

PERFORMANCE IMPROVEMENT FRAMEWORK

Review of the Ministry for Primary Industries (MPI)

March 2016

New Zealand Government

State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



THE TREASURY
Kaitohutohu Kaupapa Rawa



DEPARTMENT of the
PRIME MINISTER and CABINET

Te Tari o Te Pirimia me Te Komiti Matua

Lead Reviewers' Acknowledgement

The Ministry for Primary Industries (MPI) is a large and complex agency charged with vital work for New Zealand.

We would like to thank the management and staff of MPI for their high-quality support during the Performance Improvement Framework (PIF) Review. The agency PIF Self-review and briefings were comprehensive and realistic and the additional information requested was accurate and promptly supplied. The many meetings we had were professionally organised and each one was valuable.

It has been a pleasure to work with staff and stakeholders on how MPI can 'be the best it can for New Zealand' going forward. Staff, in both Wellington and Auckland, gave generously of their time and engaged with us openly and thoughtfully. They are passionate and highly committed to MPI's cause. The engagement of MPI's stakeholders, in both the public and private sectors, was frank and very constructive. This all bodes well for MPI's future.

We would also like to thank officials from the Central Agencies – the State Services Commission, the Department of the Prime Minister and Cabinet and the Treasury – who provided us with valuable insights into MPI's operating context and performance challenge.

Finally, we would like to thank Martyn Dunne and his Senior Leadership Team (SLT) for the high-quality and challenging conversations we had with them. We trust they will find this Report beneficial and relevant as they lead MPI forward.

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Agency's Response

Introduction

Over the past three years, MPI has made significant progress. We have strengthened the market access, biosecurity and essential regulatory systems on which the primary sector, and New Zealand's economy, depends. At the same time, we have made important investments in our capability and culture, which have improved performance and positioned the organisation well for the future.

We are pleased this PIF Review recognises the scale of the progress made. A strong platform is now in place from which MPI can extend its impact and the primary sector can grow.

As we have considered our response to the PIF, we have been conscious of the different dimensions of MPI's purpose – Growing and Protecting New Zealand - are mutually reinforcing; we protect to grow, and we grow to protect New Zealand's wellbeing. One can't happen without the other, and working on one dimension fundamentally supports the other.

With this in mind, we agree with the core finding of the PIF, particularly the definition of success on page 20 of the Review. Our next phase of development requires a further change of pace, in which we must capitalise on our strong platform, lock in the gains possible from MPI's current growth programme, build participation in and understanding of our growth programme, and extend it to new territory.

Our continuous improvement approach, which we have applied to good effect within our regulatory systems and operations, will provide us with a valuable model to carry forward as we engage in this work.

To respond to the Review, we propose to do the following:

- ▶ Adjust emphasis
- ▶ Lead within government, with the primary industries and across communities
- ▶ Increase our focus on customers
- ▶ Embed the internal conditions for outstanding performance.

Adjust emphasis

MPI has embarked on a suite of initiatives in pursuit of our goal of doubling the value of primary sector exports by 2025. A number of these – Market Access and the Primary Growth Partnership, for instance - are well advanced.

When we look through commodity cycles and model the impact of these initiatives over time, primary sector export growth is and will be significant – earnings are forecast to rise \$1.9 billion this financial year. Even so, our current programme will require expansion through several further phases of development to achieve our goal, and in a highly changeable operating environment ongoing refinements to established initiatives are essential to be confident of banking benefits.

MPI will maintain a focus on both growing and protecting. Nevertheless, the organisation is at a stage of development where MPI's leadership can now adjust emphasis from the fundamentals, to further growth. This can occur whilst sustaining progress around a vigorous programme of operational and regulatory enhancements, which will ensure the risks to New Zealand from accelerating growth will be well managed.

As the PIF itself observes, this adjustment in emphasis will be subtle. MPI will:

- ▶ lift the emphasis on growth in internal communications
- ▶ clarify the governance of MPI's growth programme, and the monitoring of progress and risks to it
- ▶ improve the description of the next steps in our growth programme, beyond the work already underway
- ▶ complete the implementation of a new operating model for MPI's Sector Partnerships and Programmes branch
- ▶ improve economic and market situational awareness, particularly as New Zealand faces stronger headwinds and global uncertainty
- ▶ accept a greater investment risk in some areas of our business, whilst seeking to minimise biological risk as far as possible in other areas
- ▶ improve prioritisation to support the stretch the organisation needs to make.

Lead within government, with the primary industries and across communities

As we adjust our emphasis, MPI needs to take others on the journey. We recognise this, and we will invest more time in sharing our thinking outside the organisation, exploring the thinking of others and collaborating around joint approaches to issues and opportunities.

We are very aware the delivery of New Zealand's primary industry export value will be created by the primary sector themselves. Over the past few years, MPI has significantly strengthened engagement with the primary sector, and we want to progress this further. Our intention is to drive greater collective intent around core strategic issues and encourage broad based leadership in the sector.

At the same time, MPI will build on thought leadership in government, particularly around science and innovation, economic and natural resources issues, and we will seek to work at a community level to support the social licence of the primary sector.

MPI will:

- ▶ expand external communications to explain MPI's growth programme, and the benefits and choices for New Zealanders
- ▶ engage actively in the primary sector to prompt new thinking through leadership, advice, economic and market insight, scientific research, enabling finance, and where appropriate, regulation to incentivise change
- ▶ invest in MPI's Strategic Advisory Group of industry representatives as a forum for cultivating leadership

- ▶ review and rationalise the 100 working groups MPI currently uses to engage with the sector and communities, to improve effectiveness
- ▶ build additional partnerships with other government agencies to solve key issues, where those issues are appropriately led by others
- ▶ leverage MPI's Regional Economic Development programme to demonstrate in a practical way the linkages between export outcomes, environmental sustainability, social development and regional wellbeing.

Increase our focus on customers

The many thousands of companies and people that transact with MPI every day are central to export growth. We need their compliance with rules and regulations to manage risks to New Zealand's society, environment and economy, and we need to enable them to produce, process and export primary products and pass freely across New Zealand's borders, to and from overseas markets.

As we drive export growth, the volume of goods moving across New Zealand's borders, the complexity of products and supply chains, and the number of customers we have to deal with, increase.

We can meet this challenge by improving our understanding of the needs and motivations of our customers, lifting our responsiveness to them, and targeting our activity to enhance effectiveness. In short, we aim to incorporate the voice of our customers in to the future design of services, policy and strategy, and we have commenced a large work programme to do so.

Over the next few years, we will:

- ▶ continue to overhaul our web presence to make it easier to find information, transact and do business with us
- ▶ simplify our customer channels, create additional helpdesks, and continue to lift the speed at which our teams respond to customer enquiries, and the quality of our response
- ▶ embed a deeper culture of customer service as part of our regulatory approach
- ▶ use behavioural insights to nudge compliance
- ▶ improve customer knowledge, intelligence, information and profiling to plan, target and co-ordinate operational activities
- ▶ use the Border Sector Governance Group in shaping the future of the Integrated Targeting and Operations Centre
- ▶ research, create feedback loops and monitor our ease of business as part of continuous improvement
- ▶ segment, analyse and understand the different profiles of primary sector exporters, the services they need to grow, and optimise the provision of them across government
- ▶ embed our recently developed Research and Technology Innovation Practice to enhance the delivery of core activities through technology.

Embed the internal conditions for outstanding performance

MPI's staff engagement has increased significantly over the past three years, providing us with a sound platform for outstanding performance.

To find additional export value, MPI will continue to strengthen engagement and seek to achieve three things within our culture and operating model. We will deepen our customer responsiveness, we will continue our focus on the disciplined processes, pride and commitment that support operational excellence, and we will encourage the internal conditions for new ideas and disruptive thinking to challenge the organisational orthodoxy. We acknowledge the PIF's finding that to achieve this will require leadership versatility across MPI.

To support further organisational development, MPI will:

- ▶ continue to expand MPI's highly successful staff induction, graduate development, leadership development and career pathways programmes to cultivate increased leadership versatility, improved succession planning and workforce diversity
- ▶ overhaul and improve the physical environment of approximately 70 per cent of staff through our property programme, including a new MPI hub in Auckland, and new laboratory in Wallaceville
- ▶ co-locate key teams to achieve cross fertilisation in thinking
- ▶ implement new productivity tools and technology to support collaboration and sharing of data, information and insight across teams and locations
- ▶ continue to lift the maturity of governance boards to improve systems thinking
- ▶ adjust the emphasis in the reward and recognition of staff for achievements
- ▶ introduce the Lean Start Up methodology for innovation through our Research and Technology Innovation Practice.

Concluding comments

As the PIF observes, the challenge of Growing and Protecting New Zealand is like a marathon without a finish line. The threats to New Zealand's primary industries will never cease nor will the opportunities for growth.

We must continue to act with both dimensions of our purpose in mind, and MPI is now in a position where it can drive growth knowing the fundamental regulatory systems and organisational functions on which the primary sector depends are robust, and ongoing continuous improvement is in place.

We are excited about our next performance shift, and confident we can execute it successfully.

We would like to thank the Lead Reviewers for the time and consideration they have shown during the PIF process. They have acknowledged the considerable progress made in MPI and provided us with provocative thinking. We would also like to thank MPI's staff and stakeholders for the contribution of their time and expertise to this PIF Review. Our organisation is built on the skill, passion and dedication of our staff and it will be through their actions and behaviours that we will help to secure the future of New Zealand in a rapidly changing world.

Executive Summary

Since MPI came into being in 2012, very positive progress has been made towards creating a single, unified entity ('MPI as one') to deliver on MPI's purpose of 'Growing and Protecting New Zealand'. During this time MPI has been severely and somewhat relentlessly tested by a number of major trade, biosecurity and food safety issues, of which the Whey Protein Concentrate (WPC) contamination incident (where infant formula was suspected to be contaminated with botulism) and Operation Concord (a criminal threat to introduce 1080 poison into infant formula at the retail level) have been the most prominent.

Understandably, in this context MPI has tended to focus on the protect element of its purpose for which it is empowered to exercise direct and hands-on controls. Less emphasis has been given to the grow side which calls for MPI to play a largely facilitative role, supporting and challenging firms and individuals in the primary sector to grow the value of primary sector exports.

Over recent years MPI has also had a deliberate focus on improving its organisational strategy and operating model as a foundation on which to deliver its purpose. Regulatory systems have been strengthened; new governance structures have been established; a distinctive culture and a common purpose have been laid down; and policies and practices to develop an ambitious and capable workforce have been introduced. Examples of particular measures that are helping to bring greater alignment within the agency are: common compliance and verification practices, centralised intelligence planning and coordination (IPC), a science strategy, system scans and governance boards.

MPI's most valuable asset is its capable, strongly committed and highly motivated staff, who have enabled MPI to respond proficiently to the series of biosecurity and food safety challenges noted above. MPI's staff have also facilitated its greater leadership role within government, examples of which are MPI's cross-sector leadership of Operation Concord and its support for information and communications technology (ICT) best practice.

MPI has laid down secure foundations for growing exports from the primary sector. Clearly, growing and protecting are not separate and exclusive domains but rather two areas of pursuit that are highly connected and inter-dependent. Being able to manage the risk of harmful biosecurity incursions with a high level of assurance and to ensure that New Zealand food is reliable and safe are indisputable pre-conditions for growth.

With this foundation, MPI has developed some encouraging and valuable growth-enhancing initiatives. The Primary Growth Partnership (PGP), a partnership between the Government and firms to commercialise innovation in the primary sector, is a well-managed scheme that is delivering tangible economic benefits in terms of building export markets (particularly with respect to value-add), innovation and natural resources. MPI is working to lift productivity in primary production through such initiatives as Crown Irrigation Investments Ltd (a bridging investor for regional water infrastructure development). It is also assisting the primary sector to deliver premium products into export markets, for example, through measures that promote greater transparency and specialist in-market support, especially in China.

The Director-General and staff of MPI can take pride in all of these achievements.

Although MPI has growth-enhancing initiatives in play, it still has a significant challenge to realise its goal of doubling the value of exports from the primary sector by 2025. This is acknowledged by MPI. Currently, however, MPI does not have a sufficiently clear, coherent and directional plan for achieving this and consequently there is a risk that MPI will not achieve its goal. It is vital for New Zealand that MPI finds a way to accelerate and elevate its efforts to stimulate increased exports (especially of premium products) from the primary sector, while continuing to maintain New Zealand's brand as a safe and reliable exporter of food and protect New Zealand from harmful biological incursions.

No other government agency has the technical knowledge, expertise, and range of relevant functions, activities and stakeholder relationships to be able to provide leadership in these areas. MPI's lead role in Operation Concord demonstrates that when MPI is focused it has the ability to lead effectively across different agencies. It must now do so with respect to the goal of doubling the value of exports.

MPI's SLT recognises that the grow element of the purpose now requires greater focus and attention and that a more sophisticated and creative plan is required based on the high-quality and very thoughtful work MPI already has under way. This nascent work includes profound consumer insight research which underscores the need for government and industry interests to work closely together in positioning the New Zealand brand in China, and the need for MPI to re-evaluate its leadership role in relation to the primary sector.

While the work being undertaken on the grow aspect is encouraging, however, we are not confident MPI will be successful in this domain unless it also makes important changes to some of the ways in which it thinks and operates.

MPI has an appropriately low tolerance to risk in managing its protect activities. Managing grow activities, on the other hand, requires MPI to be able to identify and pursue opportunities for improving prospects for growth which, in turn, is reliant on being able to think creatively and make calculated judgements about higher levels of risk in pursuing particular opportunities. MPI's aversion to risk resulting from its biosecurity and food safety activities has tended to become the default setting for the agency. To put it another way, the shadow of MPI's strength in managing the protect function is potentially its weakness in managing for growth.

The changes required to address this paradox are subtle and essentially come down to creating a different mindset within MPI, one which leads to MPI re-calibrating how it will deliver on its purpose. At its core, MPI's performance challenge is having a clear view about how it can best facilitate efforts by the primary sector to grow the value of exports, while continuing to deliver strongly on its protect responsibilities.

In this context, consideration needs to be given by Ministers, central agencies and the primary sector as to how they can support MPI make this shift. While the goal of doubling the value of exports requires MPI to take a strong leadership role, it is clear that this goal can only be achieved by all those involved working together closely and purposefully. MPI's role in facilitating this collaboration may be the elusive 'tipping-point' that is required.

This is an exciting time for MPI. It has built its capacity, capability and confidence to achieve the goal of doubling the value of exports by 2025 and now needs to do so. This goal is far too big a prize for New Zealand for MPI not to go all out for it, willingly making the required course corrections discussed in this Report.

Four-year Excellence Horizon

Preamble

In undertaking this Review the Lead Reviewers considered: “Looking forward, what is the contribution that New Zealand needs from MPI and therefore, what is its performance challenge? If MPI is to be successful at meeting the future performance challenge, what would success look like in four years?”

Introduction

MPI has overall leadership of New Zealand’s biosecurity and food safety, along with a strategic and crucial role in facilitating the increased productivity of New Zealand’s primary sector within sustainable limits. Primary industries make up over 78 per cent of New Zealand’s merchandise exports, underlining the critical importance of primary production exports to the Government’s Business Growth Agenda (BGA). MPI is an indispensable part of the ecosystem of New Zealand’s economic agencies and a refined, well-orchestrated, highly collaborative, innovative and determined effort by the Government’s economic agencies is essential to achieving the BGA. No single agency can make this achievement in isolation.

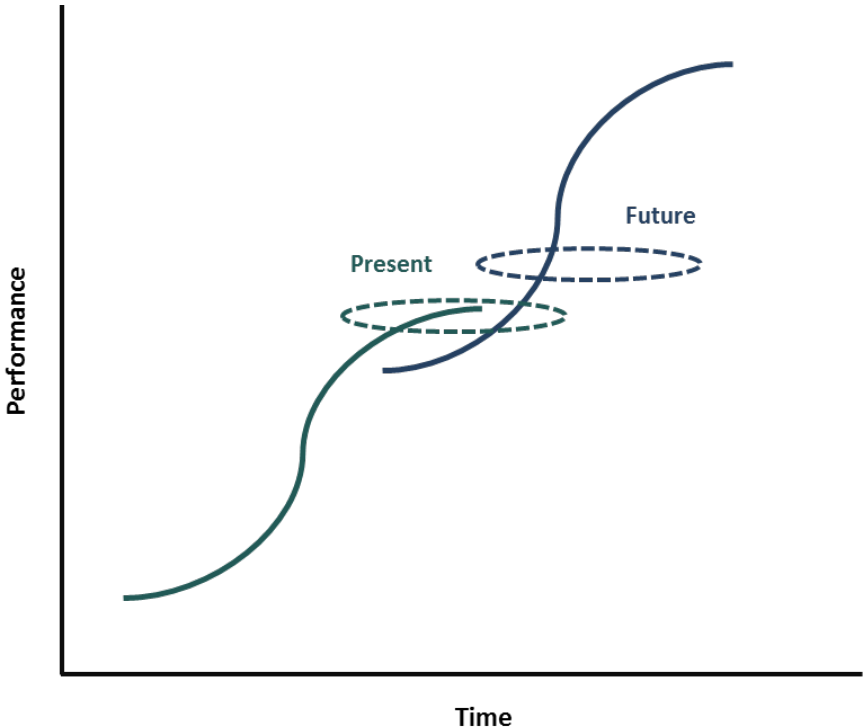
MPI was established in April 2012, following the mergers of the Ministry of Agriculture and Forestry (MAF) and the New Zealand Food Safety Authority (NZFSA) in 2010, and the Ministry of Fisheries in 2011. Significant, and in some areas remarkable, progress has since been made in building a single, integrated entity that is match fit to deliver on one part of its purpose, namely protecting New Zealand from biological risks and ensuring New Zealand food is safe. Valuable progress has also been made in laying the foundations and setting up the scaffolding to deliver on the other part of MPI’s purpose - growing New Zealand’s primary industries and their exports. These two elements of MPI’s purpose – growing and protecting – are inextricably linked. They are ‘two sides of the same coin’ and New Zealanders have high expectations that both will be achieved.

There is no doubt that MPI has achieved a great deal over the last three years in establishing common systems and practices, a time during which MPI has also been severely and somewhat relentlessly tested by a number of major trade, biosecurity and food safety issues. The most significant of these were the WPC contamination incident and Operation Concord, both of which have provided valuable insights as to how MPI could be better prepared to deal with incidents of this nature in future. These insights have resulted in key learnings that have been built into MPI’s operating model.

