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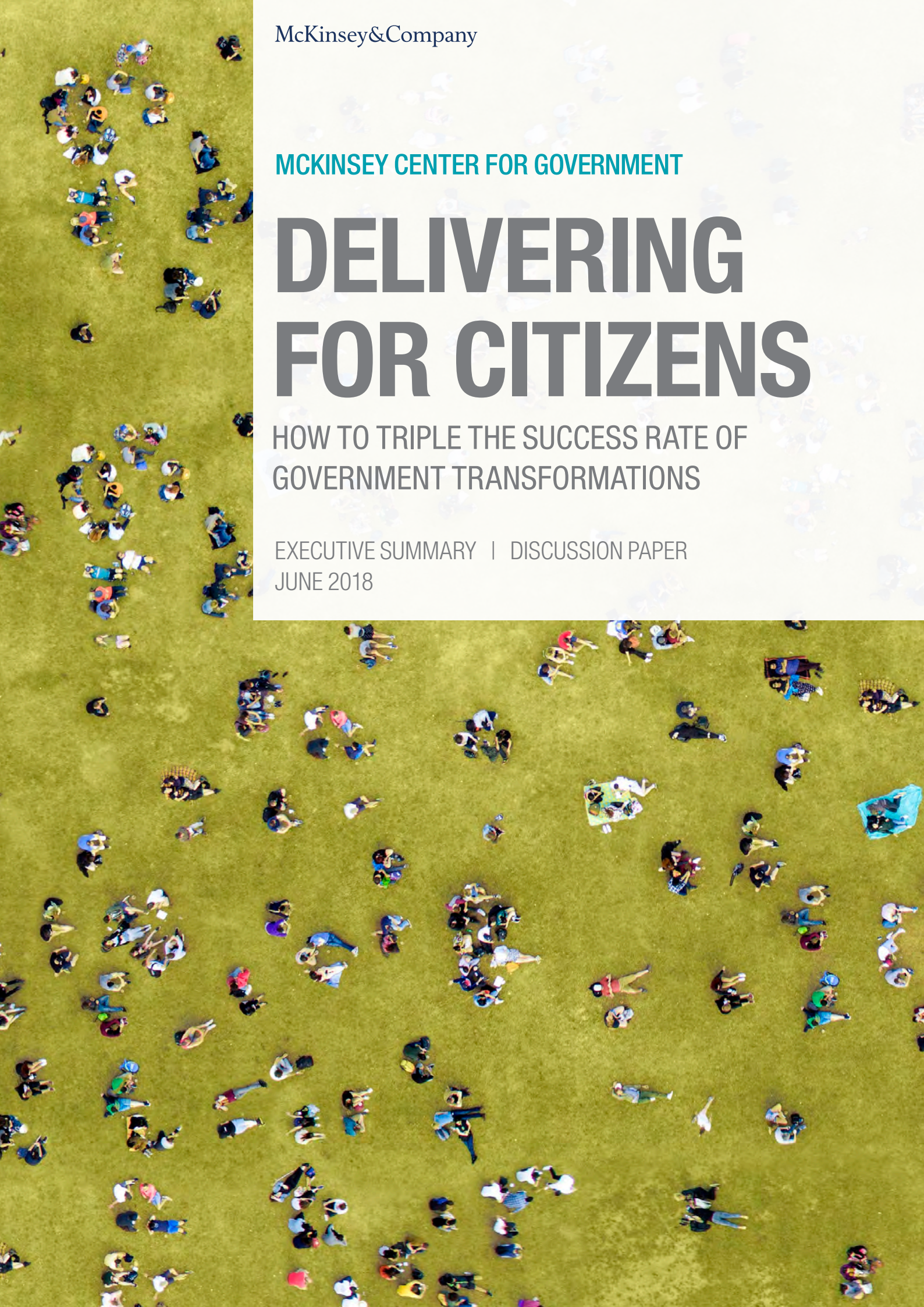
DELIVERING FOR CITIZENS

HOW TO TRIPLE THE SUCCESS RATE OF GOVERNMENT TRANSFORMATIONS

EXECUTIVE SUMMARY | DISCUSSION PAPER
JUNE 2018



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EXECUTIVE SUMMARY

Governments today face extraordinary challenges. Aging populations are putting huge pressure on health and social services in many countries; states must reconfigure education systems to equip young people with the skills to adapt and succeed in a technology-driven world; and the changing shape of cities is creating new demands on infrastructure. In this environment, many governments recognize that they must not just reform but transform. In other words, they must fundamentally change the way they operate to improve their performance. But that's hard to get right: our research has revealed that only 20 percent of large-scale government change efforts fully succeed in meeting their objectives. There is no shortage of bold government visions; the challenge is how to translate those visions into reality.

This report aims to answer that need. From a unique evidence base (see infographic on page 9), we distill a set of insights on what works in government transformations. We set out five disciplines—illustrated with real-world case studies—that together can more than triple the chances of transformation success. We also look ahead to the next horizon, drawing inspiration from technology-enabled transformations in the most advanced organizations in both the public and private sectors.

The prize is huge: by learning lessons from their most improved peers, governments globally could save $3.5 trillion by 2021 while maintaining today's levels of service quality. Alternatively, they could substantially improve the outcomes that citizens most care about while keeping expenditure constant. And, with improved citizen experiences, they could start seeing increasing levels of trust in public-sector institutions around the world.

WHY GOVERNMENTS MUST TRANSFORM, NOT JUST REFORM

The scope and resources of governments have grown to unprecedented levels. Government expenditure in 2016 equated to 33 percent of global GDP. Yet a series of long-term trends will put further pressure on public-sector budgets in the coming years, while creating complex new demands on governments from the national to the local level. Three such trends stand out:

- **Profound demographic shifts.** The proportion of the world's population aged over 65 is expected to double over the next 35 years, from 8 percent in 2015 to 16 percent in 2050. As a result, many governments will be faced with ever-greater dependency ratios as working-age populations decline and the number of retirees increases. At the same time, 75 million young people worldwide are unemployed, and automation could worsen this problem. In response, governments must transform the education-to-employment journey.

