



**Australian Institute of
Performance Sciences**

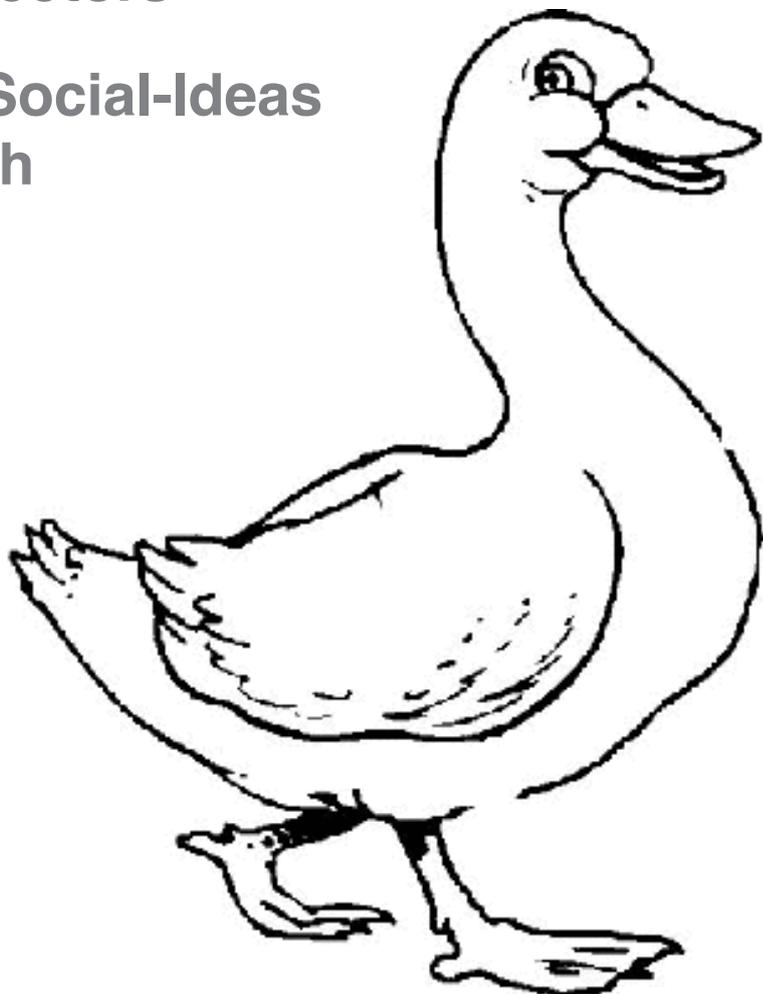
Enhanced Stewardship

**Enhanced Government and Community
Sector Performance**

Better Societal Outcomes

**Activation, Engagement and Alignment
across Public, Commercial and
Community Sectors**

**Bridging the Social-Ideas
Valley of Death**



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Governments are investing in 'Islands of Excellence' pursuing virtuous approaches and strategies to increase effectiveness, including:

- Stewardship
- Social Outcome Measures
- Improved Governance, and
- Secretaries Boards

but are failing to keep pace with the challenges that face government and communities in the current era.

*"I cannot make wiser leaders,
but I can give them insight
and foresight to make better
decisions."* **DANNY DAVIS**



A research breakthrough.

New knowledge illuminates the path
to responsible action towards more
effective Social Outcomes,
renewed Institutional Trust,
and improved Social Cohesion.

New capacity brings a re-empowered leadership role for Executive and Administrative government to operate at a new order of effectiveness in an era of political, societal and technological change.

And, introducing the Australian Institute of Performance Sciences as a new vehicle to get us there.

1. Context

Storms are upon us

***“This is not about dark clouds on the horizon.
We are getting wet.”***



Why Do We Need To Act?

