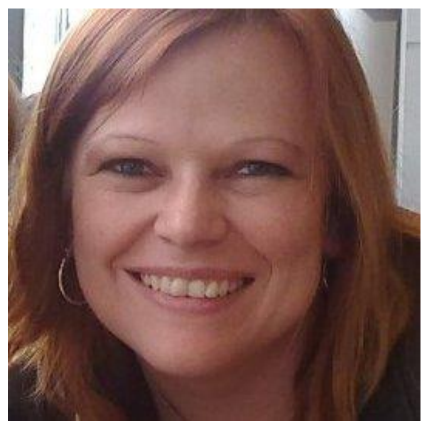
How to prepare for the Public Management Reform Agenda

The Public Management Reform Agenda (PMRA) is slated to roll out over the next several years, with Stage 1's PGPA Act already in effect. As commonwealth agencies consolidate efforts to anticipate the reforms from a risk management perspective, an important question comes to mind: what are the key areas to address and act on?

Ahead of ERM for Government 2015, we spoke to **Deslea Selmes, IT Governance Consultant, Department of Foreign Affairs and Trade**, to find out how Commonwealth organisations can prepare for all three stages of the Agenda.

It presents as much an opportunity as it does a challenge for these agencies, and best practice considerations will be vital to an effective transformation. In this article, Deslea takes us through each stage of the PMRA.

Stage 1 – Establishment of a single resource management framework (PGPA Act)



With Stage 1 of the Public Management Reform Agenda (PMRA) completed in July 2014, the PGPA Act is well into effect, requiring organisations to establish a single resource management framework.

While most organisations will be able to meet this requirement by modifying existing arrangements, some smaller entities could struggle to efficiently develop an appropriate framework.

Standalone committees and entities operating with light management boards, which do not currently have a separate set of risk management documentation, should seek support from their Department's risk manager to ensure that the requirements of the PGPA Act are met.

Speaking more broadly, there are two other implications that need to be considered.

Firstly, agencies with long-established risk management structures may find that these are formulaic or aged. These agencies will need to conduct a gap analysis against the Commonwealth Risk Management Policy, as well as implementing general maturity improvements.

They may find that formal planning and reporting products aren't sufficient to substantiate management of everyday organisational risks; even if the risks themselves are well managed. More foundational maturity gaps may also be identified in this process.

Secondly, our environments are changing and reforming in response to the PGPA Act, and risk managers need to be alert to and anticipate these changes. Risk managers can't afford to wait to be told what the organisation will do and what it needs from them, because they may not be consulted until very late in the process.

They need to make educated assumptions about:

- What will change, what controls could be compromised in the course of cutting red tape;
- Where poorly-designed performance measures might put the agency at risk of being unfairly judged as a poor performer;
- And then make the appropriate enquiries with other parts of their organisations in order to assure themselves that these risks are being managed.

Stage 2 – Quality of planning, performance monitoring & evaluation

Agencies have a mandate to cut red tape in order to improve efficiency and service delivery. However, each process being streamlined needs to be looked at from a risk perspective, as well as an efficiency perspective. Most ‘bloated processes' become bloated because something initially went wrong and an agency subsequently wanted to stop it from happening again. So the implication, if you get rid of the bloat, is that you may get rid of necessary controls.

Having said that, getting rid of some controls could also be a reasonable thing to do, if they are disproportionate to what you're really trying prevent from happening. It might be that the controls were proportionate at a point in time, but they aren't anymore.

For instance, a particular risk might not have been politically acceptable in a certain climate, and so many controls were added to ensure zero instances of that risk eventuating. But the political acceptance for that consequence might have changed and it might now be possible to loosen those controls.

<u>Non-financial performance planning</u>

Non-financial performance planning is an area where agencies need to improve, and that's a message that has been stressed in the PMRA. It can be tempting to stop at the question of what to measure, without interrogating those metrics any further.

However, it's important to also question what behaviours will arise from what you want to measure, and the way that you choose to measure it. It's also important to question whether the metric and its associated data collection methods will actually measure what you think you're measuring.

Just as an example – a very common measuring client service environment is how long telephone callers are on hold. This is a great metric if you want to know whether you have enough staff to keep on top of the calls, but in reality we often have this metric because we think it tells us something about client satisfaction, and that might be a faulty assumption.

Of course, clients prefer shorter wait times, but they might still be very satisfied with their call after a longer wait if, for instance, they knew exactly how long they were going to wait, and if at the end of the call, their questions have been well managed and they don't have to call back.

