (ABC Radio 2014)

Australia's early collaborative response to AIDS has been credited with keeping the infection rate lower than most other developed countries. Activist groups worked with governments to communicate community needs, and led community education campaigns. Despite some policy objections and delays, the response evolved to meet community needs for harm minimisation and access to treatments. This included lifting import quotas on AIDS medication, and allowing health services to offer needle exchanges. As Bowtell concluded:

Australia has controlled the spread of HIV/AIDS and maintained very low rates of new HIV infection relative to comparable countries. Australia's relatively successful response to HIV/AIDS came about because the Australian people, civil society organizations, clinicians, researchers, and provincial and national governments fashioned timely, practical, and imaginative responses to the complex challenges posed by the HIV/AIDS epidemic. Australia built its response to HIV/AIDS from the grassroots up, not from the top down. (2006)

The success of Australia's AIDS response was an example of the role of the national and state governments as impresario – using their powers of convening, coordinating, persuading, learning and resourcing to enable the affected communities to deliver sophisticated community education and harm reduction programs, support services for people with AIDS and the quick uptake of testing and treatment. This has created an effective community and healthcare infrastructure that continues to provide services for health and wellbeing for affected communities.



Chapter Four: Skill

Honor your errors. ... To advance from the ordinary requires a new game, or a new territory. But the process of going outside the conventional method, game, or territory is indistinguishable from error. Even the most brilliant act of human genius, in the final analysis, is an act of trial and error. "To be an Error and to be Cast out is a part of God's Design," wrote the visionary poet William Blake. Error, whether random or deliberate, must become an integral part of any process of creation. Evolution can be thought of as systematic error management.

Kevin Kelly (1994)

Program delivery and institutional skill

Reviewing the question of the organisational skill required to run a new major program, drawing on the experience of the home insulation program, Royal Commissioner Ian Hanger argued that agencies should consider whether they have the capability to deliver programs they have been tasked to deliver. He makes it clear that this is not a question of 'buying-in' skills through recruiting staff and contracting experts, but about the skills of the organisation itself to deliver a program in such a way that it achieves its intended outcomes. He argues that the commonly stated intention to build capability is "often a euphemism for the agency having a serious gap in its capacity, promising to redress it - but often not knowing how to do so - and underestimating the difficulty of building institutional (as distinct from individual) competence and capacity". (Hanger 2014, p. 302)

In response to the Royal Commission's findings, Peter Shergold argued in his report (2015) that the skilfulness of agencies and their ability to deliver programs was sorely impeded by the widespread cultural presumption within the public service that policy is superior to delivery, which underpins not just the lack of organisational skill but organisations' inability to acquire it.

Here is a truth rarely admitted in the APS. Policy skills are generally viewed as 'creative' or 'strategic' while implementation skills are often perceived as 'corporate' or 'operational.' This outdated assumption can result in a bias towards promoting the former at the expense of the latter. It is premised on a falsehood. (Shergold 2015, p. 51)

While the outdated view is that policy is the creative work, Shergold argues that there is insufficient emphasis on the creative work needed for program design and delivery. He recommends greater attention to the skills of program management, based both on the individual professional capabilities of specific staff members and more broadly on organisational practices. Program management is a more challenging, critical and creative function than traditional project management. He notes that many program managers are 'accidental' practitioners, without understanding the skill of program management. There is a habit of treating program and project management as control activities based on



templates and schedules, which overlooks the critical creative function of design and effective implementation. (2015, p. 11)

The Royal Commission, ANAO reports and the APSC capability review process have all found a similar lack of program management skill within agencies, which is a critical limitation on the effectiveness of government.

Capability needs to be progressively enhanced across the APS in a systematic fashion. In the past, public servants tended to administer by the prescription of process. Management directed its attention to the distribution of allocated inputs. Today the focus is far more heavily on performance-based outcomes. Results matter. New professional skills are required. (Shergold 2015, p. 6)

This lack of institutional capability within government is a particular challenge for regional areas, where complex and interrelated problems are met by fragmented programs designed and delivered with insufficient skill or knowledge of local contexts. Addressing the challenges for regional Australia requires the skilful and creative work to design policies and programs that can achieve outcomes, that Shergold notes is lacking.

The preliminary stage of developing programs – investigating and understanding a problem and plausible solutions – is particularly challenging for policy-makers remote from the problem and without knowledge of the issues. A critical thing those at the centre must learn is that knowledge of the life world is important, hard to obtain, and difficult to assimilate into reporting routines in a way that enables learning. It is context-specific knowledge which is difficult to bring into administrative systems.

Box 4.1: Adapting programs to local circumstances

The National College of Ireland took an early childhood development program from the US, Parent Child Home Program and adapted it for a Dublin context. The program introduces new parents to reading and play activities to do with their children which has long-term effects on children's engagement in school, parenting capability and reduces high school drop out rates.

When adapting it, coordinator Beth Fagan knew that the fidelity couldn't change but some other things could as long as it "maintained the core". In the US, the program used retired social workers, but those individuals in Dublin didn't want to go into the areas with high deprivation in the docklands. They made an adaption to instead up-skill local women to deliver the 'play and learning training' to parents. And this adaptation has been critical to the program's success. Being part of the community gave workers respect and helped them recruit parents more easily. There was even an unforeseen bonus to the adaptation. The workers began practicing the techniques on their own children – it improved their own parenting and outcomes for their own kids.

Source: Weinstein, 2016.

Often the knowledge is tacit, which is a challenge for capturing learning even within an organisation. But the challenge is magnified by the fact that that tacit information needs to travel from outside the organisation to within it, and to be recognised within that organisation as existing and capable of contributing to the



learning and outcomes that the organisation is seeking. This knowledge may not come with a credential or any other clear bureaucratic means of recognising it as the best source of information.

This difficulty in gaining knowledge about the life-world and contexts at a distance means that situations are understood in a simplified way. In turn, this leads to the selection of ineffectual policy options. In the terms developed earlier in this report, both bureaucratic and political systems often use 'thin' ideas to engage with 'thick' issues with predictably unsuccessful results.

