
PERFORMANCE IMPROVEMENT
FRAMEWORK

Self-Review of Callaghan Innovation
Final Version

JUNE 2015

Agency Response

The Executive Leadership Team (ELT) welcomes this opportunity two years post-establishment to review how fit-for-purpose our organisation is for delivering our mission to accelerate the commercialisation of innovation by New Zealand businesses. The past two years have been an intense period of establishment for us, and significant change in the business models applied to our research and technical services. This is reflected in the findings of the Self-Review by the Project Team.

The ELT accepts the findings of the Self-Review and recognises that we need to turn our efforts towards collective leadership and execution. We have selected three priority areas for improvement over the next 12 months:

- **Improving our interface with customers:** so we have a consistent approach across our organisation to customer management and the way we offer our services to customers.
- **Better delivery of Government priorities:** through implementing clear processes for developing new services and reviewing our existing services to decide which services to start and which ones to stop. This will also involve integrating our strategic and budget planning processes so that our resource decisions better align with our priorities.
- **Improving our internal leadership:** so we operate as a single joined-up organisation and actively recognise excellent performance and address poor performance. This will include a focus on developing our leadership and workforce capability.

We will implement the action plan below. The action plan will take a phased approach where, following the first phase (to 30 June 2015), progress will be reviewed and actions for the next phase will be agreed by the ELT.

Priority Area	Action	Responsible Manager
1. Improving our interface with customers	Ensuring the customer is at the heart of what we do, by developing fit-for-purpose people, tools and processes.	Executive Management Team

Priority Area	Action	Responsible Manager
2. Better delivery of Government priorities	<p>Grants Enhancement Programme - Building a world class grants function that is customer centred while delivering according to the Ministerial Direction.</p> <p>Stage 1 – Implement the enhancements identified during the 2014/15 external and internal reviews.</p> <p>Stage 2 - Enter an ongoing and continuous improvement framework.</p>	Chief Financial Officer
	<p>Implementing a framework for evaluating and reviewing the impact, efficiency and effectiveness for business of all our products and services, including operationalising the ‘call failure fast’ model, and use resulting information to drive our planning and budgeting process.</p>	General Manager External Relations/Chief Financial Officer

Priority Area	Action	Responsible Manager
3. Excellence Leadership	<p>Describe leadership excellence at Callaghan Innovation and articulate this through our leadership framework. Assess current capability against the framework and develop and implement a programme of work to enhance leadership capability.</p> <p>Measure effectiveness of programme through engagement survey results.</p>	General Manager People and Capability

We will collectively monitor progress against this action plan monthly at ELT meetings.

Stronger performance in these areas will mean that throughout the organisation

- we are clear on the critical government priorities Callaghan Innovation is responsible for delivering and we commit appropriate resources and effort to achieving these priorities.
- we deliver what we have said we will deliver, now and into the future, balanced with leadership that supports a sustainable, unified culture with engaged staff and stakeholders.
- our people have collective ownership of our vision, clear direction and plans on how to achieve this, underpinned by our organisational values.
- we identify, grow and mobilise leadership talent in individuals, planning effectively for succession in key roles and sharing talent across the business.
- we proactively address any capability gaps, manage non-performance and poor behaviour promptly and consistently, and reward achievement.

TABLE OF CONTENTS

DRAFT FOUR-YEAR EXCELLENCE HORIZON	7
<i>Rating System</i>	9
<i>Results</i>	9
<i>Organisational Management</i>	10
AGENCY CONTEXT	11
METHODOLOGY	12
RESULTS SECTION	13
<i>Part One: Delivery of Government Priorities</i>	13
<i>Part Two: Delivery of Core Business</i>	17
ORGANISATIONAL MANAGEMENT SECTION	21
<i>Part One: Leadership, Direction and Delivery</i>	21
<i>Part Two: External Relationships</i>	27
<i>Part Three: People Development</i>	31
<i>Part Four: Financial and Resource Management</i>	35

DRAFT FOUR-YEAR EXCELLENCE HORIZON

In undertaking this review the Self-Review team considered:

“What is the contribution that New Zealand needs from Callaghan Innovation and therefore, what is the performance challenge?”

And if the agency is to be successful at meeting the future performance challenge, what would success look like in four years? And do we have the change capability to get there?”

THE PERFORMANCE CHALLENGE FOR CALLAGHAN INNOVATION.

The economic climate is ripe for Callaghan Innovation.....

- We are witnessing a shift in the economic super-weights towards the Asia-Pacific region. This poses opportunities for New Zealand businesses to take advantage of rapidly growing markets for exports.
- Technological change is affecting the New Zealand business environment in a variety of ways. New products and breakthrough technologies could change parts of New Zealand's economy – for example laboratory-made milk could threaten New Zealand's \$17 billion dairy export industry.
- At the same time technologies developed locally are spawning entirely new high-tech industries. These industries service niche markets with little competition, and create high wage jobs for New Zealanders.
- Supporting the creation and growth of more businesses, primarily in the manufacturing sector and services sector, is Callaghan Innovation's primary purpose. Our activities are direct inputs to achieving the Government's goal of increasing business R&D expenditure (BERD) to 1% of GDP by 2018.
- As businesses invest more in R&D activity they are more likely to grow in size, report improvements in sales, profitability and productivity, and overall be more successful.
- Increased business investment in R&D also drives economic growth: studies suggest that every extra dollar of R&D performed in business generates nearly \$10 of wealth in the economy (GDP).
- By supporting New Zealand businesses to turn bright ideas into next-generation and market-ready products, processes and services, we seek to grow the size of New Zealand's economy and increase its resilience – achieving a more diverse and balanced spread of contribution from multiple technology intensive sectors.

We aim to support the growth of high-tech businesses by leveraging existing strengths....

- We employ many first-class people, with excellent knowledge, capabilities and connections to New Zealand businesses and research organisations. Staff members are intrinsically motivated by the overarching aim and vision of the organisation and, on the whole, want to support businesses through their innovation journey.
- As a Crown Entity, we are uniquely placed to drive and embed a future-focused programme of work as opposed to relying on year to year funding or needing to compete in contestable funding rounds.
- At just over two years old, we are young, relatively small in size (with just over 380 staff members). Throughout our organisation there is a strong appetite and culture for trying new ways of doing things.

- Since establishment we have engaged with a range of New Zealand businesses. Through these experiences we have learnt more about our customers' needs and have better defined our service mix.
- There are pockets of excellence where synergies across business groups are leading to high quality service delivery for customers. Recent examples are showcased in customer success stories and these are being shared across the organisation.
- Our relationships with key government partners such as NZTE and MBIE, and other key stakeholders for example regional partners, are steadily improving. This is seen as very important to delivering collective impact, driving better integration across New Zealand's innovation system, and achieving our ultimate success.
- **But we recognise that there are many areas where we need to continue to improve in order to achieve our future performance challenges**
- We need to continue to improve our delivery of Government priorities through:
 - operating more effectively as a single organisation rather than separate individual business units;
 - articulating how the products and services provided by our different business units fit together to form a coherent portfolio of service offerings to businesses;
 - establishing a holistic approach for determining the mix of products and services we offer across the whole organisation underpinned by high quality information and data about our customers and their needs; and
 - continuing to align national infrastructure development with our overarching strategy.
- We should continue to improve our leadership capability, enabling our leaders to successfully navigate an evolving environment and bringing people with them, while ensuring current deliverables, longer term outcomes and expectations from the Minister are met.

We know we have been successful when

In four years:




- As an organisation we will be confident that we have delivered what we said we will deliver. Our people will have collective ownership of our vision, clear direction and plans on how to achieve this, underpinned by our organisational values and leadership that supports a sustainable, unified culture with engaged staff and stakeholders.
- We will be regarded by our customers (businesses) as proactive and value-adding. We will understand businesses' needs through better collection and use of high quality information and data. Our customers will have access to in-house expertise and the expertise and facilities in other R&D organisations (nationally and internationally) to deliver new products. We will be regarded as supportive and responsive to the needs of Māori businesses.
- We will be strongly connected and aligned with partner organisations driving maximum value from these relationships and ensuring more coherence and coordination occurs across the innovation system. Businesses will report that they are able to enter the system at any point and navigate their way through with ease.