- **High levels of inequality.** In advanced economies, two-thirds of all households saw their income stall or fall between 2005 and 2014. And while government transfers and tax policy mitigated some of the impact, up to a quarter of all households still saw disposable income stall or fall in that decade. At the same time, gender inequality has remained persistently high in many countries: the McKinsey Global Institute (MGI) found that 40 out of 95 countries assessed have high or extremely high levels of gender inequality on the majority of indicators. Automation's impact on wages could result in further income polarization, displacing up to 30 percent of work by 2030.

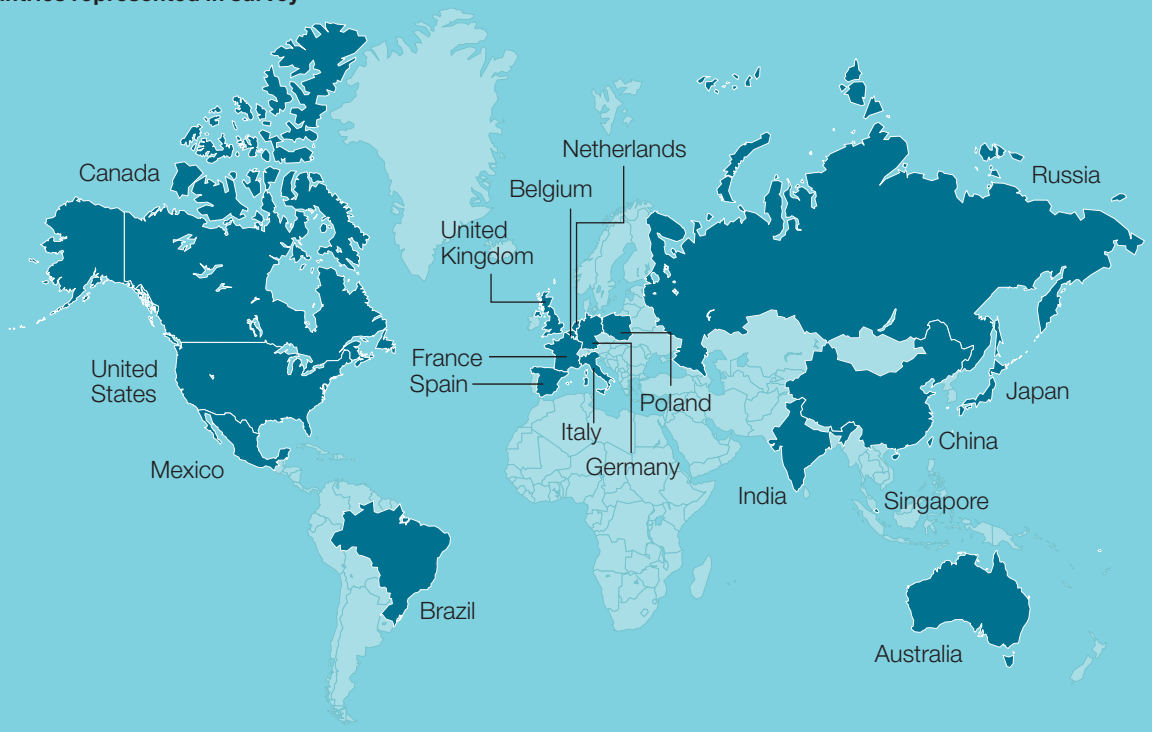
The MCG research constitutes a comprehensive evidence base detailing what makes government transformations succeed

Surveyed
2,900+ public servants
across **18** countries

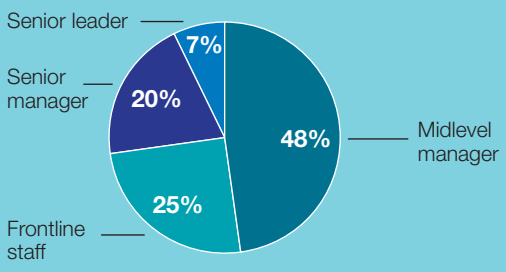
30+ interviews
with senior government and public-sector leaders representing **300+ years** of experience
across **17** countries
and **6** continents

Examined more than
80 cases
across **50** countries
and **6** continents

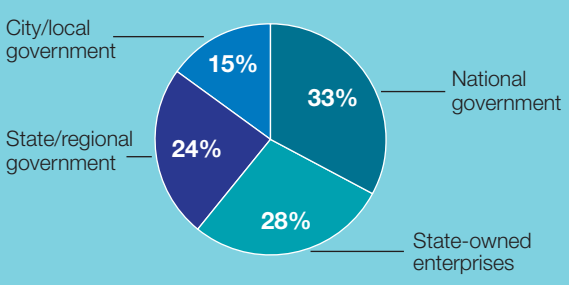
Countries represented in survey



Respondent's role during transformation



Respondent's employer type



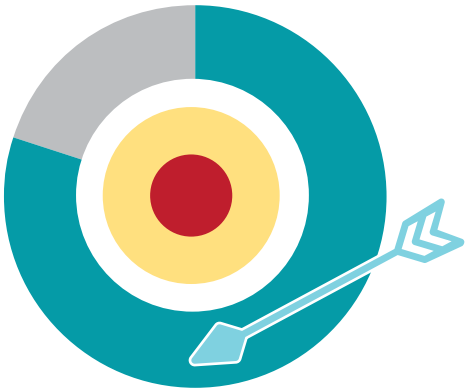
Source: McKinsey Center for Government Transformation Survey, December 2017
Photography: © georgeclerk/Getty images; © MariuszSzczygiel/gettyimages

- **The changing shape of cities.** The proportion of the world's population living in urban areas is projected to rise from 54 percent in 2014 to 66 percent by 2050. Cities in the developing world will experience the greatest growth—Africa alone will be home to 190 million more urban residents over the next decade. At the same time, some cities in developed economies, ranging from Pittsburgh in the United States to Genoa in Italy, are declining in size. These cities will need to design strategies to compete with other urban areas to maintain their vibrancy and retain and attract citizens and businesses.