The causes of this include:

- ignorance of local regions where the bulk of administrative capacity resides in a capital city
- management's difficulty in getting out of the office, out of its own frame of reference
- much professional expertise is context independent, and therefore, traditionally conveyed without the 'thick' description that communicates context
- political ideology – active at both party political level and to some extent within bureaucracies – is 'thin', and provides summary understandings of issues, whereas the reality on the ground will often be 'thick' with context.

This misalignment between 'thick' problems and 'thin' policy responses, coupled with lack of institutional skill and learning, limits the potential for governments to address regional problems.

A systematic approach to learning

Institutional skill requires knowledge and continual learning. A learning organisation has the capacity to manage and improve performance by learning from experience and acting on that learning. This learning occurs at the system-level – held by both the organisation and the people within it. Learning-by-doing is an important part of organisational learning, supported by a systematic approach to learning. A learning system is the “formal and informal processes and structures for the acquisition, sharing, and utilization of knowledge and skills”. (Nevis et al. 1995)

A learning system (for a program or portfolio) would gather data and information relating to the problem and underlying causes, monitoring program delivery and performance and the causal relationships through which the program is intended to achieve its outcomes. This information may be gathered through a range of internal and external monitoring and evaluation processes. Meaningful performance information, along with knowledge of program efficacy and the causal factors in outcomes, allows for adaptive program management. We might know a program is popular. We might even see data that suggests the program is performing efficiently. But it is the relatively rare case when we actually have



the evidence to tell us a program is working as intended and it's the most effective way to achieve the outcome we desire.

Box 4.2: When government is an evidence free zone

Though there are many fine exceptions, it must be recognised that the call for evidence-based policy and delivery must come to terms with the fact that government service delivery often starts from a very low base. Thus, for instance, in the United States where much of the push for evidence-based policy has originated, Peter Orszag and Jim Nussle (2014) report:

[A]stonishingly, based on our estimate, less than one dollar out of every hundred dollars the federal government spends is backed by even the most basic evidence.

Even in systems which would be able to generate rich administrative data, which could, for instance, call up detailed records of specific cases – which might well be necessary to demonstrate that an agency did what it was legally required to do – it is often the case that important information that could be very important to improving program delivery is simply never collected, as illustrated by The Australian Centre for Social Innovation's discoveries about one government agency which had sought to improve outcomes and lower costs by finding ways to support the reunification of children with parents from whom they had been removed for neglect and/or abuse:

In TACSI's restoration (reunification) work, we've seen great programs die because those controlling resources weren't aware of program's value, didn't know they existed, they were looking at other metrics and indicators or success, or didn't help initiatives spread to become the new status quo. For example we discovered a team that flipped restoration (reunification) rates from 70% failure to 85% success rates. Unfortunately, it was overlooked by senior leadership and disbanded despite its innovative design and efficacy. While this kind of crossing wires of competing priorities is not uncommon, it doesn't have to be the norm. (Weinstein 2016)

Building systems rich in meaningful performance information is both difficult and rare (See Box 4.2). Often, performance is difficult to define and measure. But mostly performance information is uninformative because it is not designed to be meaningful, because many agencies lack the skill of designing performance information. Instead, performance metrics are often developed, often without a great deal of reflection, to suit top-down needs rather than to help those in the field optimise program outcomes. This perspective of community program reporting for Landcare is similar to comments made in other sectors:

The complexity and frequency of reporting has increased exponentially over the subsequent changes to programmes. It is now often the case of the 'tail wagging the dog' with more effort and expenditure spent on compliance than delivery. It is acknowledged that there needs to be monitoring, evaluation and reporting, however 25 years of increasingly complex reporting formats, has given little in the way of accessible data sets and access to lessons of the past. Many reports are lost in archives, and never used other than to tick the box of acquittal. (Landcare NSW 2014)



An organisation with a systematic approach to learning and performance would have decision-making practices that prioritise resources towards effectiveness and reward demonstrated effectiveness – drawing on learning systems to make informed decisions across a funding portfolio. This counteracts the top-down focus on intentions (of those at the top) rather than the growing experience and capability of those in the field in their unfolding quest to improve their delivery of outcomes and their knowledge of how to improve further.

For this information to be trustworthy, a learning system must be based in honesty and be open to self-criticism. Understanding poor performance is important for an organisation to learn how to improve. Therefore, it may require independence, and/or the use of agreed methods and practices to guard against bias. This requirement for honest self-reflection may be a challenge for the culture of many government agencies. However, organisations that commit to achieving outcomes and continuous improvement of delivery are more likely to make this transition to a learning organisation.

Learning, therefore, has an important cultural and social dimension. It is not sufficient to set up data collection procedures and assume that valid information will be received. This is further complicated by the way some organisations have settled into practices of reporting KPIs without considering whether the information is a meaningful indicator of performance – either delivery or outcomes or the extent to which KPIs may induce perverse reporting incentives. This approach to performance information can be an exercise in ‘going through the motions’, with meeting the KPIs coming to replace effectiveness as the target of operations. There is also the risk of poorly designed performance data collection creating a burden on operational staff and leading to unreliable data.

Developing organisational learning practices is a task that will require considerable specialist capability for most agencies. Traditional methods of data collection and interpretation have been superseded by various new methods for gathering richer and more meaningful information to support learning and improved performance.

The value of a systematic approach to learning is broader than a single program or agency. Learning from program delivery by one agency can be shared across the policy community, as knowledge is gained from implementation, experimentation and evaluation. As learning practices grow across organisations, appropriate forms of management, data and information may become standards, allowing for comparison of effectiveness across programs and outcomes and better promoting the community of practice behind successful programs and innovations. An effective learning system can reduce the problem of uninformed decision-making about program design and implementation. By building knowledge and sharing experience across programs, government agencies can build their institutional skill beyond policy development.