SUMMARY OF RATINGS

RATING SYSTEM






 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
--	---	---	--	--




RESULTS




Government Priorities	Rating
Implementation of the preferred products and services mix	
Alignment of national infrastructure with strategy	
Brokerage between New Zealand firms and research organisations	






Core Business	Rating (Effectiveness)	Rating (Efficiency)
Administration of Business R&D Grants		
Provision of Research and Technical services to businesses		
Provision of advisory services to businesses via the Business Innovation Advisors		

ORGANISATIONAL MANAGEMENT

Leadership, Direction and Delivery	Rating
Purpose, Vision and Strategy	
Leadership and Governance	
Values, Behaviour and Culture	
Structure, Roles and Responsibilities	
Review	

External Relationships	Rating
Engagement with the Minister(s)	
Sector Contribution	
Collaboration and Partnerships with Stakeholders	

People Development	Rating
Leadership and Workforce Development	
Management of People Performance	
Engagement with Staff	

Financial and Resource Management	Rating
Asset Management	
Information Management	
Improving Efficiency and Effectiveness	
Financial Management	
Risk Management	

AGENCY CONTEXT

Callaghan Innovation was established on 1 February 2013 under the Callaghan Innovation Act 2012 and as a Crown agent under the Crown Entities Act 2004. Our mission is to accelerate the commercialisation of innovation by businesses in New Zealand, supporting the Government's goal of building a more effective and productive economy.

Callaghan Innovation's role is to help high value manufacturing and services (HVMS) businesses develop and use cutting-edge technology to create a competitive international market advantage. Working closely alongside New Zealand Trade and Enterprise (NZTE), we contribute to the Government's overall effort to drive the growth of more, bigger, smarter businesses, creating higher-wage jobs for New Zealanders and greater export receipts.

Callaghan Innovation brings several old and new functions together in a stand-alone organisation. Upon establishment, Callaghan Innovation absorbed the functions of Industrial Research Limited (IRL), the Ministry of Business, Innovation & Employment (MBIE) business investment team and the Auckland Foodbowl. We employ 386 FTE staff and have offices in Wellington, Auckland and Christchurch.

Callaghan Innovation has an operational revenue budget of approximately \$90 million—made up of \$71 million in Crown funding, \$16 million in commercial revenue and \$3 million in other revenue. For the 2014/15 financial year, we must generate at least \$16.1 million in commercial revenue from R&D projects. We also administer a number of grants programmes on behalf of the Crown to the value of approximately \$155 million (2014/15 financial year).

Our Chief Executive, Dr Mary Quin, reports to a Board of Directors appointed by the Minister of Science and Innovation. A significant number of our leadership team (Tier 2 and Tier 3) have been in their roles for less than 12 months.

MBIE undertakes the monitoring and evaluation role for the agency. As a delivery agency, Callaghan Innovation operates within the policy framework established by the Government on the basis of advice provided by the policy agencies (in particular MBIE and the Treasury).

Callaghan Innovation is in the process of completing (with its monitoring agency and the Treasury) an update of its Output Class structure. Two of Callaghan Innovation's five output classes will be merged to more accurately reflect the suite of services provided by the agency now and in the future. This work will include the development of appropriate new performance measures.

METHODOLOGY

The Performance Improvement Framework (PIF) Self-Review assessment was conducted from December 2014 to February 2015 by a Project Team including people from all business units of Callaghan Innovation.

The Project Team completed a desktop analysis of relevant documents, interviewed approximately 18 managers and staff, conducted a survey of Tier 3 members of the Pursuit Team, interviewed staff in the minister's office, and sought input collectively from the ELT via a workshop. No external stakeholders were interviewed for this review except for staff in the minister's office.

This report has been peer reviewed across the whole Project Team to manage any potential conflicts of interest.

The report was further moderated and ratings assigned by the ELT on 10 March 2015 prior to consultation with the Board and MBIE.

The Board discussed the draft report at their May 2015 meeting and requested to be interviewed for the report. Telephone interviews were conducted with 6 Board members between 22 May and 8 June 2015. The report has been updated to reflect their comments and further changes to the report were made at the direction of the Board Chair and Chief Executive.

This report is not an audit. It represents the best judgments of the Project Team informed by the information and evidence that was available during the time of the review.

RESULTS SECTION

PART ONE: DELIVERY OF GOVERNMENT PRIORITIES

What we were looking for:

Definition. Clarity in respect of the critical government priorities the agency is responsible for delivering; clarity at either intermediate outcome level, impact level or output level.

Resource allocation. Evidence that appropriate resources and effort have been committed to the priority.

Achievement. Evidence that the priority has been and is being achieved.

Risk. Evidence of how the agency is managing significant delivery risks and how it mitigates them.

Government priority – Implementation of the preferred products and services mix
--

How well has Callaghan Innovation responded to current Government priorities?

Performance Rating: Needing Development
--

Overview of findings and conclusions

Minister Joyce's Annual Letter of Expectations 2014/15 to Callaghan Innovation states that he would like to "see Callaghan Innovation identify and respond to opportunities for providing new services and set out actions that will help move them to the optimal mix. This includes giving attention to the scope for accessing the knowledge and technologies required by businesses from overseas, and for enabling university staff and students to spend more time working with businesses. It is my expectation that any future mix of services will be agreed in consultation with MBIE officials."

Since establishment Callaghan Innovation has developed and implemented a suite of new services to advance its mission, including:

- the roll out of incubator support and repayable grants (in response to a new Ministerial Direction).
- the provision of advisory services for companies and clusters of businesses using newly recruited Business Innovation Advisors and Cluster Managers.
- the establishment of an international programme providing businesses with opportunities to connect internationally through participation in innovation missions, and securing membership to the European Enterprise Network.
- the creation of seven National Technology Networks to create stronger linkages between research suppliers (including universities) and business. The Networks are based on analysis of industry need and domestic research strengths, each headed by a National Technology Network manager.
- the development of a bespoke programme for Māori businesses, which includes participation in international technology missions, events and secondments.
- a series of workshops and training programmes designed to equip business with the skills and aspiration to invest and manage research and development programmes (including ImProve and Better by IP).

Callaghan Innovation has realigned all Research and Technical Services (RTS) staff into the seven national technology networks, and divested two research groups (Superconductivity and Carbohydrate Chemistry) which did not fit within the organisation's mission.

These products and services are broadly consistent with the principles outlined by the Minister. That said, the choice and range of services can appear confusing to internal and external audiences and it is not clear how the products and services provided by the different business units fit together to form a coherent offering.

Staff observed that some products and services have been developed in relative isolation from other business units. Some managers suggested that ELT should play a more active role in determining which products and services Callaghan Innovation should offer rather than having decisions made individually in silos. This would enable better management of the Callaghan Innovation brand and allow us to "go-to-market" as a whole organisation.

To be well-placed, Callaghan Innovation needs to establish a holistic approach for determining the mix of products and services it offers across the whole organisation. This should be a systematic, learning-by-doing approach that uses data on customer needs to evolve the mix from its current state, and should include robust processes for evaluating service impact, reporting results, cancelling or modifying initiatives, and reallocating resources where they will be most effective. This will require us to develop capability in review and evaluation.

Since the self-assessment was completed in February, we have:

- implemented our integrated service suite describing the five types of services we offer to businesses.
- established a pilot project to review the impact of our grant services on customers (and analysed internal data for insights into our reach and impact on New Zealand businesses).
- recruited a Business Intelligence and Evaluation manager to design and implement an organisation wide approach to evaluating service impact.
- initiated the procurement of customer feedback to drive improvements in service delivery.
- initiated the review and redesign of our review, planning and budgeting processes to ensure that resources are allocated to priority programmes that have been designed in light of feedback and data from customers.

Government priority – Alignment of national infrastructure with strategy

How well has Callaghan Innovation responded to current Government priorities?

