

**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 PFMs 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 21st Century Challenges?

- We rely on “The Governance Report 2014”, Oxford University Press, 2014
- Prepared annually by a team of international and multidisciplinary experts associated with the Hertie School of Governance, Berlin, Germany
- Chapter 2 of the “Governance Report 2014” written by **Inge Kaul**, co-editor with Pedro Conceicao, of the UNDP publication, “The New Public Finance – Responding to Global Challenges”, 2006

Governance Required Capacities vs. Readiness

- 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

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

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 is 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



SDG: The Six Elements

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

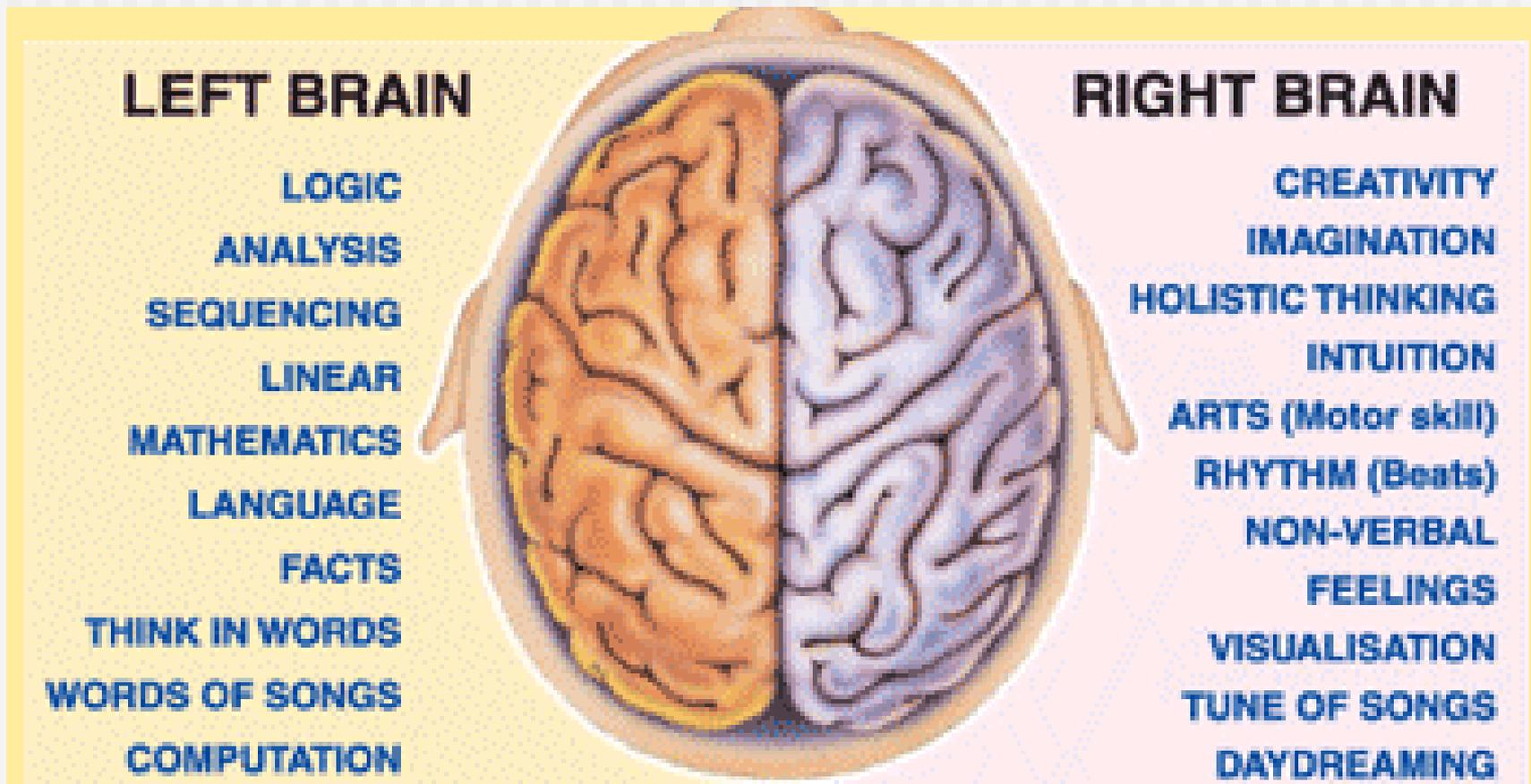
The Solid Foundation: Leading-Edge Science-Based Living and Leading

- 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 PFMs: create national PFM Innovation Labs
- ICGFM: create a Global PFM Innovation Lab support forum

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 - Developing PFM's Quantum capacity to lead Innovation in Governance
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 - 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: National PFMs 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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- Leadership and Innovation are a priority for my country's PFM (yes, maybe, no)

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!**