Learning networks are also valuable for sharing ideas and scaling good practices to a range of organisations. For example, formal and informal learning networks are used in the UK National Health Service (NHS), to bring people together – through forums, events and online contacts – for mutual sharing of ideas and



advice on specific topics in healthcare improvement.⁹ These networks are focused on the transition mentioned in the conclusion to Chapter One above – making the transition from understanding what needs to happen to working out *how* and acting on that knowledge. As a recent NESTA report pointed out, the networks “are particularly valuable in helping people to understand *how* to achieve change, not just what to change.” (NESTA and The Health Foundation 2016, emphasis added.)

For example, the Advancing Quality Alliance is a network to promote evidence-based practices in healthcare in the North West of England. It provides training and information targeted to specific decision-makers, as well as benchmarking and other methods to communicate and promote evidence-based practice. By establishing cooperative networks and building collective intelligence, these learning networks are able to provide targeted learning to people who can use it and therefore increasing the uptake of the preferred practices. (The Health Foundation 2014)

The Shergold Report likewise endorsed the importance of spreading learning throughout the system:

For agencies to become learning organisations they must transition from a ‘need-to-know’ approach to information to a ‘need-to-share’ philosophy. Of course, standards around security, confidentiality and privacy cannot be compromised. But the APS needs to find ways to improve how it shares data and experience from early lessons, rather than relying on post-implementation audits and risking large-scale failures. ... Perhaps [the government’s existing] requirement [that the results of government funded research be openly available to the broadest possible audience] could be extended to all government funding, similar to many areas of public funding in the US. Perhaps too, we might learn from the UK Government, which regularly creates opportunities to assess and publish the results of different approaches to government delivery. Staying agile, continuously learning and adapting requires a change of mindset. (2013, p. 73)

⁹ <https://www.networks.nhs.uk>.



Box 4.3: How Toyota resourced and accessed the skills of a distributed system and established a knowledge and learning commons

Developing Henry Ford's ideas about driving out waste, Toyota drew its employees and suppliers into higher trust relationships than those in Ford. It supported its suppliers with Toyota's engineering resources, allowing them to share the resulting cost savings, encouraging further efforts. It gave its employees ten times the training their American equivalents received to enable them to endlessly optimise their own performance using numerical control machine tools to endlessly optimise their performance.

Competition and transactional market relations were the leitmotif of the American system and so conflicts of interest between the various parts of the system – managers, designers, employees, suppliers, dealers, customers – often dominated, crowding out the common interests they all shared. Though market relations provided the backdrop to conditioning and disciplining relationships, Toyota's focus was on long-term cooperative relationships between the parts of the whole system.

By contrast to the KPI driven accountability systems of many producers, Toyota's production system was, by contrast, an exercise in applied humility. Predicated on the conviction that teams of employees have an intrinsic desire to perform well, employees were trained in statistical control and (CNC) machine tool supervision and tasked with using those skills to endlessly optimise performance between and across teams.

Thus, no practical arrangement for handling information will be perfect in the manner it might be in an economist's model. We should look to evolve hybrid institutions that capture the best of competition and collaboration where possible, whilst avoiding their worst pathologies. That's what Toyota did with its supply chain.

In addition to the generous technical support it offered its suppliers, it also sponsored regular supplier wide-open days – both at Toyota and at the supplier factories. Non-cooperation in the knowledge commons was not an option for suppliers wanting to retain Toyota's patronage. This rapidly normalised the culture of sharing and collaboration both within and between firms within the 'family' of suppliers, thus increasing the rate at which successful innovations spread. In the upshot, Toyota's knowledge and learning commons was instrumental in its often doubling its American competitors' labour productivity while exceeding their production quality.

Adapted from Gruen and Vanstone, 2016.

Building capability of partners and communities in the regions

Greater engagement with the regions will require increased organisational skill at both the centre and the regions. To work together with government, regional organisations and communities will have to develop skills to investigate and report on their local problems, and to negotiate for resources. They must also learn to manage grants and contracts and deliver programs as planned. Some regional organisations have considerable skills and experience in working with government, but many do not.

This will require mutual capacity-building across organisations. A government agency that develops particular skills in implementation design will be able to support regional organisations better and build their skills and capability. A



regional NGO with strong skills in community engagement can assist government agencies to learn the perspectives of regional communities. An NGO or regional organisation with experience of administering government contracts can provide guidance to smaller local organisations.

Communities may have existing capability to work with local organisations and government, or may need support to build community capability in order to exercise agency in relationships with government programs and services. Activities that develop community capability can strengthen communities, build resilience, and allow communities to support individual and collective wellbeing better.

Developing community capability

The Stronger Families and Communities Strategy (SFCS) operated from 2000 to 2008 to assist communities to identify opportunities to improve the circumstances in their community, and to fund a diverse range of projects that met these identified community needs. 'Local solutions and local management' was important in the design of the SFCS. Projects were expected to support and strengthen families and the community around them.

Many projects funded through the SFCS aimed to specifically build capability, while other projects were predicated on the presumption that some capability would be developed through participation in and the outcomes of projects. (Funnell et al. 2004)

The SFCS approach to developing community capability started with understanding the existing strengths of a community, the issues the community sought to address, and therefore, the type and extent of capability to be developed. This was an explicitly different approach from top-down government programs that focused on deficits in communities and sought to address the deficits.