Governments are struggling to respond to these trends, maintain public trust, and meet citizens' expectations. According to the 2018 Edelman Trust Barometer, government is distrusted in three-quarters of countries measured. The "expectations gap" is further exacerbated by the speed at which digitally enabled services in the private sector are improving. McKinsey analysis in the United States, for example, shows that citizen satisfaction with government is significantly lower than for any private-sector services tested (Exhibit E1).

WHY MOST GOVERNMENT TRANSFORMATIONS FAIL—AND HOW TO TRIPLE THE LIKELIHOOD OF SUCCESS

Governments have never been asked to do so much—to deliver more, and better, for less. To meet this challenge, governments must transform their services and their operations. To shed light on how to do this successfully, we examined the experience of almost 3,000 officials—ranging from senior leaders to frontline staff—who had been involved in government transformations over the past five years. We reviewed more than 80 public-sector transformation efforts. And we interviewed more than 30 senior leaders, with a combined total of more than 300 years of experience, who have spearheaded major change efforts in government.



80%

of public-sector transformations fail to meet their objectives

Source: McKinsey Center for Government Transformation Survey, December 2017

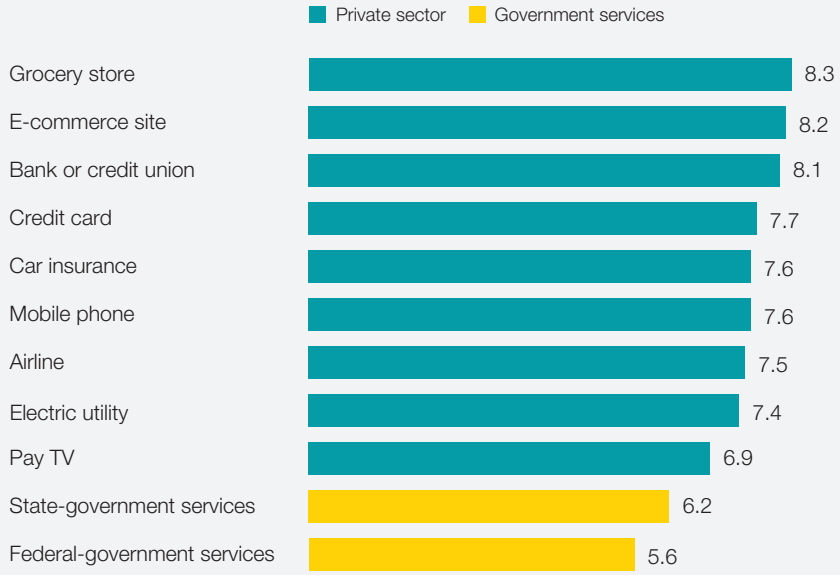
One of those leaders is Jaime Saavedra Chanduví, who was minister of education in Peru from 2013 to 2016. When Saavedra took office, the country was about to be ranked last in the world—65 out of 65—in the Programme for International Student Assessment (PISA), which is run by the Organisation for Economic Co-operation and Development (OECD). Saavedra recognized that effective basic education is "the make or break for a country." But the new minister had inherited a plan with more than 200 objectives. His first act was to simplify it to a four-point plan focused on teachers, pedagogical interventions, infrastructure, and management. To deliver the plan, he assembled a team with deep public-management expertise, quickly moved to implementation, and personally led communication with almost 400,000 teachers across the country. The transformation achieved rapid impact. In only three years, Peruvian schools had moved up to the average for Latin American countries—the fastest improver in the region and fourth fastest globally.

Unfortunately, successful change efforts like Peru's education program are exceptions. Our survey finds that around 80 percent of government transformations fail to meet their objectives. That is not because government transformations typically set

Exhibit E1

Customers are far less satisfied with government than with private-sector services

Average customer satisfaction scores in the United States, scale of 1–10
(1: extremely unsatisfied, 10: extremely satisfied)



Note: n = 15,269

Source: McKinsey Public Sector Journey Benchmark Survey, November–December 2016

unrealistic objectives: in 93 percent of cases, our survey respondents considered the goals of the change effort to be achievable. We compared these findings with earlier research in the private sector and found that the failure rate of government transformations (80 percent) is somewhat higher than that of change efforts in the business world (74 percent), even though private-sector initiatives are twice as likely to set stretching goals.

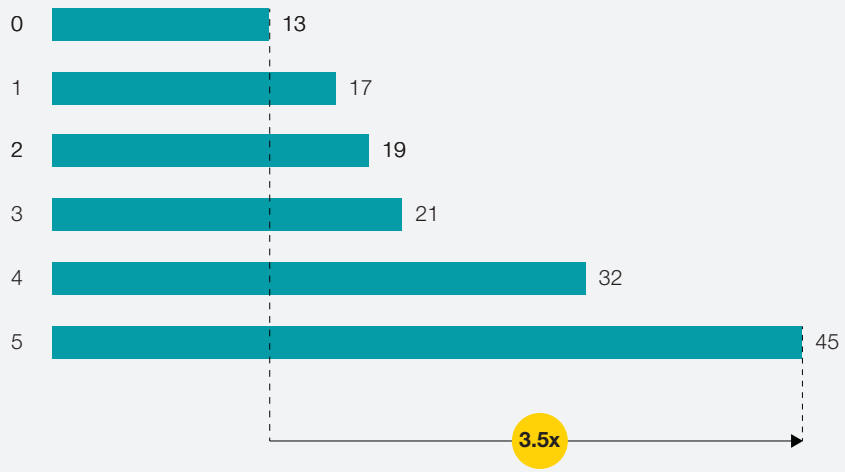
This failure rate is far too high. It represents a missed opportunity to solve society's greatest challenges more effectively, deliver better citizen experiences, and make more productive use of limited public resources. Indeed, were governments globally to match the rate of their most improved peers, they could save as much as $3.5 trillion a year by 2021. Alternatively they could boost the quality of key services such as health care, schools and universities, policing, and transport, while maintaining current levels of spending.

