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S1 00:11   Hello and welcome to another episode of the Moxie Podcast. This is episode 31, recorded on the 27th of May 2016, though the Moxie Session this episode relates to was held in April 2015 in Wellington. This is the companion web show to the Moxie Sessions, an Internet economy discussion group held once a month. The Moxie Sessions bring together a small group of business thinkers to discuss how New Zealand can take advantage of the Internet to boost its national competitiveness. I'm Andrew Patterson with you here in Auckland. I'll introduce our guest panel shortly, but first, let me tell you a bit about our topic under consideration for this session. Can government agencies be innovative? Pessimists can point to a sorry history of high-profile government IT projects, theorists can claim that government is culturally unsuited to risk-taking, while pragmatists can point to some interesting experiments at the edge of government procurement. Can we shed any light on what is happening, what to do, and what to avoid?

S1 01:11   Well, joining me to discuss this, David Smol, Chief Executive of the Ministry of Business, Innovation, and Employment, and previously CEO of the Ministry of Commerce, one of the departments that was folded into the new super ministry. Philippa Bowron is the Head of Innovation at the Wellington City Council, which makes her responsible for creating an innovative environment in our capital. And Ben Hayman, General Manager of Service Development at Assurity Consulting. Welcome to you all. David Smol, to you first. Give us a sense of how this innovation and this approach to innovation is being embraced within government perhaps compared to where we were a decade ago.

S2 01:57   Well, it's hard to remember back to exactly how we were a decade ago other than to state the obvious: the Internet and digital technologies were nothing like as prevalent or ubiquitous as they are today. We always aspire to be more innovative in government. My sense is that's become an increasingly important element of what we're trying to do, and I do continue to see encouraging signs. For example, I think we're getting more of that experimentation, so we're not betting the system or betting the regulatory on a risk, but rather, feeling our way in, learning as we, adapting. And that's particularly possible in a lot of the digital areas where we are problem-solving around the small-to-medium-sized problem. We're not necessary trying to redesign a whole system. And so, yeah, I think there are grounds for optimism and success. Success begets success, confidence begets confidence. We've got the ministerial backing for this so long as we do it sensibly and carefully - no surprises. So I'm optimistic.

S1 03:00   There is a cultural element to this though, isn't there? Because obviously government is often based around a way of doing things that has existed for a while and you're trying to sort of push people into the new realm. How have you dealt with that

challenge of culturally bringing people into an environment obviously that also creates an element of risk as well?

S2 03:26	Partly through consistency of message, through celebrating successes that we are achieving, recognising that it does take time, often by starting at the edge then working towards the centre. So using design labs, those kinds of methodologies that sit alongside the conventional ways of working and increasingly will become an integral part of conventional ways of working. But, yeah, there are cultural challenges. We are, probably necessarily, risk averse. Initially we're trying to shift from risk averse to risk aware where we can, so we're never going to be other than risk averse in relation to things like prudence around expenditure. But in other areas, where we're looking at different and potentially better ways of delivering service, we are looking to be risk aware to allow for possibilities, to enable experimentation, and that will gradually shift the culture to a degree. We'll still be operating within a political environment. We'll always be applying how would this look on the front page of the newspaper test, but we are looking to support our people across the system to thoughtfully innovate where there's scope to do so.
S1 04:33	Philippa Bowron is Head of Innovation at Wellington City Council. That's a title that you probably wouldn't have seen at Wellington City Council a decade ago, would you?
S3 04:45	No, definitely not. I think it was based on looking at what they were doing in the United States around some of their city administrations, and at the time, Wellington City Council was doing a restructure that was heavily based on good, solid asset management, and there was a willingness to do something to sort of counterbalance that, if you like, and allow the organisation or encourage the organisation to be more innovative on the other side of that.
S1 05:13	When you look at your role and the role of councils, where specifically do you see the innovation opportunity?
S3 05:22	Oh, there's heaps [chuckles]. I think in the session I talked about the three different areas of innovation that council can be involved in. One is external, which is where my role is mostly focused on, which is creating that environment for innovation in the city. But there's also internal innovation, so doing our roles differently and providing our services differently. And then there's a crossover when you-- you know, how we actually interact with our ratepayers and our citizens. So there's that bit in the middle as well. So there's opportunities in all those areas to innovate, and I'm happy to say probably in the last year, since we had the session, we've probably moved from-- we were doing quite a bit externally and we're now actually doing quite a bit internally and in that service that is more like what David was talking about as well.
S1 06:10	Where do you see the biggest opportunity?
S3 06:13	Oh, goodness. That's a tough question. There's so much. I actually believe that council is such a big part of any city that innovating its own operation is important if it wants the city to be an innovative place. So I actually think the biggest opportunity and probably the hardest bit is itself: innovating how council does its day-to-day operations and provides services to ratepayers.
S1 06:41	And David Smol, that would be an area that you would have some sympathy around.
S2 06:47	Yeah. I think there are a lot of similarities between the operating environment of central government and the operating environment of local government. I also think

one of the areas of opportunity is actually the interface between central and local. Philippa talked about the interface between the council and its community, but when we talk to business, one of their pain points is definitely systems that central government designs but local government administers, and there's definitely scope for some innovation around some of that.