SFCS recognised that some communities needed to start building capability for community cohesion, before they could be ready to deliver projects for the community. Therefore, some communities commenced with projects to identify and train potential leaders and form local organisations. Other communities had significant strengths, but needed to develop new capability. One rural community used the funding to build skills for local organisations in project management and accessing grant funding. (Funnell et al. 2004)

Evaluations of the SFCS funding found that while many projects had benefits for the participants and local community, there was limited potential for sustainable changes, due to the short timeframes of projects, the piecemeal approach of small projects that could not address broader underlying problems, and the potential loss of special services funded through SFCS if local organisations were not able to integrate these. (Funnell et al. 2004, Muir et al. 2009)

If early intervention and prevention initiatives are to have positive outcomes for people or communities in considerable distress, other social issues must also be addressed. Long-term government involvement and

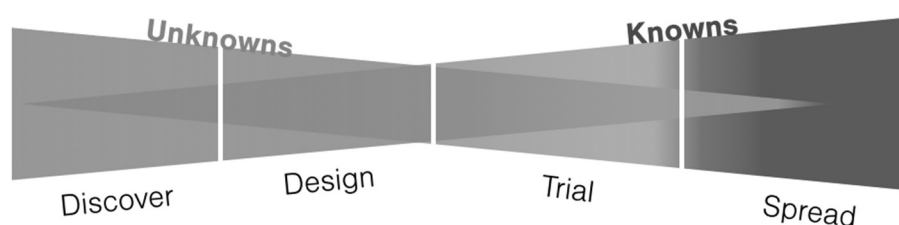


funding is also necessary to realise potential benefits and sustain positive outcomes of the program. Short-term initiatives are not only inadequate, they also build distrust in people when services they have come to rely on are withdrawn. (Muir et al. 2009)

Learning through experimentation: the significance of understanding *causes*

A learning system consistently increases the knowledge of what underlies good and bad performance and progressively reduces reliance on assumptions. Thus, improved performance becomes sustainable – for it is encoded into a knowledge system – which system can then be the foundation for further improvements.

Figure 4.1: Evidence-based delivery



Source: Weinstein, 2016

However, even where there are evaluations, often, they cannot be conclusive for a range of reasons, including that evaluation has not been built into the process but is bolted on after the event. Even where agencies do build some form of evaluation into their operations, it may generate information about the performance of the program without generating good evidence that explains *why* it performs as it does.

And no matter how good an agency's data will be, much of it will be poor at answering what will always be one of the most important questions. What is the counterfactual? Existing data collections can tell us how a program is going – we know how many people are on the dole, for instance, but it will generally be poor at shedding light on the question, "How would things change if we changed some features of the program?" In this regard, the experience of the insurance industry is instructive. As Howard et al. point out:

Insurers have centuries of experience in prediction, but as recently as 10 years ago, the insurance companies often failed to make optimal business decisions about what price to charge each new customer. Their actuaries could build models to predict a customer's likelihood of being in an accident and the expected value of claims. But those models did not solve the pricing problem, so the insurance companies would set a price based on a combination of guesswork and market studies.



This situation changed in 1999 with a company called Optimal Decisions Group (ODG).

ODG ... began by defining the objective that the insurance company was trying to achieve ... ODG identified which levers the insurance company could control. ... They considered what additional data they would need to predict a customer's reaction to changes in price. It was necessary to build this dataset by randomly changing the prices of hundreds of thousands of policies over many months.

While the insurers were initially reluctant to experiment on their own customers, they relented in the face of the power of generating data that could answer the counterfactual question, "What if we did this differently?" which was worth hundreds of millions in profit to them. Likewise, government needs to know the answers to questions like "How important are effective marginal tax rates as welfare benefits taper off and tax is paid on earnings, compared with other kinds of supports?" or "How might welfare benefits be integrated with other service provision to improve the rate of exit from welfare into work?" or "How much do people avoid temporary paid work when receiving welfare to avoid rules that restrict their welfare payments where other income is being received?"

Proper testing of programs and experimentation around specific details – as those selling products and services do with A/B testing in the market – provides learning about efficacy that can be used to adapt the design and delivery of programs and services. The Shergold Report considered the role of testing and experiments. Conclusion F.24 calls for:

Staged decision-making for large projects should incorporate the allocation of seed funding to agencies to develop a business case and proof-of-concept, which can be tested before the project moves to a further stage.

Accordingly, as an extension of Peter Shergold's call for testing of programs, we believe that there should be scope for those delivering government services to vary those services in various ways in order to generate causal data of the kind promoted by ODG in the insurance industry as cited above.

Innovation fund to generate credible evidence on causal questions

There are likely to be many opportunities to improve outcomes for regional Australia by making adjustments to the delivery of a range of programs and experimenting with their integration. However, there is no current process to discover these opportunities for improvement. Ideally, agencies would routinely seek opportunities for program improvement – towards increasing the quality of outcomes or reducing the costs of implementation (to both the agency and the program participants).

Where opportunities for improvement are identified, it can be costly to run a trial to generate the causal evidence needed to inform decisions about implementing a broader change. Therefore, this report proposes a program innovation fund be established to:



- fund trials of adjustments to program rules or practice (and guide the design of trials for generating credible evidence)
- assist with funding or advice on how to investigate and identify opportunities for improvement
- assist with funding or advice for agencies to mainstream changes from successful trials
- fund the cost of expert advice on monitoring and evaluation and the sharing of evidence and learning from trials.

For example, there is concern that the rules for Newstart Allowance make it costly for people to take up temporary work, leading them to stay on the allowance rather than taking up work. In regional areas, where there may be a greater level of temporary work, this may be a particular barrier to employment.

Therefore it may be possible to identify an adjustment to Newstart rules to better accommodate seasonal and temporary work without the risk of loss of income. This adjustment could be trialled in a regional area where this is a recognised problem, in a trial that is designed to generate evidence about the problem, the causal assumptions, and the impact from making the specific change to program rules.

The fund could also assist with trials to expand the scope of a program to address other problems or to generate other outcomes, which are currently not addressed because to address them would require funding collaboration between programs, agencies or silos within agencies. The fund could meet the costs of investigating such possibilities so that the effort required to obtain greater collaboration between silos would be justified in advance with robust evidence from trials. Before potential adjustments are trialled, it will be important to check that there is a sound causal theory for how the adjustment would reduce the problem or improve the outcome. This will allow a meaningful trial and generation of evidence that can be potentially transferred to other situations.

In government, for both political and ethical reasons, it is likely to be difficult to vary services and benefits downwards, for instance by lowering the value of the Newstart Allowance or the stringency of means testing for eligibility or taper rates. This means that variations will generally vary existing practice in the direction of generosity – for instance, of higher benefits or less stringent means testing and/or taper rates. This can still generate very good causal data about variation at the margin. Nevertheless, it ensures that such experimentation would come at some budgetary.

