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Strengthening Organizational Health and Performance in Government

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Case Studies of Other Countries' Use of Agency Capability Reviews

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Case Study 5-1: Australia's Approach to Link Capability Systematically to Performance Management and Budgeting

Background. Australia has long been a leader in performance management since its NPM initiatives in the 1980s and 1990s. It has recently, however, found some shortcomings in its reform frameworks and introduced a number of important refinements.

The Public Governance, Performance and Accountability Act was passed in 2014 and implemented over the following two years. It covers all national government agencies and businesses which employ in total around 240,000 people across the country. The new legislation was complemented by amendments to the Public Service Act in 2013, affecting the 150,000 civil servants. Amongst other changes, the new PS Act introduced the concept of 'stewardship', complementing the existing emphasis on performance, and provided more support for cross-government collaboration.

These legislative changes followed two major reviews (the Moran Review of Australian Government Administration in 2010 and an internal Commonwealth Financial Accountability Review by the Department of Finance (completed in 2012)). Both suggested the need to place more emphasis on whole-of-government cooperation and coherence, and to address identified weaknesses in organisational capability (particularly in longer-term strategic policy advising and HRM).

Organisational Capability Reviews and Staff Surveys. Following the Moran Report, the Australian Public Service Commission (APSC) coordinated a series of organisational 'Capability Reviews', covering every government department and several other major agencies. Each applied a methodology developed in the UK covering 'leadership', 'strategy' and 'delivery', led by an external reviewer (generally a former senior bureaucrat) with a small team of staff including from the APSC, but working very closely with the agency head.

Australia's Capability Framework

The Capability Reviews were designed more for learning than auditing, and having different teams for each review means comparisons across agency assessments are not necessarily valid. Assessments are quite frank with colour codes used to identify whether a particular capability is 'strong', 'well-placed', a 'development area' or of 'serious concerns'. Agencies were required to develop performance improvement plans based on the review findings.

The reviews drew mostly on internal documents and studies, but also on the APSC's annual staff surveys. These were first introduced in 2003 to complement the existing agency-completed surveys to provide a 'reality check' against agency claims. The random surveys included regular questions on such morale issues as views of managers and agency leaders, but also questions on particular topics such as relations with ministers and political advisers, and innovation. The survey was changed to a census around 2012 to allow results for each agency, and scope in some cases for sub-agency data. Response rates are very high. The data is not available on-line but can be accessed on request; the APSC publishes substantial summaries including through its annual State of the Service Reports.

The Capability Reviews were at the agency level, not down at each internal business or office level. They were completed in the period 2011-2014, and have not been continued since. There is no public information on the follow-up work, but there was some suggestion that confidential assessments of agency heads might take into account the action taken and whether improvements have been made.

Ongoing Processes. A major initiative in the PGPA Act is the mandating of corporate plans to complement the existing performance budgeting and management system (now termed the 'enhanced performance management framework'). Portfolio Budget Statements have long been prepared before the Appropriation Bills are passed setting out the elected Government's program objectives (or ‘outcomes’) and associated performance targets for each portfolio (a department and its associated agencies), Each agency’s Annual Report must report against these objectives and targets. The new requirement is for each agency to prepare and publish a corporate plan after the budget is passed, firming up the performance assessment process it intends to apply and, most importantly, addressing organisational capability issues (‘how’ the agency will be able to deliver ‘what’ the Government in the PBS has said it is to achieve). The corporate plan must also identify risks and how they are to be managed. Annual reports under the PGPA Act are to include a clearer ‘performance report’, against both the PBS targets and the corporate plan strategies.

While the new framework has only been in place for a few years, an Independent Review is currently looking at its implementation. Anecdotal evidence suggests there has already been some improvement and the more systematic approach to considering capability as well as performance, and addressing risk, has considerable potential. But at this point the quality of corporate plans is mixed, and reporting on capability (as distinct from performance) has still some way to go. Some agencies seem more mindful of the importance of capability for future performance (including for possible changes in performance requirements) than others. There is also little evidence yet of the Parliament showing great interest in capability of the public service.

References

Australian Public Service Commission, 2011, *State of the Service Report 2010-11,* Canberra
Agency capability reviews are also available at www.apsc.gov.au

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Case Study 5-2: Canada's Management Accountability Framework

Background. Approaches to designing a Government Performance Management System (GPMS) can be divided into two broad categories – short-term and long-term approaches. Most countries have designed and implemented a GPMS that focuses on the 'short-term' performance of government organizations. Typically, the focus is on performance against agreed annual targets, even when it is in the context of a long-term strategy or a long-term strategic plan.

