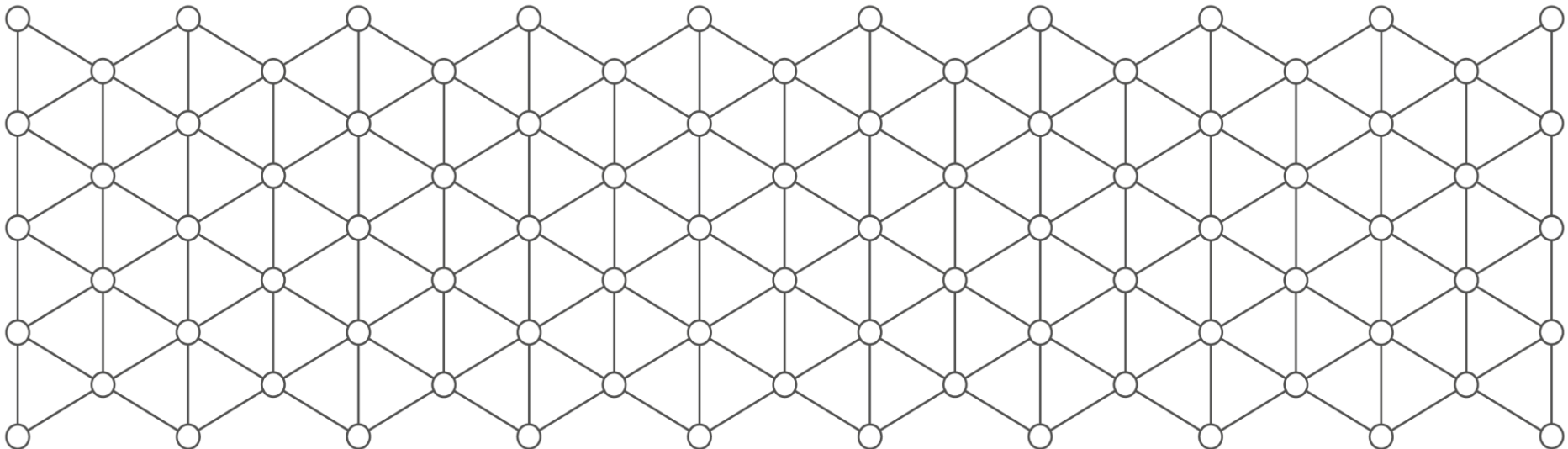


# Policy Capability Framework

A tool for reviewing and improving overall capability in a policy shop – development, insights and guidance





## Our intent and approach



The Policy Project aims to improve the performance of the policy function and the quality of policy advice across government. The Policy Project is hosted in DPMC and jointly funded by government agencies with significant policy functions.

Key to the success of the programme is the involvement and ownership of the New Zealand policy community in the design and implementation of the tools produced under the auspices of the Policy Project. In practice, this involves an ongoing conversation with the policy community to:

- Identify, celebrate and share existing good practice
- Build collective ownership of the policy system, the desired future state and a programme of improvement activities
- Encourage and facilitate collective approaches to improving performance or policy capability where it makes sense
- Co-develop new products, tools and resources to improve the performance of the policy function and quality of policy advice across government

The Policy Capability Framework (PCF) is one the key tools co-developed with and for the policy community. It is supported by the Policy Quality Framework and the Policy Skills Framework. [www.dPMC.govt.nz/policyproject](http://www.dPMC.govt.nz/policyproject)



## What is the Policy Capability Framework?

The PCF is a performance improvement tool. It aims to assist agencies to review and improve the overall capability of their policy shops. It describes the key components of capability as it relates to policy, and offers related 'lines of inquiry' and potential indicators for reviewing that capability.

