Streamlined Planning and Performance Measurement for Small Agencies

Michael Kelly and Garry Sears

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Michael Kelly and Garry Sears are co-founders of Kelly Sears Consulting Group. Both were long-time partners with KPMG, and specialize in helping federal government managers to implement improved management practices, particularly in the areas of planning and performance measurement. Michael developed the Modern Management Capacity Check methodology in partnership with Treasury Board Secretariat in the late 1990s. Recently, they have developed the MAF Performance CheckTM to help organizations assess their conformance with this initiative.

The push for greater accountability is having major implications on all federal government organizations, but particularly on smaller agencies.[1] The executive team of these organizations finds that much of their time is being devoted to a myriad of accountability-related activities being led by the central agencies, including: conducting assessments against the Management Accountability Framework (MAF); responding to the new Internal Audit Policy; developing and refining the Program Activity Architecture (PAA); implementing integrated HR and business planning; implementing the new staffing regime; assessing information security; and, implementing shared services. All of these administrative activities are leaving little time for management to attend to its core business. We find that in working with these smaller agencies, managers are looking for ways to streamline their key management practices of planning and performance measurement.

The small agency community

There are some 65 agencies across the federal government, ranging in size from a dozen or so employees to a several hundred. These agencies perform a variety of functions that are critical to the public, including court/tribunal administration, regulatory and investigative activities, oversight activities, research funding, to name a few.

From a government-wide central agency perspective, the number of small agencies poses a particular challenge in ensuring that they are all conforming to government rules. Until recently, agencies have tended to operate fairly independently – "under the radar screen". However, this has changed in the past couple of years due to the increased focus on accountability and stewardship, and the realization that agencies are as vulnerable as the larger departments to mismanagement – with equally damaging impacts on the government's reputation for trust and good management. Stewardship can be a challenge where Governor-in-Council appointees and employees come to the agency from outside the public service, and thus are less familiar with government rules. The result is that small agencies are being asked by the centre to meet many of the same accountability and reporting requirements of the large departments (e.g., Management Accountability Framework, financial accountability) – yet with relatively fewer corporate resources. This is forcing them to develop, in particular, more efficient and useful planning and reporting systems.

At the same time, small agencies have in recent years become much more of a cohesive force and gained credibility in the eyes of the central agencies. Smaller agencies are working successfully together within the federal community through such organizations as the Small Agencies Administrators' Network (SAAN) and the Small Agencies Finance Action Group (SAFAG). These agencies are also working much more closely with other agencies in their respective communities (e.g., court administration, administrative tribunals). As a result, they are able to benefit more readily by benchmarking and adopting the best of the management practices of other organizations. This creates the situation where small agencies can actually play a leadership role in introducing new government-wide initiatives as they become faster and more agile in doing so. An example of this would be in performance measurement where some agencies have been very pro-active, and have developed useful performance measurement frameworks and systems.

However, the reality today is that many agencies do not have the management infrastructure that is typical of the larger departments. One way that agencies compensate for this is by an a streamlined yet serious approach to planning and performance measurement whereby they examine and re-set priorities on a yearly basis, plan their key projects, keep all employees focused on a common agenda, develop a simple yet robust performance measurement framework, and at the same time meet central agency expectations.

Characteristics of Agencies that Excel at Planning and Performance Measurement

The planning and performance measurement approach must reflect the realities of the small agency environment. Small agencies in the federal government share many similar characteristics to "small businesses"—they are often focused on the delivery of a single service or small set of programs, have a well defined mandate (prescribed through legislation), are very operationally oriented, tend to be entrepreneurial in their thinking, have a preference for action rather than analysis, are highly skeptical of those who think they know what is best for their agency, and are very committed to the success of their organization. So what does this mean for their planning and performance measurement processes? Our experience has shown that the following characteristics of small agencies can actually help them in being effective planners:

- **Greater stability provides a sustained focus.** Although some agencies have grown dramatically in size in recent years, the workforce at a number of agencies is relatively stable from year to year. There is a lot more stability in the management team. This enables the agency to maintain greater continuity in their plans from year to year, to take projects off their agenda as they are completed, to challenge managers when projects never get off the table, and then to focus on key projects each year instead of trying to do everything. This consistency from year to year is critical to a successful planning process, and gives managers the satisfaction of seeing projects done. Period!