- A new era of inequity and social disenfranchisement
- A crisis of trust in public institutions
- Lack of wage growth, and increasing middle-class working poor
- Projected increases in health and other social costs in aging populations
- Community concerns on progress across a range of social outcome issues
- Budget constraints are being exacerbated by global trends in lower and shifting tax burdens

We have a need to find a new way to achieve effective action to protect and refresh the Australian way of life for future generations

We have a need to facilitate sustained engagements with communities activated as fully informed and empowered participants on the journey to better futures

**Different
outcomes
will require
different
actions...**

*“Insanity is doing the
same thing over and
over again and
expecting different
results”*

Albert Einstein

1. Context

Government's Leadership Role

The change in operating context for government and the economy has been described using the US Military notion of Volatility, Uncertainty, Complexity and Ambiguity (VUCA). Disruptive change in everything is the new baseline reality.

Stewardship suggests the inalienable role for government is not in the delivery of services as such, but in ensuring the optimal use of public resources towards the achievement of the best possible public outcomes. The purest Stewardship perspective encompasses effectiveness across the totality of public, community and private resources as they are applied to the totality of achievement of public outcomes. Direct government budgets and programs are only one (possibly shrinking) aspect of societal performance.

Australian Commonwealth and State agencies are working to develop new classes of social outcome measures. They have variously embraced the need to improve their capacity for outcome-based decision-making.

However, in the absence of stewardship, the majority of public sector governance attention is applied to expenditure and risk... and a focus on “doing things right” rather than “doing the right things”. As a consequence, government tends to focus on program delivery, and avoiding blame, ahead of innovating approaches to improve public outcomes.

Outcome measures alone are insufficient to enhance decision-making to meet the challenges of this environment. They will not lead to increased value-creation performance, or to understanding of periodic movements in future-value of initiatives to achieve policy commitments.

The research outlined on following pages describes an “Islands of Excellence” culture, where virtuous work, competently executed is still not sufficient to change the effective outcomes of a system as a whole. This research illustrates that the challenges of achieving enhanced stewardship outcomes across the Government and Community Sector are the same as those faced by large-scale commercial organisations dealing with complexity, change and disruption.

There are significant commonalities in the issues faced, and the enhanced approaches that will address them.

Broad collaborative action on developing the enhanced practices is indicated.

1. Context

Organising Human Action

“Effectiveness does not suffice in the knowledge worker age... The challenges and complexity we face are of a different order of magnitude.”

Steven Covey, author ‘7 habits of highly effective people’

“Having better people is not the key. Ordinary people will do.”

Peter Drucker, 1991

“We are using what are at best 20th Century reporting and decision-making tools to address 21st Century challenges.”

The global movement in Integrated Reporting

“The person who figures out how to harness the collective genius of the people in his or her organization is going to blow the competition away.”

Peter Senge, 1994

Everything we see about us is the result of the organisation of human labour. This human organisation is failing to keep pace with the needs of Volatile, Uncertain, Complex and Ambiguous environments. A higher order of human organisation is needed to achieve higher order outcomes.

If we are not operating at the very peak of performance, it is not that we have the wrong people. The vast majority of people are capable and professional. Research demonstrates that poor performance is most significantly attributable to inadequate and inappropriate governance practices (reporting and decision-making) used to organise our human effort.

To get the best possible **OPTIMAL** performance, 2017 research asked leading corporate and government directors how they could engage and assure the core **FUTURE FIDUCIARY** question:

“Are we optimally invested in our own future?”

Multiple ASX10 Chairs responded:

“We don’t optimise. You can’t optimise. There is no way to optimise.”

Chair of Australia’s most advanced Governance of Value Creation practitioner, and recognised sustained high-performance champion, responded:

**“You never finish!
We optimise constantly. Every decision, every day.
Not just at the board, but everyone, at every level, throughout the organisation is optimising the long-term value of our portfolio.”**

This is the core characteristic of high-performance organisations.

Governance of Value Creation demonstrates how to achieve that higher order of human organisation

2. Breakthrough Research

Overview

2017 Doctoral research at La Trobe University, Melbourne, Australia has delivered a breakthrough in the long sought-after link between governance practice and organisational performance. This research involved directors at nine of the ASX10 (seven at Chair) and other leading companies, CEOs and Directors of Superannuation Asset Owners and Departmental Secretaries amongst 60 expert interviews. It identified **Governance of Value Creation**: An integrated multi-disciplinary governance model for sustained value creation in large scale organisations.

