ICGFM 29th Annual International Training Conference: PFM, Foundation for Public Governance

Stepping Up PFM Leadership for 21st Century Public Governance: From Shaky Grounds to Solid Foundation for the Wellbeing and Prosperity of Citizens

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Stepping Up PFM Leadership for 21st Century Public Governance

- **The Shaky Grounds**: 17th Century Science-Based Living and Leading
- **Towards A Solid Foundation**: Global Innovation and Leadership Practices
- The Solid Foundation: Leading-Edge Science-Based Living and Leading
- **PFM’s Quantum Leap**: Leading Innovation for “Impossible” Results
- **Suggested Next Steps**: National PFM’s and ICGFM
Opening Poll

- Leadership and innovation are a priority for me personally (yes, maybe, no)

- Leadership and Innovation are a priority for my country’s Government (yes, maybe, no)

- Leadership and Innovation are a priority for my country’s PFM (yes, maybe, no)
The Shaky Grounds: 17th Century Science-Based Living and Leading

1. The Old Science – materiality and limited thinking, living and leading
2. The Old World is dying and a New World is emerging!
3. The Old Governance is challenged to transform and renew
4. The Old PFM – a rear mirror view and short to medium term approach
5. The current trend for PFM – a front mirror view and strategic leadership role
The Old Science – Materiality and Limited Thinking, Living and Leading

- Most of our world today is founded on the scientific discoveries of the 17th Century
- All that matter is matter - concrete
- Favors a mechanistic view in inventions, approaches, processes
- Favors the left-brain over the right brain
- Resources are scarce and we have to hoard
- We rely and reward left-brain development in education, work and life and use mostly the logic, analytic, intellect
The Old World is Dying...

- The symptoms we do not want...
- There is still much poverty
- There is growing disparity – the rich is getting richer and the poor getting poorer
- There are wars and conflicts in an abundant world
- The Ebola outbreak touches millions directly and indirectly
- Financial disruptions (crisis) and financial oligarchies
- Climate chaos
- Mass migrations
- Fundamentalism
- Terrorism...
Disruption Hits the Old Business World...

- 89% of the Fortune 500 companies of 1955 are not on the list in 2014
- Within 10 years, 40% of S&P 500 companies will disappear from this list
- What is happening to Governments?
- West and South, some countries are doing well while many are struggling
A New World in Emergence

- New possibilities and opportunities are emerging...
- Personal transformation and renewal
- Institutional transformation and renewal
- Societal transformation and renewal
- Global transformation and renewal
- Earthly and universal transformation and renewal
Advances in Scientific...

- We have landed on Mars and circled around Mercury
- Quantum physics has revolutionized science and technology (computer, devices, laser, new discoveries, including creating matter)
- Science and spirituality are merging: scientist are now validating the wisdom traditions and are studying consciousness
- Neuroscience is helping us discover the complexity and the power of the human mind
Inexpensive Technology

- Your smart phone has more computing power than President Clinton had access to when he was in office.
- Solar Energy’s cost has dropped 200x in 30 years ($30 per KWh in 1984 to $0.16 per KWh in 2014.
- In 1992, 1 GB of storage was costing $600, today, it costs $0.03;
- In 1999, only 4.6% of world population had access to the Internet; 40% + today.
What Will Happen To Us?

“By the 2040s, non-biological intelligence will be a billion times more capable than biological intelligence (aka us).”

- Peter Diamandis
New Human Capacities

- Hopefully this will save us...
- New human phenomena are being observed and studied
- People are achieving extraordinary things that can be characterized as miraculous
- You and me can help ourselves and people heal themselves using our energy – hands over problem area or just using our mind
- Some help people grow new organs
- We are discovering that we are more than we think we are!
The Old Governance Is Challenged to Transform and Renew

- Are Governments ready for the 21st Century?
- The Old PFM and new trends in Finance
Is Government Ready for 21\textsuperscript{st} Century Challenges?

- Prepared annually by a team of international and multidisciplinary experts associated with the Hertie School of Governance, Berlin, Germany
Select 2014 required capacities vs. readiness to deal with global challenges (Readiness rating: 0% to 100%)

1. Capacities to avoid dual-market and state-failure: 30%
2. Measures to correct the fairness deficit in international cooperation: 30%
3. National level externality management: 50%
4. Promoting issue-focused and results orientation: 50%
5. Recognition of the global policy space (that requires strategic leadership and management): 30%
6. Acceptance of policy interdependence and the new rationale for international cooperation (as an enlightened self-interest): 20%
Governance is Not Ready for 21st Century Challenges

- In most required capacities, Governments are not ready for the 21st Century
- Governance readiness is likely to be a moving target because of tendencies in slow adjustment to changed realities
- Mismatches can occur between policy challenges requirements and Government’s structure and functions of the governance system
The Old PFM – Rear Mirror View and Short to Medium Term Approach