The danger of the "caller on hold" metric is that it incentivises poor call handling - for instance, minimal effort to understand the client's problem, and glib, simplistic answers - because in many cases these actions allow the operator to move on to the next call.

Agencies then have a problem, because if they tackle caller satisfaction seriously at the expense of call waiting metrics, they appear to be performing worse when they are actually performing better in the ways that the caller values.

This could act as a disincentive to improving customer satisfaction. So it may be better to have a qualitative measure of satisfaction, rather than, or in addition to, a quantitative one of wait time, which is only one component of satisfaction.

It's also important that agencies don't under-do non-financial performance reporting. It isn't just a nice-to-have. The conceptual basis of the PMRA is that agencies aren't simply allocated funds to spend within the rules; they're given the funds to achieve something for the community.

Agencies that report conscientiously on financials but poorly on their other areas of performance will not provide the assurance sought by the PMRA. This has the potential to compromise agencies' political and civil license to operate.

Risk manager's role

There are a number of ways that Stage 2 will influence the risk manager's role. Two key areas of value-add for risk managers in this environment are systemisation for lower levels, and tailored facilitation for senior levels.

Systemising risk management helps build capability at the lower management levels by supporting work areas that aren't mature enough to do it well or consistently on their own. From a business process perspective, systemisation is about introducing predictability by boiling down conceptual thinking into easy-to-follow steps.

Its goal is to introduce very senior and strategic capabilities, into levels where they might otherwise be poor or absent due to inexperience. Our frameworks already do this, to a certain degree, but there are opportunities for further maturity.

Tailored facilitation for senior managers recognises that major risks are often managed at the executive leadership level, which may be outside of a risk manager's day-to-day portfolio. These risks aren't always documented in ways that an established framework would recognise, but they are still documented in emails, file notes and ministerial briefings.

There's nothing wrong with that, but risk managers can turn themselves inside out trying to shoehorn strategic risk into their framework structures when it's not necessary.

What they should do for that level is check in periodically with executives and offer fit-for-purpose support. In my experience, this is more likely to relate to risk identification, and/or designing effective monitoring and control mechanisms, rather than assessment.

People at those levels understand likelihood, consequence, and prioritisation better than we sometimes give them credit for, so the things we would do with lower levels might not add a lot of value. By contrast, we can use that engagement to prompt executives to look outside the risks that are obvious to them, or think outside the square about solutions and add a great deal of value.

Stage 3 – Improving interaction between Commonwealth & external parties

The PMRA is ultimately about agencies' social contract with the public, ministers, stakeholders, supply and delivery partners, and other levels of government. Agencies will not only need to conduct more reporting, but report in the spirit of fulfilling that contract.

Back in Stage 2, we saw better integration between the Parliamentary Budget Statements that allocate money for outcomes, and planning and reporting the achievement of those outcomes. Stage 3 will close that loop by relating reporting back to our social contract.

Our reporting will form part of a coherent whole – it will tell a story from the stakeholders' perspective that has a beginning (the PBS), a middle (the Performance Plan) and an end (reporting).

There are some insights which can be drawn here from corporate social responsibility (CSR) reporting, which is also focused on social contract and license to operate. Agencies would do well to consider the experience of companies that report on CSR when developing their performance planning and reporting frameworks.

We can also draw some signals from all of this about what other interactions might look like – we can expect more coherence and contextually-aware reporting in government, and less reporting in isolation.

The other crucial aspect has been the clear signal from Finance to consider the impact that agencies have on other agencies, stakeholders and the public. This a responsibility enshrined within legislation.

In Stage 3, agencies have to demonstrate that they have actively considered and – where possible – reduced the impact of their operations on others. This is a logical progression from New Public Management thinking.

In the early 2000s, we stopped making clients come to us our way and started making ourselves accessible to them in their way. Channel choice was nice to have for government agencies in around 2000. As long as they had a shop front, somewhere that clients could visit and get things done, they had done their duty.

By 2010, though, agencies were expected to make themselves available in a variety of ways. Now, in 2015, we're taking a step further and examining other ways we impact other external parties, not just the direct clients.

The by-product of this is going to be reductions in bureaucracy, which will be advantageous for the most part. However, some bureaucracy is there to control risk, so it shouldn't necessarily be eliminated entirely. Agencies need to look carefully at the history of the bureaucratic structure and think about what incidents drove this evolution, and make sure they cut red tape with one eye on the risks.

Want to know more about how to prepare for the Public Management Reform Agenda? Be sure to join Deslea at her workshop, ***The PGPA Workshop,*** *where she will focus on context, implementation and integration with the risk function.*

You can download the brochure to see the full program.