S1 07:15	In terms of that interface, and perhaps Ben Hayman, we might bring you in here - General Manager of Service Development at Assurity Consulting. As somebody presumably that's doing work with government as well, how do you find-- you work at this kind of interface of trying to deliver on these outcomes where they have some fair big and broad goals around them.
S4 07:44	Yeah, I think I'll echo the feeling of optimism that innovation is building and gaining pace in the public sector. And it's not just New Zealand; it's all around the world we're seeing this. I think that government is finding smarter ways to procure small things that can be done quickly, and moving away from tending to try and procure large things that take a long time to do and often don't have such great outcomes. So I think that's a positive thing. There's always a lot of work to do to engage the commercial sector in a way that is scalable and sustainable for small companies to deal with large government departments. That's always probably going to be something of a challenge. But I think given that government is moving in a fairly forthright way towards offering services through digital as a sort of default way of working with engaging with citizens, government needs to draw on the lessons of the private sector because the private sector has been sort of doing and being digital for a long time. So I think there's a great opportunity to learn from the private sector and build in those lean approaches to being a digital organisation and helping to progress the culture of some of the bigger departments as we do so.
S1 09:01	There has been a criticism from the IT sector in the past about that mismatch in size that you spoke about. You know, relatively small IT companies dealing with huge government departments. And also some criticism of government: not necessarily thinking about what might be available on the local patch before looking at offshore tenders and so forth. Do you feel that there is enough of a match going on between both of those sides coming together, finding some ground in the middle?
S4 09:35	Yeah, I think it's two different things you've just said, isn't it? I think the kind of it being a so-called level playing field for the smaller or medium-size organisations and the large, I think generally speaking, procurement from government is going in the right direction with that, and we're seeing a lot more engagement with the medium-size and smaller providers. And what I would restate from my last comment as well is that it's not just for government to improve its buy-side relationship with the market; it's also for the marketplace to gain confidence that it can engage and engage in a proactive way with government. But there's a history where the private sector has felt it would be expensive and time-consuming to engage with government. It's not necessary the case so much now, but it's a history that hangs over us in the private sector, I think, and clouds our view of pitching for these tenders. In terms of the local market versus the international market, I think it would be simplistic to say that local vendors miss out. I don't believe that's necessarily the case, but I think it's important that local vendors organise and continue to voice their concerns if they feel we're marginalised in any way.

S1 10:46	When you look and compare New Zealand to your time in the UK, how do those two scenarios differ?
S4 10:56	There's some very strong parallels. The things I just mentioned about relationship to the market, government procuring innovative services from companies that are in the private sector. I think the UK is in a similar situation to here, where government needs to buy more small things and less large things, break problems down into small chunks and pick them gradually and iteratively rather than try and forecast requirements for many years and procure large systems from large suppliers. So I think it's a very common pattern. I think New Zealand is probably in some regards slightly behind where the UK is with its digital transformation of public services, but I think that's down to the fact that in the UK there was more of a centralised regulation and mandation role for the Cabinet Office to a degree in sort of forcing through change on the public sector. Whereas we have a different model here and it's more about showing what good looks like, trying to influence good, and trying to get people to copy the exemplars to build great services. So I think it's being done in a very different way here.
S1 12:00	So David Smol, on that point, how is it being coordinated? Is it being centrally coordinated in terms of that approach, or are individual ministries pursuing their own approaches in that area?
S2 12:16	You mean specifically putting services online, do you?
S1 12:19	Yes.
S2 12:20	Well, it is a mix. I [inaudible] somebody with a better public service key results. These are ten fairly broad result areas that this government has publicly committed to. Two of those relate to digital delivery of services: one to the citizen and the other to business. Department of Internal Affairs leads a cross-government work programme to deliver increasing joined-up digital services to citizens and, B, leads a cross-government approach to delivering increasingly joined-up digital services to business. Just as an example, on the citizen-led work programme, we've got a target by 2017 to have 70% of all transactions across eight areas of large-volume services online. And I think we're pretty much on track to achieve that. We're seeing different speeds of rollout; for example, MB's in the late stages of completing a digital transformation of our immigration service. You'll know about what Inland Revenue are doing. They've got a major transformational programme, which they've got now very much moving forward. And I think using - just go back to the previous discussion - a good mix of international and local partners to progress that work. So I think we're seeing a fairly rapid transformation. Maybe not as centrally orchestrated as in the UK, but there are clear leaders of cross-government programmes with oversight and high level of expectations for ministers, and it is definitely happening.
S1 13:50	One other aspect that strikes me about the government now is that it's much more data-driven than previously. Just give us a sense of how much that is driving the innovation and some of these outcomes.
S2 14:07	Yeah, well, that's a very good point. We're increasingly using these big data analytical techniques across a range of areas, sometimes to enable innovation in service delivery, often to better understand what's happening and to inform the way we develop policy, the way we design programmes, and then to test in a much more real-time way are those programmes having the desired effect? The ability to track