The tool is not a 'how to' guide. Rather it is designed to stimulate and enable reflection and courageous conversations about current performance, and to support strategies and priorities to improve that performance. It covers four main dimensions of capability that were identified by policy leaders as critical in a high performing policy shop:

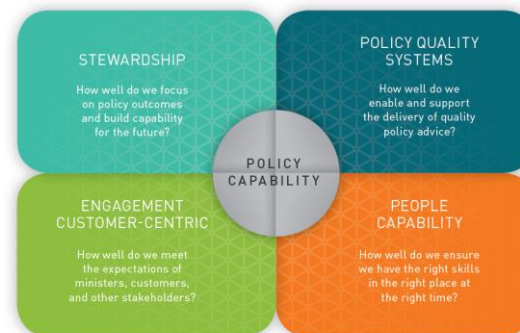
- Stewardship
- Policy quality systems
- People capability
- Engagement and customer-centricity

The tool draws on the Performance Improvement Framework (PIF) model. Where the PIF deals with overall organisational capability and performance, the PCF facilitates a deep-dive review of policy capability. The PCF sits in the context of overall organisational capability and substantive government policy settings and priorities.

## Why a PCF?

Policy leaders are all interested in building the capability of their policy functions. Often improvement efforts are driven by enthusiastic individuals without a model or tools to guide the process. The upshot is a tendency to 'reinvent the wheel' which in turn denies the wider policy community the opportunity to learn from improvement processes in other agencies. As a system we have no collective view on what a high-performing policy shop looks like and how to get there.

By capturing and codifying the experience of policy leaders, both in the process of developing this tool and in future iterations based on applying the tool in agencies (road tests), the PCF will support agencies to build on the experience of others and help to build overall policy capability and the quality of policy advice across government – the ultimate aim of the Policy Project.





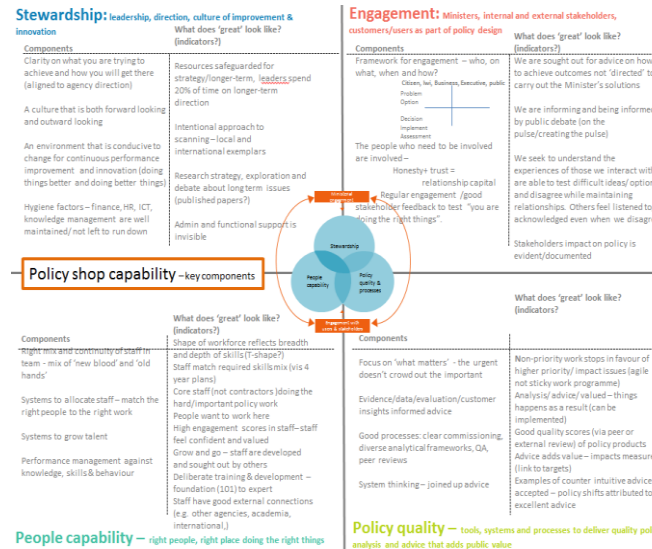
## How has the PCF been developed?

The first prototype PCF was co-designed with a small group of Tier 2 policy leaders and selected thought leaders. It builds on historical analysis undertaken by SSC on policy units considered at the time to be 'high-flyers' and their critical success factors. The PCF also draws on insights from various forums and workshops hosted by the Policy Project. Those sessions were designed to test what would be the most useful tool for policy leaders in their attempts to build policy capability, and to gain insights into what components of capability they considered the most important.