As revealed in its previous PIF Review in 2013, MPI’s growth-related activities have tended not to receive the same level of attention and urgency as its protection activities and as a result MPI remains at risk of not delivering fully on its growth responsibilities. Making real progress in achieving its goal of doubling the value of exports from the primary sector by 2025 now requires MPI to be much more purposeful in extracting the full potential from the good work it has already done getting to grips with this area of its business. At the same time, it must ensure that momentum for managing New Zealand’s biosecurity risks is harnessed.

MPI’s Director-General, Martyn Dunne, took office in November 2013 and set in place an organisational alignment to strengthen and stabilise MPI and its operating model. This process of alignment included a single Operations Branch, a single Regulation and Assurance Branch, a Policy and Trade Branch and a Strategic Partnerships and Programmes Branch (consolidating all major funds and innovation initiatives). In addition, a Deputy Director-General for China relations was established and a team set up in Beijing.

After three years of consolidation and with the organisational alignment now largely established, the challenge for MPI is to make the strategic shift to the future ‘s-curve’ of performance (see diagram below). In management theory, the key to doing this is not so much what is done near the top of the present curve but what is done to prepare for the next shift on the way up to the future curve. MPI is now well placed to make this shift and it is mission critical for New Zealand that it does.



Purpose

The purpose of MPI is Growing and Protecting New Zealand. This purpose is articulated through maximising export opportunities, improving sector productivity, increasing sustainable resource use and protecting from biological risk.

Environment

The world has never been as hyper-connected as it is currently and consequently MPI operates in a very high stakes environment for New Zealand.

Biosecurity risks to New Zealand are ever-present and can arise with little or no warning. A significant biological incursion has the potential of causing economic disruption and damage to New Zealand's brand as a safe and reliable food exporter. Continued and significant growth in passenger and cargo volumes will impact New Zealand's biosecurity risk profile and place pressure on resources in managing risk. While risk can be anticipated and mitigated, New Zealand will never be immune from incursions. What matters most, therefore, is vigilance, coupled with the capacity to respond quickly and decisively when the inevitable happens.

Changing international conditions, which flow through into mechanisms such as the exchange rate and export prices, also have a direct impact on New Zealand's fortunes. As a significant portion of the primary sector exports are commodity-based, New Zealand is disquietingly exposed to these fluctuations. The recent dairy downturn is a striking example of how dependent New Zealand's economy is on favourable international conditions.

Despite present conditions, the medium to long-term outlook for dairy is positive and the global demand for food, fibre and forestry is generally expected to increase significantly over the next 15 years driven by rising middle class incomes in developing countries, particularly in Asia.

Meeting this demand is not simply a matter of increasing production. Increased production in New Zealand is only possible within the natural resource and environmental limits or 'social licence' that New Zealanders are prepared to accept. Furthermore, New Zealand's international brand is to a great extent dependent on perceptions that New Zealand is environmentally responsible.

The longer-term strategy for New Zealand is not to compete on price alone. Many other countries are already becoming price-competitive. The significant challenge for New Zealand is to add value to what is produced and to retain as much control and ownership of exports as possible. Continuing to invest in good science is absolutely vital to these ends and MPI is well placed in this regard, being one of the most significant funders of science in New Zealand.

Value can also be added to New Zealand production and the production of other countries through joint ventures. Production can also take place in other countries, thereby allowing New Zealand producers to meet cross-seasonal demand and reduce the costs of transportation to market. Taking effective steps in these directions will enable New Zealand to move from being a price taker to a price setter, to migrate from volume to value, thereby increasing returns and helping to insulate New Zealand from the inescapable volatility of international conditions, be these geo-political, economic or environmental.

A number of factors shape MPI's internal environment, most notably:

- ▶ the expectation of Ministers and stakeholders that MPI will deliver on its dual purpose of growing and protecting New Zealand
- ▶ arriving passenger volumes have grown 20 per cent in the last five years, many of whom come from high risk countries from a biosecurity perspective
- ▶ building a more productive and competitive economy for New Zealand leads to an increase in goods, people and craft entering and leaving the country

- ▶ the cumulative effect of high profile events, such as the WPC contamination incident and Operation Concord: while each event is a learning opportunity for MPI, arguably the overall effect is to raise the level of scrutiny under which it must operate
- ▶ consumers of New Zealand food products are becoming increasingly conscious of, and discerning about, food safety and quality and are looking for assurances on which they can rely
- ▶ the legacy of previous restructuring within MPI; only in more recent times has MPI started to rebuild lost institutional knowledge and relationships.

Factors such as these create a complex environment for MPI in which it must manage a number of paradoxes. For example, it must manage risk, while being open to new opportunities and be able to respond rapidly to significant unplanned events, while maintaining what is a demanding core 'business as usual'.

Reflecting on MPI's internal environment strongly suggests the need to:

- ▶ give MPI 'clear air' so that it has sufficient time to realise the gains from previous restructuring (in particular to avoid instituting further structural change), consolidate its position in biosecurity and food safety and create capacity (both in time and space) for more focus on the grow component of its purpose
- ▶ ensure that MPI has the resilience to deal effectively with what is likely to be a progressively more challenging operating environment
- ▶ strategically communicate MPI's progress in managing risks and meeting its expectations.

MPI is well placed to respond to its challenges. As one of the largest regulators within government it has a substantial opportunity to innovate and extend a reputational asset built up over many years. MPI has staff who are both passionate and highly committed to its 'cause', a factor that gives MPI considerable momentum to drive the next shift in its performance. MPI's culture has been significantly enhanced by the approach taken by the Director-General since his appointment and some of the 'ingredients' that have led to the significant gains in the protect element of the purpose are directly transferable to the grow element – the subtlety rests with determining which additional ingredients are required.

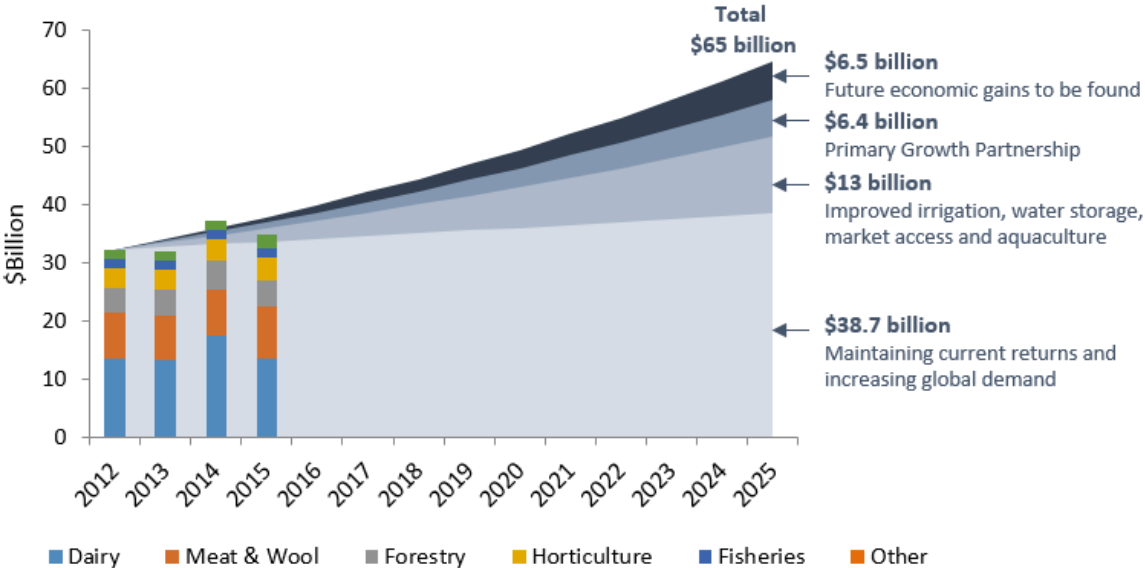
This is MPI's time. MPI has built its capacity, capability and confidence and if it takes the right steps will build the credibility to achieve the goal of doubling the value of exports. This goal is far too big a prize for New Zealand for MPI not to go all out to achieve it.

Performance Challenge – Outcomes

Under its BGA, the Government has set the goal of lifting exports from 30 to 40 per cent of gross domestic product (GDP) by 2025. MPI has expressed its contribution to this goal through its own goal of doubling the value of primary industry exports in real terms from \$32 billion in 2012 to \$64 billion by 2025. MPI's protect activities are both a fundamental precondition for, and a substantial contributor to, growth but they are insufficient by themselves for achieving the goal of doubling the value of exports.

It is recognised that many other factors are at play in determining the value of New Zealand’s exports from the primary sector, some of which are outside the direct control of New Zealand and any single New Zealand agency, for example, international commodity prices and the New Zealand exchange rate. As noted, however, judicious policy settings and approaches can position New Zealand favourably to take advantage of opportunities or to minimise risks. Similarly, it is recognised that it is firms and individuals, not government agencies that must make decisions on where to invest to drive export growth. Again, however, agencies such as MPI have an extremely important role in influencing those decisions through appropriate sector-wide leadership, thought leadership, innovation, facilitation, partnership, investment and regulation.

New Zealand’s primary industries have a compelling opportunity through rising global demand for high-quality and safe food. MPI has a critical role to play in facilitating the primary industries to achieve this goal, through a range of initiatives that include the PGP, creating stable and sustainable access to a wider range of international markets, enhancing MPI’s core regulatory systems and supporting legislation. The graph below reveals that assuming current returns from the primary sector are maintained, and the forecasted returns from improved irrigation, water storage, market access and aquaculture (collectively \$13 billion) and the PGP (\$6.4 billion) are achieved, a substantial gap of some \$6.5 billion will nevertheless remain. Clearly, to meet these challenges MPI will need to do a large number of things differently as opposed to a small number of things better.



MPI has already identified areas of opportunity and possible interventions to bridge the \$6.5 billion gap, which include building a future skill base for the primary sector, stimulating farming system changes, refreshing investment strategies and regional economic development. Consideration needs to be given by MPI to whether these represent sufficient scale and ambition to bridge the gap. The goal of doubling the value of exports is a stretch target that will require MPI to stretch its thinking and recalibrate its mindset.

Somewhat paradoxically the increased economic activity as reflected in trade flows and people movements will place additional pressure on MPI’s protect responsibilities. It is instructive in this respect for MPI to think of its dual purpose as not only two sides of the same coin but also metaphorically as a double helix of two interconnected rather than independent strands.

How MPI responds to biosecurity incursions when they occur is clearly important in providing assurance to New Zealand's trading partners that New Zealand's production and food safety systems are robust and reliable. Wherever possible, getting ahead of the curve by anticipating and addressing issues before they become problems is also clearly desirable and intelligence and insight are critical to this proactive approach.

As identified above, accelerating and elevating the work programme to secure the goal of doubling the value of exports, while maintaining the momentum for managing New Zealand's biosecurity risks and food safety effectively, lies at the heart of MPI's performance challenge for the next four years. MPI will need to have a clear view about how it can enhance public value in growing the primary sector and deliver that value with drive, determination and urgency. It must do this while continuing to deliver and enhance public value in respect of its protect activities.

In this context, it is important to reflect on the fact that the BGA is a 'call to action' not a 'call to complexity' and this is why it is important for MPI to draw on its successful approach on the protect side to 'muscle up' on the grow side. Furthermore, it is important for MPI not to be defined by recent biosecurity and food safety incidents. In particular, it must build the confidence to secure opportunities for growth, while safely managing risk – rather than the other way around.

Performance Challenge – Agency

1 Purpose and Targets

To achieve its purpose of Growing and Protecting New Zealand MPI will need to ensure that export opportunities are maximised, sector productivity is improved, resource use is sustainably increased and New Zealand is protected from biological risk. To deliver these outcomes, MPI's focus is on biosecurity, food safety, primary production and trade. Notably, MPI also leads or co-leads workstreams in the Natural Resources Sector (NRS), which are fundamental to the achievement of the goal of doubling the value of exports.

Perhaps a more powerful way of MPI articulating the goal of doubling the value of exports is not as an anticipated or aspirational goal but one, which like biosecurity and food safety, is indelible. This will not dilute the significant stretch required to achieve this goal but will greatly assist in making the shift in MPI's organisational mindset that this is a goal that must be achieved rather than merely kept in mind. In this context, consideration needs to be given by Ministers, central agencies and the primary sector as to how they can support MPI make this shift. While the goal of doubling the value of exports requires MPI to take a strong leadership role, it is clear that this goal can only be achieved by all those involved working together closely and purposefully. MPI's role in facilitating this collaboration may be the elusive 'tipping-point' that is required.

2 Business Strategy

MPI's strategy is articulated through seven key strategic priorities being:

- ▶ Smart regulation
- ▶ Operational excellence

- ▶ International access
- ▶ Provenance and traceability
- ▶ Precision production and investment
- ▶ Enduring relationships
- ▶ Integrated information, insights and knowledge.

These priorities are fundamental to the change MPI is making and are underpinned by a view that MPI's role is to establish the best possible environment in which business can flourish and that only business can make business happen.

Establishing such an environment is obviously *necessary* for growth but based on performance to date it is unlikely to be *sufficient* to meet MPI's particular growth target. Short of the Government substantially increasing its level of investment in the primary sector, MPI will need to find new and innovative ways to create public value, some of which may involve tackling long-standing structural problems in the primary sector. This in turn will require a new mindset about the tools at MPI's disposal and how best to use them. For example, as well as working with the primary industries on capturing opportunities in existing markets, MPI will need to turn its attention to how new market opportunities for New Zealand can be created or shaped.

As a regulatory steward, MPI must not only have a consistent approach to regulation across its many varied responsibilities but also a clear appreciation of how well regulation is serving its intended purpose. It must be confident that regulation is cost-effective and not unduly restrictive of growth.

The business strategy for getting to grips with MPI's grow activities needs to operate across MPI's 'value chain' (shown in the diagram below as comprising resources, production, processing, distribution and marketing). MPI needs to take a whole-of-system approach, starting with the needs of the customer and making full use of the suite of interventions available, especially facilitation and partnerships. Above all, MPI needs to have a clear view of how it can add public value in relation to growing the sector. While setting the right strategy is obviously critical, so too is the urgency and precision of its execution.

Consistent with this strategy, MPI should aim to be a more influential economic Ministry that is playing a leading role in shaping the thinking in whole-of-government processes, such as the BGA and NRS.

Representation of MPI Value Chain

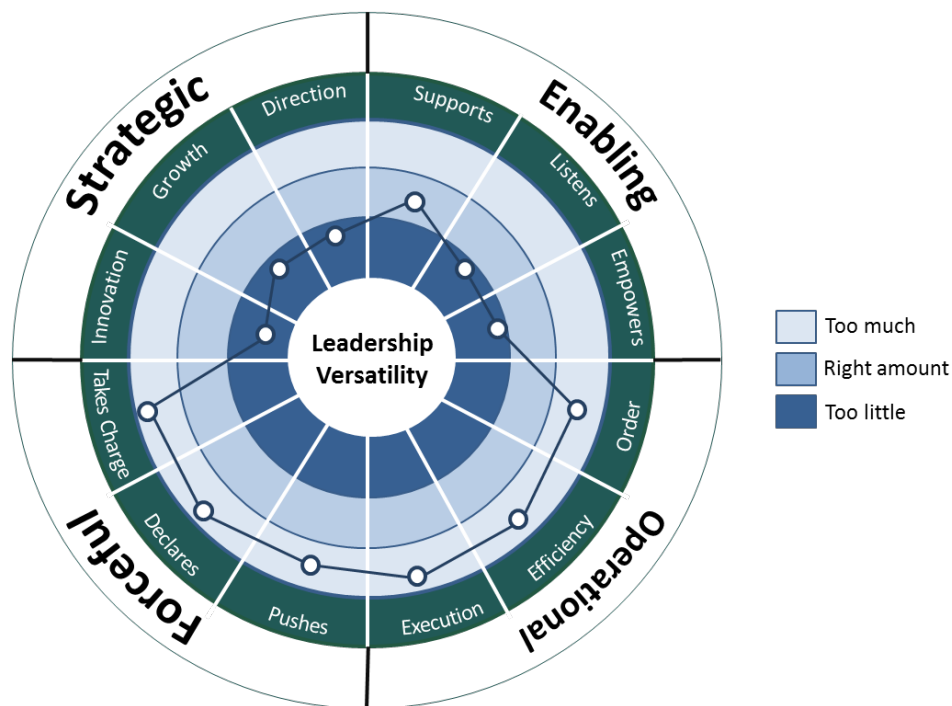
	RESOURCES	PRODUCTION	PROCESSING	DISTRIBUTION	MARKETING
ACTIVITY	Utilising	Growing and harvesting	Collecting and transforming	Getting products to market	Accessing markets and meeting customer needs
	Using natural and manmade resources - climate, land, soil, water, gene stocks, skills	Producing food and non-food products within environmental limits	Ideally adding value and being productive	Cost-effective transportation and infrastructure, e.g. cool storage Appropriate distribution arrangements (wholesale, retail, franchise) Ensuring products reach customers in the best condition	Ideally, where the customer base is large, affluent, discerning and foreign Where possible, differentiating New Zealand's offering and creating new market opportunities
SCOPE	ACTIVITIES AFFECT ONE OR MORE OF MPI'S FOUR SYSTEMS: BIOSECURITY, FOOD SAFETY, PRIMARY PRODUCTION AND TRADE				
INTERVENTIONS	Regulation Investment Facilitation Partnerships	Regulation Investment Facilitation Partnerships	Regulation Investment Facilitation Partnerships	Regulation Investment Facilitation Partnerships	Investment Facilitation Partnerships

3 Operating Model

Given the substantial and effective changes that have been made to MPI's operating model, the operational changes needed to support its business strategy are primarily subtle (but highly perceptible) corrections as opposed to major changes of direction or restructuring (the latter would serve to dilute rather than stimulate the sense of urgency now required).

Many of these subtle changes relate to the concept of leadership versatility (as described by Kaplan and Kaiser in 2013). MPI's challenge (similar to many contemporary agencies) is to make its organisational leadership more versatile by not overplaying its strengths of being forceful and operational, thereby creating more space and opportunity to be both more strategic and enabling. In this context 'forceful' is about SLT leading and 'enabling' is about SLT creating an environment where others can lead. As with any organisation and individual, Kaplan and Kaiser have identified that "too much strength can be a weakness" or "your strengths can work against you". What is critical for MPI is to have the right behaviour, in the right amount, at the right time and for the right circumstance for each elements of its purpose, grow and protect. Clearly, while there will be some overlap, there will also be differences.