Governance of Value Creation is a future-oriented equivalent to Financial Governance. It enables an accounting-style understanding of the (risk and uncertainty mitigated) future value of all the work of an organisation, a collaborative network, or, a market sector.

It enables leaders to assure the 'Future Fiduciary' question 'Are we optimally invested in our own future'. Also, it enables consistently enhanced decision-making throughout an organisation in continuous support and optimisation of better future outcomes. The practice enables communication and communities of collaboration on multi-bottom-line (societal, environmental, and other outcomes as well as financial measures) across multiple future timelines.

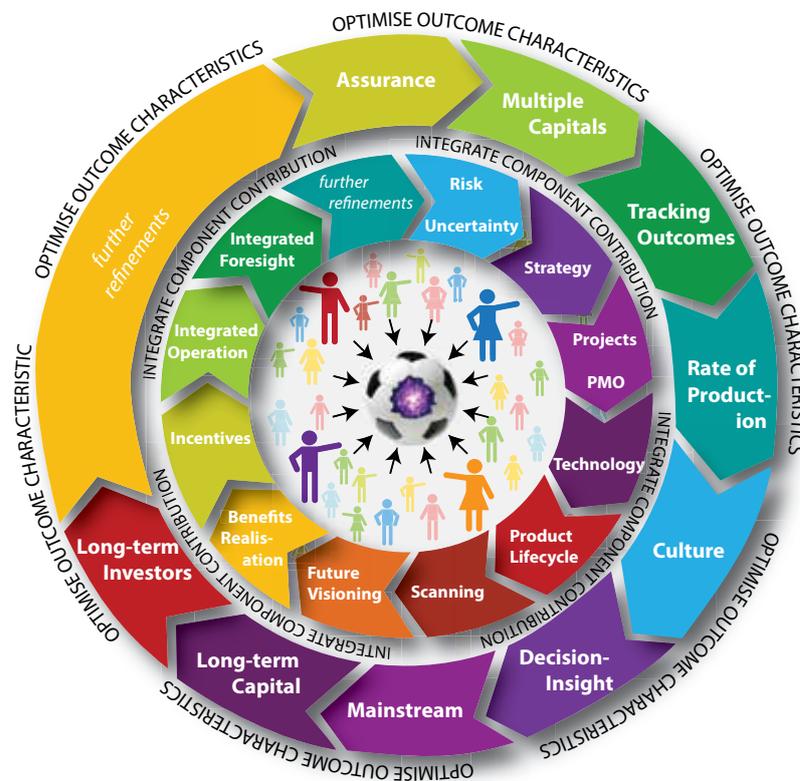
The Governance of Value Creation:

- Enables leaders to run more effective organisations focusing on productivity as the achievement of more valuable outcomes (not just cutting cost).
- Creates organisations that can value, and reliably achieve value from ideas and the full potential of staff and community.
- Enables investors to value organisations on auditable evidence of delivering the best future prospects (costing future risk).
- Enables governments to engage in social-value outcome stewardship of collaborative action across collaborative networks and markets.

Further, it enables citizens to understand, gain trust and participate in, what their public and industrial institutions are doing and actually achieving towards making a better world.

2. Breakthrough Research

Breakthrough Model Governance of Value Creation



Governance of Value Creation can be considered as an extension to Integrated Reporting's notion of Integrated Thinking... as a multi-discipline integrated model aligning the contribution of key component disciplines into the effective achievement of optimised outcomes.

And, it enables cross-silo collaboration on sustained multi-bottom-line future-oriented value creation, and the creation of Integrated-foresight for better quality forward looking decision-making. It enables the optimised allocation of capital and tracking of progress at Senior Leadership Team and Board.