individuals through a system and see whether a particular intervention is likely to be [inaudible] outcomes for that citizen is something we're able to do in an even more sophisticated way with the big data. And probably the best example of that is in the social sector, where, as you'll know, the whole welfare reform - which is designed to get more people, to support more people back into work - is looking at what are the risk factors that enable us to predict who without that support might be a future cost to the taxpayer, but also achieve poorer life outcomes themselves.

S2 15:02   What can we do to invest and support that person or those people into a better life path that will both give them more happiness, more prosperity, but also avoid a cost to the government, whether it's through ongoing payment of benefit or, at worst, funding someone through the justice system for a sustained period. We're already seeing good results from some of that work, and that ability to evaluate what works in terms of intervention and what doesn't is a critical part of that, and that is very much informed by the data.

S1 15:33   It seems that MSD, the Ministry of Social Development, has been quite a leader in that area.

S2 15:39   They have, absolutely. They've led that welfare reform programme. They've developed a - building on some of what ACC has done over the years - an actuarial approach, detailed analysis of risk factors. And that's now been applied to the justice system. It's being applied in the education system, so that for example, we'll know increasingly which young kids are most at risk of not achieving both engagement in the education system and then good outcomes as they work their way through that education system. And enabling early intervention in a more targeted way, because, as you'll be aware, there's lots of evidence that says the earlier you can intervene, the better the chance you have of changing a life course. And it is that use of data with an actuarial underpinning that is enabling this more nuanced approach and a more accurate way of designing and delivering intervention.

S1 16:28   Philippa Bowron, tell us a bit about how data is being used within Wellington City Council, because you're another organisation that can benefit from the outcomes of good use of data.

S3 16:41   Yeah. We have lots of data [chuckles] - heaps - especially with our roading networks. One of my biggest areas of work at the moment is actually about collecting more data and better data so that we can make better decisions. So we've got a number of projects across council that kind of sit under my auspices, which are fencing projects. And we've got a partnership with NEC where we're doing quite a lot of experimentation around the city using the city as like a live laboratory for a whole load of fencing projects. Traffic counting, pedestrian counting, trying to figure out where groups of people go, pedestrian flows, traffic congestion.

S3 17:21   We're doing a smart parking project. We're doing a smart lighting project. Air quality, water quality - all those sorts of projects that we're starting. Most of them are at proof-of-concept stage at the moment, and we're doing them in partnership with central government, with Land Information New Zealand and with Auckland and Christchurch. And a lot of that is about getting better data to make our decisions with, but also the way we've gone about this, it allows other people to very easily deploy fencing networks in the city. So we're starting to work a bit with a couple of the universities about how they might be able to leverage off the work that we're doing to get better research data as well.