Relatively few countries in the world have, however, designed a 'long-term,' comprehensive approach to GPMS. Unlike the short-term approaches, long-term approaches focus on the '*sustainability*' of performance, in addition to the '*level*' of performance. The more common name for this genre of approaches is 'capability reviews' and the Canadian Management Accountability Framework (MAF) falls under this category. Capability reviews are best understood as a 'leading indicator' of organizational performance.

What is the Management Accountability Framework? The Management Accountability Framework (MAF) is a key performance management tool used by the federal government in Canada. Its purpose is to support management accountability of Deputy Ministers (Canada's equivalent of Deputy Secretaries in the U.S., who are career, ,not political, appointees) and improve management practices across departments and agencies. More specifically, the objectives of MAF are to:

- Clarify management expectations for Deputy Ministers and inform ongoing dialogue on management priorities;
- Provide a comprehensive and integrated perspective on the state of management practices and challenges; and
- Inform the design of risk-based approaches that provide greater delegation of authority for organizations that have strong management performance.

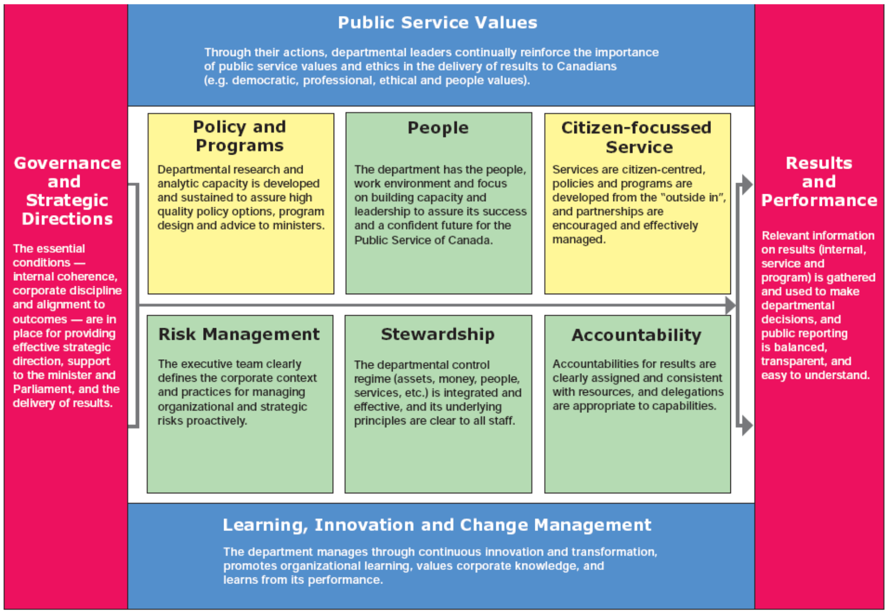
The MAF summarizes the vision behind various management reforms into 10 high level management expectations of each Deputy Minister (see figure 1). In essence, the MAF strives at management excellence in areas such as stewardship, accountability and people management, which in turn enables organizations to effectively translate the government's strategic directions into results.

How does it work? The MAF assessment process is performed annually by the Treasury Board Secretariat (TBS, a central agency) and is based on evidence submitted by organizations.

All major federal departments and a third of small agencies are assessed on an annual basis, which represents 55 to 60 organizations each year. Smaller organizations are assessed on a three year cycle using a more targeted approach, which reduces the burden of the exercise.

Each organization is assessed against specific criteria outlined under 19 areas of management, such as values and ethics, financial management, internal audit and risk management. As an example, the following criteria are measured under the financial management area: quality of financial reporting, adequacy of financial management capacity, and robustness of financial systems.