2. Breakthrough Research

Measuring Capability

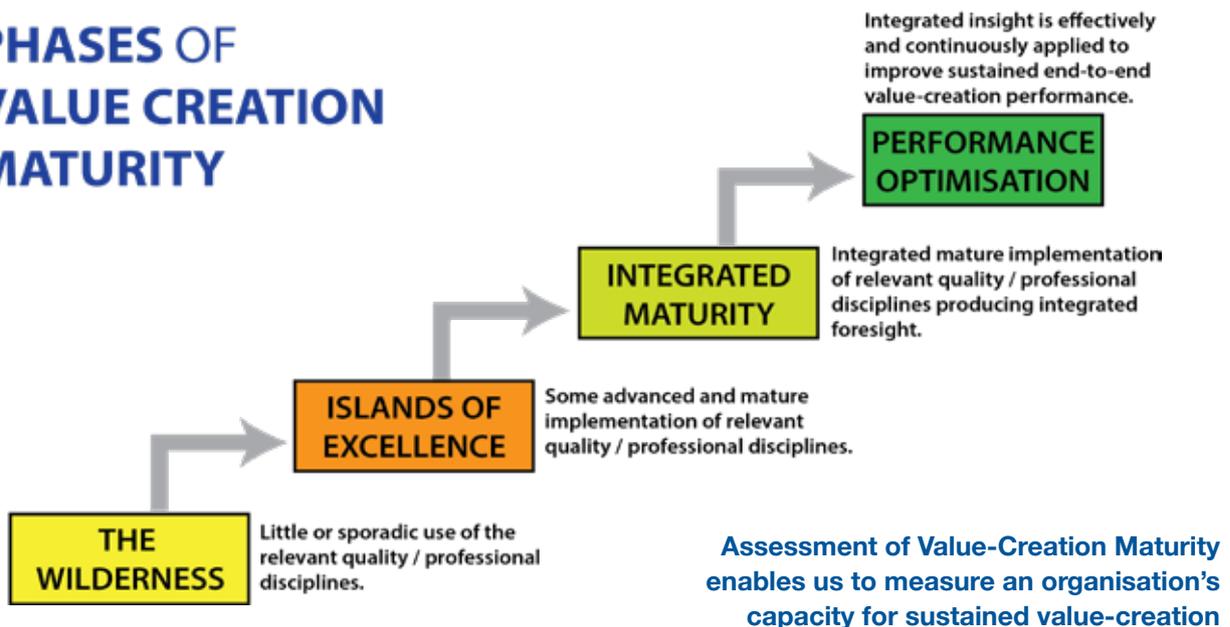
“What is measured is done”

Peter Drucker

Measurement of Value-Creation Maturity

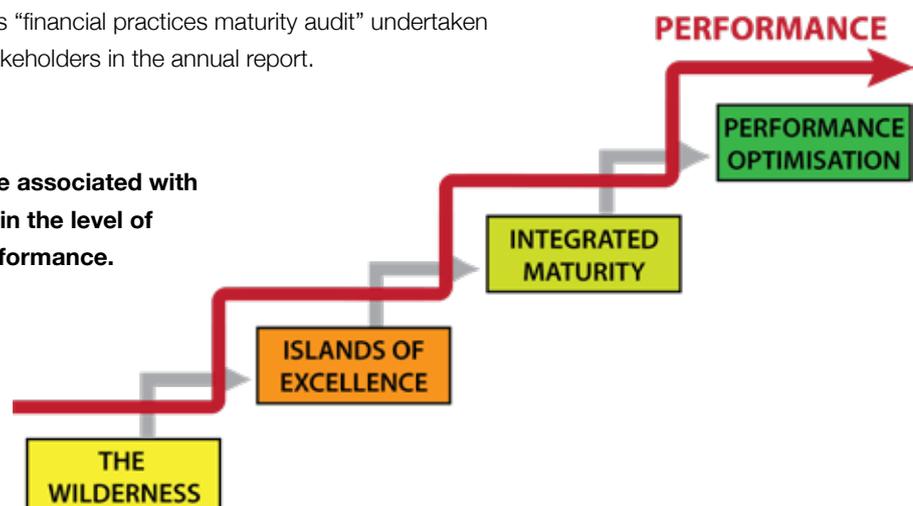
The Value-Creation Maturity model provides an assessment of the extent to which there has been effective implementation of Governance of Value Creation practices within a large-scale organisation or complex public network.