Performance Rating: **Needing Development**

Overview of findings and conclusions

Minister Joyce's Annual Letter of Expectations 2014/15 to Callaghan Innovation states that he would like us to give special consideration to the alignment of national infrastructure with strategy and be guided by Cabinet and Treasury's requirements.

Alignment of national infrastructure with strategy is a work-in-progress. The current Statement of Intent gives direction on the principles to determining our national infrastructure, the commitment to the Health and Safety of employees, contractors, customers and the real estate and capital investment. Work is underway to address:

- upgrade of IT systems,
- dealing with deferred maintenance of systems and property,
- evaluation of the Gracefield Innovation Precinct,
- optimising Callaghan Innovation's real estate presence in all locations,
- partnering, where possible in shared facilities and services,
- supporting strategic initiatives and investment in the innovation system.

Callaghan Innovation inherited from predecessor organisations IT systems and processes that were out-of-date, and essentially not fit-for-purpose. However, with the approval of the Information Systems Strategic Plan (ISSP) by the Board, the IT environment is now on track to become fit-for-purpose and the implementation is scheduled for completion in 2016.

Our Gracefield site was very run down, and had been poorly maintained over several years. In the last 12 months good work has been done to improve the assets into a more valuable state. Priority has been given to assets that are likely to remain as part of the Gracefield Innovation Precinct. The National Property Strategy is in the process of being finalised and it will provide a clear direction for our regional sites as well as Gracefield. The Gracefield Innovation Precinct Business Case is also underway.

We are continuing to invest in the FoodBowl both operationally and strategically. Further investment has been agreed for Food Waikato and Food South.

There has been a strong focus on Health and Safety from both the Board and Management. This has resulted in a complete overhaul of the Health and Safety systems and processes. The priority is the implementation of the chemical inventory system. Once this has been completed Callaghan Innovation will be fully compliant with the planned Health and Safety Reform Act.

Since the self-assessment was completed in February, we have:

- developed a National Property Strategy and agreed this with the Board.
- assessed earthquake risks for our buildings and have a plan to address these.
- draft strategic assessment for the reinvigoration of Gracefield submitted to The Treasury.

Government priority – Brokerage between New Zealand firms and research organisations

How well has Callaghan Innovation responded to current Government priorities?

Overview of findings and conclusions

Minister Joyce's Annual Letter of Expectations 2014/15 to Callaghan Innovation states that "Callaghan Innovation has a key role to play in assisting firms with scoping their technical needs and priorities. To increase the speed with which New Zealand firms commercialise their ideas and inventions, it is important Callaghan Innovation develops systems to enable these firms to engage more intensively and productively with research and technical providers. In addition, Callaghan Innovation needs to ensure the organisation has sufficient internal knowledge and capability to match New Zealand firms with the appropriate research organisation."

Callaghan Innovation is fortunate to have many first-class people working here, with excellent knowledge, capabilities and connections to New Zealand businesses and research organisations. For example, staff in RTS have played a valuable role in referring outside enquiries for technical support to relevant experts in external research organisations.

To help businesses engage more pro-actively with research and technical providers we have also established seven National Technology Networks (NTNs). The networks map the technical expertise in New Zealand and connect that expertise to businesses. The NTNs were based on analysis of businesses and their demands for technology platforms to support their innovation programmes.

Callaghan Innovation has also evolved its Global Expert programme into a programme that provides bespoke searches for businesses for technical expertise both here in New Zealand and internationally. The programme is developing an on-line portal that will allow businesses to conduct the search for expertise themselves.

We found however that there is a lack of clarity internally regarding how to operationalise the strategic focus on providing brokerage between New Zealand businesses and research organisations, and this has resulted in delays in delivery. The NTN and Business Innovation Advisor (BIA) groups are new and still very much in build/start-up mode. Some good work is underway in the NTN group to understand and document the landscape and they are moving from establishment mode into operational mode. These problems have been recognised and work is currently underway focused on addressing this issue.

We will know we are successful when "Callaghan Innovation will not be seen just as a cheque book but a source of where to go in the science system" (Board member).

Since the self-assessment was completed in February, we have:

- prepared reports on our engagement with specific R&D providers eg Scion.

RESULTS SECTION

PART TWO: DELIVERY OF CORE BUSINESS

What we were looking for:

Core business. *What are the core functions, business and operational services (Core Business) that the agency is responsible for delivering?*

Outputs and measures. *Has the agency identified the right outputs and impact measures for the desired outcomes?*

Achievement. *Does the agency deliver Core Business to the right people at the right time and in the right way?*

Review and alternatives. *Does the agency review delivery? Does the agency consider alternative delivery options to achieve the intended impact? How does the agency review and consider alternative delivery options to achieve the efficiency gains?*

Indicators. *Does the agency set, monitor and report on efficiency indicators in its accountability documents?*

Expectation. *Should expectations for delivery of its Core Business be higher (quality, quantity, targeting, timeliness, location, cost and coverage)?*

Balance. *Is the core business being achieved in a way that balances cost, quality and quantity?*

Resources. *Has an increase in resources to the agency led to more Core Business being done, or the Core Business being delivered at a higher quality? Is more being achieved for less?*

Benchmarking. *Does the agency compare its services against benchmarks (including international where appropriate and available)?*

Core Business - Administration of Business R&D Grants

How effectively is Callaghan Innovation delivering its Core Business area?

How efficiently is Callaghan Innovation delivering its Core Business area?

Effectiveness Performance Rating: **Well Placed**

Efficiency Performance Rating: **Needing Development**

Overview of findings and conclusions

Callaghan Innovation is responsible for administering the Government's Business R&D Grant Programmes (around \$155 million per year). This includes the following types of grants: growth, project, student, incubator support, and repayable. Many of these programmes are new programmes that have been introduced within the last 18 months.

MBIE completed a process review of the Business R&D Grants programme (April to September 2014) and found that the programme is being delivered in line with the policy intent. The review noted there has been strong uptake of Growth Grants and one third of recipients were new to the Business R&D Grants programme.

MBIE's review also noted Callaghan Innovation has made improvements to the grant application and investment decision processes. MBIE's review identified opportunities to improve some areas of implementation and delivery, which Callaghan Innovation has action underway to address.

Overall, the grants function has good foundations, performance is improving, and there is a plan already underway to improve consistency in process and practice. It was apparent from the multiple external reviews (eg Deloitte, MBIE) that have occurred and our conversations with staff and managers that people understand what is needed to lift performance. If these action plans are well implemented, we can be confident that the grants function will be considered well-placed.

There are some strategic choices for our organisation to make around risk and where we want to be on the risk continuum for grants with regard to commercial and technological risk. Some staff indicated a tension between being customer-focused and acting consistent with the rules and policy. The other challenge will be with the recent emphasis on improving compliance and managing risk (eg through the restructure and Grants Enhancement Programme) to keep the focus on improving our customers' experience and certainty with the process. How our organisation chooses to navigate these choices will affect whether we will be perceived as strong or well-placed by our Minister and customers. It is also unclear how best to measure efficiency.

Since the self-assessment was completed in February, we have implemented:

- the Customer Relationship Management (CRM) system,
- the Grants Enhancement plan, and
- change to grants investment committee processes and protocols.

Core Business - Provision of Research and Technical Services to businesses

How effectively is Callaghan Innovation delivering its Core Business area?

How efficiently is Callaghan Innovation delivering its Core Business area?

Effectiveness Performance Rating: **Needing Development**

Efficiency Performance Rating: **Needing Development**

Overview of findings and conclusions

The Statement of Intent (SOI) 2014-2018 outlines several roles for Research and Technical Services (RTS): as an outsourced R&D department for businesses, a participant in the National Technology Networks, and a provider of bespoke R&D project management services. This is a significant change from RTS' role as part of IRL, which was primarily as a provider of contract research services to the Crown (eg MBIE). This change gives RTS more flexibility in the way it approaches the market and allows it to be more responsive to businesses, but it is still evolving its structure to be fit-for-purpose for delivering R&D services to businesses. This evolution began with the SET alignment in 2013, when the teams performing mainly "blue skies" research were transferred to universities, and was continued in 2014 with the alignment of the technology groups with the National Technology Networks. The next step is a review of each technology group that is to be completed by 31 December 2015 in order to determine which technical services are most relevant to business.