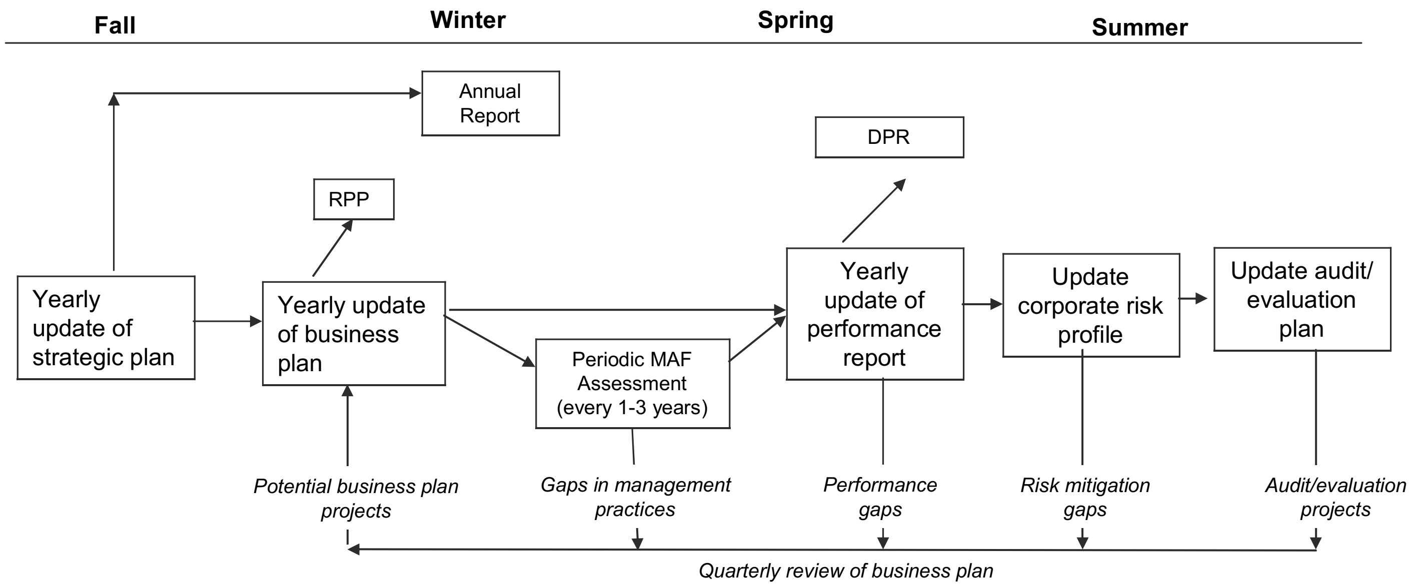
- **Hands-on involvement of the agency head in the planning process adds huge credibility.** Agencies are highly influenced by the style of the agency head—if they attach a lot of importance to planning, then this sends a strong message across the organization. (Unfortunately, the opposite also holds true). Positive and pro-active management in an agency also has much more leverage as this is felt directly across the agency much more quickly and directly. Although this is stating the obvious, planning is definitely more effective in those agencies where the agency head (the "chair") is actively involved in the process and plays a strong leadership role.
- **The operational nature of agency activities makes planning much more real and tangible.** The program activities of the agencies have well defined outputs. Policy and program development are much less of a concern. Agency plans can be translated into tangible targets and milestones that can be tracked in a meaningful way. This implies a more narrow focus in terms of environmental scanning than one would find in the larger departments. Also, there is much less of a distinction between strategic and business planning than in a larger department, to the point where a combined strategic/business plan is sufficient for most agencies, particularly where they have a very operational focus and therefore do not need to revisit their overall strategies from year to year.
- **Managers can be held accountable.** The small size of the agencies brings distinct advantages to planning. There is more direct accountability of managers within the smaller agencies, if things go well or not.
- **A more integrated process.** The planning process can be much simpler. It is easier to achieve integration of all the elements of the cycle. It is easier to involve the whole management team (10-15 managers) in the development of the overall agency business plan.
- **Ability to demonstrate results.** One can see the tangible results of the planning and performance measurement activities in the small agencies. Projects are completed from year to year whereas the beginning and end of projects in larger departments can take years and is not as well defined. It is often easier to measure performance (e.g., timeliness, quality, client satisfaction) because of the operational nature of many of the activities carried out in many agencies.
- **Increased focus and agility.** Contrary to larger departments with many programs, it is possible to have 15 or so overall performance indicators to monitor performance; to update the yearly risk profile as part of a yearly planning session (in hours rather than months); to carry out one to three audits each year that can have direct benefits on implementing process improvements; and to integrate HR and business planning in a meaningful way.