Ideally, it should be the case that any large government program should be generating causal information giving policy makers good information on the most promising ways of optimising the program's costs and benefits. Given that this would be a large undertaking, and in the spirit of 'learning' being promoted in this report, it seems more sensible to establish some specified fund that government agencies – and arguably those outside government – could bid for funding from, for specific policy and program experimentation.





LateralEconomics

CAPABLE, INNOVATIVE, RIGOROUS

Chapter Five: Fulfil

Too much innovation remains at the margin of public administration. Opportunities are only half-seized; new modes of service delivery begin and end their working lives as 'demonstration projects' or 'pilots'; and creative solutions become progressively undermined by risk aversion and a plethora of bureaucratic guidelines.

Peter Shergold, 2013.

Nurturing innovation once initiated

Whether in government, business, science or in the life of communities, innovation is fragile. It is born into a whole world which, even if it is not in some fine equilibrium, has nevertheless evolved over some time with many connections between parts – moving and otherwise. Thus, as with evolution in nature, most innovations do not survive. Sometimes, failure is deserved. An innovation may fail on its own terms – not producing the improvement its authors hoped for. Yet, often, it will fail for other reasons.

Governing innovation

Often, innovation will produce some benefits in its own domain, but it involves other elements of the evolved, incumbent system changing its routines and approaches. Where the costs imposed on the system are truly greater than the benefits in the domain of the innovation, then, from the perspective of the system and wider society, the failure of the innovation is warranted.

Yet, as Nobel laureate Daniel Kahneman recently put it, organisations are factories for making decisions, and yet, making decisions on their merits – rather than according to other criteria – can be a very difficult business (Shariatmadari, 2015). There might be any number of 'innocent' reasons for this, where the right information cannot be obtained or cannot find its way to the decision maker(s) or that the decision maker(s) have insufficient knowledge and experience to make the decision correctly. The cognitive bias codex ¹⁰ lists literally hundreds of cognitive biases to which individual decision makers can be prey, organized into four categories: biases that arise from too much information, not enough meaning, the need to act quickly, and the limits of memory.

And many of them are activated or exacerbated within groups of people, particularly those organised into hierarchies. This helps explain why flattening management structures has been a characteristic of many successful innovation successes. It makes informal contact, problem solving between individuals and different parts of an organisation easier, and can minimise the possibility of the mutual adjustment necessary to progress being impeded by institutional imperatives of various kinds.

¹⁰ https://en.wikipedia.org/wiki/List_of_cognitive_biases



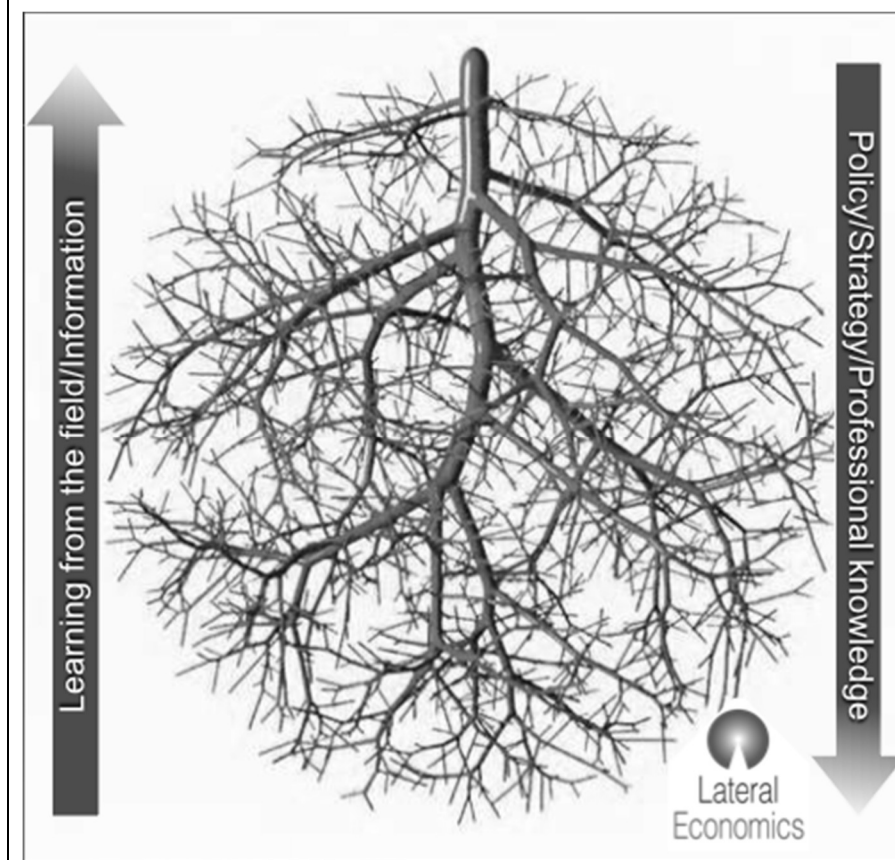
Furthermore, in a government agency, those at the centre of the organisation will be senior to those in the field. They will not only be paid more, they will also have much more direct access to the organisation's highest decision makers and their political masters, and be in positions that are aspired to by those throughout the agency. To a substantial extent, they will sit in judgement on the work of those out in the field as they examine their performance and assess them for promotion, preferment, or, if the services at the edge are contracted out, for payment.