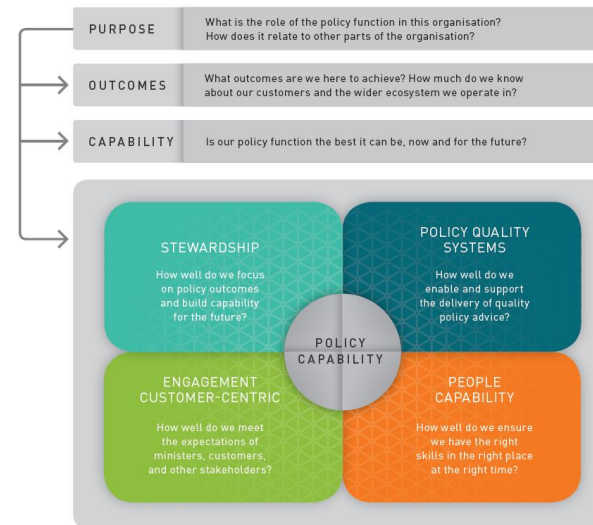
## Testing and iterating

Components of the PCF model were tested and augmented at a Tier 2 Policy Leaders Workshop (February 2015) and at the Policy Managers Forum (April 2015). Draft 'lines of inquiry' were subsequently tested in one agency and found to be useful for catalyzing a discussion on policy capability. In February 2016 the first full prototype tool was reviewed by members of the original design group (and others), who recommended including some overarching questions to frame a review and highlighted the value of having different versions of the tool, with different levels of detail, for different 'levels' of performance conversations and audiences. Three versions, cascading from high level to deep dive, were subsequently developed.

## Tier 2 workshop brainstorm – what are the key components of policy shop capability?



February 2015



February 2016



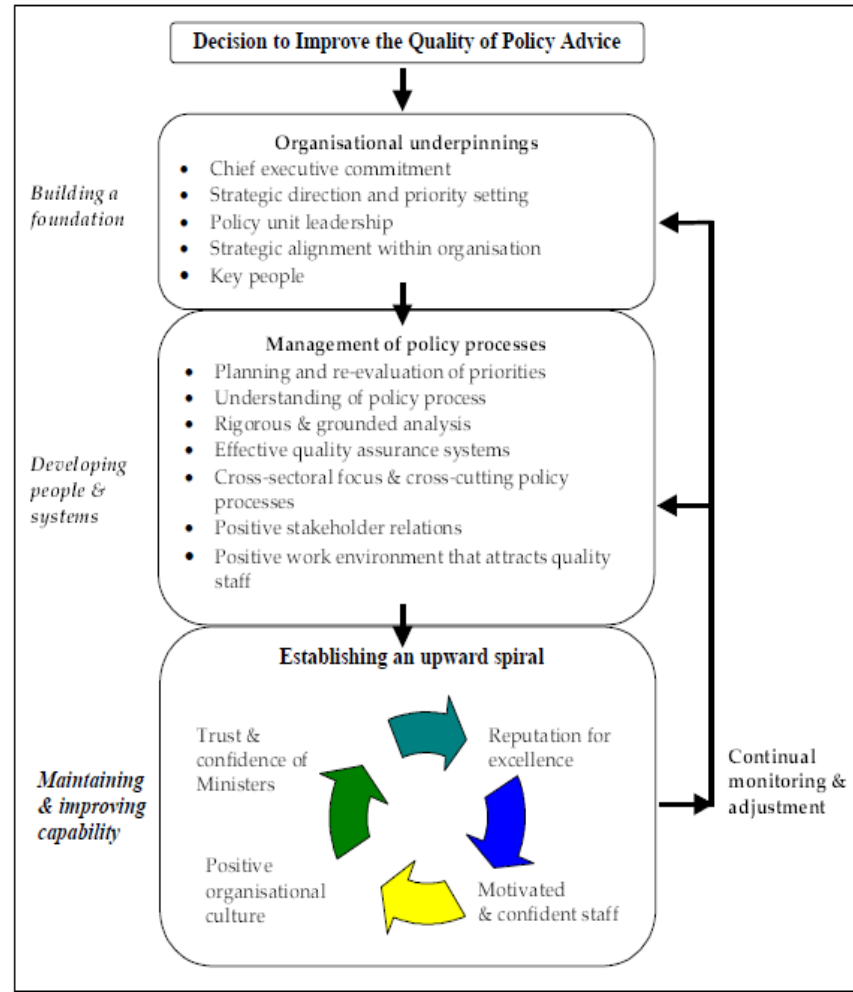
## Key insights along the way

### An improvement tool, not an audit

Policy leaders were clear that they were interested in a tool that they could use to facilitate constructive and courageous conversations with staff about the current state of the policy unit's capability, strengths and weaknesses, improvement strategies, priorities and sequencing. They were wary of a tool being used for external audit purposes, benchmarking, or as a compliance exercise. They referred to the Treasury's policy measurement exercise in this context, although recognising that the measures in that data collection exercise (albeit only applying to the 12 largest policy departments) are useful for painting a picture of capability and change over time. Policy leaders wanted the PCF to support an aspirational improvement process.