The challenges

Many of the advantages of the small agencies also pose particular risks, for example:

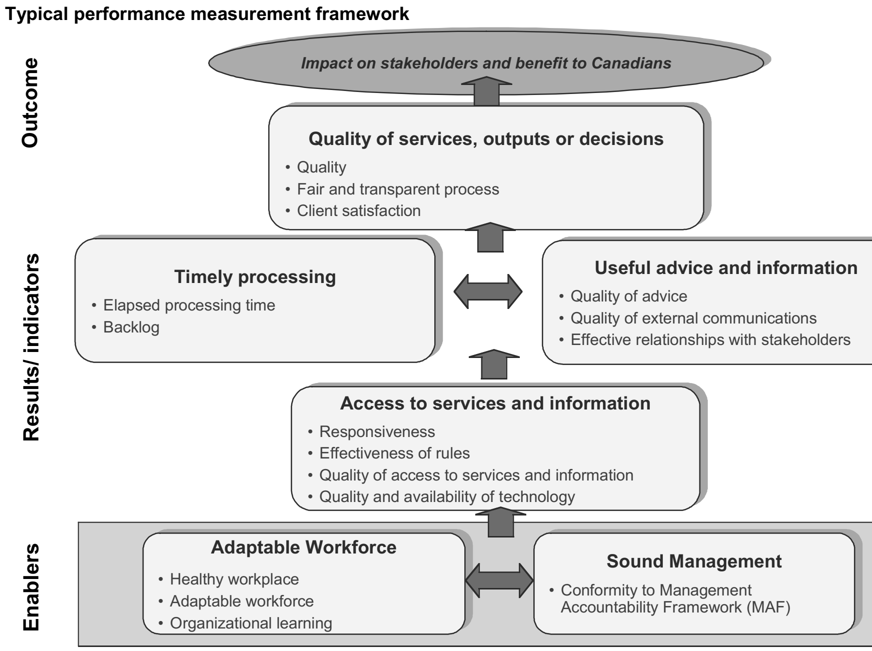
- **Inconsistent focus on management by agency senior managers.** In some agen-

Typical planning and performance measurement cycle



cies, senior managers have extensive management experience, and take a very pro-active role in the management of the agencies. In others, senior managers are very highly qualified in their particular specialty area and are very senior and capable people, but do not have the same interest in "management", are highly sceptical of central agency initiatives, and tend to delegate management responsibilities to the corporate services organization. This sends a negative message to managers and employees, and puts undue responsibility on the corporate services manager.