Using our unique evidence base, we identified five disciplines that clearly distinguish successful transformations. Change efforts that effectively address all these requirements are more than three times as likely to succeed than those that do not (Exhibit E2). We call these must-do disciplines the five Cs: committed leadership, clear purpose and priorities, cadence and coordination in delivery, compelling communication, and capability for change. The five Cs are surprisingly universal: each is a driver of success regardless of the geography, service, trigger, scope, structure of the change effort, or the kind of government running the country. Moreover, the five Cs are common success factors for transformations in both the public and private sectors. We will now explore each of these in turn.

Exhibit E2

Embedding the five disciplines more than triples the likelihood of success in government transformations

Number of five Cs implemented during transformation effort, % of transformations ranked as completely successful



Note: Based on most relevant surveyed action for each of the five disciplines; sample size (0:747, 1:659, 2:590, 3:441, 4:338, 5:134) for each number of Cs; data weighted by proportion of world GDP, following *McKinsey Quarterly* weighting standards.

Source: McKinsey Center for Government Transformation Survey, December 2017

Committed leadership: Why ordinary management is not enough

Checklist for success:

- ☐ Don't launch a transformation effort if you are not able to use significant political and personal capital to make it successful.
- ☐ Don't rule out radical action if it is necessary, such as changing legislation, setting up new institutions, or removing transformation blockers.
- ☐ Show sustained commitment by spending a significant amount of time visibly leading and role-modeling the change.

The successful transformations we studied were steered and championed by deeply committed leaders. Each of them devoted considerable time and energy to the effort, took personal accountability for success or failure, was a visible role model for the change, and had the courage to challenge long-established assumptions and conventions. Such leaders of transformation live and breathe the journey and stretch their capacity for strategic planning, emotional resilience, and inspiring people-leadership. That means spending a substantial amount of time face to face with the people affected, listening as much as seeking to inspire.

Of course, this is easier said than done. Leaders often have limited political capital, particularly in politically sensitive services such as education and health care and in instances where they serve in a minority or coalition government. Governments often have too many priorities: leaders try to reform too much, too quickly. Another challenge is a lack of leadership longevity. For example, a review of ministers of health across 23 countries from 1990 to 2009 found that half of them served for less than two years in office.

One government that has overcome such challenges is the Colombian city of Medellín, which, until recently, was known as the global center of cocaine trafficking. Its 2.5 million inhabitants were plagued by violence and crime, and the city was notorious for having one of the world's highest homicide rates. Much has changed over the past two decades. With a decrease in the murder rate of more than 80 percent and a budding economy, Medellín's story today is one of revitalization. This remarkable transformation was by no means a given; it is thanks in part to the bold vision and deep commitment of a series of mayors of Medellín, as well as governors of the surrounding Antioquia province, and the partnerships they built with the private sector. One of those leaders was Aníbal Gaviria, who served as governor from 2004 to 2007 and mayor from 2012 to 2015. His very election to public office speaks of personal commitment: his immediate predecessor as governor was his brother Guillermo, who was killed by FARC guerrillas in 2003. Gaviria translated his personal commitment into a clear vision for change. "We faced incredulity and people thinking that we were forever condemned to be a failed city," he said. "The change in mentality—when people begin to see that it is possible to have breakthroughs that benefit everybody—has been the most important gain."

Transformation requires tough decisions from leaders—and that often involves disrupting established norms. For example, when the US city of Detroit faced bankruptcy in 2013 after a long period of urban decline, Governor of Michigan Rick Snyder appointed an "emergency

manager" who temporarily took executive powers from the mayor. The emergency manager restructured the city's debts and embarked on a $1.4 billion investment program into essential services such as street lighting; new IT systems for emergency services and city officials; and new police cars, fire engines, and buses. The city has balanced its budget every year since and is experiencing its longest period of sustained growth for half a century. Today Detroit is once again run by its own mayor.

Clear purpose and priorities: Why "less is more" in government transformations

Checklist for success:

- ☐ Don't assume you know what citizens or public servants want and need—find out what really matters to them in their day-to-day lives.
- ☐ Explicitly choose and commit to a small number of specific outcomes that you are going to focus on in the transformation—and avoid making your goals too broad.
- ☐ Anchor the transformation in an agreed baseline, trajectory, and target incomes.

The power of prioritization was a point made forcefully by Dalton McGuinty, who was premier of the Canadian province of Ontario from 2003 to 2013. McGuinty committed his leadership to the reform of education in the province, driving impressive improvements in quality and attainment—for example, the number of low-performing schools dropped from 800 to 63. As he told us, that success came about only because of ruthless prioritization. "I learned that it's very important to settle on just a few priorities," he emphasized. "If you try to boil the ocean, you're not going to succeed. That is why my single greatest priority was education." Under that broad goal, McGuinty focused on "a small subset of initiatives and objectives."

This is never an easy exercise, as was made clear by the experience of Fredrik Reinfeldt, former prime minister of Sweden. Over the course of several years in opposition he had prepared detailed plans on three key priorities: tax breaks for low- and middle-income earners, reforms to unemployment benefits, and changes to sickness entitlements. It is imperative to "stay focused on what you want to do," Reinfeldt told us. When a new premier comes into power, he said, "all the doors open around you and people come screaming from all directions." He formed a team around him to help focus on the reforms, held regular follow-up meetings with cabinet ministers on exactly what they were doing for the reform program, and then asked them to present this information in front of the cabinet. "I wanted them to take and show responsibility, which they did." As he had promised the electorate, Reinfeldt implemented his first three reforms within his first three months in office.