S1 18:03	Ben Hayman, from an innovation perspective, are you coming up with ideas and then selling them to government? Or are they coming to you? How's that collaborative model actually working in practice?
S4 18:16	We're finding increasingly that departments and agencies in Wellington are asking us to help them with quite big, complex issues where there's a lot of ambiguity. And they're saying, "How can we get teams together to try and model some of these issues that we face in offering services to the country?" So the response we're taking and the response a few organisations are taking now is to take them through very much sort of a lean enterprise, lean start-up process, which is where they do the thinking, but they're supported by people from the private sector to, if you like, disrupt their existing business model, their existing approach to their service delivery by thinking again as though they were a start-up. Taking them out of the day-to-day workplace, spending time thinking again, and coming up with potentially a disruptive and compelling new idea to offer the service in a radically new way.
S4 19:13	Now, that's really interesting. We're seeing quite a lot of that happening and there's a lot of work that MB's been involved with around the Better for Business initiative and Result Area 9 that's focused on that. I think where I see real opportunity is to take that willingness to do pockets of innovative work like that and find a way for it to be sustainable when it goes back into the public sector. Because I think that's one of the challenges we face at the moment: people will work on innovative things in a new way and it'll be fantastic, it'll be insightful and energising, but then those people go back into their existing organisations, and supporting them to carry on working differently is probably the biggest challenge we face.
S1 19:54	And David Smol, is that an issue you'd agree with?
S2 19:58	Yeah, I would, yeah. And right now, we're at the later stages of our second accelerator programme that Ben may have been referring to. This is in the Better for Business programme, trying to improve government's interface with business including through using digital technologies. One of the things we learned from the first accelerator was we do need strong departmental sponsorship of each of those initiatives so that when the accelerator period itself is finished, a senior leader in that organisation is committed to taking that idea, that work, and [then?] a viable product forward, and look to integrate it into existing systems, which is often the challenge.
S2 20:34	Rather than leaving a team that's gotten together for a period, may have typically people at relatively junior levels who've done some fantastic work but don't necessarily have the influence back in the organisation to drive that change through the organisation. So I think we have learned from that. It's too early to say how much more effective we'll be this time around, but I am confident that we have learned the right lesson and that we are applying that learning to this second accelerator process so that the great work that's been done in that process will endure beyond and will start to change some of these big systems, but over a period of time.
S1 21:11	The other opportunity that strikes me is the potential for some of this IP to then be sold to other governments around the world. Is that something that you're thinking about or considering?
S2 21:24	Well, there is already an initiative been set up for that precise purpose, led by New Zealand Trade and Enterprise. And they set up a little sub-business called-- I think it's called G2G. Mike O'Donnell was leading that for a while. He's moved on, and I'm not

quite sure who's leading it now. But New Zealand Trade and Enterprise, through that vehicle, are looking to identify innovative work that's been done - often with formal IP but not necessarily - in the New Zealand government system that could be sold offshore. That might be, for example, an environmental management system or a way of approaching some type of regulation, or it might be a programme or a particular type of service delivery. It is quite hard to make money from this kind of thing. It takes time.

S2 22:11	There are often barriers in the sense that a system overseas is configured a bit differently, so what we've done here might not directly apply over there. But it is certainly something we're looking at. And it complements and works-- the MB, as an example, has been doing in the aid area - part of the Ministry of Foreign Affairs and Trade funded aid programme - which is help, for example, some countries in Sub-Saharan Africa to develop good corporate governance systems, good companies office [park?] systems using some of registers that we developed. And it's an IT company that's helped us develop those registers is often getting business opportunities to apply that IP to support other countries developing similar systems. There's a range of ways in which we can leverage what we do here, either for commercial gain or for [development?] objectives, and they both have value.
S1 23:01	Ben Hayman, is that an opportunity that you see as well too?
S4 23:05	I'm not sure about international markets specifically, but I do think that there's a lot creativity we could apply to public-private partnerships to help build really great services using technology and digital broadly. And that's pretty exciting. And we see a few more examples-- I think we mentioned earlier-- I think David might have mentioned earlier that the relationship between Inland Revenue and some of the kind of partner network of suppliers who are commercial vendors who are clicking into Inland Revenue's APIs to extend their user interface and to take care of that. So that's an exciting area. Another aspect that is I think pretty profound, really, which is to make it easier for government here by drawing on what's already been done in the world. So there's a lot of open source initiatives and a lot of code that has been developed in the open for platforms for various aspects of doing government. And there's a groundswell of really passionate and committed coders and open-data experts around the world who are building that library of work, and I think it's something that we can dip into here and reuse as well, and indeed feed into.
S1 24:16	Anything from Welling Council's perspective, Philippa, that you could claim maybe to be world-leading?
S3 24:23	Yeah, I think some of the fencing work that we're doing is pretty world-leading. There's a lot of cities around the world that are claiming a lot around that smart cities fencing areas, but when you get right into it, we're actually doing quite a lot in that area. Also I think some of the way we've been doing our public-private partnerships is not necessarily surprising but it's working a lot better than a lot of other areas. And, look, I think at the end of the day, a lot of it's down to leadership and you can't do-- just coming back to what people were saying before about bringing stuff back in and having it work inside the organisation, having a committed CEO and a committed leadership team that really get this stuff is critical to making anything happen inside the organisation.
S1 25:11	Thank you all for joining us. Speaking to David Smol, Chief Executive of the Ministry of Business, Innovation, and Employment; Philippa Bowron, Head of Innovation at the

Wellington City Council; and Ben Hayman, General Manager of Service Development at Assurity Consulting. This has been Moxie Podcast number 28. I hope you can join us again in the future.

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