

What Government can learn about silos

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Having spent around 25 years as a consultant to large corporations in several countries it has been an interesting learning experience developing strategies to improve outcomes for New Zealand, and advocating for adoption of policies to implement those strategies.

As a consultant you occasionally come across business opportunities that are available because of “silos”. Silos is the term used when sections of an organisation act to achieve the purpose of their section in ways that do not maximise value for the business as a whole.

What I have found in work the New Zealand Institute has done in the last two years is that almost every opportunity for us to add value in public policy arises because there is a silo problem.

Each government agency is charged with its own purpose; for example early childhood education produces children ready for school, prisons need to be cost-effective at locking people up. Opportunities to invest in early childhood education to reduce prison populations are not quantified systematically as a matter of course. More common is acknowledgement that there may be an opportunity but it is too hard because you would need to invest in education and it is too hard to take money from prisons now when it is needed there. Inaction is the result.

This modus operandi of New Zealand government is not a feature of governments in other countries. For example, Denmark has a cross-government strategy called “Progress, Innovation and Cohesion”, led by its Prime Minister with a total of 350 specific initiatives designed to maintain Denmark’s position as one of the world’s wealthiest countries. One of the objectives is to increase entrepreneurship in primary schools – an example of investing in one part of government to gain a result elsewhere.

So why is there an issue with silos in New Zealand government?

Business innovation comes in waves. An opportunity is identified and then promoted by academics, consultants and change agents and taken up by innovative businesses. Eventually all businesses adopt the opportunity and the next innovation, or fad, appears.

In the late 1980s a very important business innovation arrived; decentralisation. The opportunity was to organise businesses in units where each has its own leadership, profit accountability and support functions. The benefits from focus, accountability and performance measures were very large and those gains, combined with the opportunities from reorganisation, provided a compelling economic case for decentralisation.

It was the height of the reforms in New Zealand and Government decentralised too. Examples include the DSIR being decentralised to form the CRI’s, policy and delivery

agencies being separated and Tomorrow's Schools decentralising education. Each unit was given its purpose, metrics, and support functions and governance arrangements.

In business the gains were short-lived because once the changes were implemented the benefits were banked and the businesses then had to look for other opportunities. Decentralisation had adverse consequences too, most notably lack of cooperation between the parts of the business. I did many consulting projects during the 90s to help the decentralised parts to work together effectively. Synergies, business process re-engineering, cross-functional teams were tools to regain benefits from working together while retaining gains from focus and accountability.

Those cooperation tools adopted by businesses do not seem to have been adopted by government. It is only today that we see efforts to re-combine the back-office functions of DHBs and some other government agencies. And silos are widely lamented today as obstacles to progress. But no one seems to know what to do to reduce the problem.

Businesses know the answer already and government has a great opportunity to learn. Three tools would help a great deal, alongside the simple one of combining back offices to reduce costs. Process thinking, cross functional teams and best practice transfer are commonplace in high performing businesses but do not seem to be as widely adopted in government.

In the last two weeks I have seen two examples of high-performing government units valiantly trying to sell their solutions to other similar units. That should not have to happen; the centre should be seeking out best practice and actively transferring it.

Which raises a higher level question: Is someone somewhere in government focusing on how organisations are developed most effectively and applying that knowledge to improve the performance of government agencies? I expect there must be but I worry that we are not seeing the results of that effort because our potential hero is trapped in a silo.

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