- PFM is one of the most influential functions in Government by tradition, yet...
- PFM Traditional Reality: Finance focuses on the rear mirror view and not in the future - accounting, audit, trend analysis and short-to-medium term forecasts
- PFM Mindset: scarcity mindset with focus on GDP forecasts and the Budget, an annual process in a time of rapid change requiring rapid adjustments
- PFM Practices: input-output focus despite of two decades of Results-Based Management – the Finance and Economic professions tend to shy away from RBM
- Governance results: limited outcomes, poor impacts, disparities, compounding problems in both the Southern and the Western countries
- In the new context, PFM like everyone else, needs to upgrade its approaches and build new leadership capacities continuously
The Current Trend for PFM – A Front Mirror View and Strategic Leadership Role

- Since the financial crisis of 2008, both at public and private sectors
- Finance has become a strategic function, on top of the traditional functions such as accounting, treasury, and control
- Finance has become a top level business partner very much involved in the strategic direction
- CFOs bring the insights of finance to bear on strategy, communicating value and pressuring all those involved to define their vision with respect to value creation
- Broader expectations of the role of the CFO and finance team: relying on them to shape, refine, and implement strategic plans, and drive change
- This leads to unconventional CFOs: executives with deep experience outside the traditional finance, comptroller, and accounting career paths

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Towards Improved Global Innovation and Leadership Practices

1. What is Innovation, what is Leadership, and how to lead innovation
2. Private innovation practices - from linear to exponential
3. Global initiatives for Governance innovation – In the right direction
What is Leadership, What is Innovation, and How To Lead Innovation

- Innovation is a requirement in the 21st Century
- Definitions...
- How to lead innovation
- Practices from successful companies
- Global innovation initiatives...
Innovation Is Required to Adapt to a Constant Change

- Innovation is a must in all areas in the 21st Century
- Change is now the “new normal” and will continue to accelerate
- Innovation is therefore an ongoing requirement for products, services, processes and approaches...
- Even the preeminent educational institutions (e.g. Harvard, MIT, Stanford, etc.) are challenged to innovate or become irrelevant
- Governments are not immune...
What Is Innovation?

- **Innovation** is the action or process of effecting change or transformation with a new idea, method, product, service, etc.

- **Synonymous**: change, alteration, upheaval, transformation, metamorphosis, breakthrough... new measures, new methods, modernization, novelty, creativity, originality, ingenuity, inspiration, inventiveness...
What Is Leadership?

- There are as many definitions of leadership as there are authors!

- **Leadership** is the ability to inspire or influence others towards the achievement of a shared goal or vision...

- “Management is about the present; leadership is about the future” – Peter Drucker

- “Leadership is about results” – Peter Drucker

- “Leadership is about leaders leading leaders” – Jean-Baptiste Sawadogo
How Innovation Works?

- Center for Creative Leadership (CCL) “**Target Innovation Process**”
  - **Explore**: full understanding through in-depth observation, dialogue, discussion
  - **Ideate**: generate, refine and select ideas
  - **Craft**: develop and refine concepts, solutions and plans; prototypes, experiment, test
  - **Execute**: the doing phase – piloting, rolling out solutions, adjustments as you go

- Remain flexible with the process
The Eight Essential Innovation Attributes

- Innovation in large organizations - McKinsey Quarterly, April 2015
  - Aspire
  - Choose
  - Discover
  - Evolve
  - Accelerate
  - Scale
  - Extend
  - Mobilize

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Leadership Makes a Difference in Innovation

- Center for Creative Leadership Study – 500 client-panel
- 94% Executives and managers recognize innovation as a key success driver
- 77% have made attempts to improve innovation in their organization
- Only 14% are confident about their ability to drive innovation
How To Lead Innovation?

Leadership role during CCL’s Target Innovation Process:

- **Explore**: developing a shared understanding and bringing diverse perspectives
- **Ideate**: creating a collective sense of what it possible, beyond the obvious
- **Craft**: ensure well-refined concepts and collaborative relationships, dialogue with key stakeholders
- **Execute**: keeping the innovation on target and meeting client needs or organizational challenge

Essentially, leaders champion, keep focus, and connect beyond the organization to get traction
Innovation Leadership Capacity Development

- Recommended roles and capacities in innovation leadership – required capacities vary by level
- CCL’s 5 Innovation Leadership Skills by Leadership Level
  - **Self-Leadership**: Individual leaders ideate and create
  - **Leading Others**: team leaders lead innovation projects and processes and manage resources
  - **Leading Managers**: middle-managers support innovation teams as connectors and champions
  - **Leading Functions**: functional leaders help develop the innovation strategy and manage the pipeline of products, services and processes
  - **Leading the Organization**: executive leadership shape culture and strategy and communicate the vision for innovation
Private Sector Innovation Practices – From Linear to Exponential