### Stages of the improvement journey

The SSC's earlier three-stage capability model (opposite) suggested distinct stages in building the capability of a policy unit: Build the foundations; develop people and systems; and establish an upward spiral based on reputation, trust of ministers and confident motivated staff. This model has stood the test of time and is still used (by NZIER) in capability reviews. However, in their discussions policy leaders felt that different policy shops start from different places, face different policy challenges, sit within different organisational structures, and face different ministerial and client expectations. They wanted the tool to be flexible enough to account for these differences. Context is crucial. The PCF allows a focus on improvement across the overall unit as well as a more granular investigation of individual components of capability.



3-stage model, SSC, 1999



## Key insights along the way

### Measuring capability

The initial vision for the PCF was a capability maturity model. The current prototype builds in aspects of capability maturity with the ability to rate components, and overall capability from; informal, to enabled, to practiced, to embedded. However, a more robust rating scale – to enable consistent ratings – needs to be further developed before the tool can function as a true capability maturity model e.g with an agreed view on what ‘embedded’ or a mature high-functioning policy unit looks like in practice. As the tool is road tested we will be able to develop this aspect further.

The important thing for self-review is that an agency is able to describe what its desired improvement trajectory looks like and how it will know when it has ‘arrived’. Measures of capability need to combine qualitative and quantitative data. Quantitative data collected for other purposes, including for departmental annual reports and the Treasury’s policy measurement exercise, provide a baseline of information. However, quantitative measures are most useful as ‘warning light’ indicators of performance problems but are less useful as ‘speedometer’ measures of aspirational or top line overall performance. The PCF is intended to be aspirational and forward looking.



**Capability Maturity levels,  
Policy Project, 2014**



## Critical success factor for the PCF

The PCF has been designed for the following critical success factors:

### Functionality

- Is scalable and can be used to assess capability at the agency, business unit or policy team level
- Retains core integrity but can be adapted by agencies
- Can diagnose and signal areas for improvement
- Helps agencies to meet related central agency reporting requirements.

### Usability

- Easy to use
- Accessible (Policy Project website or future portal)
- Balances efficiency and effectiveness (relatively painless in terms of effort and resources required)

### Maintenance

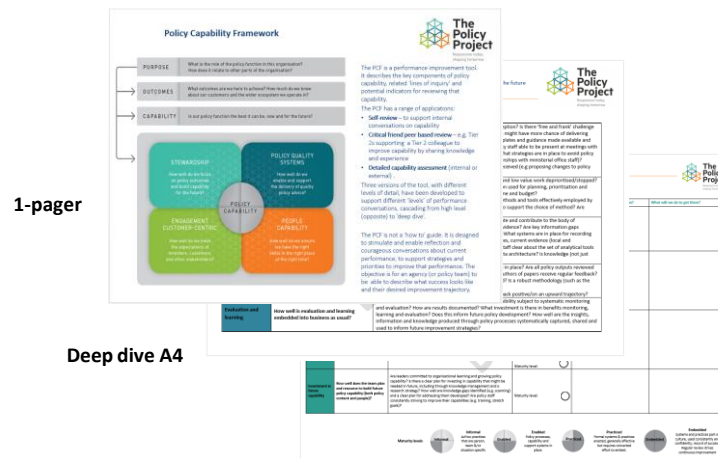
- Can be refreshed to reflect ‘the new normal’ by incorporating lessons learnt and changing expectations.