As McGuinty and Reinfeldt both demonstrated, priorities need to be clearly articulated and rigorously pursued. We propose three practical steps:

- **Paint a compelling picture of the destination—and commit to reaching it.** Leaders must be able to share a vivid picture of the full potential enabled by the reform and why it is necessary. In Ontario, for example, McGuinty described how setting ambitious targets raised the motivation of everyone involved. As he said: "When I made my commitments to increase test scores and graduation rates, I didn't know how I was going to get there." But he knew that he had to bring teachers with him: "I did everything I could to enlist teachers to the cause, by treating them respectfully, building capacity by investing heavily in them and their training, and publishing graduation rates and the test scores, which kept the pressure on them and on me."

- **Create a common baseline and trajectory.** The aspiration must take account of the existing baseline of performance and the trajectory of the organization (both operational and financial) if action is not taken. Many governments currently use expenditure reviews to establish such a baseline, but this must go beyond budgetary allocations or inputs purchased and address the relationship between spending and outcomes delivered. Using this approach, Denmark achieved a 15 percent reduction in its defense expenditure without reducing its level of readiness to deploy armed forces.

- **Keep targets few, specific, and outcome based.** An example is Colombia's education transformation, which was launched in 2002 under the leadership of Education Minister Cecilia María Vélez White, and continued by her successor María Fernanda Campo Saavedra. Colombia was the world's second-fastest improver in student attainment from 2006 to 2015. As Vélez White told us, that achievement relied on setting clear, measurable targets for outcome improvements early on in the transformation. Those targets included increasing student enrollment in both schools and universities, making evaluations and standards the principal way of driving improvements, and improving the education information system.

Cadence and coordination in delivery: Why standard public-sector processes will not build momentum

Checklist for success:

- ☐ Avoid planning paralysis: make planning participative and time bound and move to action quickly, in the knowledge that plans will be adapted once implementation starts.
- ☐ Link planning and budgeting processes to ensure alignment, demonstrate commitment, and avoid unnecessary delays when ramping up the transformation.
- ☐ Appoint a dedicated transformation team to set the pace, solve problems when they arise, coordinate between agencies, track performance, and hold people accountable.
- ☐ Deliver quick wins and fast-track decisions to build momentum, while maintaining commitment and focus until the transformation is self-sustaining.

Traditional public-sector approaches to policy development and implementation are characterized by slow and systematic processes and time-honored rules and hierarchies. The focus is often much more on developing the perfect plan than on implementing it. By contrast, the delivery of transformations requires a fast yet steady pace, a flatter hierarchy with close collaboration between different agencies and functions, and the flexibility to solve problems as they arise. The importance of coordination was underscored by Bjarne Corydon, the former finance minister of Denmark, when discussing the reforms he oversaw: "One of the scarcest resources in government is coordination; there is so little you can invest as a leader, you don't want to waste it." Our survey also highlighted the importance of coordination in driving transformation success (Exhibit E3).

The starting point is to develop a participative plan that is owned by the organization and meets citizens' needs. For example, when the city of Moscow launched a far-reaching transformation of transport, the government drew on the city's best talent, a range of external technical experts, non-governmental organizations, and citizen groups. The city established implementation working groups for 20 different program priorities, each bringing together a mix of skilled and motivated leaders from the public, private, and social sectors.

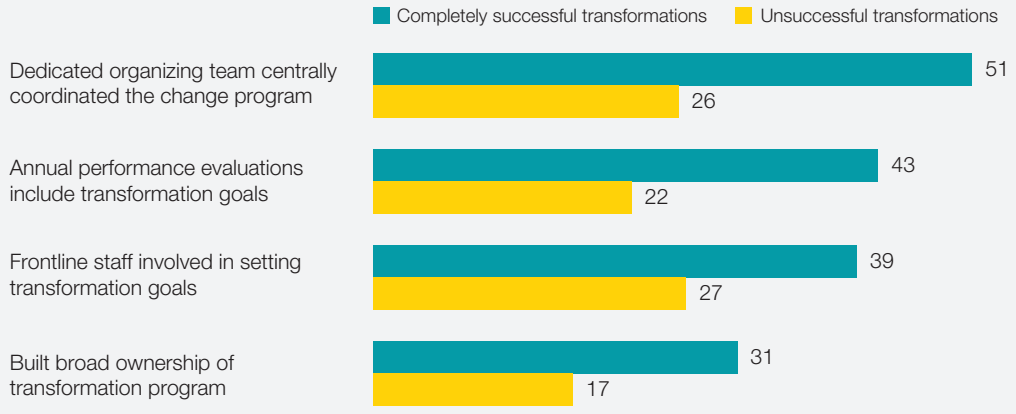
Such approaches stem from the understanding that most great ideas come from outside the top team and are improved through collaboration. Frontline staff and citizens often know far better than those at the center how things can be improved. Beyond new ideas, the participation of a wide group of interested parties brings much needed legitimacy to high-level aspirations. Research studies show that when people choose goals for themselves, they are far more committed to the outcome. Our survey corroborates this finding: organizations that involved frontline staff in transformation planning were more than 20 percent more likely to be successful. We call this "participative planning."

A "perfect plan" is not required. Indeed, the pursuit of one will likely cause paralysis. Rather, planning should be treated like a sprint, a time-bound process with deliverables and a clear

Exhibit E3

Cadence and coordination are essential to achieving transformation success

Respondents indicating that action was taken during transformation, weighted % of total respondents



Source: McKinsey Center for Government Transformation Survey, December 2017

deadline. Officials should not spend months in working groups; plans can be changed and improved once implementation begins.

It is also critical to link transformation planning and the budgeting process, to avoid process duplication or delays in disbursement of funds. More than 80 percent of our survey respondents said that with hindsight, having allocated more financial and other resources at the start of the transformation would have improved the likelihood of success. Agencies should work with the finance ministry (or similar authority) to make cost estimates, secure funding, and seek alternative sources of funding such as private donor contributions or coinvestment from state-owned enterprises.