- **Widely disparate management practices from agency to agency.** Our experience has been that the overall management approaches (and related practices) vary considerably from agency to agency. A number of small agencies have had a well defined planning cycle in place for a number of years. At the other extreme, some agencies have only recently established an executive committee or management team, and do little in the way of formal planning. Some agencies include only the executive committee in their strategic and business planning, whereas others include managers at all levels of the organization. Sometimes, the chair leads the planning, whereas in other agencies, it is the executive director. Some agencies do not have a strategic or business plan, and rely on the Report on Plans and Priorities (RPP) as their planning tool. Some agencies conduct two or three audits each year without fail based on a well defined audit program; other agencies do not conduct any audits at all, and do not see the need. These differences in management practices are certainly due in part to the circumstances of each agency. Having said this, one cannot help but wonder if these variations in approach are driven by management style and may not be the most effective from a government-wide accountability perspective.
- **Governor in Council appointees.** The responsibility of Governor in Council appointees (GICs) for the management of the organization is not always clear, particularly in the case of part-time chairs. Similarly, GICs are often part of the delivery process (e.g., members rendering decisions in an administrative tribunal), but do not have the same accountability for achieving results as do managers in the public service. The process for reappointing members can also have a major impact on the stability of the management of the agency, and reappointment delays can have a direct impact on the performance of the agency. The presence of both members and employees also complicates the management of the agency by necessitating separate planning committees comprised of the GICs and the management team (for example, each group might have a separate annual retreat or quarterly planning meeting). The relationship between public servants and GICs needs to be managed carefully as unreasonable expectations of each other, and lack of communications, can be a recipe for disaster. Some agencies have addressed this challenge successfully by involving senior members (GICs) and senior managers in their respective planning processes, and by doing planning on a joint basis. The election platform of the new Conservative government calls for a new Public Appointments Commission.
- **Responsibility for management is not always clear in small agencies.** The existence of both a Chair and an Executive Director in an agency can create confusion as to who is accountable for the management of the agency. This inevitably has repercussions with respect to the planning and performance measurement. For example, in some agencies, the Chair clearly plays the lead for management matters, whereas in other agencies, the Executive Director assumes the lead and the Chair may not even be involved in the management team, never mind planning and performance measurement. In some agencies, both the Chair and the Executive Director are involved and share responsibilities. The circumstances and legislative framework differ widely between agencies, however this lack of clarity can hinder the intro-



duction of management practices (e.g., regular management meetings, annual planning retreat), which are common in the large departments.

- **The need to maintain agency independence.** Although difficult to define, the need for independence is critical to the credibility of many small agencies. This is a constant risk for small agencies where there is often a misunderstanding of their role. The agency will rightfully insist upon the independence of the regulatory, oversight or judiciary elements of its business. For example, establishing appropriate funding levels can affect agency independence. Security of information can affect the extent to which the agency can be transparent in its external accountability reports such as the Departmental Performance Report (DPR). Even selecting the appropriate reporting relationship to a minister can be sensitive. This need for independence is not helped by turnover in the staff of the central agencies that interface with the small agencies and who do not remain in position long enough to develop an intimate knowledge of the sensitivities associated with each agency.
- **Lack of in-house planning and performance measurement capacity**. Small agencies typically cannot afford an in-house planning and performance measurement capacity, as they do not require full-time support. Consequently, they are more reliant on external support from consultants. As agencies have limited resources at their disposal, the dollar amounts of the contracts tend to be small. However, the advice provided is often of a strategic nature and therefore requires senior advisors. Despite the smaller dollar value of the contracts, achieving stability in the consultants used can be a challenge in that consultant activities are often viewed by the contracting community as "projects," when in fact the planning and performance measurement activities repeat from year to year. All to say that the agencies need more flexibility to be able to obtain external planning and performance measurement support so that there is more stability from year to year in the consultants that they use, and the people providing this support can become intimately familiar with the business of the organization in a manner similar to in-house corporate planning and performance measurement groups in the larger departments. This would suggest the need for more long term (e.g., multi-year) service agreements or arrangements to be put in place where agencies could have access to senior professionals who are familiar with the agency organizations and have an interest in working with the small agency community (much in the way that the large accounting and professional service organizations have groups that serve exclusively the small business community).
- **Only "one-deep".** The small agencies are much more vulnerable to losing their corporate knowledge if there is suddenly a high turnover rate. Poor management can have much more devastating consequences for a small agency, as the examples are well known. A sudden departure can also have major negative impacts on service delivery; in some cases, it can take an agency several years to rebuild its expertise in a particular area and to regain the confidence of its clients. This simply reinforces the need for small agencies to plan their strategies to retain corporate knowledge, whether this is through better people management, succession planning, orientation and training of staff, development of information systems to retain corporate knowledge, or simply documenting policies and processes. All these initiatives require a sustained multi-year planning focus and ongoing performance measurement to ensure that they are being successfully implemented. As managers' time in small agencies is used up addressing short-term urgencies, these long-term projects are inevitably given less priority and often simply never get done (compared to large departments where specialists devote their time exclusively on these longer term projects).