Current service offerings include contract R&D, expert technical advice, consultancy services, and specialised manufacturing. Potential services include advice on innovation strategy as well as commercial validation of new products. Unlike other parts of Callaghan Innovation, RTS charge for these services, so one measure of market validation is easily available. However, as shown in the RTS 'deep dive', there is still some question as to whether commercial revenue is the most appropriate measure of success for RTS, as there are trade-offs between maximising revenue and maximising the number of New Zealand businesses with which RTS engages. The

development of a comprehensive CRM will allow RTS to better track the ways in which they engage with businesses as well as engagement through Accelerator Services and NZTE.

In order to be well-placed on this measure, a new strategy for RTS is needed. RTS will need to determine an appropriate set of indicators that measure how well research and technical services are being provided to New Zealand businesses, and whether or not these services are contributing to Callaghan Innovation's desired outcomes. This will allow for more robust review of service delivery and will enable RTS to better optimise the suite of technical services that it offers. In addition, this will enable better comparison with available international benchmarks in order to ensure that Callaghan Innovation's performance is in line with international best practice.

Callaghan Innovation will know we are successful when "RTS facilitate connections between businesses and other research providers in the science system" (Board member).

Since the self-assessment was completed in February, we have implemented:

- two interim reviews of technology groups. These were positive for both groups but highlighted the need for New Zealand market intelligence to enable Callaghan Innovation to assess the groups' capabilities against market demand.
- We have commissioned an external organisation to conduct market research on the New Zealand High Value Manufacturing sector. This will provide us with data on the name, location, size and technology areas of New Zealand businesses in the sectors.
- an improved reporting regime for next financial year. In addition to reporting of our commercial revenue, we will also report on all uses of our Strategic Investment Funding and all subcontracts to other New Zealand providers.

Core Business - Provision of advisory services to businesses via the Business Innovation Advisors

How effectively is Callaghan Innovation delivering its Core Business area?

How efficiently is Callaghan Innovation delivering its Core Business area?

Effectiveness Performance Rating: **Needing Development**

Efficiency Performance Rating: **Needing Development**

Overview of findings and conclusions

The provision of advisory services to businesses via Business Innovation Advisors (BIAs) was a new function created by Callaghan Innovation. Considerable thought was given to the scope and design of their role to ensure their roles complemented the advisory roles of NZTE. BIAs have been recruited from the private sector and have deep technical and commercialisation experience. As such they are credible trusted advisors to business.

There are positive improvements beginning to emerge following recent managerial changes in the Accelerator Services business unit. Generally speaking Callaghan Innovation's Business Innovation Advisors (BIAs) are a group of very capable, experienced and enthusiastic staff that want nothing more than to do their jobs well. They are passionate people who want to help businesses get to the next level and develop good working relationships with our key customers. However, their visibility throughout the agency is not yet where it needs to be. This is beginning to be addressed through the showcasing of good customer relationship stories and examples of how they contribute to the business.

The majority of the BIAs have only been in their roles for a very short time and will need time to bed in as they get to grips with what is expected of them. A consistent framework of required performance, coupled with progress finalising Callaghan Innovation's customer segmentation and marketing strategy will contribute to future success. They also need good links to NZTE and our Regional Business Partners.

We will know we are successful when “Callaghan Innovation will be seen as the first port-of-call for research, innovation, information, and to connect people to the best expertise within New Zealand and overseas” (Board member).

Since the self-assessment was completed in February, we have implemented:

- customer segmentation,
- customer engagement strategy,
- recruitment of additional BIAs and Customer Managers,
- preparation of an improved Regional Partner Programme.

ORGANISATIONAL MANAGEMENT SECTION

PART ONE: LEADERSHIP, DIRECTION AND DELIVERY

Purpose, Vision and Strategy

How well has Callaghan Innovation articulated its purpose, vision and strategy to its staff and stakeholders?

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

Performance Rating: **Needing Development**

What we were looking for:

Defining purpose, articulating vision and setting strategy. How does the agency define its purpose and set its long-term direction and articulate its vision?

Alignment. How does the agency identify and set short-term strategy in line with outcomes, Government Priorities and organisational strengths? What processes does the agency use to determine outcomes in line with Government Priorities?

Impact and outcomes. How does the agency identify and articulate the impacts it seeks to achieve, as well as the inter-linkages with other sector and agencies' strategies?

Future focus. Does the agency consider its environment, and the implications for its role and function in the future?

Core competency. How does the agency align its organisational strengths and competencies so that it can remain agile?

Innovation and risk. How does the agency balance innovation, experimentation, risk taking while managing risk and maintaining quality?

Overview of findings and conclusions

Callaghan Innovation defines its purpose as accelerating the commercialisation of innovation by businesses in New Zealand in its Statement of Intent (SOI) 2014-2018.

Callaghan Innovation's long-term direction and vision (including targets) are also articulated in the SOI.

Strategy is set through an annual strategy session held with the Board and Stakeholder Advisory Group, and through monthly strategic discussions at ELT level.

The ELT regularly tells the story of the strategy through multiple channels ie ELT Roadshows, Pursuit Team workshops, email updates, and intranet articles.

In the current SOI, Callaghan Innovation articulates the impacts it seeks to achieve at the system level as increasing BERD as a percentage of GDP, increasing the value of HVMS exports, and increasing the number of companies with turnover >\$20 million.

The 'why' for Callaghan Innovation is now developed, some of the 'what' is in place, but the 'how' is yet undeveloped to a consistent level of detail. The launch of Callaghan Innovation's values in February (which all staff have had the opportunity to contribute and vote on) will go some way to articulating the 'how'.

The Pursuit Team (ie Tier 2 and 3 managers) has invested significant time in communicating vision and strategy to staff, and believe that this has been made real for staff. However, there is a

question about whether this has been landed consistently across our organisation. For example, it is unclear how consistently the strategy is cascaded into management reporting or staff performance agreements. This can lead to assumptions and behaviours that are inappropriate, distracting and at odds with our strategic direction. For example, “decisions were made that we would use the innovation spectrum to describe who we are working with but then managers ignore it and invent and use a different framework”. Strategy is only made real when people at all levels are made accountable for targets that relate directly to it and when the organisation uses it to trade-off between competing priorities and to inform disinvestment decisions.

Since Callaghan Innovation is still maturing as an organisation, it is understandable that we do not have an explicit focus on considering and planning for possible changes in our purpose or role in the foreseeable future.

Since the self-assessment was completed in February, we have implemented:

- Callaghan Innovation story board: a visual articulation of where the organisation has come from and where it wants to be. This illustrates key milestones and pieces of work required for Callaghan Innovation to become a fit-for-purpose organisation and deliver its strategic priorities. It will also assist in creating a line of sight for staff in relation to how they individually contribute.
- Callaghan Innovation has also:
 - articulated our Whakatauākī - rukuhiā te wāhi ngaro, hei maunga tātai whetū (Explore the unknown, pursue excellence),
 - refreshed our strategy and produced a new Statement of Intent, and
 - revised performance measurement framework.

Leadership and Governance

How well does the ELT provide collective leadership and direction to the agency?

How well does the Board lead Callaghan Innovation?

Performance Rating: **Needing Development**

What we were looking for:

Strategic focus. *How effectively does the leadership team look at strategically important issues and matters that affect the agency?*

Common purpose. *To what extent do members of the leadership team share a common and coherent vision for the future of the agency, and the critical issues facing the agency?*

Quality of interaction. *To what extent does the leadership team engage in effective discussion and debate, and agree actions on strategically important issues?*

Mutual support. *How much support do the leadership team give each other?*

Role modelling. *How successfully does the leadership team show it is ‘walking the talk’? Does the leadership team assess its own performance?*

Relationship. *How effectively does the Chair lead the Board? How does the Board (through the Chair) maintain relevant and timely communication with the leadership team through the Chief Executive?*

Strategic management. *How does the Board undertake strategy setting and performance monitoring?*

Self review. *How does the Board periodically assess its own performance and that of individual members?*

Key findings and conclusions

The Board holds an annual strategy session to inform short-term and medium-term strategy for Callaghan Innovation. This is supplemented by 'deep dive' strategy sessions focused on specific aspects of Callaghan Innovation held at the monthly/bi-monthly Board meetings.