To achieve this, MPI's SLT should consider modulating the strengths of the team to facilitate enhanced leadership versatility, which will greatly assist in the achievement of the goal to double the value of exports. For example, in four years' time, we would expect to see more weight given to strategic and enabling behaviours and less to operational and forceful behaviours in respect of the grow element of the purpose. The nature of the change required can be seen from the diagram below, which reflects MPI's current indicative pattern that we observed during our Review.



More specifically, MPI needs to shift its performance in the following areas:

Become a highly respected thought leader

To become a more influential Ministry MPI must not only have deeper analytical capability but also the capacity to be more creative in its thinking. As a thought leader MPI would have a consummate understanding of how overseas consumer preferences are evolving and think innovatively about how NZ Inc. can put its best foot forward to reach and serve these consumers. It would be confident in making a case for change where this is needed either to grow or protect New Zealand, no matter how difficult this might be.

Develop an entrepreneurial and adaptive culture

Closely linked with thought leadership is the need to create an entrepreneurial policy culture that MPI staff are comfortable with, and supported in, testing existing boundaries or orthodoxies and tackling issues that are adversely affecting prospects for growth. The challenge for MPI is not to allow its natural aversion to risk, which is completely appropriate for its protect activities, to become the default setting for its entire business. MPI’s grow activities require its staff to be adaptive and to have the resolve to catalyse change. More of the same is unlikely to achieve the step-change required: new approaches will be needed. A few well-chosen early successes would help greatly to encourage this shift of mindset.

Be more strategic by being more intentional

MPI needs to focus its business strategy by being more intentional in the follow through. For example, MPI could follow New Zealand Trade and Enterprise’s (NZTE’s) lead to operationalise its strategic priorities through strategic challenges, specific goals and short-term plans, which will help to provide greater clarity of purpose and encourage a bias for both urgency and action.

MPI has seven strategic priorities, supported by a large number of projects. MPI could consider curbing this list and identifying a few vital priorities and projects to focus on in a particular planning period.

Resources should be available for, and flow to, the highest ranked or 'vital few' priorities for growth. A new and highly calculated approach to the effectiveness of the allocation of resources will support this process.

Move from intelligence to insight

MPI is already working to gather market-based and scientific information from which intelligence can be acquired and insights derived to help target and orient its efforts to maximum effect. The key to gaining insight is appreciating how different factors can influence a system, often in ways that might seem imperceptible or inconsequential to a casual observer. MPI should consider whether it has enough staff with sufficient depth of thinking, 'big data' analytic experience, as well as the tacit intelligence to be able to correlate a wide range of variables and to identify the bigger picture.

Seize networking and learning opportunities

MPI should play a more active role in working across government and consider establishing communities of practice from which to learn and build consensus. Experienced staff with integrative skills could be brought in on secondment to assist such learning. MPI should also consider whether its policy shop, at both the strategic and operational policy levels, is making the best possible use of the experience of staff in operational areas. Becoming more active in forums such as the BGA and NRS will help MPI to become a more visible leader.

Make better use of strategic communications

How priorities and approaches are communicated can be as important as the priorities and approaches themselves. While MPI produces a formidable array of high-quality material on its plans, progress and activities, it appears to underplay the role of strategic communications in explaining purpose and intent, inspiring others to act and building coalitions of interest. For example, there seems to be untapped potential to leverage the success of some sub-sectors for the benefit of the primary industries as a whole. This suggests a lack of strategic thinking in the organisation or a gap between communications professionals and strategic thinkers.

Maintain balance and proportion

As noted above, a paradox for MPI is responding to unplanned events while maintaining business as usual. While biosecurity incursions must be managed effectively, this must not come at the expense of other vital work. Moreover, the responsibility for mission critical work must not be allowed to rest on the shoulders of the few. MPI could manage this risk by considering the make-up of its SLT and reviewing its accountabilities, help ensure that equal attention is given to policy and operational perspectives. MPI also needs to ensure its staff have sufficient 'bandwidth' to balance competing priorities.

Implementation

MPI already has the structures and systems in place to give effect to its business strategy. No structure or system is ever perfectly configured and provided it does not get in the way of allowing people to work together effectively should not be tampered with. MPI already has deep technical knowledge and skills in its areas of responsibility and it is essential these are maintained.

The operational changes needed to support MPI's business strategy are reasonably subtle (as already noted) and essentially come down to its leaders re-calibrating how MPI operates. In some cases, this might simply be a matter of making the implicit more explicit, particularly as it relates to the goal of doubling the value of exports. In other cases, it might simply be a matter of reframing. This subtle but critical leadership needs to be set in place immediately.

In strengthening internal systems, considerable momentum has been built up in MPI over the last three years and it should be possible to harness this capacity and energy in making the corrections now required.

Making these changes also needs to be thought about as an ongoing mission, much like a 'marathon without a finish line'. Determination and perseverance are going to be critical for MPI's success.

In recent years, MPI's SLT has understandably placed greater emphasis on operations to deal with significant challenges faced on the protect side of its business. An important issue for MPI to consider is what steps are to be taken to ensure SLT also gives sufficient attention to MPI's grow responsibilities. These may include giving greater weighting to strategic policy discussions and creative thinking. Improved governance at this level would also help MPI develop stronger system-wide thinking and approaches.

What will success look like?

The crucial measure of success is that in four years' time MPI has an intentional and credible plan for delivering on its goal of doubling the value of exports and has secured the gains required for the 2025 target to be achieved, while at the same time dealing effectively with any biosecurity incursions and maintaining food safety.

Successfully developing and implementing this plan will be the result of:

- ▶ MPI having become proficient in managing the balance between the grow and protect elements in its purpose and having achieved mastery in both
- ▶ a change of pace in MPI with a much greater sense of commitment and urgency to the goal of growing the value of exports
- ▶ MPI developing superior powers of vigilance based on sophisticated intelligence and insight
- ▶ a much stronger leadership role in relation to the primary sector with a much greater emphasis on New Zealand's national interests, with MPI acting as a facilitator and partner and being a highly respected and innovative regulator and promoter of economic activity

- ▶ MPI successfully tackling issues that hold back growth even though these might be challenging
- ▶ greater clarity of purpose and intention in MPI's internal and external communications
- ▶ learnings from others who have successfully managed difficult policy challenges (not necessarily from the same sector) being internalised within MPI.

In four years' time MPI will be defined by its achievements, which will be a direct result of both its business strategy and operational model. In particular:

- ▶ MPI will be valued by public and private sector leaders for its intellectual leadership and prudent and calculated appetite for risk in pursuing opportunities for growth, while still widely respected for effectively securing New Zealand's biosecurity and food safety systems
- ▶ staff and stakeholders will have discerned a shift in leadership behaviours with MPI having mastered greater leadership versatility and a greater appetite for challenging barriers to growth
- ▶ MPI will have achieved highly effective resource (in the widest sense of the word) allocation, with greater investment in building thought leadership and innovation
- ▶ MPI's compulsive commitment to a journey of continuous improvement will be evident.

Lester Levy
Lead Reviewer

David Butler
Lead Reviewer

Central Agencies' Overview

The Central Agencies thank the Lead Reviewers for their comprehensive Review and we agree with their findings. We also acknowledge the high quality PIF Self-review undertaken by MPI in preparation for this Review.

The PIF surfaces MPI's significant organisational improvements over the last few years and provides MPI with a strong and refreshed mandate for more collaborative leadership across the BGA and NRS to accelerate progress in doubling the value of primary industry exports.

As MPI acknowledges, delivering on this performance shift and mandate involves the need to:

- ▶ “improve the description of the next steps in [its] growth programme, beyond the work already underway”
- ▶ “build on thought leadership in government, particularly around science and innovation, economic and natural resources issues”
- ▶ “engage actively in the primary sector to prompt new thinking through leadership, advice, economic and market insight, scientific research, enabling finance, and where appropriate, regulation to incentivise change”
- ▶ “encourage the internal conditions for new ideas and disruptive thinking to challenge the organisational orthodoxy”.

The NRS offers an important space in which MPI can lead and work with others in government to find innovative solutions that will achieve the Government's BGA and environmental goals. We will work with MPI to strengthen the NRS to contribute to increasing the value of exports, and to build the thought leadership required to do that within the NRS and broader BGA.

As MPI further develops its growth programme and builds thought leadership in government we expect it will lead conversations with departments and Ministers that challenge current thinking and demonstrate a different set of risk tolerances. Obtaining an authorising environment to progress new thinking will require the full engagement of Ministers. We will provide advice and support to MPI on that engagement process, noting the contribution to public sector stewardship obligations that such work and thought leadership is likely to provide.



Iain Rennie
State Services Commissioner











Gabriel Makhlouf
Secretary to the Treasury

Andrew Kibblewhite
Chief Executive, Department of
the Prime Minister and Cabinet

Summary of Ratings


Results

Government Priorities	Rating
Responding to the Business Growth Agenda	
Better Public Services	






	Rating (Value to Customers and New Zealanders)	Rating (Increased Value Over Time)
Core Business		
Biosecurity System		
Food Safety System		
Primary Production System		
Trade System		
Regulatory Stewardship		

Organisational Management

Leadership and Direction	Rating
Purpose, Vision and Strategy	
Leadership and Governance	
Values, Behaviour and Culture	
Review	
Delivery for Customers and New Zealanders	Rating
Customers	
Operating Model	
Collaboration and Partnerships	
Experience of the Public	

Relationships	Rating
Engagement with Ministers	
Sector Contribution	
People Development	Rating
Leadership and Workforce Development	
Management of People Performance	
Engagement with Staff	
Financial and Resource Management	Rating
Asset Management	
Information Management	
Financial Management	
Risk Management	

Rating System

Rating	Judgement	What it means
	Strong (Excellent)	<p>Best practice/excellent</p> <ul style="list-style-type: none"> ▶ High level of capability and sustained and consistently high levels of performance ▶ Systems in place to monitor and build capability to meet future demands ▶ Organisational learning and external benchmarking used to continuously evaluate and improve performance.
	Well placed	<p>Capable</p> <ul style="list-style-type: none"> ▶ Delivering to expectations with examples of high levels of performance ▶ Evidence of attention given to assessing future demands and capability needs ▶ Comprehensive and consistently good organisational practices and systems in place to support effective management.
	Needing development	<p>Developing</p> <ul style="list-style-type: none"> ▶ Adequate current performance – concerns about future performance ▶ Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units ▶ Areas of underperformance or lack of capability are recognised by the agency ▶ Strategies or action plans to lift performance or capability or remedy deficiencies are in place and being implemented.
	Weak	<p>Unaware or limited capability</p> <ul style="list-style-type: none"> ▶ Significant area(s) of critical weakness or concern in terms of delivery and/or capability ▶ Management focuses on tasks and actions rather than results and impacts ▶ Agency has limited or no awareness of critical weaknesses or concerns ▶ Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
	Unable to rate/not rated	<p>There is either:</p> <ul style="list-style-type: none"> ▶ No evidence upon which a judgement can be made; or ▶ The evidence available does not allow a credible judgement to be made.

Agency Context

New Zealand's primary sector

New Zealand's primary industries generate approximately 78 per cent of New Zealand's merchandise export earnings and accounted for \$32.8 billion in the year to 30 June 2014. Over 350,000 people are employed either directly in primary industry jobs or supplying support services. Dairying is the backbone of the sector, accounting for 37 per cent of New Zealand's merchandise exports in 2013/14. Demand from China has helped drive export growth in recent years.

Establishment of MPI

MPI is a public service department established in April 2012 following the merger of MAF and NZFSA in 2010, and the merger between the resulting entity and the Ministry of Fisheries in 2011.

The mergers created a single government gateway for the primary sector, with activities spanning the entire length of its value chain from resource utilisation to production, processing, distribution and marketing.

The present Director-General, Martyn Dunne, commenced in his role in 2013.

MPI's purpose and governance

MPI's purpose is growing and protecting New Zealand. It does this by working to maximise export opportunities, improve sector productivity, increase sustainable resource use and protect from biological risk across four systems: biosecurity; food safety; primary production; and trade. Direction is set across these systems through seven priorities: smart regulation; operational excellence; international access; provenance and traceability; precision production and investment; enduring relationships; and integrated information, insight and knowledge.

MPI is the Government's principal advisor across all aspects of the primary industries, including food production and trade-related issues. It administers several large and complex regulatory systems that protect New Zealand's biosecurity, environment and food supply, while supporting a significant portion of New Zealand's economy.

MPI's governance structure comprises three 'system' boards with responsibility for the regulatory stewardship of their respective areas (biosecurity, food safety and sustainable economic development and trade) and two 'enabling' boards with responsibility for the effectiveness of critical supporting areas (information, security and infrastructure, and science). A risk management committee also provides advice on risk issues affecting MPI's business as a whole.

MPI's staffing and funding

MPI employs over 2,300 people across some 70 locations, including offices, shipping ports, mail centres, airports, laboratories and overseas posts, throughout New Zealand and around the world. About half of MPI's staff are located in Wellington.

MPI is funded under Vote Primary Industries and Food Safety, a combined Vote from 2015/16. Output expenses total \$455 million, of which \$100 million is for policy advice, \$179 million for border and biosecurity functions, \$73 million for fisheries and forestry activities and related grants and \$103 million for food safety work. Non-departmental outputs total approximately \$232 million, the largest single item of which is the PGP, a public-private partnership designed to help commercialise innovation in the primary sector.

Significant recent events

In 2013, MPI was tested by a significant trade, biosecurity and food safety incident, the WPC contamination incident. In the past two years MPI has responded to three separate detections of the Queensland fruit fly. From late 2014, MPI has also been the lead government agency responding to a criminal blackmail threat to release infant and other formula contaminated with 1080 pesticide into the retail market.

Previous review

MPI received its last PIF Review in March 2013. In commenting on its performance challenge, the Lead Reviewers focused on the goal of delivering export earnings growth. They noted that current policy settings and programmes would be insufficient to deliver this goal. The challenge would require real innovation from MPI based on an understanding of how biosecurity, food safety and primary production systems needed to be configured to deliver more value to offshore consumers. A key element of the transformation required would be the quality of external relationships with public agencies and private organisations. Furthermore, the export goal would need to be widely communicated and made more relevant to what people in MPI were actually doing; management of MPI's people would need to be improved markedly and the new culture reflected in the way decisions were made; governance structures and business processes required to integrate functional business lines would need to be strengthened; and information and intelligence would need to be used to help develop a capability for learning and adaptation. The Lead Reviewers noted that above all MPI would need to develop real thought leadership that could rethink the role that government should play to improve system performance.

In response, MPI accepted that moving to its future state would require movement across four mutually dependent areas: an accelerated focus on developing its people capability to build the behaviours and culture needed for success; strong strategic leadership within MPI to deliver the goal of export earnings growth; being clear on, and seizing, a leadership role within government, with the public and the primary sector; and becoming a stronger systems manager, one that ensures that the right set of interventions are used to ensure biosecurity, food safety and primary production systems deliver a sustainable uplift in export performance.

Results Section

Part One: Delivery of Government Priorities

Government Priority 1: Responding to the Business Growth Agenda

Performance Rating: **Needing development**



The BGA is an ambitious work programme that will support New Zealand businesses to grow, to create jobs and improve New Zealanders' standard of living. MPI contributes to the BGA through three workstreams discussed below.

Building export markets

As noted already, the Government has committed to the goal of increasing the ratio of exports from 30 to 40 per cent of GDP by 2025. As the primary industries make up over 78 per cent of New Zealand's merchandise exports, their continued growth will be critical to increasing the ratio of exports. MPI has committed to double the value of primary industry exports in real terms from \$32 billion in 2012 to \$64 billion by 2025.

MPI makes a valuable contribution to building export markets by working to improve access to international markets and making it easier to trade from New Zealand. For example, it works with international standard-setting bodies to reduce the incidence of non-tariff barriers. The New Zealand Customs Service (Customs)/MPI Joint Border Management System (JBMS) has made it easier for exporters and importers to operate and various reviews of regulations are under way to test if they are well-structured and supportive of trade.

The Government has recently announced that market diversification will be a major theme of building exports and MPI should be well placed to respond to this in the light of its trade facilitation work. Offshore MPI representation has been strengthened including senior representation now in place in China. MPI is working more actively with the Ministry of Foreign Affairs and Trade (MFAT) and NZTE to find new opportunities and MPI has enhanced its capabilities to implement and maximise the benefits from Free Trade Agreements.

MPI also administers the PGP, a joint funding programme with industry. Independent reviews of the PGP by the Office of the Controller and Auditor-General (OAG), the New Zealand Institute of Economic Research (NZIER) and others demonstrate that it is a well-managed scheme, on track to increase New Zealand's GDP from 2025 by \$6.4 billion, with the possibility of a further \$4.7 billion if additional stretch is achieved.

MPI's modelling reveals that the sector is well short of delivering on the goal of doubling the value of exports, however.

In our discussions with MPI we were unable to discern a clear plan for how the gap on the goal of doubling the value of exports will be addressed. MPI has the lead on certain projects under the workstream and progress is tracked for reporting to Ministers. We were not able to identify a clear 'line of sight' for how the shortfall would be met. Having a clear plan to address the shortfall is essential if MPI is to come to grips with achieving the goal of doubling the value of exports as opposed to simply working towards it. Part of the development of this clear plan is for MPI to be more deliberate about making the implicit more explicit. Of more critical substance, we were able to identify a nascent body of work that could create a very promising platform for accelerating more purposeful progress to the goal. Having said that, it is absolutely vital that MPI continues to work to protect and enhance New Zealand's reputation as a trusted and reliable food exporter through its biosecurity and food safety activities. Without this reputation New Zealand will not even get to first base in growing its primary sector exports.

To improve its performance in this area MPI will need to:

- ▶ play a more active leadership role in BGA discussions about building export markets in the primary sector
- ▶ develop a clear, coherent and purposeful plan for addressing the shortfall in the goal of doubling the value of exports
- ▶ ensure that this plan has a high level of buy-in from the primary sector and is accepted by government stakeholders
- ▶ keep the plan under active review and be alert to new opportunities for growing exports

Building innovation

The Government has committed to the goal of creating the right business environment and incentives to encourage New Zealand's business sector to double its expenditure on research and development to more than one per cent of GDP by 2018.

MPI is making a valuable contribution to this goal through the PGP, Sustainable Farming Fund (SFF) and other science and innovation investments.

The PGP is focused on commercialising innovation and has a high level of support across the primary sector. A positive side benefit of the PGP is that it has enabled MPI to strengthen its relationships with industry, which is critical to its role of facilitating primary product export growth.

The SFF invests up to \$7 million a year in applied research and projects led by farmers, growers and foresters. An independent review by Kinnect Group in 2014 confirmed the SFF is delivering positive economic, environmental and social benefits.