A Proposed Integrated Planning and Reporting Cycle

An integrated planning and performance measurement cycle would typically include strategic and business planning, performance reporting, the preparation of the Report on Plans and Priorities (RPP) and Departmental Performance Report (DPR), a yearly update of the agency risk profile, a yearly assessment of their management practices based on MAF, and a yearly update of their audit program. HR, asset and business planning should be done on an integrated basis, although the actual mechanics of how to do this are still being developed in most agencies. Also, many agencies have an annual report that tends to report more specifically to interested stakeholders on the business of the agency, and differs from an accountability report such as the DPR where the agency reports on the results it has achieved. All these elements are closely linked, and need to be woven together as part of an integrated process.

- **Strategic and business planning.** Our experience is that typically an agency needs to conduct an environmental scan, note best practices in other similar agencies, identify changes in stakeholder expectations, update its priorities, and develop each year an integrated plan with a dozen or so organization-wide projects. The responsibilities for carrying out these projects need to be clearly identified by assigning lead responsibility for each project to one member of the executive committee. Too often, there is a tendency to assign agency-wide projects to the corporate services manager, thus reinforcing the view that management is a corporate responsibility and not the responsibility of all managers. Summary work plans should also be prepared for each project to ensure that managers and staff have a common understanding and agreement on the scope of each project. In the larger agencies, sectors/branches will have their own individual plans that are aligned with these agency-wide projects. The resulting agency-wide plan then serves as the basis for preparing the Report on Plans and Priorities (RPP), thus eliminating the need for call letters to managers and adding to the credibility of the RPP as a document that reflects the realities of the priorities of the agency.
- **Performance measurement.** Some agencies have recently developed simple yet useful performance measurement frameworks for the organization, which consist of a small number of corporate objectives (results), a set of key enablers, and a set of no more than 15 key performance indicators. Performance results are assessed during semi-annual management retreats. In many cases, it is more realistic to review the performance of the agency one or twice during the year, as opposed to doing so on an ongoing basis (with the exception of ongoing operational measures, such as throughput time). Typical results and indicators include service quality, client satisfaction, timely processing, client access to information and services, "people" indicators, and sound management (based on the MAF elements and indicators). The performance information is used to identify gaps in performance and to identify/confirm those areas where improvements are required. The information from these performance reports is also used to prepare the annual Departmental Performance Report (DPR).

  A common dilemma in small agencies is the extent to which formal client satisfaction surveys should be carried out, particularly where the agency carries out a regulatory, oversight or judicial function. Again, practices vary widely between agencies, with some agencies conducting regular client surveys (in the case of a tribunal, focusing on assessing processes, not the results of case decisions), and others refusing to conduct client surveys for reasons of independence.
- **Risk management.** A number of agencies now regularly update their corporate risk profile on an annual basis as part of the strategic planning retreat. Our experience in working with the small agencies is that risks do change from year to year, and the simple exercise of updating the risks has helped agencies to focus on those areas where they need to focus their efforts. Agencies generally follow common risk profiling methods, i.e., identifying the impact and likelihood of each risk, whether the risk is increasing, decreasing, or stable, any mitigation gaps that may exist, and the relative priorities of the risks. Some agencies have aligned their risk profiles with the Management Accountability Framework (MAF).