PHASES OF VALUE CREATION MATURITY



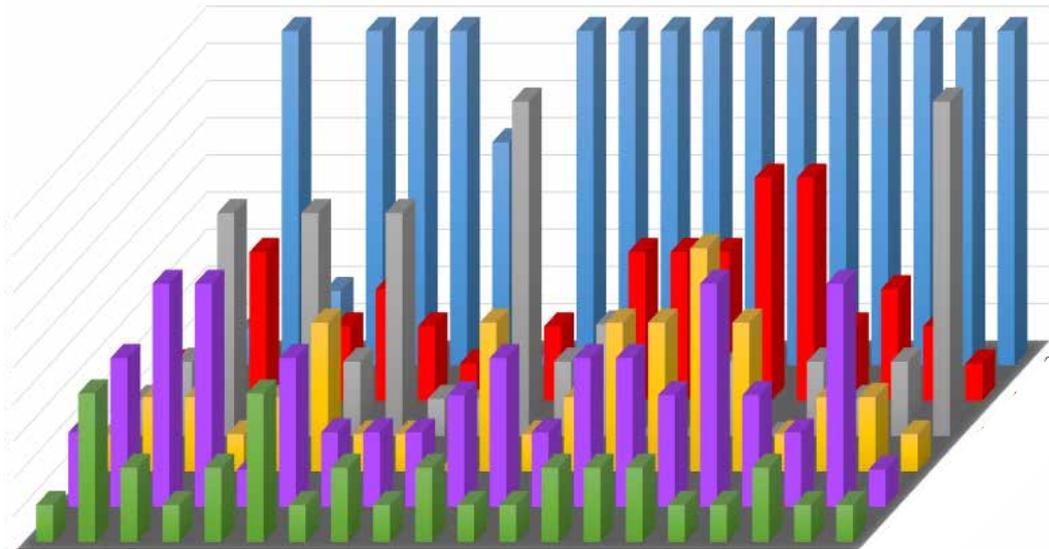
The assessment process measures the maturity of practice and integration of the component disciplines within the Governance of Value Creation model. Simplistically it is the equivalent of an auditor's "financial practices maturity audit" undertaken annually and made visible to stakeholders in the annual report.

Higher phases of maturity are associated with a step-change improvement in the level of sustained value-creation performance.



2. Breakthrough Research

Capability Drives Performance



Assessment of organisations, networks and systems

This chart above shows the Maturity rating across each of the disciplines identified in the Governance of Value Creation model (X axis). The set of measures in Purple, Yellow, Grey and Red are assessments of ASX10 companies. **Green shows the assessment for an Australian government jurisdiction.** Each of these organisations are assessed in the phase of 'Islands of Excellence'. The Blue measures are for CSL (also in the ASX10). CSL is assessed to be in the phase of 'Integrated Maturity'.

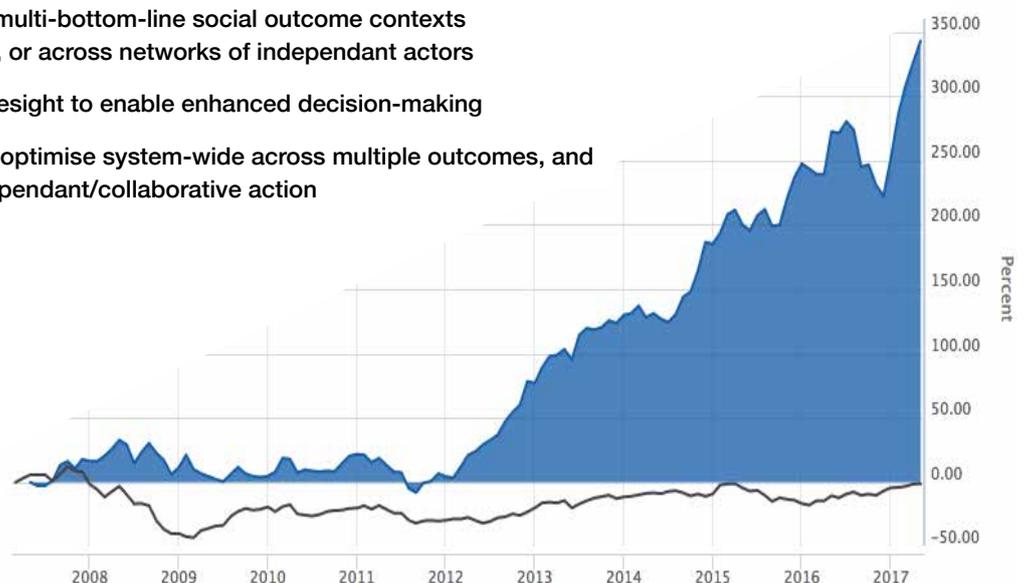
The graph below, compares CSL's 10 year share price performance (**Blue Shading**) to the performance of the ASX200 index (**Black Line**). It demonstrates that CSL, which is clearly the outstanding performer in the Value Creation Maturity rating above, is also the outstanding performer in sustained value creation.