MPI is also supporting innovation through the National Science Challenges which have the potential to align and focus New Zealand's research on large and complex issues by drawing scientists together from different institutions and across different disciplines.

To improve its performance in this area MPI will need to:

- ▶ play a more active leadership role in BGA discussions about the place of innovation in lifting New Zealand's economic performance, drawing on its deep knowledge and practical experience of working with Crown Research Institutes (CRIs) and PGP partners
- ▶ ensure that New Zealanders have a better understanding of where innovation has been commercialised successfully in the primary sector.

Building natural resources

The Government has committed itself to improving the quality of New Zealand's natural resource base over time, while sustaining the growth needed from key sectors to meet its target of increasing the ratio of exports from 30 to 40 per cent of GDP by 2025.

MPI has a pivotal role to play in the NRS by showing that it is possible to improve both economic and environmental outcomes, for example, through precision farming, new farming techniques and improved water storage (allowing better irrigation). There are opportunities to make better use of marginal land, develop forestry, increase processing and reduce erosion. Harnessing such opportunities will promote regional economic development and in turn Māori economic development. Better pest management will also contribute to both productivity and conservation goals.

MPI has a particularly important role with respect to climate change given that over half of New Zealand's greenhouse gas emissions are generated in the agricultural sector, primarily from ruminant animals, and a substantial amount of carbon is sequestered in trees and scrub. To avoid reducing food production and New Zealanders' incomes, it will be necessary to find low-cost scientific solutions in such areas. MPI is contributing to international research on the mitigation of greenhouse gas emissions in the agricultural sector. To the extent that it is possible to capture intellectual property from such research, there may also be export-led opportunities for New Zealand firms in a position to help other countries manage their agricultural emissions.

Both the BGA and NRS are complicated ecosystems that work on the basis that collective leadership across relevant agencies will produce better results than if those agencies work in a fragmented way. There are some examples of collaboration, for example, MPI has a team located at the Ministry for the Environment (MfE) to work on freshwater issues, although feedback from some agencies is that headway towards working together more closely is still 'work in progress'. Some agencies noted that MPI appeared diffident about the value of whole-of-government processes. Furthermore, on some occasions MPI tended to follow rather than lead and can sometimes be hard to work with, having a predilection to work in its own space, reporting separately to Ministers. We also received feedback that MPI would benefit from taking a longer-term view, ensuring that its priorities for funding research were based on a good understanding of the science and other empirical evidence.

To improve its performance in this area MPI will need to:

- ▶ play a more active leadership role in NRS discussions, in particular by taking a longer-term, more strategic view of the issues where there should be more scope for avoiding trade-offs between economic and environmental outcomes and finding possible complementarities or win-win opportunities
- ▶ ensure that New Zealanders have a better understanding of what is being done in the primary sector to manage production within environment limits.

Conclusion

In recent years MPI's ability to deal with, and respond to, several major trade, biosecurity and food safety issues has been tested. This is discussed more fully elsewhere in this Report but it is relevant to note that these events have undoubtedly diverted the attention and focus of senior management from the growth agenda. At the same time, MPI has been making a number of important and successful changes directed to lifting organisational performance. In the context of all of these challenges many commentators expressed the view that it is understandable that the growth agenda has received less attention during this period. While there are signs that MPI is now focusing on growing as well as protecting New Zealand, if any biosecurity or food safety issues arise in the future SLT will need to ensure it is not unduly swept up in the management of those issues. Achieving the goal of doubling the value of exports will require focus and intentionality.

MPI also needs to think more deeply about its own identity. The agency needs to position itself as a genuine thought leader in the economic debate and a strong and active participant in cross-government discussion about economic growth, particularly as it relates to primary industries. This also applies to its work with the NRS where it needs to contribute more strongly to new thinking about the opportunities for growth and use its well-deserved reputation as a successful regulator to influence industry thinking. MPI should be prepared to push harder to advance options and choices, based on good science and market analysis, as well as its technical understanding of the primary sector.

It would be worthwhile for MPI to consider how other agencies have sought or are seeking to create a national conversation about possible change. The tax reform working group and the land and water forum are examples of reform processes that are seeking to build consensus among stakeholders that also give Ministers a high level of confidence in the conclusions being reached. Such processes are complex and need subtlety and time if they are to succeed. As a central government observer to the land and water forum, MPI should be well placed to learn from this exercise.

Government Priority 2: Responding to Better Public Services

Performance Rating: **Well placed**



MPI has been a positive contributor to Better Public Services (BPS) Result Area 9 (New Zealand businesses have a one-stop online shop for all government advice and support that they need to run and grow their business) and Result Area 10 (New Zealanders can complete their transactions with government easily in a digital environment). Result Area 9 can help New Zealand businesses develop a competitive edge in the local and global marketplace.

MPI has been making it easier for New Zealanders to get in contact by simplifying its externally-facing phone channels. In December 2014, MPI implemented a single customer-centric website designed to facilitate easy access to information and to complete transactions for business and other users. The JBMS has also been a positive step forward, with MPI, Customs and Immigration New Zealand working well at the operational level to deliver services to customers, although full benefits from this system have yet to be captured. MPI has also been an active adopter of whole-of-government ICT initiatives and is seen as a role model in this regard. These whole-of-government initiatives are also used to drive other changes in MPI producing savings and leading to better internal services.

On the other hand, many stakeholders reported that MPI's structure was opaque to them and that they often struggled to find the right person with whom to engage. This problem was exacerbated by the high turnover of staff in some areas. It was also observed that MPI tends not to differentiate between the circumstances of different groups. For example, in one recent exercise concerning fisheries we heard that long-standing, fee-paying customers were treated on the same basis as casual users.

Delivering better public services is not only about the 10 Result Areas; it is about a new way of working that improves services for New Zealanders by being more innovative and placing New Zealanders more at the centre of how services are designed and delivered.

During our interviews and discussions, we were surprised not to hear more about MPI's general thinking about how it would work differently to respond to BPS, for example, by reducing the cost of doing business in MPI's areas of responsibility. We tended to hear about the above initiatives in isolation rather than as part of a conscious and coherent drive for improved services in all areas of MPI's business.

To improve its performance in this area MPI will need to:

- ▶ continue to improve the ease with which stakeholders and the public can interact with the appropriate area of MPI
- ▶ develop a more sophisticated understanding of the needs of particular customers and to tailor services and communications accordingly, possibly through the use of account managers for specific client groups
- ▶ have an ongoing, coherent plan for responding to BPS across the agency.



Part Two: Delivery of Core Business

This Review is the first PIF Review in which a distinction is made in the areas of core business between value to customers and New Zealanders and increased value over time. A distinction is also made between customers and New Zealanders recognising that in some instances an agency will provide services to customers who are not New Zealanders. In MPI's case, for example, biosecurity services are provided to overseas tourists as they cross New Zealand's border.

In this part of the Report, and in the context of MPI's core business, we take 'value' primarily to mean serving New Zealand's national interests, especially over the medium to long term. In the case of each of MPI's four areas of core business, managing risk is a key component, especially with respect to its biosecurity and food safety systems. Taking advantage of opportunity is also an important component of each area, especially with respect to MPI's primary production and trade systems. This is not to imply that meeting the reasonable expectations of particular customer groups within each of these areas (as opposed to New Zealanders as a whole) is not also an important part of MPI's overall value proposition. Customers in this sense are discussed in the organisational management section of this Report.

In the context of serving New Zealand's national interests, increased value *over time* can be seen in terms of what is being done to increase the clarity of foresight about New Zealand's risk and opportunity profile and improve MPI's ability to respond to risks and opportunities. A vital ingredient is understanding how consumer preferences for New Zealand food are evolving in key overseas markets.

Over the medium to long term, possible proxy measures for the delivery of value could be changes of behaviour at the level of the firm or customer group.

Core Business 1: Biosecurity System	
Performance Rating (Value to Customers and New Zealanders): Well placed	
Performance Rating (Increased Value Over Time): Strong	

Delivery of a sound, resilient and responsive biosecurity system in New Zealand is critical to MPI's work in growing exports from the primary sector. It is both a pre-requisite for, and a substantial contributor to, this goal.

New Zealanders cannot reasonably expect MPI to ensure that New Zealand will forever remain totally free of all harmful biological incursions. These events are likely to occur from time to time despite New Zealand having highly effective risk assurance systems and practices in place. But New Zealanders can expect such systems and practices to reduce the incidence of risk, for example, by allowing some risk to be anticipated and pushed offshore and to ensure that any incursion that takes place to be managed quickly and decisively.

MPI is the lead government agency of New Zealand's biosecurity system. It has an ambition to prevent harmful pests and diseases from establishing in New Zealand through active surveillance and responding quickly and effectively to incursions when they occur. Its focus is wide-ranging and extends before and after the border, as well as at the border itself.

Over recent years there has been rapid growth in respect of cargo and travellers. The number of containers arriving in New Zealand has increased by four per cent per annum over the last four years and even higher growth in cargo is predicted. Air passengers arriving in New Zealand have increased by 19 per cent during the last five years with further growth expected.

MPI has faced a number of serious biosecurity issues over the last few years, a current example of which is the Queensland fruit fly which has been detected on three separate occasions in the upper North Island in the past two years. Responses to these detections were determined using MPI's Single Scalable Response Model (SSRM).

In October 2015, the OAG issued a follow-up audit to its earlier report (February 2013) on how effectively the biosecurity system was preparing for, and responding to, biosecurity incursions. The follow-up report noted that MPI is now better prepared for an event such as an outbreak of foot and mouth disease than it was in 2013. It reported that since 2013 plans have advanced significantly for a new bio-containment laboratory to replace the ageing laboratory in Wallaceville (Wellington). We note that MPI is now working more effectively with response partners such as AsureQuality Ltd, has prepared a set of performance measures designed to measure operational activity and the effectiveness and efficiency of its response and has started to develop a culture of continuous improvement within this area of its activities.

In addition to the steps noted by the OAG, MPI has introduced new governance arrangements in recent times. The Biosecurity Board's terms of reference require it to scan across MPI ensuring there is consistent planning, priority setting, performance monitoring, identification and mitigation of risks and a continual drive for improvements in core processes and services. A Biosecurity Ministerial Advisory Committee (BMAC) also now provides the Minister for Primary Industries with independent advice on the overall performance of New Zealand's biosecurity system.

Government Industry Agreements (GIAs) for 'Biosecurity Readiness and Response' are used to establish partnerships between government and industry with the objective of further improving biosecurity. The people we interviewed (internal and external) during our Review demonstrated a very high level of awareness of the critical importance of biosecurity.

Import health standards (IHS), which define which goods and processes are acceptable, are being used to help shift risk offshore. In Budget 2015 additional funding was provided to MPI to increase its capacity to carry out offshore auditing of the technical capabilities, facilities and systems of New Zealand's trading partners. Offshore auditing provides additional assurance over and above government-to-government assurances that IHS standards are being met.

MPI has also increased border personnel and detector dog teams and upgraded x-ray imaging in airports. We found that front line and other MPI staff are galvanised around the importance of maintaining New Zealand's biosecurity system and are strongly committed to this objective.

Despite this healthy state of affairs there is no room for any complacency and continuing improvements in performance will be vital to deal with both forecasted volume increases and the changing nature of risks. To this end, MPI is updating its 2003 Biosecurity Strategy with the Biosecurity 2025 Project which will engage directly with stakeholders to reset the direction of the biosecurity system. MPI has also initiated a system scan across the biosecurity system (as well as other systems) to explore opportunities for improvements in effectiveness and efficiency. The agency will need to stress test its thinking about how to modernise and improve the biosecurity system and, in particular, how it may learn from other jurisdictions.

To improve its performance in this area MPI will need to:

- ▶ entrench the culture of continuous improvement that the OAG observed in MPI during its update audit in October 2015
- ▶ resist the temptation to rest on its laurels – the challenge of having a highly effective biosecurity system can be compared to a marathon without a finish line
- ▶ continue to identify and move risk offshore wherever practicable.

Core Business 2: Food Safety System

Performance Rating (Value to Customers and New Zealanders): **Well placed**



Performance Rating (Increased Value Over Time): **Strong**



New Zealand has a reputation of being a safe and reliable producer of food and it is absolutely vital to New Zealand's food exports that this reputation is maintained. Perceptions about the safety and reliability of New Zealand food are also closely tied to perceptions about New Zealand generally, for example, as a desirable destination for tourists. There is therefore a lot riding on MPI to 'get it right'.

Risk can never be eliminated from any of MPI's systems. What MPI can do, however, is manage risk effectively so that the stakeholders and the wider public have every confidence that MPI will act as a credible, effective and strong regulator. Mistakes occur, and things can go wrong across all of MPI's systems, notwithstanding the best efforts of the relevant players, including MPI. The key is to manage such risks at all times, minimising the opportunity for them to occur but when they do to ensure their impact is minimised. In the context of the food safety system, this means that when things go wrong, the system is geared to respond and ensure food that is potentially unsafe (or that has been identified as unsafe) is not sold to consumers or is recalled and that consumers are advised and have the most appropriate information at all times.

As well as working with food producers, processors, distributors and marketers to ensure New Zealand food is safe, MPI also works to ensure the production, distribution and marketing of food is as transparent as possible. Transparency is the key to gaining access to premium, overseas markets. Initiatives such as those relating to traceability and provenance are therefore extremely important, not only from a food safety point of view but also from a trade and development perspective.

MPI has faced two significant food safety issues in recent years: the WPC contamination incident and Operation Concord. Both incidents attracted significant international media attention and had MPI not dealt with them in the way it did they could have seriously affected New Zealand's reputation as a trusted exporter.

Good progress is being made in implementing the recommendations of the WPC inquiry. A Food Safety Law Reform Bill is well-advanced and a Food Safety and Assurance Advisory Council provides the Director-General with high-level independent advice and risk analysis. A Food Safety Science and Research Centre is being established in conjunction with Massey University to promote, coordinate and deliver food safety science and research for New Zealand. This is complemented by a recently developed science strategy, which has a clear focus on scientific excellence, ethics and integrity, partnering and collaboration as well as improved accessibility to scientific findings. A risk communications framework is also being developed aimed at ensuring there is a consistent approach to risk communications within MPI and an increase in public trust about how MPI communicates risk.

Preparedness and the capacity to pre-empt incidents relies on the capacity of vigilance (as described by Day and Schoemaker, MIT Sloan Management Review 2008). They describe a broader type of vigilance than simply being aware and watchful, one which involves scanning the environment for "weak and unexpected signals". This form of vigilance is fundamental to anticipating critical threats before they reach a threshold, beyond which they develop momentum. In a study of 119 global companies Day and Schoemaker confirmed leadership as the most important factor underlying organisational vigilance. The capacity to discern and act on weak signals early is critical in agencies such as MPI (and the primary sector more widely) to prevent incidents scaling up unnecessarily as occurred during the WPC contamination incident. The tone at the top of the agency is critical to develop organisational vigilance and as Day and Schoemaker describe "organisations need both vigilance and operational excellence, but it is usually vigilance that is in shorter supply".

Our Review revealed that MPI is clearly alive to the challenges it faces and the responsibilities it has in respect of New Zealand's food safety system. The agency identity is one of being the guardian of food safety in New Zealand and it has a professional approach and attitude to its work, continually striving to improve.

Within MPI a Food Safety Board is working towards having a more comprehensive understanding of the strengths and vulnerabilities of the food safety system. As with other parts of its activities, the Board will need to consider strategies and approaches where MPI can work much more closely with business and industry associations to promote and ensure that suppliers and distributors develop the consummate food safety culture. This Board is also charged with improving food safety capabilities and increasing the oversight and control over agricultural inputs.

With the enactment of the Food Act in 2014 the legislative framework is now in place to protect consumers through the effective management of food safety risks by food producers, independent verifiers and MPI. This new legislation, which commences in March 2016, requires MPI to adopt a risk-based approach, calibrated to the level of the apparent food safety risk of a business. It will take some time for MPI to find the right balance with this approach and ongoing evaluation and feedback will be essential to determining this. It is important that MPI does not underestimate the difficulty and complexity of this challenge and the time it will take to embed this more robust system of risk and compliance management.

Further food safety legislative reform is under way with a Food Safety Reform Bill to address the recommendations of the WPC contamination inquiry, which will enhance traceability of products, provide greater clarity about information to be included in risk management plans and enhance responses to any food safety incidents.

As already noted the introduction of the SSRM has enabled implementation of a comprehensive MPI-wide approach and streamlined engagement with other agencies.

The food safety system is now much better placed to meet future challenges, with the agency's governance system for food safety and its ongoing work programme creating a stable platform to strengthen regulatory controls, identify risks more thoroughly and develop appropriate and appropriately paced responses.

In our view, MPI could turn to other agencies that deal with improving compliance with regulations to gain further insights to enhance its practices. Some other agencies have developed sophisticated risk management identification approaches with tailored responses based on the likelihood of achieving improved compliance. Customs, the New Zealand Police and the Inland Revenue Department (IRD) would be relevant agencies with which to have this kind of discussion. Interestingly, vigilant organisations are open to seeking diverse perspectives and listening to a wide range of outside sources, while organisations that are more operationally focused have less interest in outside organisations and tend to limit their networks to familiar and relevant settings. It is important for New Zealand's food safety culture that MPI and primary industry organisations have an external and curious predisposition rather than one that is internal and narrow.

To improve its performance in this area MPI will need to:

- ▶ be open to learning from other institutions and jurisdictions about what makes for best practice
- ▶ resist the temptation of resting on its laurels – the challenge of having a highly effective food safety system can be compared to a marathon without a finish line.

Core Business 3: Primary Production System

Performance Rating (Value to Customers and New Zealanders): **Needing development**



Performance Rating (Increased Value Over Time): **Needing development**



Primary production has been the lifeblood of New Zealand's economic prosperity for generations. MPI has a critical role in inspiring, stimulating, encouraging and supporting productivity improvements, while at the same time ensuring that resources are used sustainably and within environmental limits.

The primary production role of the agency is extensive and incorporates policy development, statutory and regulatory responsibilities, as well as enablement functions across MPI's key five production sectors: dairy; forestry; horticulture/viticulture; meat and wool; and seafood.

If MPI is to be a realistic champion for the primary production sector within the wider machinery of government, it needs to become the source (or filter) of the evidence base on which compelling arguments can be mounted for increasing productivity in a way consistent with achieving environmental outcomes.

This suggests the need to articulate a value proposition for New Zealand as a whole, as opposed to the interests of the primary sector. New Zealand's national interest closely mirrors that of the primary sector but the two are not identical and this distinction needs to be clearly understood.