In addition to meeting weekly, the ELT meets on a monthly basis to discuss issues of strategy. A combined Tier 1, 2 and 3 leadership team has been formed (known as the Pursuit Team) to build capability and vision, and to agree actions and implementation approaches to strategically important issues.

That said, there is a strong feeling among many of our staff that strategic organisational-wide issues are not being well addressed. Feedback from managers and staff indicates that in many cases we are operating as a set of independent groups rather than a cohesive whole, making it difficult to highlight, discuss and address strategic issues. For example, at the ELT workshop, the ELT noted it was a challenge to tackle issues that do not fall into a single General Manager's (GM's) area and these types of issues took a very long time to 'land'.

Our leadership needs to be seen to be 'showing the way' by providing context and helping our people understand and commit to our direction and the role they play in getting there. The collective leadership capabilities of leaders acting together in groups (such as the Pursuit Team) to implement strategies, solve problems, navigate ambiguity and support innovation are critical to our success as an organisation.

Currently there is a lack of consistency in the quality and frequency of conversations leaders are having with their direct reports about our direction. This issue came through our interviews with individual staff and managers as well as through the 'Let's Connect' survey. Our findings highlight that we need visibly cohesive and authentic leadership that nurtures, empowers and challenges the people around them to drive and achieve results. While the building blocks for most elements of effective collective leadership are in place, these are not being consistently used and in some areas are only partially effective.

Refreshing, aligning, documenting (and ultimately evaluating) expectations of our leaders for the achievement of collaborative and connected leadership will go some way to improving this critical area.

One of our strengths is that we have a Minister and Board that are passionate and supportive of what we are trying to achieve. However, there is significant scope for the agency to provide more comprehensive support to the Board (eg providing higher quality papers).

We will know we are successful when "we have better collective leadership, better engagement results, and our staff are on-board with the direction we're taking" (Board member).

Since the self-assessment was completed in February, we have implemented:

- a leadership competency framework, and
- assessed the collective capability of the wider senior leadership against the framework.

Values, Behaviour and Culture

How well does Callaghan Innovation develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?

Performance Rating: **Needing Development**

What we were looking for:

Defining values. How does the agency define the values, behaviour and culture needed to support service delivery and effective regulation?

Developing culture. *How does the agency promote the values and culture needed to support policy, service delivery and effective regulation?*

Key findings and conclusions

The desired values and behaviours for Callaghan Innovation were launched in February. Everyone in the organisation had the opportunity to have their say on what these were.

Callaghan Innovation has launched its Whakatauaākī (proverb) which captures the Māori component of our business and Sir Paul Callaghan's legacy. This, coupled with the values, will enrich and give greater clarity to the identity of Callaghan Innovation and assist in describing what the organisation 'is'.

Work is also underway to embed the values and desired behaviours through a new leadership framework, and new approaches to learning and development, and performance management.

The ELT recognise that this is a work-in-progress and needs to be cascaded into people's performance plans. Our people need to believe that our values are not just words on a page; the behaviour of our leadership team will help drive this. The Pursuit Team in particular has a critical responsibility to role-model and embody our values. There is recognition that some behaviour should no longer be tolerated and hard conversations need to occur. It is acknowledged that as an organisation we need to make a deliberate decision that behaviour not aligned to our values will not be tolerated, regardless of an individual's perceived technical or specialist value.

Since the self-assessment was completed in February, we have:

- defined our values and commenced a process to embed these and ensure that they underpin our decisions, behaviours and actions. Our values are:
 - About Business – For business success
 - Bold – Forward thinkers, ahead of the game
 - Connected – Professionals working together
 - Delivering Results - We're resourceful
- Completed an employee engagement 'pulse check' survey, refined our engagement action plans on the basis of the results and moved through to the implementation of the projects designed to drive engagement.
- The 'pulse check' survey showed an increase in engagement of 8.1% in only six months.

Structure, Roles and Responsibilities

How well does Callaghan Innovation ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?

How well does Callaghan Innovation ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?

Performance Rating: **Needing Development**

What we were looking for:

Planning. *How does the agency ensure the strategic, business and action plans remain dynamic and serviceable?*

Systems and structure. *How do the agency's system and organisational structures support service delivery and its wider strategy?*

Policies and practices. *How do the agency's policies and practices support an effective and efficient service?*

Accountability requirements. *What processes does the agency use to ensure accountabilities and responsibilities are appropriate, transparent and well understood, internally and externally?*

Key findings and conclusions

Callaghan Innovation's organisational structure is based on functional groupings - Research and Technical Services (RTS), Accelerator Services, Māori Economy, Corporate Services, People and Capability, and External Relations.

Strategic and business planning occurs on an annual basis. The current planning process is centralised but tends to be driven by individual business units rather than organisation-wide priority setting, and trade-offs are not explicit.

The ELT recognise this is a work-in-progress. There are opportunities for systems and processes to be streamlined to better facilitate service delivery and execution of our strategy. The planned implementation of Sharepoint and the Customer Relationship Management (CRM) system will assist with this. The establishment of the Māori Economy team reinforces Callaghan Innovation's commitment to helping Māori businesses succeed. Some challenges remain in ensuring there are clear roles and accountabilities to provide leadership and coordination on cross-cutting issues that do not fit neatly within one part of the organisational structure (such as our customer engagement model, and product development process). Our organisation also needs a more integrated strategic and budget planning model.

Since the self-assessment was completed in February, we have:

- completed recruitment of remaining vacancies in our organisational structure.
- implemented our customer engagement strategy.
- commenced work to design a dynamic planning and budgeting process.
- shifted Grants administration under the Chief Financial Officer (CFO).

Review

How well does Callaghan Innovation monitor, measure, and review its policies, programmes and services to make sure that it is delivering the intended results?

Performance Rating: **Weak**

What we were looking for:

Decision advantage. *How does the agency use evaluative activity to engage people to learn, innovate, and continuously improve?*

Demand. *What processes does the agency use to demand targeted evaluative activity? How does the agency protect what works, while seeking and evaluating new ways of delivering results?*

Incentives. *What ongoing, active support and encouragement do senior leaders provide so the right climate for learning is built (including symbolic actions and consistent signalling)?*

Collective effort. *How does the agency share data, methods and findings with others?*

Conclusions

There is currently no formal framework in place to evaluate our services and implement our "call failure fast" model (ie make decisions about what we keep and what we drop). Feedback tends to be anecdotal and uncoordinated.

We need to “get on to calling failure-fast: make sure our effort is focused on making a difference” (Board member), and develop our “data analytics to inform our decision-making” (Board member).

Since the self-assessment was completed in February, we have:

- recruited a Business Intelligence and Evaluation Manager to develop our data analysis capability.
- evaluated the impact of our growth grants on customers.
- initiated a pilot project to evaluate the impact of all grants programmes on our customers.
- initiated the design of a dynamic planning and budgeting process.
- piloted the use of a ‘fast-fail’ model in two programme areas.

ORGANISATIONAL MANAGEMENT SECTION

PART TWO: EXTERNAL RELATIONSHIPS

Engagement with the Minister

How well does Callaghan Innovation provide advice and services to the Minister?

Performance Rating: **Well Placed**

What we were looking for:

No surprises. Does the agency maintain a culture of 'no surprises' with Ministers?

Quality. How does the agency ensure it offers good advice in a timely manner? How well are the agency's stewardship obligations reflected in advice to Ministers? How well does the agency's advice secure alignment between Ministers and wider government?