This is an unpromising environment in which to hope that lessons in the field will be taken on board by those at the centre of the organisation. And yet if these are 'thick' problems, a great deal of the learning in the organisation must occur from the bottom up. As Elmore puts it:

Formal authority travels from top to bottom in organizations, but the informal authority that derives from expertise, skill, and proximity to the essential tasks that an organization performs travels in the opposite direction. Delegated discretion is a way of capitalizing on this reciprocal relationship; responsibilities that require special expertise and proximity to a problem are pushed down in the organization, leaving more generalized responsibilities at the top. ... Policymakers do not need to know how to perform the task, or even whether the task is performed uniformly; in fact, diversity in the performance of the task is an important source of knowledge about how to do it better. (1979)



Figure 5.1: Policy and delivery



Disruptive innovations in the market and within organisations

The expression 'disruptive innovation' has now become something of a cliché. Explaining how the manufacture of 3.5 inch disc drives displaced the manufacture of 5 inch disc drives, Clayton Christensen (Bower and Christensen 1995) argued that the 'disruptive' innovation begins as a less mature and so, less profitable product than the incumbent product. This makes it difficult to develop within the incumbent organisation because it cannot demonstrate adequate current return on investment in competition with the incumbent, high profit product. By the time the disruptive innovator has caught up with the incumbent, the incumbent has fallen behind technologically which portends its ultimate falling behind commercially.

Of course in a commercial environment, this then sets the stage for an innovation to be disruptive by disrupting incumbents. But Christensen's whole message is that such disruptive innovation is more likely to be killed off within incumbent organisations rather than be persevered with to achieve its potential.

And though Christensen explains the managers of the incumbent firm's hostility to 'disruptive' innovation as a rational, if short-sighted response to its lower profitability, the reasons middle and senior managers offer for opposing new



arrangements can diverge a long way from an assessment on the merits for the whole organisation or its mission. As Alex Roberts puts it:

[I]t is very easy to inhibit or stop the innovation process. Responding negatively to someone's idea can be enough to stop them trying again. Coming up with reasons of why something shouldn't be tried is very easy. Seeming to be supportive while at the same time acting in a way that delays things is very easy. Innovation requires a certain amount of momentum to overcome the surrounding bureaucratic inertia of organisations, and that momentum usually comes from enthusiasm and passion, from leadership, from external forces, and/or from an internal innovation capability. (2016)

And so far we've discussed decisions that are made within one organisation. Often, decisions will involve other systems and so decision making about them must ideally comprehend numerous stakeholders not joined in any unitary command structure. As Mulgan et al. argue (2007), most successful innovation operates across the boundaries of sectors and organisations, or as Steve Jobs put it more compellingly, "innovation is about making connections".

Growing or bringing an innovation to scale

Bringing an initiative to scale is the final, critical step in our Will=>Skill=>Fulfil triad. It is central to successful innovation in the digital world. As we defined in Chapter Two, the fulfil stage requires both resources and authorisation for the innovation to achieve its appropriate scale and reach. For Google and other founding 'Web 2.0' platforms like Facebook, Twitter and Wikipedia, because the internet, the world wide web and the personal computing revolution had made 'thin' what had previously been the 'thick' problem of interconnecting computers and their operating systems, the resources needed to scale these services or web 'apps' were comically small given the extent of their impact.

Google, for instance, cost of the order of one million American dollars to bring to market, whereupon, connecting it to the Internet enabled it to 'scale'. Of course as demand for the service grew, Google's service could not have coped with further investment in servers – a technology it became sufficiently good at providing that it became a second source of competitive advantage for it. This required resources, but those resources were funded straightforwardly enough from a capital market keen to invest in Google's future profit making potential. This was true for Facebook and Twitter.¹¹

In the absence of countervailing political forces, the fulfil stage in a market is always the relatively uncomplicated one of the innovator attracting the funds to expand as far as it can do on the merits of its innovation in the market. As we outlined in Box 2.2, the case of Uber allows us to usefully illustrate the 'fulfil' stage in our model. Because its value proposition to the end user is a physical

¹¹ Even in the case of Wikipedia the magnitude of the impact compared with the money necessary was sufficiently great that it attracted the necessary funds from donors.

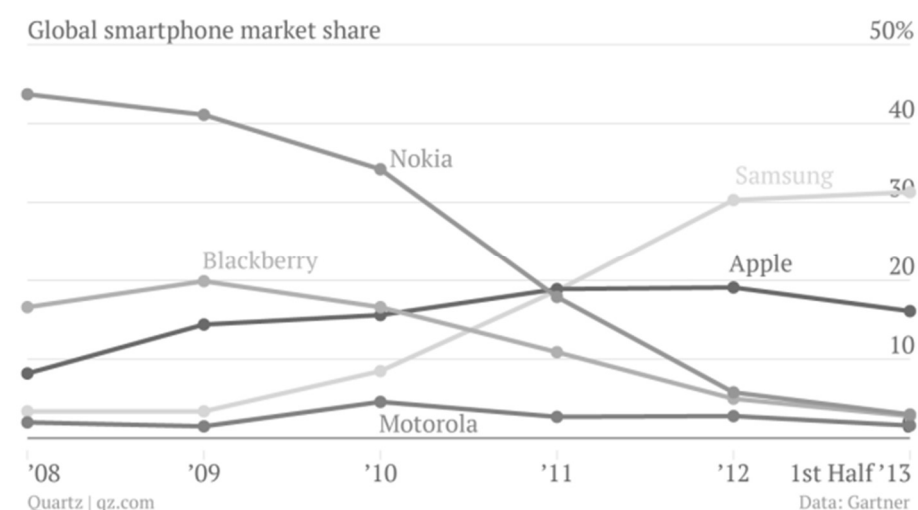


service, it becomes drawn into further organisational investment in administrative and executive resources in the markets in which it seeks to develop. This requires more money than the first generation of Web 2.0 platforms required. But as we have seen, Uber has been lavished with funds from the capital markets in anticipation of its success in the market.

The more difficult problem for Uber and the problem that has some similarity with innovation in government is that in virtually all markets into which it has expanded, Uber has encountered political opposition orchestrated largely by the taxi industry against which it competes. As we have seen, its strategy to achieve 'fulfilment' is to get 'too big to ban', something which its war-chest of investors' money looks like making possible.