It is not possible to be the champion for the primary production sector without a very sophisticated and refined capacity to engage authentically with industry representatives, stakeholders and service providers. Almost without exception those we interviewed noted that MPI has really improved in this area over recent times and continues to do so. MPI is seen as more engaging, more willing to listen and more likely to explore solutions to long standing and difficult problems. This is a very positive position and, by necessity, critical because MPI and industry need to work closely to double the value of exports by 2025.

MPI has also been successful in encouraging innovation and investment through the PGP, SFF and other similar initiatives. We note the positive response by commentators that MPI has been very willing to work alongside industry and to seek and explore opportunities to remove legislative and regulatory barriers to productivity improvements.

MPI has been active in the whole-of-government area in advancing policy and legislative options, in considering opportunities to progress regional development and, where appropriate, to manage key issues such as land use, freshwater, marine resources and the implications of climate change. While the agency has been reasonably active with other economic development agencies, more could and should be done to achieve maximum benefit and leverage to address any cross-government issues that may inhibit improvements in primary production.

Within MPI the Sustainable Economic Development and Trade Board is responsible for achieving sustainable economic development and trade of New Zealand's primary production outputs. The Board's focus is on regulations, partnering activities and opportunities to enable innovation and enhancement of primary production exports, which enables a whole-of-MPI approach to any issues. It is relevant to note, however, that this is at an early stage of development. The Chair of this Board will need to work to ensure an approach that encourages and supports system-wide thinking, as well as new approaches capable of rapid implementation, is deeply embedded within MPI.

Some examples of steps taken recently to reduce the regulatory burden and strengthen incentive frameworks include the provision of more flexible export licences for horticulturalists, consideration of dairy competition, response to a kiwifruit industry strategic project, review of the emissions trading scheme and an operational review of the Fisheries Act 1996. Consequent to the recent reform of the Animal Welfare Act 1999, a new operating model with complementary regulations is being developed.

New approaches have also been set in place to address land productivity. In this context the performance of the top 20 per cent of productive farms for each sector has been carefully examined and pilots of new farming approaches and processes based on these best practices have been developed. Although at an early stage of development these important steps should enable primary producers to achieve better financial, animal welfare and environmental outcomes.

In Northland, considerable attention has been given by MPI and the Ministry of Business, Innovation and Employment (MBIE) to work on a regional basis and with Māori to achieve better primary production outcomes. Again, this work is at an early stage but is showing real promise, with a pertinent example being the work carried out to ensure that when an iwi is about to receive a Treaty settlement it is well placed to take sound commercial decisions with respect to primary production. A further example relates to aquaculture, an area of real growth potential for New Zealand. In July 2015 three new space aquaculture agreements with 13 iwi-based aquaculture organisations were signed and, if successful, will provide a comprehensive commercial platform on which to build strong and sustainable exports.

The focus on the natural resources sector is now more about how to grow the economy while at the same time improving environmental outcomes. MPI has a rich resource base to offer and if it works closely with MfE significant gains can be achieved. MPI's most recent involvement relates to freshwater reform and the Resource Management Act 1991 reform proposals, both of which are areas of great importance. MPI's scientific expertise and knowledge of the primary production sector will greatly assist this work. An example of joint work by MPI, MfE and Statistics New Zealand is understanding more about the connections between the economic performance of farms and the impact farming has on land and waterways.

New Zealand has a strong and well-deserved reputation for the successful management of its fisheries stocks. MPI has recently reviewed the harvesting strategies and management procedures across a range of key fish stocks, with the total allowable catch for some stocks increasing as a result. This decision reveals the high levels of confidence that fisheries stocks are being sustainably managed. To ensure ongoing improvements in compliance MPI has increased observer numbers, as well as the number of compliance officers.

As noted in its Self-review, while many initiatives are under way and improvements are being achieved, MPI still faces the challenge of bringing together a comprehensive and cohesive package to enable a fundamental step-change in the primary production system. Given the diverse nature of this sector this package will by necessity need to be made up of a number of different and varied initiatives. What is currently missing is a coherent approach for the sector as a whole that would assist in determining future priorities, highlighting areas of greatest opportunity and clearly setting out the areas of greatest risk.

MPI has identified regional economic development, science and innovation and provenance and traceability as three areas of further opportunity to improve primary production. In particular, it has been suggested that the speed and effectiveness of business decision-making and investment in the regions could be improved, including infrastructure, access to water and resource consents. MPI is taking the lead in respect of these and other issues in Northland.

Some may be surprised that MPI is the third largest funder of research and development and other related investments in New Zealand through investing approximately \$130 million per annum into the primary sector. This investment flows into research for fisheries, sustainable agriculture and climate change. MPI concluded in its Self-review that while the current science system processes are sound they are not optimised. Initiatives are under way to address this through a new science strategy that sets out a longer-term view for how MPI accesses, uses, interprets and disseminates science.

It is anticipated that improvements in provenance and traceability will assist New Zealand products to attract premium prices in the global consumer market. The ability of consumers to trace a product back to its source with reliability will stimulate even higher levels of trust in New Zealand products. This emphasis on provenance and traceability will be a key element in shifting a significant component of the primary production market from volume to value.

To improve its performance in this area MPI will need to:

- ▶ be able to articulate a leadership role that is in New Zealand's national interests as opposed to the interests of the primary sector
- ▶ have a clear understanding of the trade-offs involved in increasing production and possible complementarities that may be available with new or longer-term approaches
- ▶ take a flexible approach to regional economic development, going after opportunities that give the best return for the investment of time and resources
- ▶ continue to work to position New Zealand food as a premium product in overseas markets.

Core Business 4: Trade System

Performance Rating (Value to Customers and New Zealanders): **Well placed**



Performance Rating (Increased Value Over Time): **Well placed**



MPI has an important role to play as a crucial partner in the Government's BGA, along with MFAT, NZTE, MBIE, the Treasury and MfE.

MPI is regarded as a valued member of New Zealand's team for the negotiation of international trade agreements and is actively involved in the implementation of many aspects of free trade agreements. We were told that MPI brings specific and much needed expertise to the negotiating table and is highly regarded in this domain.

The value that MPI adds is as a regulator, giving overseas jurisdictions the assurance they require that New Zealand goods and services can be trusted. Without effective sanitary and phytosanitary regulation, for example, even the best market access arrangements are of little practical value. Effective relationships with overseas regulatory authorities are also extremely important and will become more so as our trading partners continue to diversify their own exports.

In its Self-review, MPI stated it has worked with partners in government and industry to “cement its role in the trade system”. The agency identifies its key roles as advisor, enabler, regulator and verifier with, on the one hand, a close relationship with industry and, on the other, a line of advice to the Government on industry issues and trends.

MPI’s market access team facilitates and enhances international access for exports from the primary sector involving industry interests in developing clear and measurable market access strategies. The agency also has a strong focus on working towards the reduction of barriers to trade through influencing international trade frameworks and standards. Most importantly, MPI works to safeguard New Zealand’s trade reputation in connection with primary industries through its ‘protecting’ activities.

MPI is building its understanding of how consumer preferences are evolving in China and has increased its presence in China and other markets. An official at the level of Deputy Director-General is now resident in Beijing.

MPI’s customer insights work underscores the need for government and industry interests to work together closely in positioning the New Zealand brand in China. Unlike other countries, New Zealand as a country and a brand is intimately associated with New Zealand food products in the minds of Chinese consumers. Country-level messaging can therefore support firms from the primary sector in the market. On the other hand, food safety issues can affect perceptions of New Zealand in other areas, for example, tourism.

While these are welcome and necessary developments, MPI needs to continue to develop its understanding of how consumer preferences for New Zealand food are evolving in overseas markets and what strategies are being used by New Zealand’s competitors in these markets. Not all countries will have competitive interests. Some may have interests that are complementary to New Zealand’s interests and for these countries there may be scope for collaboration, for example, in international standards development or for joint approaches in third country markets. This is work that must be coordinated closely with MFAT, NZTE and other NZ Inc. agencies such as Tourism New Zealand which are operating in the same space albeit in different areas. It is also important that MPI works closely with those firms in the primary sector large enough to gather their own market intelligence about overseas consumer preferences, especially where this can be used to inform decision-making more widely in New Zealand.

Prioritisation in an international environment can be challenging and any competition between government agencies must be eliminated. The greater good of New Zealand’s brand and global market access cannot be put at risk by the agenda of any single agency. While collaboration is essential, it is not something that comes naturally, with research revealing that only 16 per cent of senior executives collaborate consistently (Hansen, 2009). By ‘collaboration’ we mean people from different agencies working together on a common purpose and/or providing substantial help to each other. The BGA is unlikely to be achieved in the specified timeframe unless the government agencies involved are able to achieve mastery in disciplined collaboration, with the willingness and ability to collaborate. This should be modelled by leaders within the agencies.

With reference to the earlier point that any competition between government agencies must be eliminated, it is worth reflecting on the astute quote attributed to Thomas Stalkamp, “The secret is to gang up on the problem, rather than each other”.

Some agencies have long-standing relationships with key stakeholders in critical markets and this can assist MPI achieve urgency as it identifies and enhances opportunities for exporters. Although MPI is recognised for its technical expertise, it would be wise for MPI to ensure it does not default to a technical rather than an adaptive leadership position as it seeks to expand its influence internationally.

In addition to enhancing offshore activities, at least one influential commentator suggested that more resources are needed onshore to support offshore activities, particularly when technical input is needed. This insight is worthy of further attention by MPI.



In its Self-review, MPI referred to three areas for further development. First, MPI is advancing its capacity to understand more deeply the needs of export businesses. A deeper understanding of how exporters are stratified will assist MPI as it considers options of how best to provide these groups with customised services.

Secondly, MPI is exploring the potential impact of the digital economy and e-commerce on New Zealand's primary industry exports. While there will be many significant new opportunities available with digital developments, it may be challenging for MPI to find an effective way of adding value in this domain given the direct relationship between producer and consumer and the numerous transactions involved. As global markets shift increasingly to a 'digital as default' environment it will be important for MPI to clarify its role in the digital trade environment.

Thirdly, MPI is focused on the opportunity afforded by premium markets where new assurances on safety, sustainability, traceability, authenticity and provenance will be required. Progress is being made and there have been some successes, for example, assurances related to sustainable harvesting for New Zealand planted forests and 'Food for Health' (a project that supports the development of high value foods with added health benefits by ensuring that the evidence for the health benefits is robust and fits within the regulatory requirements for health claims). This is another domain in which MPI has a leadership role to play and where progress needs to accelerate.

To improve its performance in this area MPI will need to:

- ▶ continue to develop its understanding of how consumer preferences are evolving in New Zealand's key overseas markets
- ▶ develop its understanding of New Zealand's competitive position in key overseas markets, from the viewpoint of both domestic competition and competition from other countries
- ▶ be alert to competitive strategies aimed against New Zealand, for example, technical barriers to trade
- ▶ be open to working with other countries in overseas markets where our interests are complementary.

Regulatory Stewardship	
How well does the agency exercise its stewardship role over regulation?	
Performance Rating (Value to Customers and New Zealanders):	Needing development 
Performance Rating (Increased Value Over Time):	Well placed 

MPI has a broad range of regulatory responsibilities related to biosecurity, food safety and the environment. Much of this regulation is complex and involves many guidelines and instructions.

The regulatory system can have a very significant impact on economic performance, both positive and negative. As already noted, without effective sanitary and phytosanitary regulation, for example, even the best market access arrangements are of little practical value. The global trading environment is becoming more complex and changing rapidly – regulatory arrangements that were fit-for-purpose yesterday might not be fit-for-purpose tomorrow. MPI must therefore be alert to changing circumstances and the impact of regulation and be adaptive in making changes where these are needed.

MPI has strengthened its governance of the regulatory systems it manages and has a key organisational priority directed at the development of ‘smart regulation’. Smart regulation will require MPI to have a deep understanding of the impacts (particularly unintended consequences) of the regulations it administers, more up-to-date knowledge of new and emerging risks and consistent approaches in responding to risks and issues. Responses will need to take into account both regulatory and non-regulatory options, with multiple, clear feedback loops to ensure that regulatory arrangements remain fit-for-purpose.

In considering responses to risks, MPI utilises a framework called VADE (Voluntary Compliance, Assisted Compliance, Directed Compliance and Enforced Compliance). Use of this framework will increasingly enable MPI to find the most appropriate strategies to improve compliance over time. The agency is also developing its understanding of proportional compliance approaches used by other agencies but this is at an early stage and is another area of work that needs to be accelerated.

Regulatory stewardship will also require MPI to understand how regulations can be used to improve system performance. This should be based on the development of the culture needed for stewardship, the wide use of communities of practice, open and responsive consultation, well-understood decision review procedures and quality assurance practices, which should include strong evaluation practices to test the effectiveness of any new regulations. In its Self-review, MPI acknowledged that it has “...a somewhat piecemeal approach to regulatory stewardship”, a situation it is keen to address and must do so.

Regulations related to food safety, biosecurity and fisheries management are currently under review, as are the cost-recovery principles used by MPI. The effect of regulations on economic performance also needs to be considered. MPI is aware of this based on its experience of some PGP initiatives that would not otherwise have gone ahead. Fisheries is a good example where industry representatives are pleased with the role MPI has played in considering regulatory reforms. Overall, MPI should continually challenge itself with a more critical and reflective lens to ensure it has carefully considered how any new regulation improves economic performance.

MPI is also active in advancing other important new legislation including the Food Safety Reform Bill, enhancing export provisions of the Wine Act 2003, the Agricultural Compounds and Veterinary Medicines Amendment Bill and the New Zealand Horticulture Export Authority Amendment Bill. Commentators see this work as sound, although some considered that aspects could be improved, for example, regulatory impact statements.

It is pleasing to note that MPI's Intelligence, Planning and Coordination (IPC) team has commenced a programme of environmental scans for emerging risks and threats in respect of each regulatory system. Stakeholder research has also been enhanced to gain new insights into the motivation of people across various regulatory systems. This is good work that should be advanced as quickly as possible. MPI would be well-advised to work with other agencies that have invested in similar analysis, particularly in relation to how people may respond under different regulatory conditions.

To improve its performance in this area MPI will need to:

- ▶ have a coherent view of its regulatory stock and understand its impact on economic performance
- ▶ be able to demonstrate that regulatory arrangements are achieving their intended purpose at an acceptable cost
- ▶ be seen as a role model within government for excellence in setting, operating and reviewing regulation.

Organisational Management Section

This section reviews the agency’s organisational management. While the questions guide Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by the scope and scale of the performance challenge.

Part One: Leadership and Direction

Purpose, Vision and Strategy

How well do the staff and stakeholders understand the agency’s purpose, vision and strategy?

How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?

Performance Rating: **Well placed**



MPI’s clear purpose under ‘Our Strategy 2030’ is Growing and Protecting New Zealand. This purpose is underpinned by four outcomes: maximising export opportunity, improving sector productivity, increasing sustainable resource use and protecting New Zealand from biological risk. We found that although there is a clear and widespread understanding by the majority of staff and stakeholders about MPI’s purpose, the experience is that the agency places a much higher priority on the protect element of the purpose through allocation of attention, time, personnel and other resources.

There is no doubt in speaking with staff and stakeholders that the protect element of MPI’s purpose is deeply embedded in the culture. MPI staff are highly motivated by, and passionate about, their roles in protecting New Zealand’s primary production, global brand and reputation. This deep consciousness and commitment is reflective of both biosecurity and food safety and is a critical asset for New Zealand.

While the grow element of the purpose is also reasonably well-understood, staff have not internalised it to the same degree as the protect element. In conversations with staff we frequently encountered the expression that the most important word in the purpose was the ‘and’. In our view, however, this is somewhat rhetorical as in reality not enough progress has been achieved in the grow element since the 2013 PIF Review, which identified that it was essential “not only for the organisation, but also for the Ministry’s ability to clearly reflect a strong sense of the ‘and’ to its partners and the wider community”.

During this interval MPI has been seriously tested by a number of significant trade, biosecurity and food safety issues, which was frequently quoted to us as a reason for the asymmetrical attention between growing and protecting. MPI needs to think about both strands of its purpose in this context rather than view them as independent strands.

MPI needs to ensure that the inevitable biosecurity incursions and food safety issues are able to be managed without dissipating focus and resource from the goal of doubling the value of exports. We are concerned that one of the critical factors that allows this asymmetrical approach to continue is that the grow element of the purpose does not have the clarity of the protect element. MPI needs to address this issue with urgency if it is to position itself appropriately to achieve the goal of doubling the value of exports. The grow element of the purpose needs to be more explicit and expressed clearly to both staff and stakeholders.

The four outcomes are delivered across MPI's core business of biosecurity, food safety, primary production and trade and seven priorities direct the MPI strategy:

- ▶ Smart regulation
- ▶ Operational excellence
- ▶ International access
- ▶ Provenance and traceability
- ▶ Precision, production and investment
- ▶ Enduring relationships
- ▶ Integrated information, insight and knowledge.

Despite SLT and associated management conducting strategic forums and other briefings and also producing high-quality supporting materials, we found that understanding of the seven priorities varied considerably across MPI. In particular, the understanding of how the priorities were being operationalised was mixed.

Frontline staff were appreciative of the time and effort management invested in communicating with them. A strong theme that we detected, however, was that the content was too complex and detailed for these staff. SLT and management should re-examine their communication strategy and place more emphasis on putting context around these concepts for frontline staff, as it is essential that these priorities are well-understood by staff in order for MPI to meet its objectives. This relates particularly to those priorities fundamental to achieving the goal of doubling the value of exports. Communication as it relates to purpose, vision and strategy needs to be modulated to ensure that there is not only a clear understanding of 'the why', 'the what' and 'the how' but also how these elements are linked.

The 2013 PIF Review was clear that the logic for the 'and' in growing and protecting New Zealand and the wider meanings of protecting could be better articulated. At that time a concern was expressed about the motivating power of the purpose and the strategy being undermined by the perceived tension of the two objectives in some quarters. In particular, it was feared a focus on growing could suggest a weaker commitment to protecting. Two and a half years later this problem persists and new thinking is needed to help resolve this paradox.

To improve its performance in this area MPI will need to:

- ▶ articulate a narrative that resonates strongly with staff about why MPI stands for both growing and protecting New Zealand
- ▶ ensure that the narrative is carried through into actions that are clearly visible and understood by staff.

Leadership and Governance

How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?