## Applications – how the PCF can be used

The PCF has a range of applications:

- Self-review – light touch, to support internal conversations on capability
- Critical friend peer based review – e.g. Tier 2s supporting other Tier 2s to improve capability by sharing knowledge and experience
- More detailed capability assessment (internal or external)

Different versions of the tool, with different levels of detail, have been developed for different ‘levels’ of performance conversations, cascading from high level (1-pager) to ‘deep dive’ (A4) and deep dive with maturity levels (A3) (see below).





## How the PCF can be used for self-review

### Principles

- A PCF review is about seeking capability improvement. It is not a retrospective audit. The aim is to understand current capability, and to set an improvement trajectory towards a desired future state.
- A clear mandate from the leadership team (agency or policy team) for the self-review is critical.
- Staff need to feel involved and part of the review process, 'doing with' rather than 'doing to', and should have time allocated to participate in the diagnosis and design of improvement solutions.
- The policy team needs to have an open mind and be prepared to challenge itself.

### Approach and process

There are different ways the PCF can be used. Things to consider for a self-review are:

- **Review team.** The PCF self-review team may be the leadership of the policy function (e.g using the tool to catalyze a conversation at a senior leaders/managers 'away day') or a purpose built team (eg. 3-5 people from across the function) who then engages with staff and the leadership of the policy function to moderate its findings and judgements.
- **Background information.** Relevant existing information can inform the review (e.g recent PIF, responses to the Treasury policy measurement exercise, engagement/policy quality/ministerial satisfaction scores, workforce data).

- **Applying the PCF tool.** The PCF Lines of Enquiry and Indicators are a guide to answering the Lead Questions. The self-review will probably get bogged in detail if it attempts to answer every individual Line of Enquiry. Applying the model involves using judgement, based on evidence about current state, as well as insights and knowledge about identified trouble spots or gaps. The PCF is intended to stimulate a discussion about the capability of the policy function and to identify a small number of priority actions to improve capability.
- **Ratings.** Maturity levels (see page 5 above) can be used to rate capability against the PCF lead questions. They are optional but can help guide decisions on the priority areas for capability improvement.
- **Timing.** A defined schedule and timeline is important (short and sharp is better than a drawn out process) to ensure that momentum is maintained and that findings remain current.
- **Reporting.** The report on the PCF self-review should summarise the key findings (e.g referencing the PCF Lead Questions) and conclude by setting out the 4-5 key things that the team and leadership agree they should focus on to improve capability.



## How the PCF can be used for self-review (continued)

- **Follow up and follow through.** After the PCF self-review is completed, the leadership of the policy function should communicate the findings and follow up, acknowledging the efforts of the self-review team and staff. Agreed priority areas for capability improvement, the plan to progress them, and who is responsible for taking things forward should be clear. Regular updates on progress with opportunities to acknowledge and celebrate success as well as open channels for feedback on and iteration of improvement strategies ('learn as you go') will help to maintain momentum and mitigate the risk of 'return to BAU'.
- The PCF can also be used as the basis of a more detailed assessment, including by independent external reviewers.

## Inviting others in – from self to peer to external review

The PCF is intended in the first instance as an internal self-review tool for policy teams. An external 'fresh set of eyes' perspective can add an extra layer of insight. For example:

- **Non-policy input:** including someone from another function in the agency (e.g from operations, finance, HR) can draw insights about how the policy function is perceived by others and/or explore the interface between functions in the agency.
- **Critical friend peer review:** Including someone from an external agency in the self-review team (perhaps someone who has used the PCF in their policy team) can enable cross-fertilization of ideas and neutral challenge. Policy Tier 2s have expressed interest in participating in reviews in other agencies or inviting a 'critical friend peer reviewer' into their review process as a way of sharing knowledge and experience.

## Sharing the lessons – building capability across the system

The Policy Project team is available to support agencies to undertake a self-review, from providing collateral (e.g posters for use in collaborative design workshops) to participating in a review team.

We encourage review teams to document their journey and share their lessons learnt. We are interested in both the process of designing an improvement trajectory and in how useful the PCF was in that process. This will help us to iterate and improve the PCF for future users.