Governments also need to bring together a committed team of leaders to drive the change. Whether called a transformation team, a delivery unit, or something else, this group drives the pace of the effort by collaborating with the implementing agencies. The transformation team creates the heartbeat of the transformation. It should have the capability and commitment to solve problems when they arise and quickly escalate issues to the senior leaders in government when their intervention is needed. The transformation team must also establish and oversee a system that rigorously tracks the transformation's progress, holds people accountable, and makes performance transparent within government and to external stakeholders.

One example of such a transformation team comes from the Indian state of Maharashtra, where the chief minister created a "war room" in 2015 that focused on accelerating infrastructure projects—a critical need in a fast-growing, highly populous region with historic backlogs in infrastructure ranging from transport to water. The war room convenes regular meetings focused solely on the issues holding back each project. These meetings are chaired by the chief minister and bring together heads of the different departments and agencies so that decisions can be made on the spot to resolve the issues. This laser-like focus and rapid escalation has enabled a dramatic acceleration in delivery—for example, from delivering 11 kilometers of metro lines in the previous decade to delivering 250 kilometers in the past three years.

Last but not least, effective delivery requires that governments quickly build momentum for the change and then sustain it over time. Our experience, and that of the transformation leaders we interviewed, points to two proven actions to move effectively from planning to a sustained cadence of delivery:

- **Deliver symbolic or quick wins.** Leaders should pick a few relatively easy battles and make sure they can deliver on them. These early wins help unlock the energy required to tackle more difficult tasks and inspire teams to continue. An example comes from Service New South Wales (NSW) in Australia. The agency aimed to simplify citizen access to government services, with a shift to digital transactions and a "one-stop shop" approach to improve customer experience. Service NSW adopted a "bifocal strategy," looking simultaneously for quick wins and the longer-term sustainable solutions. In the first six months Service NSW implemented "sticky-tape solutions" to take the pain away from the customer and achieved customer satisfaction scores of 99 percent from the day the service launched.

- **Fast-track processes and release bottlenecks.** The initial excitement and momentum of a transformation can quickly get pulled down by the deadweight of bureaucracy. Classically, procurement processes can take months, and positions can remain unfilled

due to rigid staffing guidelines. Leaders should consider making exceptions to the rules. An example is the response of the New York State government to the emergency caused by Hurricane Sandy in 2016. The governor, Andrew Cuomo, streamlined a number of the complicated bureaucratic processes to deliver more housing recovery aid faster. New York State distributed $309 million to support the building of 5,470 homes by the first anniversary of the hurricane.

Compelling communication: Why lip service will never mobilize people

Checklist for success:

- ☐ Don't try to please everyone—while staff and citizens are core to success, attempting to address all interested parties can dilute and distract.
- ☐ Inspire through a compelling change story, with the "why," "where," "what," and "how"—and "what is in it for each individual."
- ☐ Overinvest in frequent face-to-face, frontline communication, and listen as much as you talk.
- ☐ Communicate targets publicly to create accountability and communicate progress to celebrate success.

The fourth requirement for successful transformations is well-planned, in-depth, genuine two-way communication with all the groups affected by the change—especially the organization's own employees. Of course, every government communicates, but only a few do so effectively enough to win hearts and minds; the findings of our government transformation survey underline this truth. In half of all successful transformations, the senior-management team communicated openly and across the organization about its progress, but this happened in fewer than 20 percent of unsuccessful transformations. And nearly 90 percent of transformation participants said success would have been enhanced by engaging more regularly with frontline employees. For example, according to the UK National Audit Office, the UK's ill-fated FiReControl project, which was launched in 2004 to merge 46 local fire-control centers into 9, the program was doomed from the outset. This was in part due to a failure to communicate the purpose of the project with local fire services and to take account of their needs and concerns. As a result, the project did not deliver a system that fitted users' requirements nor had their support. The project was canceled in 2010, wasting around $700 million.

What does effective communication look like in practice? One example, also from the United Kingdom, is the transformation of HM Land Registry, whose mission is to protect land and property rights across England and Wales. The organization had cycled through several CEOs and faced a major backlog in property registrations, exacerbated by outmoded systems and ways of working. Graham Farrant was appointed CEO in 2015 with a mandate to transform the agency into "the world's leading land registry for speed, simplicity, and an open approach to data." Farrant kicked off the transformation by conducting "town hall meetings" with all 4,000 staff in groups of 30 to 50 at a time to listen to the views and concerns of staff members and to communicate the overall vision for the change. This two-way approach to communication proved invaluable:

Farrant learnt that the Land Registry's staff felt passionately about upholding the integrity of the property registration system, which helped him to craft a transformation message that—rather than focusing simply on efficiency gains, as his predecessors had done—spoke directly to advancing that widely held and deeply felt professional mission. Farrant also introduced a weekly blog, which allowed staff to post comments, and personally responded to people's thoughts and ideas. He made it clear that he cared about employees' views and wanted to build on the strengths and professionalism of the organization.

Capability for change: Why business-as-usual skills won't deliver

Checklist for success:

- ☐ Take training well beyond the top team—new capabilities are typically needed at all levels of the organization to deliver and sustain change.
- ☐ Make sure delivery and technical experts are fully involved from the start: new capabilities mean little if the experts are not listened to.
- ☐ Invest real resources in training for specific capability gaps, which are often in change management, operational, and technical skills.
- ☐ Realign recognition systems to align with the transformation goals and remove blockers who might derail or slow down the transformation.

Although civil services are often staffed by highly skilled people, they rarely have deep expertise and experience in change management. Reliance on business-as-usual capabilities is a major contributor to the high failure rate of government transformations. Three sets of skills are particularly important: operational management, or the ability to run complex, large-scale service delivery organizations; project and program management; and digital and analytical skills. For example, project management and operational-management skills were present in more than 50 percent of successful transformations but in fewer than 40 percent of unsuccessful ones.