Performance Rating: **Well placed**



The Director-General (who commenced after the previous PIF Review) has brought a disciplined and action-orientated style of leadership to MPI and with almost complete consistency is seen by staff and stakeholders as a strong, resolute and effective leader. His approach is highly visible and interactive, energetic, communicative and highly connected to the frontline staff. The Director-General has also crafted SLT into what was consistently described to us as a more unified and effective group. We received consistent feedback that since the appointment of the Director-General, MPI has made sustainable 'step-change' shifts in momentum.

SLT described itself as a well-functioning and cohesive team. In its view, it is not subject to 'group think' and describes its interactions with each other as both challenging and robust. Our perspective is that MPI has strong, collective and effective senior leadership who are profoundly committed to the purpose, goals and objectives of MPI and bring considerable expertise and experience to their roles. They have emerged through a very challenging series of critical incidents stronger and with a clearer sense of direction and discipline.

Our interviews revealed consistent support within the agency and among almost all stakeholders for the Director-General and a sense of appreciation for the approach he has brought to MPI. Although the level of support for SLT among these two groups was also strong we detected concerns about 'silo' behaviour in MPI. This is likely reflected in the Pulse Employment Engagement Survey 2015 (2015 Engagement Survey) which compared to 2014 reveals weak and deteriorating results in the following areas:

- ▶ Cooperation between teams is encouraged in MPI
- ▶ Teams in MPI work well together.

It is important that MPI's SLT reflects on these results and models the mindset and behaviours that would see these critical result areas improve.

The 2015 Engagement Survey also reveals high (greater than 70 per cent of respondents who agree or strongly agree) and improved (compared to 2014) results in the following key areas which reflect positively on MPI's leadership:

- ▶ I know how my work contributes to the success of MPI
- ▶ I believe in what MPI is trying to accomplish
- ▶ I take an active interest in what happens in MPI
- ▶ I feel a sense of commitment to MPI
- ▶ Overall I am satisfied with my job.

There was an encouraging increase (compared to the 2014 survey) in the number of respondents in the 2015 Engagement Survey who have confidence in the leadership of MPI. Clearly there is more work to do but if SLT is able to sustain this level of increase over the next four years, MPI will be very well-served.

The 'MPI Stakeholder Research 2014' revealed that MPI's engagement with key stakeholders has improved considerably but there is room for more collaboration. The vast majority of stakeholders that we spoke to echoed in some form the following comment recorded from the stakeholder survey, "With new strong leadership in MPI the relationship has improved dramatically in terms of transparency and trust".

Each quarter SLT spends time away focusing on critical strategic issues, a recent example of which was 'looking through the lens of an exporting business'. Given the rapidly changing, ambiguous and complex environment in which MPI operates it would be worthwhile for SLT to consider having these meetings more frequently. More work needs to be done to bring the thinking developed in these meetings more organically and effectively into the agency's work plan.

Impressive gains have been made in the investment in leadership development across MPI to enhance leadership capability significantly. In fact the feedback we received from staff about developing people capability was extremely positive and is a credit to MPI's senior leadership. This related to development opportunities in general (not only leadership) and includes a well-received career pathway programme.

MPI has introduced a number of new governance boards to enhance the performance of critical areas. These boards create an opportunity for independent and expert perspectives through appointments outside of MPI. The core functions of the governance boards centre around planning and priority setting, performance monitoring, core processes and services, risks and opportunities, aligning activities and funding recommendations. The current boards include a:

- ▶ Biosecurity Board
- ▶ Food Safety Board
- ▶ Sustainable Economic Development and Trade Board
- ▶ Information, Security and Infrastructure Board
- ▶ Science Advisory Board.

There is also an independent Risk Management Committee that reports to the Director-General.

To improve its performance in this area MPI's leaders will need to:

- ▶ model the practice of skilful discussion throughout MPI, especially at SLT level - SLT should be known not so much for its cohesiveness but its ability to manage dissonance creatively and constructively
- ▶ ensure that MPI's natural aversion to risk, which is appropriate for its protect activities, does not become the default setting for its entire business.

Values, Behaviour and Culture

How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?

Performance Rating: **Well placed**



As part of the alignment initiated by the Director-General, MPI refreshed its values in the early part of 2014. The underlying basis for this refresh was for MPI to have a set of values that provided greater clarity and depth of meaning and was more likely to facilitate alignment and easier to communicate.

The refreshed values are:

- ▶ Respect – Value People, Value Our Work
- ▶ Connect – Work Together, Build Partnerships
- ▶ Trust – Give Responsibility, Take Responsibility
- ▶ Deliver – Act with Purpose, Achieve Results.

SLT has placed a strong focus on embedding the values and modelling them consistently. The Director-General, in particular, has a deep understanding that leadership is mediated through culture and has prioritised changing the perception and the culture of MPI to an agency that is trusted, responsive, committed, innovative and highly effective. A phrase that came up several times in our Review and illustrates this approach is, “what you walk past is the new standard you accept”.

These values have been widely communicated throughout the agency and the feedback we received from both management and frontline staff was that they were well-understood and impacting positively on the agency. MPI has created a narrative around the culture and values being ‘show don't tell’ and has also embedded cohort-led induction programmes for non-operational staff. Staff from around the country are regularly brought together (Touchstone Group) to provide feedback on the direction and the culture of MPI.

We received consistent feedback from staff and stakeholders about how the culture of MPI had improved dramatically, particularly over the last two years. The majority of this commentary noted that that culture continues to improve quarter on quarter, which is borne out in the staff engagement surveys. The staff engagement surveys reveal the MPI engagement index increasing from 60 in 2012, to 66 in 2013, 68 in 2014 and 71 in 2015. It is relevant to note that 71 is in advance of the State Sector 2014 benchmark of 69 and closing in on the State Sector 2014 top 25 per cent benchmark. Interestingly, in 2012 the MPI engagement profile revealed 32 per cent of its staff were disengaged, which has fallen to 16 per cent in 2015. The most significant year-on-year fall was between 2012 and 2013.

The 2015 Engagement Survey reveals that close to 85 per cent of MPI staff believe in what MPI is trying to accomplish, which has increased from just over 75 per cent in 2014.

In talking to staff, they reveal the culture to be 'maturing', 'exciting', 'collegial', 'no longer them and us', 'committed', 'more of one MPI than ever before', 'more like family' and 'still some sub-cultures'. In talking to stakeholders they reveal the culture to be 'open', 'engaging', 'making a difference', 'operational', 'changing slowly', 'proactive', 'here for the good of New Zealand', 'expert', 'professional', 'dedicated', 'scrambling', 'siloes', 'defensive', 'multiple cultures' and 'inward looking'.

More than one stakeholder, however, commented that MPI could be very slow and bureaucratic in making decisions, implying that decision-making was top-down and not well-devolved within the agency.

Clearly, however, the work around culture and behaviour is having a positive impact on MPI's performance and SLT's commitment in this respect is laudable. It is important for the work in relation to identity and symbolism to continue to ensure momentum is maintained.

SLT has set its next horizon for the development of its culture around greater customer centricity.

To improve its performance in this area MPI will need to:

- ▶ achieve results with a greater sense of urgency while retaining trusting and respectful relationships within and outside MPI
- ▶ support thinking at all levels in the agency that is both challenging and constructive.

Review

How well does the agency encourage and use evaluative activity?

Performance Rating: **Needing development**

Since the 2013 PIF Review, MPI as part of its enhanced focus on continuous improvement has placed a strong emphasis on developing a culture of evaluation and review. This process has been enriched by a number of reviews and evaluations that have emerged from MPI's crucible experience relating to biosecurity and food safety incidents over the last two and a half years. MPI has become determined and disciplined in learning from, and implementing, the recommendations of these independent reviews.

Part of the cultural change of MPI is to embed lessons learned not only at a management level but throughout the agency. Currently, MPI is considering how it introduces reviews as part of its normal activities (as opposed to a response to an incident). As part of this process, MPI is building an integrated approach to evaluation and review across the policy cycle, the investment system and project management. To facilitate this process and ensure that it is followed through, a research and evaluation team has been established. Its role will initially focus on training and intervention logic.

There are a number of examples of work already done in this arena including creating an evaluation framework for MPI's investment of \$133 million each year across a portfolio of 17 funds. Further examples of MPI's more refined approach to evaluation review include the development of outcome logic models and measures for PGP programmes and logic models and indicators for the food system, food implementation programme and the GIA work. Related to review and evaluation, MPI has also been working on enhancing its service performance measures, a process that has reduced the number of organisational measures from over 400 to a more meaningful 75. In this context, work began in mid-2015 to refresh MPI's outcomes framework and output classes.

To improve its performance in this area MPI will need to:

- ▶ be able to demonstrate clear links between investment decisions and impacts
- ▶ be seen by external reviewers, such as the OAG, as a role model within government for using an evidence base for deciding to invest in one project over another
- ▶ ensure there is an evidence base for measuring performance in areas that reveal underlying changes in behaviour or practice, for example, how firms and individuals are changing their behaviours or practices in response to regulation.

Part Two: Delivery for Customers and New Zealanders

Customers

How well does the agency understand who its customers are and their short and longer-term needs and impact?

How clear is the agency's value proposition (the 'what')?

Performance Rating: **Needing development**



As noted above in the context of MPI's core business, MPI delivers results for New Zealanders as a whole through its policy advice and operational activities and New Zealanders can be seen as customers of these services in a general sense. More specifically, MPI delivers results for a diverse range of customer groups comprising individuals and firms who are regulated in one way or another. Groups of individuals include travellers to New Zealand and recreational fishers. Groups of firms include fishing companies, farming interests, food exporters, and importers of all kinds. This section of the Report focuses mainly on such groups.

To understand its customer and stakeholder experiences and perceptions, in late 2014 MPI undertook comprehensive and wide ranging research across 41 key stakeholders, 1,738 business users, 1,001 primary producers and 1,166 members of the public. The purpose of this perception and insight study was to develop a sound basis from which MPI could develop and advance more purposeful and authentic relationships with these key groups.

This study revealed seven key insights (the first three relate to working with MPI and the remaining four to perceptions of MPI):

- ▶ Engagement with key stakeholders has improved but there is room for more collaboration
- ▶ Key 'pain points' among business users relate to value for money and the effort required to engage with MPI
- ▶ Business users satisfaction (net satisfaction score is 67 per cent) would be improved by more senior communication and less effort required to engage with MPI
- ▶ Public understanding of MPI's specific roles is relatively low
- ▶ Main business users' priorities for improving trust and confidence in MPI is more or better communication
- ▶ Primary producers' priorities for improving trust and confidence in MPI (have lower trust than key stakeholders and main business users in terms of biosecurity) is improved biosecurity
- ▶ The public's priority for improving trust and confidence in MPI is to build better knowledge of MPI (30 per cent have high awareness compared to business users where 76 per cent have high awareness) and what it does.

The key stakeholder suggestions to build trust in MPI (net trust score in MPI is 66 per cent), which emerged from the study include improved collaboration, pro-activeness, strong leadership, role distinction, consistent engagement, enhanced communication, greater transparency and accountability. These are critical messages for MPI to reflect on and they are similar to those received from public sector agencies with whom MPI has key relationships.

In response to this research MPI has strategically redefined its customers as individual users of its services rather than the more normative approach of industry associations, lobby groups and the public. This re-evaluation of customer identity has led to a very positive mindset change in MPI, where the approach is now to give their customers more voice, while still allowing for key stakeholders' opinions.

In our interviews with customers, the vast majority indicated their relationships with MPI had improved significantly over the last two to three years. These interviews revealed that most customer relationships had shifted from “fractious”, “very poor”, “hasn’t been very good” and “dysfunctional” to “outstanding”, “improved dramatically”, “on an upward trend” and “improved out of sight”. A small number of customers remain dissatisfied with their relationship, however.

MPI has developed a framework from the stakeholder data which will move its customer relationships forward more quickly (see below). MPI already has a number of initiatives that will progressively implement the framework, part of which is to inform a shared service model with NZTE. This is an excellent step forward in our view.



In improving customer experience, one of the challenges MPI is trying to meet is how a regulator provides customer service. Once again it would be of value for MPI to turn to other regulators that have successfully implemented the Braithwaite model to deal with this issue, for example, IRD.

MPI is turning increasingly to service design to help it advance its goal of enhanced customer service. There have been some very successful examples in the passenger arrival domain, which have transformed both the experience of passengers and MPI staff.

While the stakeholder research was at a macro level, MPI has also undertaken studies at a micro level, for example, the ‘customer voice at the border’. This multi-level exploration of customers is strongly supported, as ultimately exceptional customer service requires data that is stratified, relevant and rigorous allowing the most meaningful insights to be derived. Meeting customer expectations is not an isolated activity and MPI needs to ensure this new and welcome approach to customers is deeply integrated into every aspect of its operations.

As noted above, during our interviews we heard that MPI tends not to differentiate between the circumstances of different groups. For example, in one recent exercise concerning fisheries we heard that long-standing, fee-paying customers were treated on the same basis as recreational users, to the considerable frustration of the former group.

To improve its performance in this area MPI will need to:

- ▶ have a good understanding of the needs of its customers, not only at a point in time but how those needs are evolving over time, and be in a position to anticipate any necessary changes in practice
- ▶ differentiate between the needs of different groups of customers and tailor approaches accordingly.

Operating Model

How well does the agency’s operating model (the ‘how’) support delivery of government priorities and core business?

How well does the agency evaluate service delivery options?

Performance Rating: **Needing development**



Operational excellence across MPI’s four major business systems (biosecurity, food safety, primary production and trade) is one of MPI’s seven priorities. The level of priority MPI places on operational excellence is reassuring as it is a very significant operational agency with its 2,386 staff working at the border, in laboratories, along the coastlines, at sea, on farms, in forests, in processing facilities and offshore in a number of countries. The essential elements of the operational excellence priority are for MPI to make it simpler for customers to use their services, easier for staff to target and coordinate activity consistently and to boost productivity.

MPI’s level of operational competence is fundamental to the achievement of its purpose, goals and objectives. MPI has taken an orchestrated series of disciplined and practical steps over the last two to three years to strengthen a range of its most important core operating systems across the four major business systems. It has also enhanced capability-focused operational delivery through alignment of the agency.

The underlying objective of the alignment process was to clarify MPI's governance and leadership. MPI is structured along functional lines through six branches being the Office of the Director-General, Regulation and Assurance, Policy and Trade, Operations, Sector Partnerships and Programmes and Corporate Services. The branch with the largest number of staff and the most significant interface with primary producers, business and the public is the Operations Branch, which manages border and compliance activities, as well as preparing for, and responding to biosecurity incursions.

The new governance arrangements, as part of the alignment process, were to introduce governance (advisory boards) for biosecurity; information, security and infrastructure; sustainable economic development and trade; food safety and science. Individual Deputy Director-Generals were allocated roles, in addition to their responsibilities as leaders of their branches, as leaders of core systems. The governance boards report through to Deputy Director-Generals. Appropriately, the Risk Management Committee reports to the Director-General.

The feedback we received was that although there is a move to greater integration and connection between the branches, this has not sufficiently diluted silo behaviour. This is an area MPI's SLT needs to examine and stress test. If it does not, it will prove to be an impediment to MPI fulfilling its obvious potential.

To give a clearer lens into the operating model within branches, we have used the largest branch (Operations) as an example. The operating model is clearly defined with a coherent structure focused on compliance; intelligence, planning and coordination; border clearance, as well as response and investigation and diagnostic centres. Each area of activity has a clear accountability structure and a set of overall priorities, based on developing people capability, continuous improvement and collaboration with the wider MPI, planning for readiness, enhancing networks, and efficiency and effectiveness. The initiatives are clearly defined at a macro level for the branch and beneath that each area has a very clear description of its function, core service delivery and key performance measures. Our interpretation of the operating model at this level is that it is well-understood by staff, disciplined and outcome-focused.

To gain a deeper perspective of the operating model, we have focused on the subset of IPC as an example. The leader of this subset of the Operations Branch is at director level and the operating model is very clear with respect to building capability and what success will look like. Central to the operating model is MPI's key operational focus, which is to be better 'informed and connected' and the IPC operational model is clearly designed to achieve this. The features of the operating model are core coordination, support and enabling capabilities. An emphasis of the operating model is the philosophy that 'value-add' is a result of all functions working together, which is what delivers better products and services.

At a more detailed level, the operating model defines the key drivers for IPC, which are legislation and regulation, Biosecurity 2025, risk profile, government priorities and MPI strategy as well as industry expectations and requirements. There is a well-thought through operating flow between systems analysis, planning and reporting; planning and prioritisation; building core service capability and operational coordination, all of which have information, intelligence and analysis as well as IT management systems at the centre. This model is supported by a focus on health and safety, a customer enquiry centre and business support and response logistics. Supporting this operating flow is a detailed work programme by function, item of work, outcome, key deliverables and timeline.

The feedback we received was the operating model was performing to expectations. While we found no reason that this was not the case, as previously noted we are concerned about the agency's leadership versatility. Applying Kaplan and Kaiser's model would help MPI's SLT understand how to develop leadership versatility.

We did not test the rationale for MPI deciding which services to undertake or outsource and this is something that might be considered further by MPI or at least clarified.

To improve its performance in this area MPI will need to:

- ▶ stress test its operating model to ensure that siloed behaviour is minimised, for example, by recording relevant comments from stakeholders from across the agency in a central register and having SLT regularly review the comments
- ▶ consider how to develop a higher level of versatility in leadership behaviours across the agency, especially at SLT level.

Collaboration and Partnerships

How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?

How well do the agency and its strategic partners integrate services to deliver value to customers?

Performance Rating: **Needing development**



The focus of this section of the Report is on how well MPI is using collaboration and partnerships as tools to deliver results for customers and New Zealanders. The next section on sector contribution relates more to how well MPI is contributing to the ongoing health of the sector in which it operates.

To be effective, MPI has to have strong, stable and sustainable collaborative relationships and strategic partnerships with players as diverse as primary producers, those with business interests, Māori and iwi-related concerns, and university and research-based organisations.

Two important areas for collaboration and partnership are the PGP and GIAs. The PGP is a partnership between government and firms to commercialise innovation. As noted previously, the PGP is a well-managed scheme that is forecast to add \$5.2 billion to GDP on a per annum basis by 2025. The Government and industry have together invested \$724 million into 20 PGP multi-year programmes of which the Crown has committed 47.5 per cent. MPI takes a flexible approach in managing the scheme in view of the diverse nature of the work and people involved. MPI and private sector partners meet regularly at workshops and events, as well as formally once a year.

As Lead Reviewers, we had the opportunity to attend a PGP expo and speak with a number of PGP participants. Most of the participants we met were very positive about the PGP and clear that they would not be in the market position they were without it. A general comment, however, was that the PGP has high entry costs that are a deterrent to potentially worthwhile investment. The PGP programme has been reviewed by the OAG and the recommendations from that review have been implemented by MPI.