Governance of Value Creation demonstrates the organisational characteristics that lead to sustained high-performance value-creation. It is shown to be effective:

- In large-scale complex fast-moving environments
- In the achievement of multi-bottom-line social outcome contexts
- Within an organisation, or across networks of independent actors

It provides information foresight to enable enhanced decision-making

- enabling leadership to optimise system-wide across multiple outcomes, and
- activating aligned independent/collaborative action



3. Enhanced Stewardship

Stewardship Through Improved Practice

Focus on value-creation within the organisation

Governance of Value Creation integrates and matures existing quality disciplines to create assurable information-foresight enabling the consistent application of better decision-making. It operates organisation-wide, in the context of complexity, uncertainty and multi-bottom-line multi-time-horizon outcomes.

It enables leaders to engage and assure that their organisation is optimally invested in its own future; that they are focused on the right projects, optimally balancing investments and efforts, making high-performance progress and providing the capacity to achieve the goals.

It creates an environment where staff can see that their efforts are aligned to purpose, and where they are unconstrained in their ability to contribute the value of their expertise to explicitly understood common goals.

Focus on value-creation across the sector

Explicit definition of common goals and measures enables organisations to focus their efforts towards collaborative contributions to aligned action.

Enhanced understanding of explicit shared outcomes creates empowered interactions and the development of more nuanced contracts. Organisations working within more mature shared-outcome networks are better able to focus their efforts towards long-term strategic outcomes.

Activation of independent value-driven action

Independent organisations are able to see the context of their efforts within a broader system are better able to self-tune their value contribution. They are able to independently move towards higher value contributions, knowing that such moves will receive recognition, engagement, and reward.

In activated systems productivity is understood not as the reduction of cost, but as the independently motivated collaborative creation of more effective outcomes.

Identification and measurement of minimum system interventions

With Enhanced Stewardship, Government can act as ‘conductor’ overseeing the future-outcome value contribution of networks of independently motivated players. Thus informed, it can focus on minimal interventions to address gaps, and consider changes to incentives or regulation that may best increase performance or remove constraints on proposed innovations.

Governance of Value Creation insights provide leaders with shared future outcome scenario consideration in complex environments such as health, infrastructure, energy and social outcomes – despite the necessary limitations on their personal domains of control.

As a consequence, the optimal stewardship role for Government moves away from a focus on the hands-on delivery of public services, towards a role in promoting optimal public outcomes. Here government can move towards an activist or catalyst role, where its actions and involvement serve to achieve maximum public outcomes at minimal government resource and effort.

Constant valuation of action, learning and experimentation

Governance of Value Creation is an assurable accounting practice. It can provide insight into the period-to-period movement in future-value creation as organisations engage constant learning, experimentation and decision-making.

It answers “What have we learned?”, and “If we did everything we are currently working on, ‘Who would we be?’”. This is a constantly changing valuation as uncertainty is addressed – and ideas are successfully developed, or explored and found wanting.