When it works well, competition in markets also allows much smoother adjustment of resource allocation in the light of some innovation than is typical of centrally planned organisations. Consider the introduction of the iPhone. On its release, few believed it was a major step forward – including industry experts. Technically inferior to some competitive products, it involved no major technological advance. Like most self-respecting centrally planned organisations, other smartphone producers like Nokia and Blackberry had plans to continue expanding their operations. But as demand for iPhones and iPhone's close imitator and competitor Android phones soared, market disciplines meant that Nokia and Blackberry couldn't sustain their planned expansions and were soon forced to cut production. As a result, the market restructured towards the preferred technology with ruthless efficiency and considerable disruption for those employed by or invested in the losing firms (See Figure 5.2).

Figure 5.2: Markets adjust spontaneously to improvements in technology



Source: <https://dominiescommunicate.wordpress.com/2014/05/12/public-letter-of-recommendation-for-tomi-ahonen/>

Within a centrally planned system, none of these changes happen spontaneously. Imagine a new and in some way superior method of remedial



teaching emerges in a state school. It might sit unremarked and even unnoticed by the managers of the host school. If it is noticed, the administrators of the school or even the district won't necessarily regard it as their role to spread the word. They are unlikely to be funded to do so.

But assuming the new approach is promoted locally, how far will it spread? Career incentives for those in the centrally planned system are not typically set to reward those who detect such improvements, to resource administrators to spread them or to defund less successful approaches. If the improvement does spread, there will be interests within the system that remain at best indifferent, if not actively hostile to the discomfort that spreading the system would entail. Further, the new approach might emerge from some difference in sensibility – which may mean that if the approach is to spread, it will need to be spread by people with that sensibility. Yet the insiders already in the system will likely have the strongest claims to be employed rolling out the new system – irrespective of their aptitude to do so. That fact alone may vitiate the effectiveness of extending the innovation beyond its origins.



Box 5.1: NESTA's Innovate to Save program

This Innovate to Save program is a new program run by NESTA (a British innovation foundation) for the Welsh government. It will fund government agencies or NGOs to trial projects that address complex problems and "generate cashable savings". It recently called for applicants to propose projects for funding, from a pilot fund of £5 million. The initial policy focus is on projects for children in care, social prescribing, public sector procurement, data & digital technology; as well as other ideas to improve services and generate savings. NESTA is currently selecting participants for the first round, an R&D stage to plan and develop concepts for piloting. Some of these developed concepts will go on to stage 2 funding for an implementation pilot. Information in this box is taken from the website for this new program. (NESTA 2017)

The Innovate to Save program was developed by the Welsh Government in response to findings from evaluation of their existing 'Invest to Save' fund for program improvements. The evaluation found that the current innovation funding program had limited effectiveness due to:

- lack of capability to support the projects in development or while being implemented
- lack of evaluation to determine the real savings and medium- to long-term impacts from the innovation projects
- inability to share costs and benefits where an investment is made to improve one program or service but the benefits will be realised in another program, service, or organisation
- difficulty of funding and supporting more innovative projects, partly due to the requirement to repay funding from savings achieved.

The Innovate to Save program has been created in response to these findings – focusing on providing targeted support for innovation that clearly links to 'cashable savings' and dealing with long-standing problems. While the former program was run by government, the new program is delivered jointly by NESTA and an innovation lab (Y Lab).

The program will work with proponents through an R&D stage with guidance from innovation specialists, assistance on estimating savings and support to connect with other agencies that may benefit from the expected savings. Once the R&D stage is completed, successful project concepts can seek loan funding from the Invest to Save fund in order to implement their project.

Working across silos

The Coordinated Care Trials (1997-99 & 2002-05) tested approaches to the collaborative management of patients with chronic disease, such as diabetes, who are frequent users of health services. By improving access to care from GPs and outpatient clinics, as well as education and support services, the trials aimed to improve health outcomes and reduce hospital admissions. The design of the trials recognised that people with chronic disease need access to a range of services over a long period of time, and that this could be provided by different combinations of support, education, monitoring, medication and other services, which need to be coordinated and patient-centred to be effective.



But each part of health care is funded through separate agencies, and administered separately. The trials aimed for 'funds pooling' – across Commonwealth health (Medicare, Pharmaceutical Benefits Scheme, Home and Community Care) as well as state health and other care services. After considerable negotiation, Medicare 'cashed out' the forecast value of hospital and pharmaceutical use for the participating patients, allowing the trials to spend the pooled funds on disease management in the community. State governments participated in the trials but did not pool their funds to the extent intended in the design of the trials. PWC concluded that barriers to broader funds pooling appear to be political or administrative, rather than legal barriers. (2007, p. 8)

This example shows how difficult it is to get coordination across silos, particularly where coordinated, collaborative funding is required. While senior government representatives agreed to the trials in principle, there was clearly insufficient will to drive the necessary organisational changes through the various organisations necessary to pool funds properly for coordinated care services.

As with the example of trialling student peer teaching outlined in Box 2.1, this may also reflect lack of organisational skills necessary to manage the necessary change and coordination across agencies and portfolios. As trials, there was no specific plan for the care coordination or funds-pooling to be continued. While some coordination processes established through the trials had the potential to be continued through general practice, the trials funded service coordinators and practice nurses that may not have been continued after the end of the trial funding. (PWC 2007)

Two Aboriginal community controlled health organisations began as part of the coordinated care trials, which marked a major change to the funding model for remote health services. Katherine West Health Board (KWHB) was founded in 1997 to participate in the first round of trials and is now the health service provider for seven remote communities south-west of Katherine, providing a range of clinical and preventive health services.