Along with the National Biosecurity Capability Network, GIAs provide a valuable opportunity for MPI and relevant industries and communities to work together on shared biosecurity outcomes. The fundamental approach is to develop a better understanding of existing and potential biosecurity threats and refine risk management measures to address these threats. The first significant test of the GIA framework was the February 2015 Queensland fruit fly incursion into Auckland. The resulting communication and resource cascade demonstrated that the framework is a highly effective collaborative tool.

The Director-General meets twice a year with a Strategic Advisory Group that provides him with direct access to high-quality industry perspectives and unfiltered external advice. The primary sector boot camp mentioned below (a gathering of individuals and business interests from New Zealand's primary sector) is another effective collaborative and partnering process.

Other important areas of collaboration and partnership are with iwi, the science sector and universities. MPI has relationship management plans with some CRIs which is a useful initiative. The feedback we received about MPI's role in this area was mixed. Some relationships were described as being highly effective; others were felt to be disappointing. Given the importance of these relationships for MPI's growth agenda this is feedback MPI needs to consider carefully.

Despite the PGP and GIAs, the general impression we gained from talking to a wide range of stakeholders was that collaboration did not come naturally to MPI, especially relatively informal collaboration, and also that the capacity to collaborate is thinly and widely dispersed throughout the agency. For example, in one forum that could be valuable in testing and shaping MPI's thinking, MPI was described as being somewhat defensive and primarily interested in 'keeping its slate clean'. We were also surprised not to hear of a wider range of relationships, especially in MPI's policy advice, for example, with international commentators.

To improve its performance in this area MPI will need to:

- ▶ develop and support an ongoing strategic conversation with the primary sector that has permission to push boundaries about opportunities for growth and how these are best addressed
- ▶ find ways to develop and support a broader range of relationships to challenge and inform its policy thinking, for example, with the media, universities, think tanks and overseas commentators.

Experiences of the Public

How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?

How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?

Performance Rating: **Needing development**



As identified earlier, the stakeholder survey identified that the public has a limited understanding of MPI and the critical role it plays. In terms of prompted awareness of 13 of MPI's roles and responsibilities, 40 per cent of the public had no or low awareness, 30 per cent moderate awareness and 30 per cent high awareness. Furthermore, when compared to key stakeholders, main business users and primary producers, the public has the lowest trust (net trust score 32 per cent) in MPI.

The stakeholder survey also revealed a close relationship between the degree of public knowledge of MPI and the public's trust in the industry. Interestingly, the survey also revealed that the public has highest confidence that exported products and food produced in New Zealand are safe and lowest confidence that New Zealand is protected against unwanted pests, and the seafood industry operates sustainably.

MPI's response to these findings are to prioritise enhancing the public's knowledge of MPI and the important work it undertakes through a proactive communications programme. The objectives of this programme are to create a wider and deeper understanding of the range and quality of MPI's operational activities, to build trust in its regulatory systems and demonstrate its leadership role in the primary sector. Additionally, this campaign also has an objective of enhancing compliance with laws and regulations critical to MPI's role.

MPI is also seeking to develop a more positive, direct relationship with the public. Two examples of where MPI is trying to achieve this are participating in Field Days and attending large A&P shows. Field Days are a landmark event on New Zealand's agricultural calendar and the 120,000 visitors provide an excellent opportunity for MPI to connect with the wider public, providing them with information and examples of how MPI operates. In this context the 2015 MPI Field Days exhibition's theme was Growing and Protecting New Zealand. The use of interactive components such as digital microscopes, digital displays, touch screens, retired detector dogs and MPI staff created a rich learning experience for the public. The MPI stand was awarded the National Field Days Best Innovative Show Case site award out of 1,000 exhibitors.

While these are positive steps, improving the public's understanding of the breadth of MPI's work is clearly an ongoing challenge. In responding to this challenge, it will be important for MPI to find opportunities to listen to views about its activities, as well as to explain what these entail.

To improve its performance in this area MPI will need to:

- ▶ find new opportunities to develop a two-way communication with the public that helps both to improve the public's understanding of MPI's role and to ensure that MPI is well-informed about the public's perceptions and views about its role
- ▶ be open in communicating its work and work priorities and be prepared to comment on disappointments as well as successes
- ▶ learn from other agencies that are seeking to improve their engagement with the public and/or change public perceptions about them.

Part Three: Relationships

Engagement with Ministers

How well does the agency provide advice and services to Ministers?

Performance Rating: **Strong**



MPI's ministerial engagement is with the Minister for Primary Industries and the Minister for Food Safety and Associate Minister for Primary Industries. MPI's relationship with both Ministers has continued to improve over the past two years. The two Ministers expressed high levels of trust and confidence in MPI's senior leadership's capacity to ensure they are well-informed and that policy advice is rigorous. Communication channels with MPI's senior leadership and Directors is seen as being open, transparent and reliable. Ministers receive advice from MPI's SLT and Directors through regularly scheduled (weekly) meetings and as required.

MPI has an unequivocal emphasis on supporting a 'no-surprises' policy as well as the proactive provision of information. An important lens into the way MPI's Director-General and SLT think about their relationship with the Ministers is the mindset change of wanting to shift from excellent responsiveness to Ministers, to excellent anticipation of Ministers' needs. There are already early signs of this change being set in place.

MPI has centralised the staff who support Ministerial correspondence and the Official Information Act 1982 processes to provide more considered, consistent and timely responses. MPI's recent performance against formal Ministerial servicing measures has revealed a significant improvement and is now at high levels.

There is also strong engagement between MPI's SLT, Directors and officials in terms of official domestic and international engagements.

In its August 2015 review of the quality of MPI's policy advice, NZIER reported that MPI had taken another step in lifting the quality of its advice, scoring an average of 7.5/10 for each paper, up from 7.3/10 in the previous year. NZIER noted that a clear house style was emerging that created the impression of a policy shop that was becoming more confident and polished. To improve further, NZIER considered MPI needed to be bolder in presenting its advice and that pushing for the top would require greater courage and dedication.

The positive engagement with Ministers is a result of MPI's Director-General and SLT's authentic commitment to be trusted advisors.

To improve its performance in this area MPI will need to:

- ▶ be widely seen as being in the top rank of policy agencies advising the Government
- ▶ be known for providing forward-looking and exploratory advice that while challenging is well-received and appreciated by Ministers.

Sector Contribution

How effectively does the agency contribute to improvements in public sector performance?

Performance Rating: **Needing development**



As noted above, this section of the Report is mainly aimed at how well MPI is contributing to the ongoing health of the sector in which it is operating. The discussion focuses on the *government* sector. MPI's role in relation to the *primary* sector is discussed in the section on collaboration and partnerships.

Making an effective sectoral contribution involves both leading on issues where there is a direct responsibility and, where value can be added, supporting the leadership of others. One is the shadow of the other. To lead on issues implies being open and sensitive to the views of others; to contribute to the leadership of others implies being a committed follower.

Essential to successful outcomes for MPI is its capacity to work effectively and collaboratively with a series of public sector agencies. This contribution is chiefly focused on the border and in whole-of-government processes, principally those relating to BGA, the NRS, science and regional economic development.

The Border Sector Governance Group comprises the chief executives of MPI (in the lead role), Customs, Ministry of Transport and MBIE and provides the mechanism for New Zealand's coordinated border management. This governance group supports the Border Sector Ministerial Group that provides the strategic direction for management of New Zealand's border. A core goal for this group is the implementation of the JBMS between Customs and MPI and the MBIE Immigration Global Management System. These technology-led investments have an objective of concentrating resources to improve passenger experience, efficiency in cargo clearance and enhanced border risk management. MPI, working with Customs, is continually striving to improve the Trade Single Window Service through JBMS, which facilitates direct access for business, as well as developing new risk identification tools. There are many examples of close working relationships between Customs, Immigration New Zealand and MPI including co-location of staff.

MPI also contributes to the Economic Chief Executives Group whose core comprises MBIE (lead role), NZTE, MFAT, the Treasury and Callaghan Innovation. This group has responsibility for collective action to lift New Zealand's economic performance. As previously discussed, MPI has an important role to play in the BGA workstreams that relate to building export markets, innovation and natural resources. As part of the economic ecosystem, MPI is a key player within New Zealand's international and trade systems and works closely with MFAT and, increasingly, with NZTE.

Navigating the economic ecosystem and managing the networked relationships within it are complex tasks requiring sophisticated, collaborative skills. The feedback we received about MPI's role in this area was mixed. Feedback ranged from there being nothing that MPI could do better, to MPI being a core part of the team, to MPI working very well, to close working relationships with MPI, to MPI playing a strong role, to MPI bringing essential expertise, to MPI being joined up on some items but not others, to MPI having potential to be a stronger team player and to MPI being more of a follower than a leader.

MPI also participates in the NRS, a grouping of six government agencies led by MfE and responsible for the management and stewardship of New Zealand's natural resources and, in particular, ensuring that management approaches are integrated and aligned. Natural resource development is an important aspect of sustainable economic growth and also a forum where the boundaries of 'social licence' to operate should be defined. MPI's contribution is largely focused on the development of water policy as it relates to both storage and irrigation. The feedback we received about MPI's role was that its focus has been more at an applied than a strategic level, although there are signs that this is changing. Key relationships between MfE and MPI management at the second and third tiers are now stable and with staff who have the appropriate expertise and authority. Work with MPI on water reform is progressing positively and collectively but questions persist about who is leading thinking from MPI around the growth agenda and primary sector productivity. We also received feedback that MPI could be somewhat difficult to collaborate with but that there are signs this is changing.

MPI has a key role in the science sector and participates in the Government's Chief Science Advisory Network through its own Chief Science Advisor who plays an independent role within MPI reporting directly to the Director-General. A wide range of science is undertaken in MPI and it funds over \$130 million of science-related activity, being the largest government funder in sustainable agriculture and climate change. MPI provides input into the National Statement of Science Investment, National Science Challenges Process and contestable funding rounds and was involved in the establishment of the New Zealand Food Safety Science and Research Centre, along with MBIE, industry and research providers.

MPI has recently completed its first explicit Science Strategy and Investment Strategy that creates a strong platform to align sustainable science across the sector and ensures that there is an evidence base for policy and regulatory settings. Stakeholders noted that MPI is working collaboratively with government, industry and community partners in a number of areas, for example, work to deal with the Kauri dieback and establish fishing bylaws for the Waikato River.

Feedback from research providers questioned whether MPI's strategic understanding at the senior management level is adequately translated through the agency. The feedback also revealed that MPI is better than most agencies in its connection to the science sector. In this context, the research community has been delighted with the appointment of MPI's Chief Science Advisor and pointed to MPI's very welcome progress since its last PIF Review.

MPI also makes a contribution to central agency work, including seconding staff to other agencies, leading technology projects, providing staff to support procurement processes led by other agencies, releasing datasets into the Open Data Platform and chairing the Open Data Governance Board. Clearly, MPI is making a renewed effort to play a stronger role, making an enhanced contribution to inter-agency work.

The other area of sector contribution vital to both MPI's interests and those of New Zealand more generally is the regional economic development programme. MPI jointly leads the programme with MBIE (but also has a Deputy Secretaries Group, established from MPI, Ministry of Social Development (MSD), Te Puni Kōkiri (TPK), the Treasury and NZTE). The core focus is currently on Northland and an MPI Deputy Director-General is the Government's Senior Regional Official for Northland.

Regional economic development creates a significant opportunity to link with Māori economic development and the many opportunities this provides for boosting the value of exports from the primary sector. While recognising the importance of promoting development in Northland, we heard from some stakeholders that MPI could also work in other regions in New Zealand where gains, for example, in promoting Māori agri-business, might be easier to achieve.

Feedback reveals, however, that there is potential for MPI to engage more actively and constructively with other agencies, especially where it is supporting another agency's lead. MPI's relational capacity needs to extend to accommodating a wider range of alternate working styles and approaches to harness the full potential from its sector contribution. Realistically, this is a message on which all participating government agencies would be well-advised to reflect. In the final analysis, when working in a collaborative environment, 'your paradigm' cannot be 'the paradigm'. Collaborative work calls for elasticity in organisational paradigms to allow a collective and cohesive paradigm to be constructed.

To improve its performance in this area MPI will need to:

- ▶ take a more active and nuanced approach in collaborating with others and be prepared to be more flexible and patient, recognising that for collaborative processes to be effective it is first necessary to have a high level of trust
- ▶ find ways of communicating a commitment to collaborative processes that staff and stakeholders will find credible and compelling
- ▶ be open to learning from other collaborative exercises, especially those aimed at developing a national conversation about effecting change and involving multiple interests.

Part Four: People Development

Since the last PIF Review in 2013 and, in particular, since the appointment of the Director-General there has been a remarkable turnaround in the focus on people development as part of the internal realignment at MPI. Interestingly, at the core of the internal realignment was a focus on leadership and the concept that ‘you could build a career at MPI’. The Director-General’s focus on career pathways has fundamentally become a defining paradigm around people development at MPI, stimulating a range of other initiatives. We found it interesting in talking with the Director-General the amount of time he would spend talking about people and their roles, induction, training, careers, opportunity, engagement, and his pride in them.

The internal narrative within MPI is that its capacity to recruit and retain the best people for its roles is essential to MPI’s future state and its capacity to fulfil and exceed its core responsibilities.

MPI’s People Capability Strategy is focused on both building fundamental capability as well as crafting an effective workforce for the future.

Leadership and Workforce Development

How well does the agency develop its workforce (including its leadership)?

How well does the agency anticipate and respond to future capacity and capability requirements?

Performance Rating: **Well placed**



In this Report we have previously referred to the positive response we had from staff about their more recent development opportunities. At the core of workforce development at MPI are its five Career Pathways. When examined more deeply, this career development process is sophisticated and certainly not a linear process. It is strongly championed by the Director-General who truly wants people to have meaningful careers at MPI. Career boards have been developed to keep the programme alive and sustainable and the process of involvement is an opt-in process. Feedback from staff is excellent and they generally feel inspired by their career and promotion opportunities through this process. Clearly, there is an opportunity for younger staff coming through but long-standing staff are also positive about the programme and see previously unheralded opportunities for themselves as their careers advance to retirement.

MPI introduced a pilot graduate programme in 2014 and, as a result of its success, a full programme was implemented in 2015, with a further intake commencing in early 2016. A large number of high-quality graduates are attracted to MPI which is seen as an employer of choice with its wide range of functions and opportunities.

As highlighted previously, very significant effort has been applied to creating a range of activities of frontline staff training and development, including a 6-12 week residential training programme on entry.

In addition to a wide range of other training and development opportunities, which include Outward Bound, leadership development, operational acumen and critical skills (such as negotiating and learning and understanding Chinese culture, language and protocols), MPI also has a range of workforce training programmes to ensure it has an effective response capability.

There is little doubt that MPI's leadership and workforce capability has become greatly enhanced over the last two years.

The private sector has led a boot camp at Stanford University since 2012. The 2012 boot camp was a gathering of officials and individuals from companies representing 80 per cent of the value of New Zealand's primary sector exports to find ways to double the level of New Zealand's exports. Quite apart from whether such events are useful in tackling the challenge at hand, they do provide valuable networking opportunities.

MPI could consider whether it has struck the right balance in rotating frontline staff and giving them multiple warrants to operate across different functional areas. While this practice undoubtedly helps to make MPI a more cohesive agency, and helps to promote learning through the insights of rotated staff, there is a point at which such mobility comes at the expense of specialised knowledge and experience. MPI needs to listen carefully to its customers on this point. We understand that the practice of multiple warranting has already been pared back in some areas.

Of MPI's workforce, 48 per cent is female, 5.6 per cent Māori, 7.8 per cent Asian and 2.8 per cent Pasifika. MPI's ethnic diversity is below the public sector benchmark, as is the percentage of women in senior management roles (32 per cent; the public sector benchmark is 44 per cent). MPI has commissioned work to understand how it can make its workforce more diverse. Diversity in terms of leadership style is commented on elsewhere in this Report.

The Director-General raised a specific workforce issue with us, namely the increasing difficulty of recruiting and retaining science graduates, for example, soil scientists. We also heard that there were supply issues in relation to agricultural economists. These are issues that need separate investigation and discussion with MBIE in the first instance as the problems appear to be linked with the more general issue of the supply of suitably qualified graduates for particular areas of the economy. We would have thought, however, that because of its reliance on agriculture, New Zealand would be especially strong at a tertiary level in agricultural science and economics.

Management of People Performance

How well does the agency encourage high performance and continuous improvement amongst its workforce?

How well does the agency deal with poor or inadequate performance?

Performance Rating: **Well placed**



Once again this was an area highlighted in the 2013 PIF Review as 'needing development'. Since then there has been a sharp focus on encouraging both improved and high performance, with higher expectations set for outstanding performance. In its 2015 Engagement Survey, the result area 'MPI expects high standards of performance from its people' is one of the highest rating areas (although there was a small decline compared with 2014) at 76 per cent.

Poor performance is now dealt with better than at any time before, but this is an area where there can always be more improvement. In the most recent year, MPI dealt with 24 formal cases of inadequate performance. Reactive management of poor performance is now being replaced by many more performance-related issues being addressed through clear feedback or through discussing with staff options on how they may move forward.

There is also now greater recognition at MPI of good performance such as the twice-yearly Director-General Awards. These awards recognise individuals and teams who have been highly successful and this is another initiative that has been well-received by staff.

There is an active Talent Management Programme within MPI linked to the career pathway process, complemented by a succession programme, particularly as it relates to those roles critical to the agency and difficult to replace.

Engagement with Staff

How well does the agency manage its employee relations?

How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Performance Rating: **Well placed**



This is an area that received a weak rating in the 2013 PIF Review, but that position has changed substantially. Not surprisingly, staff engagement has been a priority for the Director-General and SLT and as identified in some detail in this Report (Part One: Leadership and Direction – Leadership and Governance as well as Values, Behaviour and Culture), there have been substantial gains in staff engagement, with MPI now above the public service benchmark. The staff engagement surveys do not stand alone, as MPI undertakes self-review focus groups to validate the survey results.

In our interviews with a range of focus groups across the agency, including management and frontline staff, we found a consistent positive sentiment about MPI. There is room for improvement in staff engagement, however, particularly as it relates to MPI teams working well together, having the tools and resources to do jobs effectively and the business systems and processes to enable the job to be done effectively. Attention now needs to be focused on the weak areas of staff engagement now that overall engagement has reached higher levels.