When these skills are lacking, the likelihood of failure is increased. The initial failure of the US HealthCare.gov insurance exchange website in 2013 is a well-chronicled example. President Barack Obama's single most important domestic reform was put at risk in part because the right people with the requisite deep technical skills were not asked to help shape the strategy and monitor its implementation. While it took three years before a crisis exposed how badly things had gone wrong, it took only six weeks for a dedicated team of specialists, using classic agile methodology, to get the website working.

Sometimes acquiring the right capabilities means hiring experienced change leaders from outside government and, critically, investing in their onboarding to help them become an integral part of the team. But it also requires a sharp focus on internal capability building, as our survey findings make clear. When we compared successful and unsuccessful transformations, we found that the former were three times more likely to train initiative leaders in change-leadership skills. They were also twice as likely to offer broader capability-building programs to employees involved in the transformation.

One public-sector change effort that grasped that truth was the Ethiopian federal tax authority, which embarked on an ambitious effort to improve the effectiveness of its tax collection. The authority put transformation capabilities right at the heart of its program, starting with a top-team workshop where leaders agreed to a common vision of reform, identified the values they wanted to demonstrate to their people, and made explicit personal commitments to the program. More than 200 key frontline staff were trained and coached both on tax-specific skills (such as debt collections tracking) and project-delivery capabilities.

Most public-sector organizations, however, have underinvested in the skills required for successful transformations. For one thing, leaders in government agencies are often chosen for their policy expertise and close knowledge of the machinery of government, rather than operational, delivery, or transformation experience. By contrast, senior executives in the private sector are often required to complete a broader range of functional rotations (such as strategy, operations, and marketing and sales) before being promoted.

We propose three essential elements in building a successful capability-development program:

- **Tightly link capabilities to program needs.** Delivering good outcomes for citizens requires governments to understand how different capabilities enable performance. One example is New Zealand's transformation of policing, launched in 2009. A key component was the "Prevention First" model, which focused on addressing the underlying causes of crime. This model required a focus on early intervention and engagement with the community. To deliver this change, police were trained in preventative policing and engagement techniques.

- **Ensure programs are tailored, not one size fits all.** Such programs must start with a rigorous understanding of the current capabilities of the organization and of the individuals inside it. This understanding informs the design of the capability-building effort—for individuals and the organization as a whole. Some governments use a "field and forum" approach combining theoretical and project work in highly practical settings. In addition, social learning and online "nudges" are increasingly powerful tools for capability building.

- **Shift mindsets to drive change.** Research suggests that 70 percent of change programs fail because management and employees do not adapt new behaviors. Organizational capability and behavior are based on the skills, attitudes, and outlooks of a collection of individuals. To sustain change, the surrounding structures (assessment and recognition systems, for example) must be aligned with the culture the organization wishes to promote. And of course, employees must see people they respect modeling the desired behaviors actively.

THE NEXT HORIZON: CITIZEN EXPERIENCE, DESIGN THINKING, AND AGILE PRACTICES

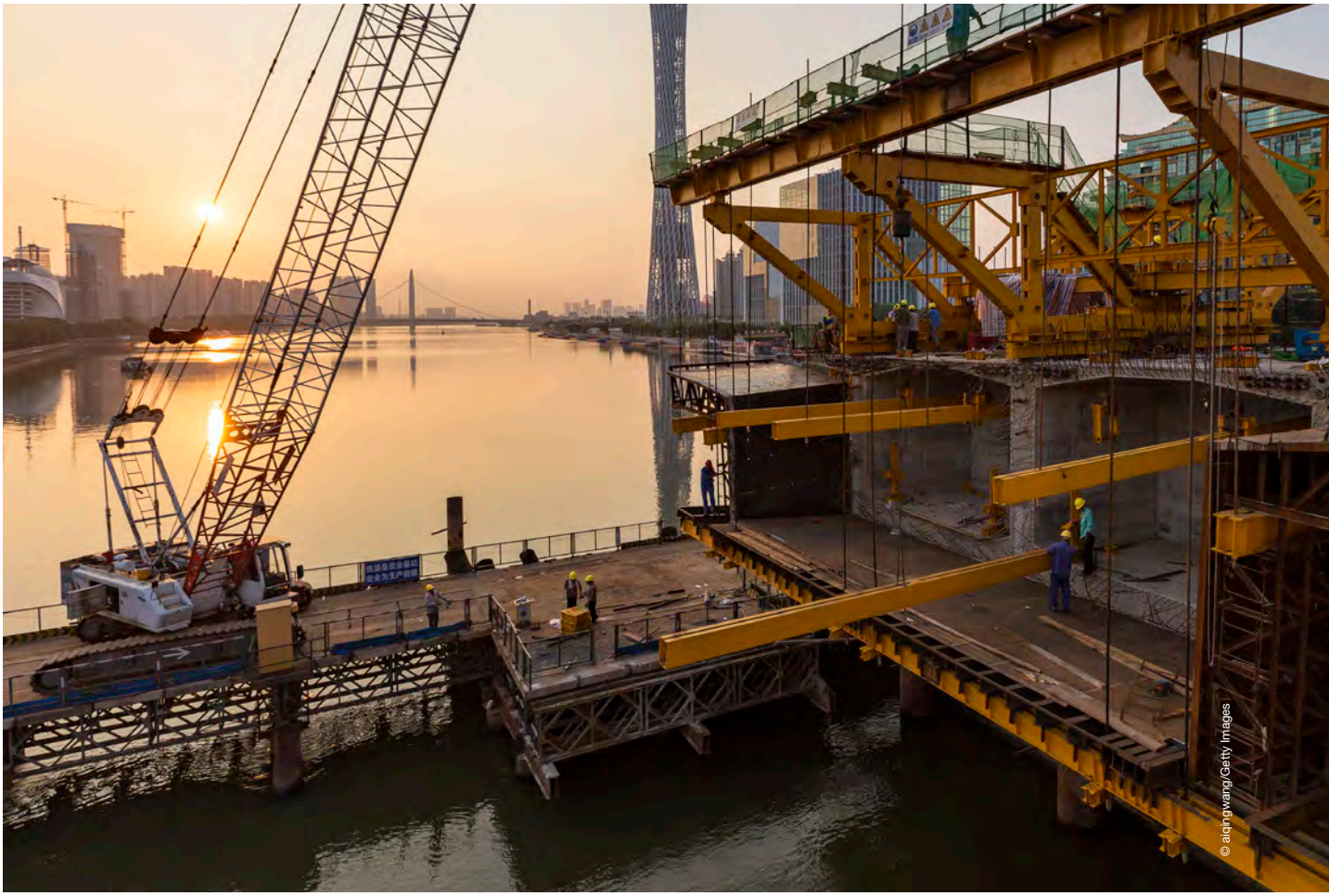
Getting the five Cs right will boost the likelihood of success. In addition, future government transformations are likely to go even further by better understanding the citizen experience and building in design thinking and agile practices. Consider the example of Mexico City, one of the most congested cities in the world. Authorities have expanded the city's transport infrastructure but have struggled to keep pace with rapid urbanization. That has prompted a number of innovations. One aimed to create a navigable map of Mexico City's sprawling bus