Key findings and conclusions

Over the course of the last year there has been a steady performance improvement as a result of the focus that has been applied to improving the Ministerial relationship. The Chair and CEO meet with the Minister on a monthly basis, the Minister attends the Board's annual strategy meeting, and we provide fortnightly progress reports to the Minister. Relationship building between the CEO and the Minister, better internal processes, an awareness raising campaign on the importance of the Ministerial relationship and a greater enforcement approach has begun to have a noticeable effect.

This effect is beginning to be made real in the generally improving quality and timeliness of reporting to the Minister, as well as a steadily developing culture of 'no surprises'. The key to these improvements becoming 'business as usual' will be when the organisation as a whole is cognisant of the importance of the relationship with the Minister. This is not yet commonplace throughout Callaghan Innovation.

Since the self-assessment was completed in February, we have:

- implemented training for staff on responding to Official Information Act (OIA) requests.
- significantly improved content of the Fortnightly Report which has been noted by Minister.
- secured Minister's participation in key events eg C-Prize and Māori Inspire.

Sector Contribution

How well does Callaghan Innovation provide leadership to, and/or support the leadership of other agencies in the sector?

Performance Rating: **Needing development**

What we were looking for:

Collective impact. How does the agency prioritise when and how to work with other public sector agencies? How well does the agency understand how New Zealanders engage with public

services across agency boundaries? How well does the agency understand the collective impact public services have on New Zealanders?

Incentives. *What ongoing active support and encouragement do senior leaders provide to encourage collaborative endeavour, innovation and resource sharing with other public sector agencies?*

Central and local government collaboration. *How does the agency engage with local government to ensure effective and enduring relationships?*

Key findings and conclusions

Engaging with partners is seen as very important to delivering collective impact and our ultimate success. The SOI describes working with our partners as “key to delivering collective impact and key to our success”.

This is particularly important given that the agency shares many of our clients with NZTE and also provides complementary services to support businesses’ growth.

Various personnel and teams hold many of the key relationships with our sector colleagues eg the policy and planning team is a key link between the MBIE monitoring team and its numerous policy teams with Callaghan Innovation. This relationship management aspect is a prime focus of this team and the relationship has been improving over the past year.

We are active members of cross-government working initiatives, such as Result Area 9 (we were early adopters of the New Zealand Business Number) and working groups of the relevant Business Growth Agenda (BGA) workstreams (in particular the innovation and international working groups).

Callaghan Innovation has a collaborative work programme with NZTE, with identified GM leads and a focus on joint key issues eg international networks and events, marketing and communications, CRM and data sharing, regional business partnerships.

The Accelerator Services business unit relationship with NZTE is crucial (given the importance of our shared customer engagement). The inter-agency relationship has taken time to build up but is beginning to show signs of progress (agreement on key customers between the two agencies leading to the development of joint customer engagement plans as well as the agencies progressing toward automatic data sharing).

Callaghan Innovation works closely with economic development agencies - we co-own the FoodBowl with ATEED, GROW Wellington is linked to the work in developing the Gracefield Innovation Quarter and Canterbury Development Corporation (CDC) is a partner in the investment of the FoodSouth facility.

The CEO attends monthly meetings with Crown Research Institute (CRI) CEOs (through Science New Zealand).

Callaghan Innovation is a member of KiwiNet with 14 Universities and CRIs. We have co-sponsored many events with other agencies such as the Healthcare Congress with the Medical Technology Association of New Zealand (MTANZ) and the Consortium for Medical Device Technologies (CMDT), the Miere delegation to Asia and with Te Puni Kokiri (TPK) and Poutama Trust; and coordination of the C-Prize with the New Zealand Film commission.

Callaghan Innovation has identified the need to improve the relationship and the value we get from working with our regional business partners. A new role is being created to specifically manage these relationships in the future.

There is a stakeholder engagement list which lists some of the key relationships for Callaghan Innovation and who within the agency is the primary owner of that relationship.

Overall there is a sense we are doing an increasingly effective job at contributing to the sector. However, we are still in build mode with much to do to cement and build on the initial successes. There remains much work to be done to build the recognition across the agency that we are all now a collective of public servants. As such, we must be leading and contributing with our sector

partners – including Economic Development Agencies, the CRIs and tertiary education providers - to create an economic return for all of New Zealand, not just a financial return for individual businesses.

“We will know when we are successful because people want to work with us and we are seen as relevant and adding value to our NZ Inc partners” (Board member).

Since the self-assessment was completed in February, we have:

- been approved as the host of the National Science Challenge: Science for Technological Innovation, which brings together three CRIs, all New Zealand universities and an independent research organisation.
- joined the Board of the New Zealand Food Innovation Network, Food Innovation South Island (FISI) and Food Innovation Waikato (FIW), to better connect food technology innovation in New Zealand. We have also invested significant capital with FISI and FIW to increase their delivery to NZX businesses.
- engaged in a collaborative market research project with Grow Wellington, and CDC.
- joined forces with the Tertiary Education Commission (TEC) on the roll-out of the ICT grad schools.

Collaboration and Partnerships with Stakeholders

How well does Callaghan Innovation generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?

Performance Rating: **Needing development**

What we were looking for:

Stakeholder (including Māori and iwi) engagement. How well does the agency collaborate with stakeholders when forming strategy, implementing policy or delivering services?

Emerging issues. What processes does the agency use to keep itself conversant with emerging policy issues for those most affected and interested?

Impact assessment. What processes does the agency use to review and evaluate outcomes and impacts in collaboration with those most affected and interested?

Key findings and conclusions

In the context of this report, we deem stakeholders to include customers, government agencies, RS&T delivery agencies, Māori, and the public.

The majority of our people have acknowledged that although stakeholder engagement is becoming more of a focus there is still much room for improvement. Many parts of the business are still coming to grips with their own roles and are focused on finding the best way to work together internally.

At present, the agency regularly provides information to the public through ministerial accountability and media releases as well as providing information on our website and our social media channels.

Callaghan Innovation is also running a pilot programme to increase the depth and breadth of innovation related reporting in business media. We have strong relationships with the Minister's office and MBIE, and have an engaged Stakeholder Advisory Group (SAG).

The GM Māori Economy has built strong Māori relationships with local and national iwi and marae.

Initial work has commenced for a Callaghan Innovation customer satisfaction survey. There is also a plan to do a stakeholder survey. However, we have not yet developed an approach that would provide staff with a consistent process or framework to assist them to work more effectively and collaboratively with stakeholders.

According to our Board, we will know when we are successful when “we are more visible to companies - they will know what we do and how we can help them”; and “the chatter about our brand is extraordinary and far outweighs what we do”.

Since the self-assessment was completed in February, we have:

- segmented our customers to allow better targeting of our services.
- moved the Customer Engagement Centre to Accelerator Services in Auckland to allow stronger integration with our customer management staff.
- developed an integrated service suite and associated tools for our front line staff to explain better to customers the services they can receive from us.
- commissioned a survey of our stakeholders and their views on the quality of our relationship with them.
- commissioned a survey of our customers and their views on the quality of service they receive from us.

ORGANISATIONAL MANAGEMENT SECTION

PART THREE: PEOPLE DEVELOPMENT

Leadership and Workforce Development

How well does Callaghan Innovation develop its workforce (including its leadership)?

How well does Callaghan Innovation anticipate and respond to future capability requirements?

Performance Rating: **Weak**

What we were looking for:

Alignment with strategy. *How does the agency align its people development strategy and practices with its business strategy?*

Leadership capability. *What approaches does the agency take to build its overall management and leadership capability? How effective are these approaches?*

Targeting development. *What approaches does the agency take to enhance the capability of its general workforce and how effective are these? How well does the agency prioritise and manage its people development spend?*

Planning. *How does the agency anticipate and plan for future capability requirements and workforce risks?*

Implementation. *What approaches does the agency take to ensure that future capability requirements are implemented, and workforce risks are mitigated?*

Key findings and conclusions

Our success in achieving our mission ultimately relies on leaders who have the capability to navigate an evolving environment and bringing people with them, while ensuring current deliverables, longer term outcomes and expectations from the Minister are met. What is expected from our leaders has changed significantly from the past, with more being required in terms of influencing people and sharing vision and purpose. This increase in expectation will require a shift in capability for many of our leaders; the behaviours and approaches that have been successful in the past are not necessarily the ones that are right for the future. This change in expectation is equally relevant for our staff.