To improve its performance in the area of People Development MPI will need to:

- ▶ work on becoming a more ethnically and gender-diverse agency, particularly in senior management roles
- ▶ provide development opportunities for its leaders to stretch and challenge their thinking, ideally in an environment that builds relationships and focuses on finding solutions to policy problems facing the agency
- ▶ consider whether the appropriate balance has been struck in rotating and warranting frontline staff

- ▶ be able to form and resource high performing teams routinely from across the agency, as the circumstances require.

Part Five: Financial and Resource Management

Asset Management

How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?

Performance Rating: **Well placed**



As at 30 June 2015, MPI's total departmental non-current assets stood at \$65.7 million of which the three largest items were acquired or internally generated software (\$30.5 million), land and buildings (\$12.5 million) and motor vehicles and vessels (\$8.9 million).

As reported in its 2015 Four-year Plan MPI has a significant capital programme planned over the next four years, driven by the demands of its four core systems of biosecurity, food safety, primary production and trade. Key among these are the construction of the National Biocontainment Laboratory at Wallaceville, the rationalisation of existing premises (including the consolidation of four of eight existing sites into an MPI centre close to Auckland airport) and investment in new IT systems and infrastructure.

An extensive business case has been prepared in regard to the proposed Auckland MPI centre and perhaps not surprisingly this was a topic of conversation with staff we interviewed in Auckland. Interestingly, the effect on the goodwill of some staff who will be required to travel further to work and operate further from their main place of work, does not appear to have been factored into the costs and benefits of the proposal, although this is an issue perhaps of more relevance to people than asset management.

With respect to ICT, MPI plans to move towards a 'software as a service' operating model rather than full ownership, which will result in the need for increasing operational costs rather than only capital. In this context some development costs will still need to be capitalised. A significant priority will be ensuring that MPI's decisions are aligned with the cross-government ICT strategy and action plan.

Decisions in respect of the key elements of the capital plan above are being assisted through international expert advice, a National Property Strategy aimed at co-location of branches and/or agencies where appropriate and MPI's Information Systems Strategic Plan (ISSP). In addition, the Information Security and Infrastructure Governance Board has been improving the management of capital projects, especially projects where there has been 'scope creep' or the project has experienced significant issues that have resulted in time or cost increases.

Nevertheless, MPI's balance sheet and its working capital in particular, will come under considerable pressure over the next four years and it may struggle within its current resources. Progress will need to be kept under close review and any potential issues will need to be signalled as early as possible.

In addition, it will be necessary for MPI to ensure that its capital investment decisions are aligned with its strategic priorities. In this respect we note that directors have questioned whether MPI's existing approach to capital expenditure planning is sufficiently robust. They have also identified the need for MPI to improve its cost forecasting and costing of particular initiatives and to have a more regular conversation about priorities for investment and asset replacement. We encourage this approach, which should be embedded as a critical management discipline.

In terms of non-departmental assets as at 30 June 2015 MPI administered non-current assets of \$243.7 million. The largest item in this category is the management of Crown Forestry assets, which appears strong. Crown Forestry is run as a commercial operation through a small Crown Forestry business unit. In addition to managing the assets to the best commercial advantage, Crown Forestry works to remove the Crown from the business on commercial terms. This is generally through lease surrender to lessors and sales of forests where this can be negotiated. In addition to negotiating directly with landowners in respect of Crown forests on Māori land, Crown Forestry works closely with the Office of Treaty Settlements to prepare Crown land for iwi ownership as part of Treaty of Waitangi settlements.

To improve its performance in this area MPI will need to strengthen its approach for establishing priorities for capital expenditure by embedding this as an ongoing management discipline.

Information Management

How well does the agency manage and use information as a strategic asset?

Performance Rating: **Well placed**



MPI is on a journey towards being better able to use information as a strategic asset. It now has a common data warehouse, common capture of geospatial data and is an active and early adopter of whole-of-government ICT capabilities. It has also used these capabilities to drive other changes related to the delivery of ICT.

There are, however, still numerous business applications and processing systems that have not yet been integrated, for example, the risk and analysis tools of the JBMS project.

MPI was described to us an agency where the data holding is rich but the capability to analyse it is diffuse. There is some very good work under way but real drive and energy needs to be applied to ensure that maximum benefit is gained from MPI's data holdings. MPI needs to move from information and intelligence gathering to generate insight to guide and direct the future development of MPI's operating model, as well as contributing to the future direction decided on by New Zealand's economic agencies. This is a significant step and is not simply a matter of more investment in information technology, rather it may require capabilities and capacities not currently present in MPI. MPI is already working with NZTE and Statistics New Zealand that share the challenge of moving from agency intelligence to insight.

The Operations Branch has a key role related to intelligence planning and coordination and is making some good progress, with core capabilities being brought together through more frequent reporting of risks to senior managers. We were told of a number of examples where data has been leveraged to good effect. Again, this endorses the somewhat asymmetrical nature of activities between growing and protecting.

MPI has a strategy to ensure data is open and shared and there is now a catalogue of different types of data and a developing data analysis function. As MPI continues to make better use of information as a strategic asset, it would be well-advised to work closely with agencies such as MSD and IRD as they advance their data analytics.

With respect to its grow activities, the key to gaining insight is 'joining the dots' and appreciating how different factors can influence a system, often in ways that might seem imperceptible or inconsequential to a casual observer. MPI should consider whether it has enough staff with sufficient tacit intelligence to be able to correlate a wide range of variables and recognise the bigger picture.

To improve its performance in this area MPI will need to:

- ▶ ensure that an appropriate balance is struck between managing the information needs of both its grow and protect activities
- ▶ learn from, and collaborate with, other agencies such as NZTE, that are using market-based information to inform business planning
- ▶ ensure that it has staff with the experience and capability to be able to interpret datasets and 'translate' insights into settings, priorities and approaches.

Financial Management

How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?

Performance Rating: **Well placed**



MPI is continuing to build its capability to plan, while directing and controlling financial resources to drive efficient and effective output delivery. As noted in the 2013 PIF Review the financial management practices from the former agencies were at different stages of development and needed to be integrated. Despite some remaining capability challenges, good progress has been made towards establishing consistent financial management practices.

MPI now better understands its cost pressures, including its cost to serve, with concepts around value receiving more air time. Financial reports for managers are more comprehensive and have improved but further work is needed to make the process work even more smoothly. For example, some managers commented that their budgets have changed during the last year because of reporting issues. This further work needs to be a priority for the new Chief Financial Officer.

MPI's external audit rating remains good and its cost control environment is improving and the Treasury has commented favourably on MPI's cost management strategy as part of MPI's Four-year Plan.

Cost recovery is an issue that has needed, and continues to need, attention, as the cost of providing services has risen above the amount recovered because of increases in travel and trade volumes, new services, historic deficits and inflationary pressures. In this context, fees have been reviewed and reset and there is also a first principles review under way relating to cost recovery to enhance future performance. This area is the responsibility of the Deputy Director-General Corporate Services.

Overall, financial management is in good shape but much more is needed to link spending with impacts and clearly understanding MPI's cost to serve. This is understood. The finance function has been restructured and a new Chief Financial Officer has been appointed.

To improve its performance in this area MPI will need to:

- ▶ have a better understanding of the impacts of spending decisions so that better choices can be made upfront about which options will make the largest contribution to chosen goals
- ▶ listen to, and be prepared to be guided by, what cost centre managers within MPI are saying about MPI's financial management system – they are customers who are entitled to expect the system to work for them in making the best possible policy, operational and staffing decisions.

Risk Management

How well does the agency identify and manage agency and Crown risk?

Performance Rating: **Well placed**



To manage risk effectively MPI needs to be in a position to identify, prioritise and mitigate material risks affecting its core business areas accurately and in a timely manner. Risk tolerances must be appropriate for particular circumstances and consistent with the role of government.

MPI's internal and external environment encompasses a range of complex paradoxes leading to conflicts or tensions across its business. As an example, regulatory arrangements designed to protect MPI's systems may be assisting its growth objectives, getting in the way of these objectives being achieved or not affecting them at all.

Risk management in relation to specific areas has been discussed in relevant sections of this Report, for example, regulatory stewardship.

MPI has a well-developed risk management system in which risk owners take responsibility for the main risk areas of MPI's business. Risk reporting and monitoring occur in both governance and leadership forums and across functional activities, for example, project management, legal, communications and information technology. A Risk Management Committee with highly-qualified external members has been in existence since 2007 and oversees the effectiveness of the system as a whole.

The 2013 PIF Review noted that MPI needed to develop its risk management system by complementing the bottom-up process with a top-down view, which is inherently long term in nature and aligned to MPI's strategy. It also identified the need for a more coherent focus on system-wide and emerging risks. This approach would require identifying risks aligned to the strategic plan, establishing a coherent framework for prioritising risks, incorporating a wide range of views and engaging a wider set of players in risk mitigation.

Following the 2013 PIF Review there has been a strong commitment from MPI's leadership to increase the organisation's risk maturity, which has occurred but the journey is still incomplete.

The Risk Management Committee has an independent chair and there are now good risk frameworks in place, with more systematic planning and reporting processes. Risk appetite is a feature of discussion at Risk Management Committee meetings and MPI is keen to understand the different risk environments in which it operates. It was suggested to us that these meetings could also consider the effectiveness of the response system and ways to improve it. On the other hand, there has been no discussion about the total level of enterprise risk that may be acceptable to MPI. This is a discussion that needs to happen.

The Ministry's risks are identified through both top-down and bottom-up processes, with an agreed responsibility matrix for decision-making around risk ownership, risk appetite, level of oversight and frequency of review. Risks are reported to SLT quarterly, examples of which are the legal 'bottleneck' surrounding aquaculture development and the confusion generated by complex, subordinate legislation, especially in the food area. While this reporting allows SLT to consider generic issues such as the economic cost of legal uncertainty, it was not clear to us from the reports provided whether SLT sees the issues in this light and, if so, what policy treatments might be available.

Information about issues, threats and risks are shared through an emerging risk system, horizon scanning and intelligence work and at daily director stand ups. Each MPI governance board is also accountable for reviewing and contributing to the strategic system of risk management in MPI.

MPI has noted some areas for further improvement, including providing more visibility of significant risk mitigation activities and more support for thinking about managing risks with partners, third parties, suppliers and other agencies. Again, this is a worthy initiative to pursue at pace.

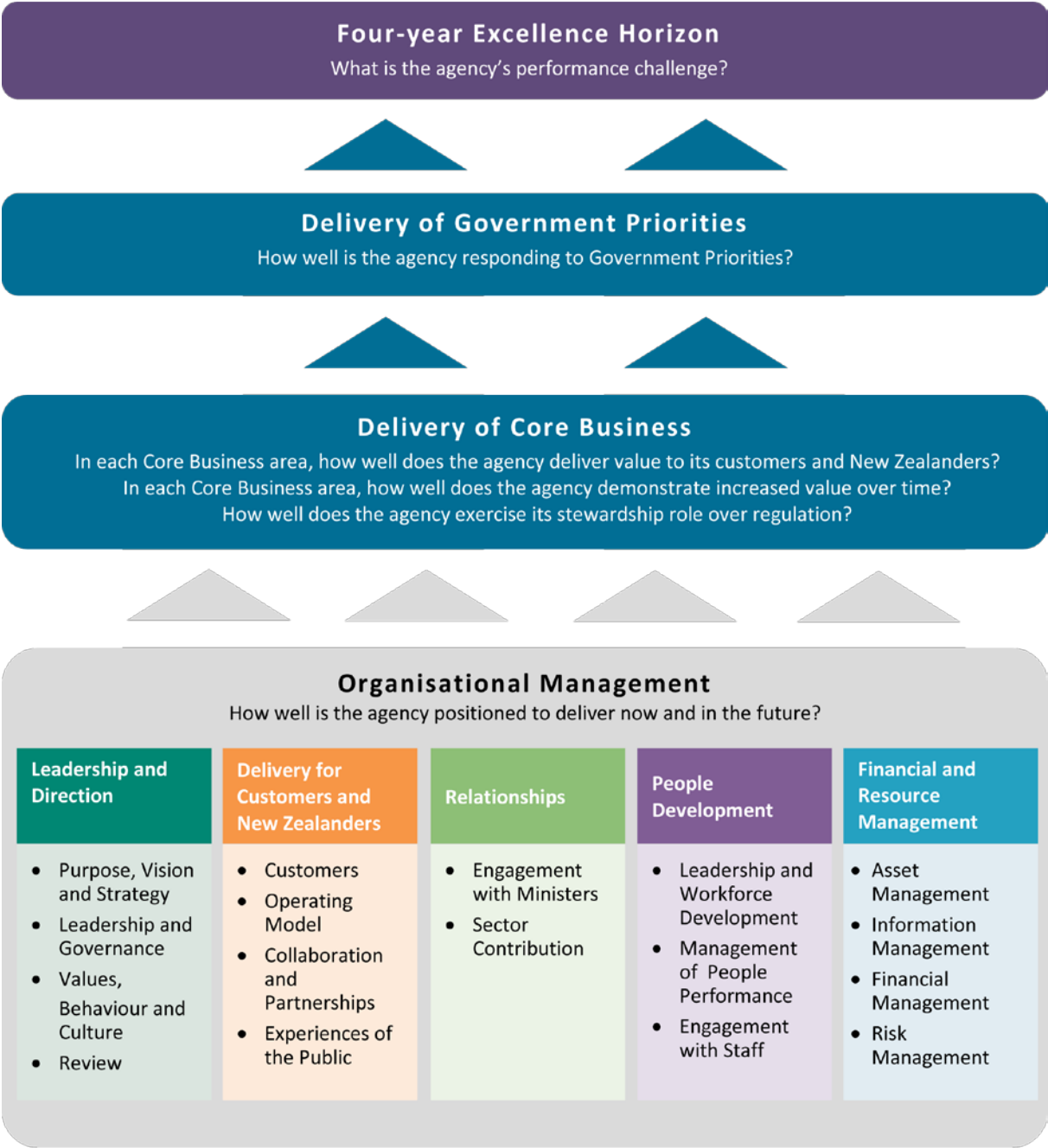
Consideration could also be given to the creation of an opportunities register to sit alongside the risk register. This would allow good ideas for improvement to be captured as people work through possible mitigation approaches to manage or reduce risks. This has proved to be a successful initiative in some private sector firms and would be worth MPI's consideration.

To improve its performance in this area MPI will need to:

- ▶ take a wide view of risk, for example, the risk of not addressing an area of legal uncertainty may have a high opportunity cost for New Zealand
- ▶ consider developing an opportunities register that can sit alongside a risk register
- ▶ ensure that risk management does not become a pro-forma, compliance exercise in the agency but rather an everyday, working tool to make the best possible steering decisions
- ▶ consider opening up risk management meetings to wider peer review within the agency, to test assumptions and consider possible 'what ifs'.

Appendix A

The Performance Improvement Framework



Lead Questions

Four-year Excellence Horizon		
What is the agency's performance challenge?		
Results		
Critical area	Lead Questions	
Government Priorities	1. How well is the agency responding to Government Priorities?	
Core Business	2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?	
	3. In each Core Business area, how well does the agency demonstrate increased value over time?	
4. How well does the agency exercise its stewardship role over regulation?		
Organisational Management		
Critical area	Element	Lead Questions
Leadership and Direction	Purpose, Vision and Strategy	5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change? 8. How effectively does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?
	Review	10. How well does the agency encourage and use evaluative activity?
Delivery for Customers and New Zealanders	Customers	11. How well does the agency understand who its customers are and their short- and longer-term needs and impact? 12. How clear is the agency's value proposition (the 'what')?
	Operating Model	13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business? 14. How well does the agency evaluate service delivery options?
	Collaboration and Partnerships	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers? 16. How well do the agency and its strategic partners integrate services to deliver value to customers?
	Experiences of the Public	17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? 18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?
Relationships	Engagement with Ministers	19. How well does the agency provide advice and services to Ministers?
	Sector Contribution	20. How effectively does the agency contribute to improvements in public sector performance?
People Development	Leadership and Workforce Development	21. How well does the agency develop its workforce (including its leadership)? 22. How well does the agency anticipate and respond to future capacity and capability requirements?
	Management of People Performance	23. How well does the agency encourage high performance and continuous improvement amongst its workforce? 24. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	25. How well does the agency manage its employee relations? 26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
	Information Management	28. How well does the agency manage and use information as a strategic asset?
	Financial Management	29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	30. How well does the agency identify and manage agency and Crown risk?

Appendix B

List of Interviews

This Review was informed by input provided by a number of MPI staff and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
AgResearch
Agriseeds
AsureQuality
Auckland Airport
Customs Brokers and Freight Forwarders
Dairy NZ
Department of Conservation
Environment Canterbury
Federated Farmers
Federation of Māori Authorities (FOMA)
Firstlight Foods Ltd
Food Safety Assurance and Advisory Council
Fonterra
Forest Owners Association
Horowhenua District Council
Institute of Environmental Science and Research (ESR)
Meat Industry Association
Ministry for the Environment
Ministry of Business, Innovation and Employment
Ministry of Foreign Affairs and Trade
New Zealand Customs Service
New Zealand Food and Grocery Council
New Zealand Trade and Enterprise
New Zealand Winegrowers
Northland Regional Council
Pipfruit NZ
Productivity Commission

Agency/Organisation
Sanford
Seafood NZ
Te Ohu Kaimoana
Waikato Tainui Raupatu Trust
Waikato University
Westland Milk
Zespri

Appendix C

Glossary of Acronyms

Acronym	Meaning
BGA	Business Growth Agenda
BMAC	Biosecurity Ministerial Advisory Committee
BPS	Better Public Services
CRI	Crown Research Institute
GIA	Government Industry Agreement
IHS	Import Health Standards
IPC	Intelligence, Planning and Coordination
IRD	Inland Revenue Department
ISSP	Information Systems Strategic Plan
JBMS	Joint Border Management System
MBIE	Ministry of Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade
MfE	Ministry for the Environment
MPI	Ministry for Primary Industries
MSD	Ministry of Social Development
NRS	Natural Resources Sector
NZFSA	New Zealand Food Safety Authority
NZIER	New Zealand Institute of Economic Research
NZTE	New Zealand Trade and Enterprise
OAG	Office of the Controller and Auditor-General
PIF	Performance Improvement Framework
PGP	Primary Growth Partnership
SFF	Sustainable Farming Fund
SLT	Senior Leadership Team (of MPI)
SSRM	Single Scalable Response Model
VADE	Voluntary, Assisted, Directed, Enforced (compliance)
WPC	Whey Protein Concentrate (contamination incident/inquiry)