This accounting-style management can be applied to capacity, innovation performance and skill-gaps. It moves from ‘picking winners’ to increasing investment in strategies that prove themselves. It enables

3. Enhanced Stewardship

Outcomes of Improved Practice

organisations to kill underperforming options, and to attend to persistent strategic gaps. Constantly developed new knowledge becomes the enabler of strategic agility and high-performance cultures.

Open to ideas and innovation from anywhere

An organisation that is able to provide reliable valuation of its portfolio of future-oriented actions is also able to understand and engage with the contextualised value of new ideas.

The biggest barrier to new ideas in most organisations is the personal risk of questioning previous commitments made on the basis of 'personal leadership'. Personal career risk, arising from a lack of appropriate organisational practices is the greatest constraint on change. Organisations whose decisions are based on personal leadership, cannot question and optimise their portfolio using the meritocracy of ideas.

There are many many great ideas out there - from leaders, staff, stakeholders, and across the system. System-wide capacity for engaging these ideas, effectively, on their merits, and to the full extent of their potential is critical for effective performance.

Overcoming short-term pressures

We are prisoner to short-term pressures within organisations and across public decision-making. "What is measured is done" brings us to focus almost exclusively on short-term measures in budgets, risk management, annual reports, and the internal meetings and personal accountabilities that drive our daily existence.

Governance of Value Creation defines period-to-period value-creation measures that enable us to focus on, and be held appropriately accountable for achievement towards strategic long-term value.

Giving our public leaders the capacity to consistently deliver a narrative based on reliably and independently measured progress towards long-term outcomes will help them to resist the short term pressures of a hostile press.

Multi-bottom-line social outcomes

Importantly, Governance of Value Creation enables us to work towards complex social outcomes. It allows us to exercise disciplined approaches to improve our engagement with uncertainty, complexity and the at-times conflicting and overlapping of social measures.

This is about 'social productivity' seen as our capacity for value-creation in human terms. Finite resources must stretch to address increasing expectations in complex times.

Engaging the public

Civic participation is trending towards disengagement. Government, social issues and meaningful solutions are increasingly complex. There are no simple answers, no simple action. Social outcomes are inherently multi-form, user engaged and socially delivered.

The capacity to consistently provide a leadership narrative based on meaningful, reliable progress toward long-term outcomes is vital. This narrative, and the ability to communicate transparently and effectively within complexity, is not supported by our current practices.

Enhanced practices, afforded by Governance of Value Creation, are required. The leader who is able to use this capacity to illustrate meaningful progress towards meaningful outcomes in a way that resonates with people's understanding of the world will re-engage with a trust-starved public.

Clarify public leadership roles for a new era

Executive Government is struggling to communicate vision in increasing change and complexity. Whilst administrative Government is needing to realign within an era of increasingly populist politics.

In the Public as well as the Private Sector, structure and restructure are rarely the answer. It is only by refreshing roles using enhanced disciplines, and developing advanced capabilities that leaders will be empowered to tackle these difficult issues.

3. Enhanced Stewardship

Outcomes of Improved Practice

Enhanced stewardship provides the basis to clarify roles around clearer understanding of the future impact of policy commitments and decision options. Insight-empowered leaders are better equipped to direct and assure future societal outcomes. Enhanced governance empowers a new era of leadership fit to face a new era of challenge.

Personalising the future

Optimising the balance of government and societal effort and investment using enhanced foresight brings us a new capacity for leadership towards the greater-good.

Further, Governance of Value Creation can bring the individual citizen, company and special interest groups a 'what's-in-it-for-me' (WIIFM) view of the world in the context of various greater-good options. It should be possible for leaders, experts and citizens to visualise the tangible and necessary trade-offs that lead to better futures. Whilst no panacea, WIIFM and greater-good visibility motivate communities to contribute to, and participate in a common journey to better common futures.

Sharing the hard decisions

Enhanced Governance provides information foresight against which leaders can engage in enhanced decision-making. This enhanced practice has a range of capabilities to engage with the reality of the uncertainty and complexity of the era. There will still be difficult decisions to make – but they should be informed decisions that are able to be refreshed as progress and learning are achieved.