To date we have put in place the following programmes:

- Callaghan Innovation welcomes its new employees through a three-month programme called 'Hoea Te Waka ki u ki uta'. There has been significant investment in inducting new staff and all existing staff into Callaghan Innovation through the Te Waka Nui welcome and orientation programme. There is also a comprehensive on-boarding programme providing a welcome booklet, 90-day plan, and more in-depth sessions on specific topics.
- Initiatives to build management and leadership capability have been put in place through Pursuit Team workshops.
- A leadership framework for Callaghan Innovation has been developed and implementation is underway. The leadership framework will serve as a foundation for the future of all leadership development, recruitment, talent and performance management, ultimately strengthening leadership capability and performance. It has also been designed to align to the broader Public Sector leadership approaches such as the State Services Commission's (SSC's) [Leadership Success Profile](#) (LSP) and the [Performance](#)

[Improvement Framework](#) (PIF). Work is underway to implement a new partnering model with managers on people and capability issues.

We have performed well in providing targeted development opportunities. The annual report details that in 2014 Callaghan Innovation implemented targeted development opportunities in the areas of intellectual property, sales and business development, and governance.

Implementation of the leadership framework and development of a learning and development strategy (including articulating our organisational capability requirements) will help us move towards being considered well-placed in this area. Further development of the Pursuit Team cohort is also needed to help reinforce the shift needed by our people.

Learning and development requirements need to be identified and policies, processes and systems put in place accordingly.

Since the self-assessment was completed in February, we have:

- developed a Callaghan Innovation competency framework which provides a framework to enable all employees to understand the behaviours and competencies critical to Callaghan Innovation's success. This framework serves as a foundation for learning and development, recruitment, talent and performance management for all employees, in much the same way that the leadership framework supports leaders.
- invited Mark Sowden from Ministry of the Environment (MoE) to discuss with the ELT how MoE achieved its employee engagement success.

Management of People Performance

How well does Callaghan Innovation encourage high performance and continuous improvement among its workforce?

How well does Callaghan Innovation deal with poor or inadequate performance?

Performance Rating: **Weak**

What we were looking for:

Supporting processes: Evidence of how the agency sets expectations, tracks progress and provides feedback to individual staff, and evidence of whether the process is perceived as consistent, timely, fair and relevant.

Alignment: Evidence the individual objectives are aligned with team, business unit and operational model objectives.

High performance: Evidence of how high performance and continuous improvement is supported in individuals.

Identification: Systems in place to identify inadequate or unacceptable performance.

Managerial capability: Evidence that managers are capable and willing to address poor performance.

Key findings and conclusions

Callaghan Innovation has a Performance Planning and Development policy for all permanent and fixed term (longer than six months) employees.

There are pockets of excellence in people management practise but they are the exception rather than the rule. Feedback from some staff and managers indicates an environment of permissiveness for poor performance and behaviour and it is unclear whether our performance

planning and development policy is implemented consistently across the organisation by all managers.

Given that effective management of people performance (both good and bad performance) is critical to alignment and achieving our mission, focusing on lifting our management capability should be a priority for our organisation. In addition to this, critical to the development of our leadership/management capability is communicating and embedding the expectation that it is no longer sufficient to be just strong technically (be that science or other specialist technical areas). We need to encourage and support our leaders to influence, share knowledge, think big-picture and develop others (give feedback, coach) as well.

The implementation and operationalisation of the leadership framework coupled with the organisational values will go some way in providing expectations, direction and a consistent measure of our leadership capability and effectiveness. Implementation of a planned 360 degree feedback tool will help provide more specific information to target any interventions. We need to “focus diligently on people management and leadership: performance management, feedback, and coaching. Leadership needs to focus not just on technical performance but HOW people do it eg values and behaviour” (Board member).

Since the self-assessment was completed in February, we have implemented:

- a new performance management framework, and
- a review of the remuneration framework.

Engagement with Staff

How well does Callaghan Innovation manage its employee relations?

How well does Callaghan Innovation develop and maintain a diverse, highly committed and engaged workforce?

Performance Rating: **Needing Development**

What we were looking for:

Relationships. *How well does the employee relations strategy align with the wider human resources and business strategy? How effectively does the agency engage with the union(s), other employee representative groups and individuals?*

Sector view. *How does the agency ensure that its bargaining parameters and strategies reflect wider sector priorities?*

Safety. *How does the agency ensure that it creates and maintains a safe working environment for all staff? How does the agency promote a ‘culture of safety’ among its staff?*

Employee engagement. *What processes does the agency have in place to understand the views and monitor the commitment and engagement levels of its workforce? What approach does the agency take to enhance the commitment and engagement levels of its workforce?*

Diversity. *How well does the agency encourage diverse ideas, cultures and thinking throughout the organisation?*

Key findings and conclusions

Our Collective Employment Agreement (CEA) is dated 1 November 2011 to 31 October 2013, with a terms of settlement for a new agreement confirmed and the new CEA out for ratification. The CEA is principle-based and covers a variety of employment terms and conditions.

We have a valued relationship with the Public Services Association (PSA) and approximately 25% of employees are PSA members.

Callaghan Innovation has well-understood workplace safety practices that facilitate a safe working environment. Callaghan Innovation creates and maintains a safe working environment for all staff through comprehensive health and safety policies and practises, staff training, and dedicated health and safety staff, and Work Area Managers responsible for ensuring the labs/offices in their area are functioning to high standards of health and safety practice.

Overall health and safety scored extremely well (all questions with a 68% weighted mean score or higher) in the 'Let's Connect' survey. Four out of the top ten highest rated questions directly related to health and safety, highlighting the commitment and diligence in this area.

Callaghan Innovation employees represent over 25 different nationalities. Callaghan Innovation has increased its Māori representation over the last 12 months and has implemented programmes including te reo lessons and marae based learning (Kia Kaha for the ELT and Kia Maia for other staff) to improve capability in working with Māori.

Callaghan Innovation has an Equal Employment Opportunities policy that outlines our commitment to the principles of equal employment opportunities and eliminating barriers that may cause or bring about inequality in employment.

Callaghan Innovation conducts an annual staff engagement survey, 'Let's Connect' and has an action plan underway led by project teams made up of staff from across the organisation.

The engagement results for Callaghan Innovation – whilst on a par with its predecessor IRL - are below the State Sector average, which indicates there is work to be done to enhance the commitment and engagement levels of its workforce. This is well recognised by the leadership team and work is underway to remedy this, which will assist in moving towards a well-placed rating.

Since the self-assessment was completed in February, we have:

- completed a 'pulse check' survey of staff engagement to assess whether or not the programmes of work implemented to improve engagement are leading to this outcome – the 'pulse check' results indicate that there has been a significant increase in the number of engaged employees.
- commenced a process to further enhance our commitment to health and safety through the recruitment of a Group Manager – Health and Safety, and reviewed our health monitoring framework.

ORGANISATIONAL MANAGEMENT SECTION

PART FOUR: FINANCIAL AND RESOURCE MANAGEMENT

Asset Management

How well does Callaghan Innovation manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?

Performance Rating: **Needing Development**

What we were looking for:

Understands and define requirements: Evidence that the agency understands the current and future types and levels of service required, and has options (including non-asset based and common) for providing that service.

Lifecycle decision making: Evidence the agency manages its key business assets to support service delivery, and assets sufficiently resilient for business continuity needs.

Enablers: Evidence the agency has fit-for-purpose performance information to support effective asset management.

Key findings and conclusions

As an organisation, we are now two years old, and putting things in context have come a long way in a very short period. We are a brand new organisation, with new legislation, funding agreement, and management team, but old assets.

The Gracefield site in particular was very run down, due to not being maintained. In the last 12 months an excellent job has been done with assets now in a far more valuable state.

Robust balance sheet management processes and oversight are in place for both capital expenditure and treasury activities. In summary, the basics are being completed very efficiently.