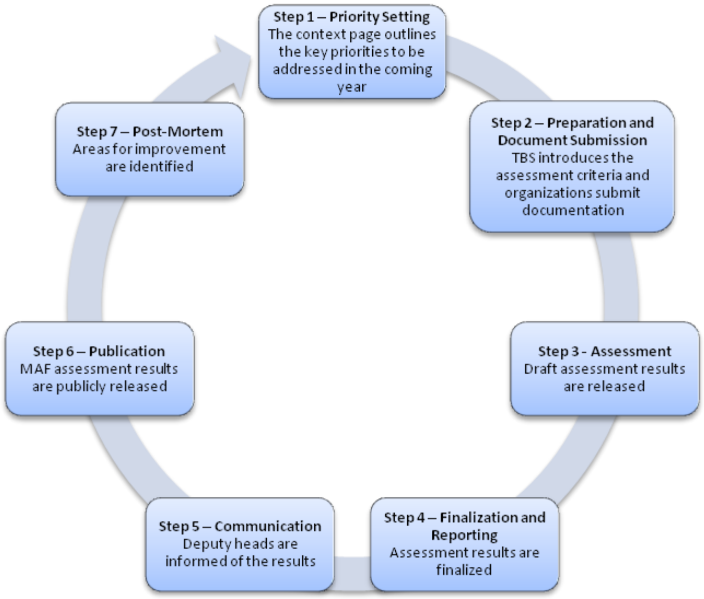
Figure 1:
The Management Accountability Framework (MAF)



Source: **MAF Leaflet, Treasury Board Secretariat, Government of Canada, 2013**

As part of the assessment cycle (see Figure 2), departments and agencies submit detailed evidence of progress against the expectations and criteria. Rigorous assessments are then prepared by Treasury Board experts based on the evidence submitted. Drafts of the assessments are discussed with departments and agencies before they are finalized. Results are used as an input for annual assessments of Deputy Ministers (including performance pay). Summaries of final assessments are made available to the public.

Figure 2: MAF Assessment Cycle



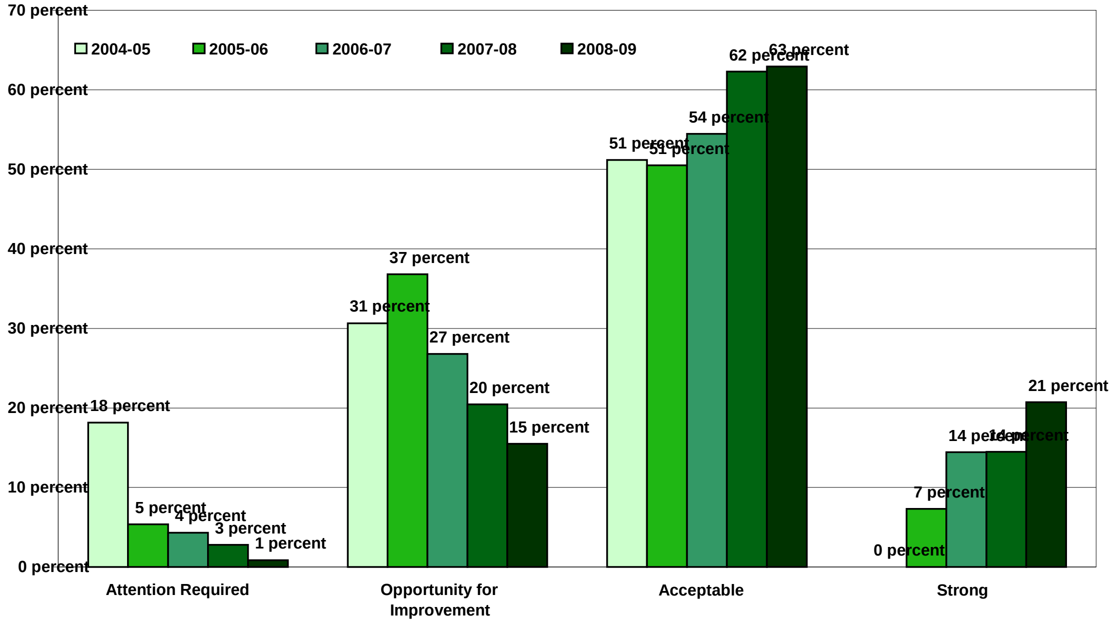
Source: **Treasury Board Secretariat (TBS)**

The narrative assessments for each of the 19 areas of management also include an overall score using a four-point scale maturity model. Organizations that meet expectations receive either an 'Acceptable' or 'Strong' score. An 'Opportunity for Improvement' score identifies specific areas for improvement while an 'Attention Required' score points to more systematic deficiencies that need to be addressed.