For the Aboriginal coordinated care trials, the Commonwealth recognised that people in remote communities had little access to Medicare and PBS funded services, and therefore, contributed to the funds pool the average annual cost of Medicare and PBS per Australian, rather than local usage. Territory Health Service contributed funds equal to the cost of past service provision to the region. Under the trial, the KWHB was permitted to either purchase services from Territory Health Service or provide services directly, and chose to establish direct services. This pooled funding enabled KWHB to provide a broader range of health services to the region, including regular GP services and nutrition programs. (Moran et al. 2014, p. 23-25)

In the second round of trials, Sunrise Health Service was established to provide health services in the region east of Katherine, and continues as an Aboriginal community controlled health organisation. After the trials, these two services were funded through the Commonwealth Primary Health Care Access Program, established in recognition of the fact that Medicare and PBS funded services were not available to people in remote areas. (PWC 2007, p. 48)



The evaluation found that all trials reported an improved level of appropriate services, and some health or other outcomes for patients. While the general model of care coordination was considered effective, across the local variations in the trials, the evaluation concluded that: “survival of care coordination relies on a solid policy footing”. (PWC 2007, p. 16)

We see here in microcosm how difficult it is to really prosecute new delivery initiatives in the public sector. For all the will shown to establish the trials and the skills learned along the way, that will was not strong and steady enough to ensure that the project fulfilled its potential, which is to say that the learning to which it led was captured and bore fruit as the initiative grew to the scale its merits warranted and, indeed, was taken on-board elsewhere within government. As Peter Shergold commented recently (2013), opportunities in the public sector “are only half-seized; new modes of service delivery begin and end their working lives as ‘demonstration projects’ or ‘pilots’”.

For this reason, we suggest that there should be a register of innovative new pilots and small policy initiatives with reporting each year by the Auditor General on the success or otherwise in applying the lessons learned, including by adapting and growing the initiatives to achieve greater impact. It would make sense to limit such an approach to regional initiatives to trial it before rolling it out more widely.

Vouchsafing, institutionalising and spreading learning

The flow of information is central to governance. But once one gets beyond general endorsements of its value, there’s plenty of difficult detail. Monitoring and evaluation involves all manner of compromises between objectives. Apart from the intrinsic difficulty of seeking to measure such intangible things as social capital or even more concrete things like customer satisfaction, there are all manner of other issues involved. Different parties will want different information. Those at the coalface need evidence that assists in the endless feedback loop of measuring their impact and continually improving it. Those at the centre of the system may be interested in this information, but they will have their own objectives.

To establish a good monitoring and evaluation regime, you need to work methodically from general objectives to delivery at the coalface. But those in the field and those at the centre must listen conscientiously to each other to jointly serve the wellbeing of the whole system. Yet the centre and the coalface of the system are also respectively, the top and bottom of a hierarchy. Another huge problem is the *purpose* of evidence. If evidence is used by those higher in a system *about* those lower in the system, this unleashes strong perverse incentives to gild the lily in one’s reporting.

Indeed, there are incentives at every level of the system for those generating information at a lower level to obfuscate and euphemise the bad news and highlight the good news to those above them. Ideally, information should be



generated by the coalface for its own purposes – namely, to optimise its own performance – and then aggregated through to the centre in such a way that it doesn't unleash perverse incentives.

This is what Toyota has done within its production system. There are also cultural and resource issues. Many coalface workers delivering services feel uncomfortable in an evaluation culture. If they're to come up with a regime that works well, they may need additional resources from others more skilled in and comfortable with evaluation.

The standard of evidence-based decision making in a well-run business is some considered (often just commonsensical) compromise between values such as timeliness, the probative force of evidence, cost, convenience and the absence of good reasons to the contrary. Thus, various "nudge units" have made A/B testing normal in government – at last! But these aren't the kinds of skills that are valued in academia and so 'independent academic' evaluation will often be unfit for purpose.

For these reasons, we think monitoring and evaluation expertise needs to be provided to those seeking to innovate in the field. The strongest implementation of such ideas would be in the form of an independent Evaluator-General (See Box 5.3).

However, the goal should be to put the basic logic of such thinking into play in a more moderate way. In any event, if the ideas are good ones, then by the logic outlined in this report, it would be good if they commenced and were proven up in a modest way before being scaled to something more substantial.

Accordingly, we suggest that, where pilots are established, their monitoring and evaluation should be provided in a way that is:

- Expert and collaborative with those in the field to help them optimise their impact and
- Independent.

A unit like a behavioural insights unit could be a useful base from which to build such independent capability ensuring the rigour of the process whilst delivering transparency to the project from outside. It will be important for the local community to be aware of the progress made and will help contribute to the prospects of expanding small projects where they are generating strong benefits and of embedding them in the community's expectations and so in the minds of politicians ultimately responsible for decisions on the projects' destiny.



Box 5.3: The case for an Evaluator-General

This post sets out the case for a new institution – the evaluator-general. The problems the institution must solve or, to speak more modestly, ameliorate, include:

- ensuring that monitoring and evaluation is done well
- the bureaucracy's penchant for soft secrecy and euphemism
- the need to build a relationship of mutual respect and accommodation – of true collaboration – between monitoring and evaluation at the coalface and its aggregation and standardisation at the system level.

Monitoring and evaluation at the coalface should be principally for the purpose of optimising effectiveness and efficiency *at the coalface*. But its output should also flow to the top.

Evaluation would be done by those with domain skills in *both* evaluation and in the service delivery area who were formally officers of the Office of the Evaluator-General. They would report to the portfolio agency delivering the program to help it continuously improve its performance but also to the evaluator-general who would be in a position to make it more widely available as appropriate.

Such arrangements would ensure that

- Expertise in evaluation has a home which is independent, has some teeth and offers career progression.
- Soft secrecy and euphemism find it difficult to contaminate the evaluation system. As with the auditor-general, there are minimal incentives to make the government or the wider executive look good – or bad.
- The involvement of EG officers in the system, in system design and at the 'coalface' of delivery, should help reduce the tendency of the top of hierarchies to dictate terms to those at the coalface. The whole monitoring and evaluation system only has an interest in generating accurate information. The intrinsic motivation of EG officers should generally lead EG officers to help the agencies they work with to improve their performance.

This is also a development of the principles of Westminster government which I'd argue is constructed from two separate systems. Both systems aim at public good, but the former (which delivers government services and assists the political executive decide what *should* be done) does it on the presumption that public good is best done via a competition between political representatives from which the public can choose. The latter (which one might suggest provides the informational superstructure on which the former operates) reports on what *is* being done and guards basic integrity. It aims directly at public good outputs that are owned by all.

Source: and further elaboration in Gruen, (2016).



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