Example of summary risk profile

MAF Element	Risk	Impact (high, med, low)	Likelihood (high, med, low)	Trend (increasing, stable, decreasing)	Priority (hi, med, lo)	Gaps in Mitigation Measures
People	Recruiting and maintaining workforce with required expertise	High	High	Increasing	High	☐ Broader staffing pools ☐ HR planning

- **Internal audit.** A number of agencies do two or three audits per year, and have used the results of these audits to drive improvements to their service delivery and management practices. These audits have had the greatest impact where they have focused on operational matters (e.g., security, elements of service delivery). Because the agencies do not have the internal audit resources, the audits are generally carried out by external resources. The agencies will prepare an audit plan and program similar to what a large department would do, and some agencies have acquired external support to help develop and manage the audit program (as opposed to conducting the audits). The OCG has a much discussed initiative to increase federal government capacity to conduct audits on behalf of the agencies. This is timely as a number of small agencies do not do any audits. Also, there is some confusion between the need for financial compliance audits and more operational value for money audits.
- **Management Accountability Framework (MAF).** Small agencies generally have been enthusiastic about implementing modern comptrollership/modern management practices, although this has received little acknowledgement due to the profile of recent government scandals. Some agencies have recently begun to carry out a yearly assessment of their management practices based on the MAF. Consultants have developed tools to help streamline the MAF assessment process as this can be a major challenge for small agencies given the wide scope of MAF indicators. Treasury Board Secretariat has recently reduced the scope of MAF indicators to be assessed by small agencies, but this can still be a daunting task for small agency managers who are not fully familiar with the requirements of the MAF. In working with agencies, we have developed a tool called the MAF Performance Check™ to help simplify and systematize the process.[2]

The implications for the way ahead

The common theme is increased sensitivity to the particular needs of small agencies:

- **Central agencies need to develop government-wide policies, guidelines and toolkits around the needs of the small agencies**, as opposed to simply starting with guidelines for the larger departments, and trying to adapt or apply a subset of them or a condensed version (a current example being the use of 25 out of the full list of 41 MAF indicators). The challenge is to translate government-wide policies that are developed for large departments into something more practical and succinct for agencies. Examples include preparing a one-page list of the corporate risks rather than an elaborate integrated risk framework; developing a simple corporate performance measurement framework as opposed to an elaborate performance measurement system; preparing a simple planning guide as opposed to detailed RPP/DPR external reporting guidelines. Managers in the small agencies are spending too much time adapting elaborate management frameworks that are appropriate for large departments to their relatively straightforward needs.

- **Senior managers within agencies need to take greater ownership** for implementing new management initiatives within their agencies, as opposed to simply relying on corporate staff to meet the central agency requirements. Goals for implementing management initiatives can be incorporated into the executive performance management agreements. The management accountabilities of GICs (e.g., chairs) and managers (e.g., executive directors) also need to be clarified.
- **Provide agencies with tools and templates,** in areas such as performance measurement. For example, tribunals could be provided with a template for their performance measurement framework, while having the flexibility to customize it to their specific circumstances. Agencies can do this by continuing to share best practices. However, central agencies could facilitate this process by developing standard templates in cooperation with the agencies.
- **Need more stability in new management approaches that are sponsored the central agency level.** There needs to be greater recognition of the time required to implement management improvements in small agencies. Although this can be a frustration for larger departments as well, the tendency of central agencies to start and then drop new management initiatives (e.g., integrated risk management) cannot help but reinforce the skepticism of the managers in the smaller agencies.
- **Share best practices at the national and international levels.** Further benchmarking with similar agencies at the international or provincial level would be beneficial. It is not feasible for each agency to do its own benchmarking. Some pooling of resources, or support from the central agencies, would be helpful in this regard.
- **Need to take a more integrated management approach government-wide.** Whereas the larger departments (perhaps unreasonably so) can live with the disconnects between management approaches government-wide, these are much more obvious at the level of the small agencies. An example is the apparent disconnect between MAF and the Program Activity Architecture (PAA) and MRRS in terms of overall performance reporting.

In conclusion

Small agencies have made great strides in planning and performance measurement, and in some cases, are leading the way within the federal community by making the process much more real and tangible, ensuring continuity from year to year, involving managers and staff at all levels of the organization, integrating the various elements of the process, demonstrating results, and holding managers accountable for achieving results. The small agency community should continue to share best practices so that all agencies can have access to better tools to help them be more effective in their planning and performance measurement. ■

References

1. Defined by the Small Agency Administrators' Network as organizations with fewer than 1,000 FTEs.
2. Further information on the MAF Performance CheckTM can be found at www.kscg.ca.