Impact of the Framework. A study conducted by the Canadian Government at the end of the 7th round of annual assessments in 2010, results show that Canadian Deputy Ministers were using the MAF to support their management accountabilities and to drive improvements in management performance with their executive team. Improvements had been made over the years across the various areas of management measured through the MAF.

Figure 3 shows that the impact of MAF had been an increase in the number of organizations performing well in overall MAF ratings. In the five years covered by the study, the percentage of 'Attention Required' and 'Opportunity for Improvement' ratings decreased from 18 percent to only 1 percent and from 31 percent to 15 percent respectively. The percentage of 'Acceptable' and 'Strong' ratings rose from 51 percent to 63 percent and from 0 percent to 21 percent respectively.

Figure 3: MAF Rating Improvements



Source: **Treasury Board Secretariat (TBS), Canada**

To ensure the MAF continues to be a relevant and strategic performance management tool, several improvements have been made over the years. For example, concerted efforts have been made to reduce the burden of the MAF process on federal organizations, which have allowed for more strategic discussions on management performance between TBS and departments.

An independent five-year evaluation of MAF was conducted in 2009 to identify improvements that could be made to the tool. The evaluation concluded that "MAF is meeting its stated objectives" and that it compares well with leading international practices.

International Comparisons. Table 1 below presents an international comparison of leading GPMSs prepared by the UK's National Audit Office in 2009.

Table 1: International Comparison of Performance Management Frameworks

	Assessment Area	MAF Canada	UK Capability Review	US President's Management Agenda	South Korea Performance Evaluation	EU Common Assessment Framework
1	Leadership	√	√			√
2	Organizational structure	√	√		√	
3	Strategy and policy	√	√		√	√
4	Partnership working	√	√		√	√
5	Resource management	√	√	√	√	√
6	Financial management	√	√	√	√	√
7	Performance management	√	√	√	√	√
8	Risk management	√	√		√	
9	Learning and innovation	√	√		√	√
10	Customer focus	√	√		√	√
11	Performance results				√	√

Source: **UK National Audit Office, Assessment of the Capability Review Programme, 2009**

Source: UK National Audit Office, Assessment of the Capability Review Programme, 2009

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Case Study 5-3: How New Zealand Conducts Its Agency Capability Reviews

Background. Beginning in the mid-2000s, the United Kingdom, Australia, South Africa and New Zealand undertook initiatives to assess the capability of their agencies to deliver on their missions. All but New Zealand have discontinued their efforts. The New Zealand Performance Improvement Framework relies on external reviewers to apply a defined framework of 30 questions to "identify the critical gaps and opportunities between the current and desirable future capability and performance."

The parliamentary government of New Zealand has 25 ministers overseeing 67 ministerial portfolios (agencies), with about 300,000 employees across 16 regions.

Performance Improvement Framework. The New Zealand State Services Commission undertook an agency capability review initiative in 2008, developing an assessment framework "to support continuous performance improvement" across the government. The initiative is managed by a central team that uses external reviewers to conduct assessment of agencies in the context of each agency's "Four-Year Excellence Horizon," which is a medium-term improvement plan.

The framework is organized around Results and Organizational Management, with five critical areas:

- Leadership and direction
- Delivery for customers and New Zealanders
- Relationships (with ministers and other agencies)
- People development
- Financial and resource management

Reviewers use a set of questions for each of the critical areas to "rate the agency's preparedness to meet its future challenges in each results area . . . Ratings are not an assessment of current performance," but rather are "applied in terms of the future the agency is preparing for." Ratings for each of the critical areas are based on a four-point scale, which is favored by central agencies but disdained by agency managers as overly simplistic.

Agencies conduct a self-review, then a formal PIF Agency Review is conducted by two independent lead reviewers. The reviewers prepare a formal report and agencies prepare a response to the reviewers' report.

Reviews are typically conducted at the beginning of the term of a new agency head (career) or at key points in a major change initiative. The review and the agency's response are used to inform medium-term organizational strategies and plans, and where relevant, the agency's four-year strategic plan. Follow up reviews can be conducted 12-18 months after a PIF Agency Review is completed. PIF Agency Review reports are published on a central website maintained by the State Services Commission, which oversees government management initiatives.

Conclusion. The New Zealand PIF Agency Reviews tend to be qualitative, not quantitative, in their approach. There is an assessment and follow-through component. Reviewers are external to the government, but are typically well-recognized former public servants. The focus is on providing constructive advice.

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