Enhanced practice enables leaders to work better with the reality of conflicting expert advice, with delegating decisions to activated organisations whilst retaining control of outcomes, and on reserving the right and accepting the accountability for 'captains calls' when the exercise of authority is needed.

Enhanced Stewardship provides the ability to answer the Future Fiduciary Question

Governance of Value Creation practices bring new perspective and capability applicable across industry, government, community and more.

It enables us to engage, assure and communicate, the core Future Fiduciary question as a society, a community and across the economy.

So ask yourself the question...

**Are We
Optimally
Invested in
Our Own
Future?**

4. Action

Better Future Through Action

Government needs to enhance its capacity for leadership in evidence-based stewardship in order to achieve enhanced outcomes for a new era.

“I cannot make wiser leaders, but I can give them insight and foresight in order to make better decisions.”

Danny Davis, 2018

New knowledge is delivering new pathways for action.

Government has the opportunity to participate, along-side its commercial peers, in an initiative to enhance systemic value-creation capacity that will underwrite Australia's economic and social future.

Governments' participation in a cross-industry collaborative initiative, on a subscription based on its size within the economy is a critical participatory leadership step. This is what a disruptive breakthrough looks like. It may not fit neatly inside any existing accountability, or any existing budget. It is a classic leadership-by-example opportunity.

Do nothing and nothing will change.

Government can lead systemic change by being present at the collaborative table as an active participant in enhancing our collective future. Governance of Value Creation provides a mechanism that enables this action.

The Public Sector, like any organisation can (and should) address its own backyard. But broad economic change cannot be directed. Government cannot act alone through legislation or regulation. Government must take the role of active steward to engage the other key players in Australia's economic and social system - demonstrating exemplar behaviours towards effective participatory collaboration towards better common futures.

We propose the Australian Institute of Performance Sciences as a vehicle to help facilitate this collaborative action.

4. Action

The Australian Institute of Performance Sciences



The Australian Institute of Performance Sciences (AIPS) seeks to realise the economic and social benefits (the impact potential) of the Governance of Value Creation breakthrough for the sustained prosperity and economic wellbeing of all Australians.

The AIPS can be thought of somewhere between the collaborative development of Accounting Standards and the Australian Institute of Sport. It facilitates the ongoing collaborative development of leading-edge practices... and delivers coaching for high-performance use by elite practitioners.

The AIPS is an independent, for-industry-by-industry organisation, funded by industry subscription across the top 500 participants in the Australian economy. It is independent, not-for-profit, led by an independent board supported by an Expert Advisory Committee. It promotes enhanced collaborative innovation practice for evidence based decision-making across all sectors of the economy. It is not a lobbyist for special interests.

The AIPS aims to 'move the needle' on effective innovation performance in the 'top 500', the 65% of GDP made up of large corporates, government jurisdictions and large-scale investors.

Economy-wide change will be achieved by collaborative development of leading-edge practice and coaching 'elite practitioners' on their high-performance use. It will focus on enabling them to achieve the potential 'step-change' in performance identified in the research. Smaller organisations, particularly in the services sector and the 'ideas economy', will follow.

By increasing corporate capabilities, and the evidence to support it, to 'investible quality', the AIPS expects to stimulate \$100bn in additional annual corporate investment focused on innovation, productivity and export growth.

The AIPS is a cross-industry collaborative initiative. It requires no corporate welfare, no blank-cheque programs, no new policy, and no legislative change.

New knowledge and collaborative action will influence economy-wide highly-effective Value Creation.

The AIPS will drive the knowledge to make large-scale organisations more effective at sustained value creation, and enable them to produce assurable evidence to justify further investment.

**In complexity, leadership must become both
art and science.**



Governance of Value Creation and the Australian Institute of Performance Sciences are presented as an alternative approach to economic development, enterprise productivity, public sector reform and the competitive transformation of the Australian economy.

COLLABORATIVE PARTICIPATION FROM ASX200, INVESTORS AND GOVERNMENT WILL HELP BUILD SUSTAINED SUCCESS IN THE AUSTRALIAN ECONOMY