network. The network's 30,000 buses—many traveling unofficial routes—provide 14 million individual rides a day. Part of that solution was Mapatón36, which used crowdsourcing and technology to map the city's bus routes and gave commuters the opportunity to play a game on their mobile phones while riding a bus. In just two weeks, and with a budget of less than $15,000, the game attracted 4,000 players who between them produced data on 1,500 bus routes covering almost 50,000 kilometers.

There is a vast range of technologies that governments can harness to improve performance—and they are proliferating. They include digital interfaces for citizens, automation of routine tasks such as processing of forms, advanced analytics (with or without big data), and artificial intelligence. However, as we analyzed technology-enabled transformations by the most advanced organizations, we came to a counterintuitive conclusion: it is not technology per se that drives their success, but rather the customer-centric and agile approaches that they deploy.

Three new-horizon concepts are particularly relevant to governments and can help them ensure that transformation efforts respond to the most pressing needs of citizens, actively incorporate citizens' ideas, and are designed genuinely from citizens' perspectives:

- **Citizen experience.** Traditionally, both companies and governments have focused on touch points—the individual transactions through which customers or citizens interact with the business or agency. More forward-looking organizations have realized that this approach



misses the bigger picture: customers and citizens may be satisfied with individual touch points but still unhappy with the overall experience. These organizations therefore consider the user's end-to-end journey and her or his overall satisfaction with it.

- **Design thinking.** Design thinking is the approach used to create compelling citizen or customer experiences. Design is no longer singularly associated with how something looks or its functionality: instead, it is increasingly strategic and system oriented. We define design thinking as a human-centered and creative approach to solving problems that integrates the needs of people, the possibilities of technology, and the requirements of the organization providing the service. The result is an experience, product, or service that is physical, digital, or both—and that creates value for the citizen and the provider alike.

- **Agile practices.** This approach started as a set of principles for developing software but is now being applied in many other areas, including entire organizations. The core ideas of agile are the ability to move quickly and efficiently and a relentless focus on delivering value to customers. Agile practices break the development process into small increments: quickly design, prototype, and test products or services with users and immediately channel the feedback into the next iteration of development. Rather than spending months or years perfecting a product or service before it is launched, agile approaches focus on creating a "minimum viable product," often in a matter of weeks, constantly testing it with real customers and learning from their experience to iterate and improve it. Some pioneering government agencies are going further and starting to apply agile philosophy beyond individual projects, products, and processes. They combine organizational stability with dynamism—for example, merging a powerful common purpose and standardized ways of working with flexible resource allocation and information transparency.

A department of corrections in the United States provides an example of several of these innovations in practice. This department sought to lower violence levels and reduce recidivism across several thousand offenders and multiple facilities. In one project, the agency used design thinking, including journey mapping, to improve the effectiveness of rehabilitation. The agency identified "offender segments"—analogous to the customer segments used by private-sector marketers—based on factors such as education, employment, behavioral therapy, and mental health. The transformation team also designed "offender journeys" for each segment, much in the way private-sector firms reimagine customer

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journeys. The aim was to allow corrections staff to set goals for the offender's rehabilitation and direct the appropriate programming and resources right from the start of the offender's stay all the way through parole and reintegration into the community.

Governments exploring the next horizon of transformations are also harnessing technology to engage with citizens much more frequently and imaginatively. In India, for example, the government launched the MyGov online platform in 2014 to invite citizens to share comments, ideas, or concerns. To date nearly 2 million citizens have participated, submitting suggestions in policy areas ranging from environmental pollution to girls' education to health. One proposal submitted through the platform was to turn rural post offices into simple banks to boost financial inclusion, and it was included in India's 2015 budget. By March 2017, banking sections had been installed in 25,000 post offices. Such participative planning puts citizens at the heart of designing and delivering effective outcomes.

The world urgently needs successful government transformations—to improve health and education outcomes, foster growth and job-creation, make cities more liveable, make constrained public-sector budgets go further, and ultimately restore citizens' confidence in governments' ability to deliver. Although the failure rate of such efforts is far too high, there is every reason to believe it can be radically improved. By learning from the 20 percent of government transformations that succeed, future leaders can more than triple their chances of success. To realize that opportunity, governments need to deploy the five Cs: committed leadership, clear purpose and priorities, comprehensive communication, cadence and coordination in delivery, and capability for change. These change-management and delivery disciplines require a set of skills quite distinct from the expertise that governments have honed over centuries in areas such as policy and diplomacy. The good news is that innovations in citizen engagement, design thinking, and technology-inspired approaches are making the task of government transformation easier and opening up new horizons to improve citizens' lives.

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