Currently missing is a National Property Strategy, underpinned by both asset management and chemical inventory systems. All of these are currently in the process of being developed or implemented.

Asset management is likely to move into being considered well-placed over the next 12 months as initiatives such as the national property, asset management and chemical inventory systems are implemented.

Since the self-assessment was completed in February, we have:

- developed a National Property Strategy.
- a Draft Strategic Assessment for the reinvigoration of the Gracefield Innovation Quarter submitted to Treasury.
- 2015/15 Capital Plan aligned with the National Property Strategy.

Information Management

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

Performance Rating: **Needing Development**

What we were looking for:

Trust and confidence. *How does the agency improve access to public services while ensuring personal information is protected? What approaches does the agency use to ensure confidentiality of information, particularly personal information? How does the agency consider all the issues related to open data publication and re-use? How does the agency prevent and respond to unacceptable use of information and unauthorised disclosures?*

Security. *How does the agency make itself aware of potential security risks? How does the agency protect classified information particularly as it relates to processes, people and places?*

Governance and capability. *How does the agency understand the strategic value of the information it collects and uses? Is that valuation fit-for-purpose and whole-of-system?*

Realising value. *How well does the agency use information to transform government through lower cost and higher quality public services?*

Key findings and conclusions

At our formation we were using IT systems and processes from both IRL and MBIE which were out-of-date, and not fit-for-purpose. Up until recently most IT responses were reactive, rather than strategic in nature. It would be fair to say that our IT infrastructure was average at best.

However, the approval of the Information Systems Strategic Plan (ISSP) by the Board six months ago has enabled the IT team to change tack quite dramatically. Implementation of the ISSP will lead to a fit-for-purpose IT operating environment. Solutions to be implemented include a cloud infrastructure, a re-engineered website, an intranet and Electronic Document and Records Management System (EDRMS) supported by Sharepoint, a new Financial Management Information System (FMIS), a chemical inventory system and advanced business intelligence. All these initiatives were driven with major input from the wider business.

As a result, in the next 12-18 months we should be in a very strong and sound space from a 'technology' viewpoint. However, what is missing at the moment is the implementation and bedding down of solutions proposed in the ISSP. A lot of strategic IT initiatives have been approved; it is now all about getting these programmes of work successfully implemented. There is a lot of work to do.

While implementing new IT systems is relatively speaking a straightforward (though often problematic) exercise, changing the culture of the organisation will not be. The ISSP will enable us to move to a new operating environment where transparency and sharing of information in most cases will be the new norm. This will be quite a big step for an agency that is in many ways still quite siloed. Addressing this cultural change will need active championing at a senior level if we are to truly utilise the capabilities of our future IT infrastructure.

Since the self-assessment was completed in February, we have:

- implemented our CRM system.
- started to implement Sharepoint.
- launched a new intranet.
- launched the new Electronic Document Management System.
- launched the Chemical Inventory System.
- launched an on-line portal for access to Global Expert.
- continued to progress the Information Systems Strategic Plan.

Improving Efficiency and Effectiveness

How robust are the processes in place to identify and make efficiency improvements?

How well does Callaghan Innovation evaluate service delivery options?

Performance Rating: **Needing Development**

What we were looking for:

Evidence. *Are the business models documented, and outputs clearly specified? Do reports on performance support assessment of achievement of results and value-for-money, including enabling benchmarking, such as the annual Better Administrative and Support Services (BASS) process where feasible? Is there a documented action plan to respond to reports, agreed to by senior management and with progress tracked?*

Value-for-money. *How well does the agency ensure it gets best value-for-money from a whole-of-government perspective?*

Review and innovation. *Does the agency have a process for reviewing and improving efficiency and value-add?*

Trade-offs and financial risks. *When policy or service delivery options are considered, how well are cost, quality and quantity trade-offs (to maximise value-add) identified and cost-benefit analysis used, where appropriate? Does the Chief Financial Officer's (CFOs) advice demonstrate a good understanding of the main organisational risks, their potential cost and the strategies needed to avoid or mitigate them?*

Harnessing choice. *Does consideration of current and future options include common, third-party, and digital delivery where appropriate?*

Conclusions

As a start-up, and not a mature organisation, we have been focusing on efficiency and effectiveness rather than continuous improvement. There are good continuous improvement practices in pockets across the business, with some significant savings being made recently in annual insurance and communications expenses.

The major challenge is that the continuous improvement practices are in silos across the business and there is no coordinated approach. In addition to this there appears to be a lack of appreciation and understanding of what continuous improvement means for us.

Since the self-assessment was completed in February, we have:

- completed the 2015/16 plan and budget that have included refinements and enhancements to specific planned services.
- implemented processes to meet All of Government procurement savings.
- continued to assess opportunities to improve cost and quality of service delivery.

Financial Management

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

Performance Rating: **Needing Development**

What we were looking for:

Transformation: Evidence that the finance function helps the agency to strategically understand and manage medium- to long-term.

Securing good governance and stewardship: Evidence of how well the agency manages expenditure throughout the year as planned, including capital depreciation and issues of probity. Also looking to see if internal and external reporting is consistent, timely and accurate.

Executing financial analysis and advice: Is financial management information and advice used for operational and strategic purposes (including service delivery model improvement).

Key findings and conclusions

There is good governance and stewardship demonstrated across all areas of financial management. Financials are reviewed by all levels of middle to upper management on a regular basis, with a forward-looking focus.

Board feedback on financials has been very positive. In addition to this our external auditors rated our management control environment as very good and our financial systems and controls as good in our most recent audit.

A comprehensive internal audit programme was completed on the Grants Processing function in the 2013/14 year, with an internal audit programme recommended by Deloitte in the process of being finalised for the 2014/15 year.

Looking forward, we have recently gone to the market with a Registration of Interest (ROI) to replace our current Financial Management Information System (FMIS). This is planned to be implemented by the end of the 2015 calendar year. With the implementation of the new FMIS the intention is to strengthen the approach to business intelligence and enable improved business decision making.

Since the self-assessment was completed in February, we have:

- commenced procurement of a new Financial Management Information System.
- implemented an Internal Audit Framework.
- commenced the design of the business intelligence strategy.
- commenced a review aimed at strengthening the integration of the planning and budgeting process.

Risk Management

How well does Callaghan Innovation identify and manage agency and Crown risk?

Performance Rating: **Needing Development**

What we were looking for:

Risk-scape. How does the agency understand its risk landscape? How often are those understandings used to anticipate future and new opportunities for itself and the Crown? How are other perspectives taken into account?

Alignment. How well are the risk management processes aligned to the business strategy? How regularly is that alignment considered? Does the agency approach risk management as an enabler for success, or does the agency simply avoid risk?

Tolerance. How does the agency communicate its risk tolerance? How sensitive is that tolerance to Crown risks and opportunities?

Crown risk. How well does the agency understand, identify and manage risk in relation to its agency and wider Crown interests, including legal and integrity risk? Do the agency's legal and other functions support the achievement of agency objectives along with identification and management of agency and wider Crown risk?

Key findings and conclusions

Top risks are updated by the ELT and communicated to the Audit & Risk Committee on a quarterly basis. However, risk does not appear to be embedded within Callaghan Innovation at all levels below the ELT.

There are pockets across the business where risk is actively managed, for example in the terms of health and safety and the recent grants internal audit programme.

Risk management across the organisation is seen as being about culture, particularly in regard to people communicating well with each other around potential risks and how to manage them. However given that our pervading culture is still silo-orientated, cross-organisational responses to risk are not always easy to achieve. For example, reputational risk was identified as being one of the biggest risks facing our organisation. However, the responsibility for managing this risk was seen as sitting primarily within one particular unit.

Reputational risk, alongside health and safety risks and financial risks are the responsibility of the wider organisation and this responsibility should sit with all people.

Since the self-assessment was completed in February, we have:

- reviewed organisational risk to identify an appropriate Internal Audit Coverage.
- reviewed our approach and structure for managing Health and Safety and strengthened arrangements in this area.