- Moving away from linear incremental change and innovations
- Adoption of disruptive exponential technologies (Big Data, Crowd-sourcing, Crowd-funding, etc.)
- Adoption of exponential organizational principles, structures and practices
- Peter Diamandis and Singularity University are champions of exponential thinking, disruptive and exponential technologies
8 Innovation Principles
From an Innovation Leader

- Example from Google - Article by Susan Wojcicki, Google’s SVP, YouTube (2011)
  - Have a mission that matters
  - Think big but start small
  - Strive for continual innovation, not instant perfection
  - Look for ideas everywhere
  - Share everything
  - Spark with imagination, fuel with data
  - Be a platform
  - Never fail to fail
Global Initiatives for Governance Innovation

- The World Bank’s WDR 2015
- The UN-Led Human Development Index 2014
- The UN-Led World Happiness Report 2015
- The UN-Led Sustainable Development Goals (September 2015)
World Bank’s WDR 2015: Mind, Society, Behavior

- The World Development Report 2015’s focus is timely: mindset
- Principles of human decision-making and behavior for economic development:
  - Thinking automatically – systems, assessment biases, architecture...
  - Thinking socially – influence of preferences, networks, norms
  - Thinking with mental models – origin, how they work, policies...
- Psychological and social perspectives on policy: re: poverty, early childhood development, household finance, productivity, health and climate change
- The work of development professionals: biases of professionals and adapting design and interventions
- WDR 2015 is a very courageous and is an invitation for self introspection
- Essentially, the analysis is a step in the right direction but is heavily relying on the expertise of conventional Psychology
Global Citizen-Centric
Innovative Reporting

- The UN-supported initiatives are valuable holistic efforts and involve wide-ranging stakeholders participation.

- The World Happiness Report 2014 is citizen-centric:
  - Highlights happiness as a proper measure of social progress.
  - Holistic multifaceted analysis of global citizen well-being and happiness.
  - Ranking and analysis by geography, gender and age, and uses neuroscience.
  - Offers insights in policy, mental health of the youth, human values and the value of investing in social capital.

- The Human Development Index 2015 is also citizen-centric:
  - Sustaining Human Progress – reducing vulnerabilities and building resilience.
  - Holistic approach highlighted.

- Ambitious Sustainable Development Goals – September 2015:
  - Proposed focus: “The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet.”
  - Member-state-led, broad participation of major groups and civil society stakeholders.
  - UN supports with evidence-based input, analytical thinking, field experience.
Sustainable Development Goals’ Six Elements

- **People:** to ensure healthy lives, knowledge and the inclusion of women and children
- **Dignity:** to end poverty and fight inequalities
- **Planet:** to protect our ecosystems for all societies and our children
- **Prosperity:** to grow a strong, inclusive and transformative economy
- **Partnership:** to catalyse global solidarity for sustainable development
- **Justice:** to promote safe and peaceful societies and strong institutions

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SDG: The Six Elements

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The Solid Foundation: Leading-Edge Science-Based Living and Leading

- Quantum Physics has validated Spiritual Wisdom!
- Leaping onto Quantum Realm being, living and leading
- We live in a universe of abundance and possibility – Everything is possible
- We are more than what we think we are!
- We have a life purpose: the heart of success and foundation for leadership
- We need a Governance purpose: the foundation for organizational success and leadership
Albert Einstein ... On Solving Problems!

“*We cannot solve problems by using the same kind of thinking we used when we created them*”
– Albert Einstein
As PFM Professionals, We Are Working in Left-Brain Domain
PFM’s Quantum Leap: Leading Innovation for Citizen Results

- Develop PFM’s Quantum capacity to lead Innovation in Governance
- The New PFM: a multidimensional Quantum view and Leadership for potentiality
- PFM’s Strategic Leadership: Results for Citizens - the wellbeing, prosperity, and happiness of all world citizens - girls, boys, women, and men - in a thriving environment!
Suggested Next Steps: PFM Innovation Labs?

- PFM/Governance Innovation Labs – both Leadership and Innovation
- Foster Leadership and Innovation in Governance using Quantum Physics - and any other - principles and technologies
- Country PFM: create national PFM Innovation Labs
- ICGFM: create a Global PFM Innovation Lab support forum

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- Suggested Next Steps: National PFM’s and ICGFM
  - Country PFM Innovation Labs for leadership and innovation
  - ICGFM Innovation Lab for Leadership and Innovation
Final Poll

- Leadership and innovation are a priority for me personally (yes, maybe, no)

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Quantum Wisdom...

“We are what we think. All that we are arises with our thoughts. With our thoughts, we make our world.” – Buddha
Let Us Step Up PFM’s Leadership on a Solid Ground!

- Thank you!
- Enjoy the conference!
- Enjoy your innovative leadership journey!