
Managing Under the Program Activity Architecture

Paul Power



Paul Power

Paul Power, CMA is a partner with Confluence Consulting in Ottawa. Confluence Consulting is a government focused management consulting firm specializing in the design of business, technology, and learning solutions for public sector organizations. Paul has extensive public sector experience in business process transformation, technology implementation, and strategy development. He can be reached at paul.power@confluence.ca.

The Planning, Reporting, and Accountability Structure (PRAS) was the framework by which Federal Government departments plan and report their operations and results to Parliament. It is currently being revised into another framework called the Program Activity Architecture (PAA). The purpose of this article is to compare the two frameworks and what the expected benefits from the changes are.

Originally established to serve as a framework for management by objectives:

“The PRAS is a structure that relates the internal management and accountability regime of the department to the objectives, business lines, resource requirements and performance targets presented to the Treasury Board in the Business Plan and to Parliament in the Estimates and other supply documents; and provides the basis for accountability, both internal (within the department) and external (the Minister to Parliament) for the results achieved with the resources and authorities provided.”¹

– TBS PRAS Guidelines, 1996

The Requirement for a New Management and Reporting Structure

Over the past ten years a significant amount of change has taken place in the area of modern management practices in the Federal Government. Although it was released less than ten years ago in 1996, the PRAS policy predates and therefore is not well aligned to Results for Canadians or Modern Comptrollership. The PRAS, while considering objectives and performance targets, isn't well suited to supporting the Management Accountability Framework (MAF). It doesn't consider risk management, doesn't provide management principles, and it doesn't tie in with the Reports on Plans

and Priorities (RPP) or the Departmental Performance Reports (DPR).² A new structure for supporting reporting on organization and outcomes is required.

The replacement for the PRAS policy will be based on the Program Activity Architecture (PAA). While some significant changes are envisioned, there are a number of features of the PRAS that the PAA continues to include. The PRAS and the PAA both exist to provide a

“consistent basis of presentation from year to year of useful, results oriented, and comprehensive information ... a PRAS should have: longevity, transparency, simplicity, results orientation, and comprehensiveness.”³

The PAA shares each of these values, while adding significantly more focus on strategic outcomes. Instead of the program itself, the PAA puts strategic outcomes at the top of the structure. The thinking behind this is logical: programs exist to achieve outcomes, not for any other purpose. Simply put, if there is nothing to achieve, why have a program? This is also quite aligned with the program evaluation framework used in program reviews and expenditure management reviews.

By organizing program activity reporting by strategic outcome, government managers, Cabinet and the public will all be able to see how much is expended toward each stated outcome. This has consistently been a weakness pointed out by the Auditor General in reviewing the DPRs produced by departments. Many departments have had difficulty in producing performance reporting by strategic outcome given the manner in which their organization and PRAS was structured. The PAA solves this by organizing activities by outcomes.

Managing Inputs

A usual criticism of business planning structures such as the PAA is that many managers and staff cannot see how their work fits into the overall plan; or they don't see their work as contributing to the strategic outcomes. At a sub-sub-activity level this can be a challenge. It is important to structure the PAA, and the organization, in a manner that allows managers and staff to take as much ownership as possible of the strategic outcomes. The most straightforward manner to accomplish this is to have clear accountability for results. The strategic outcomes by which a department organizes itself must be more than “a statement of good intentions, with few milestones and unclear responsibility centres.”⁴ When accountability for results is unclear, or too widely shared, it is difficult to ensure that progress is being made toward achieving strategic outcomes.

In reviewing the Departmental Performance Reports, the Auditor General has observed that most departments do not or cannot link inputs such as budget outlays and FTEs to outcomes. Under the PRAS policy, this is relatively difficult to do, as activities and their inputs are not organized in a manner that supports reporting by strategic outcome. The introduction of the PAA will improve this situation, but there will continue to be some difficulties. To be able to effectively demonstrate results by strategic outcome,

an effort will need to be made to categorize all inputs (costs) by strategic outcome. For many departments this will require some rethinking of their charts of accounts.

One set of activities is somewhat difficult to attribute directly to strategic outcomes: Corporate Services. There has been some discussion about whether Corporate Services should be included as a distinct activity on the PAA, or whether it should be attributed to the other activities and their outcomes by extension. In financial circles, this is not a new debate. Are the costs of corporate services such as Finance, Human Resources, and Informatics more appropriately born by the programs that consume these services, or are they better managed centrally as programs themselves? It does not appear that PAA is prescriptive on this issue. However, the overall philosophy of the PAA appears to lean toward allocating corporate services costs to the program activities that consume those services. This will allow for a more accurate determination of what level of inputs contributes to a department's outcomes. This likely means that Activity Based Costing will become even more important in the Federal Government in the coming years. Regardless of whether Corporate Services costs are allocated to activities or not, departments will need to continue to be able to report on their level of overhead spending.

In order to allow for a complete picture of inputs used to achieve strategic outcomes, any common services that departments consume to achieve outcomes must appear as inputs to their program. That is to say, they have to pay for them out of their budgets. There are a number of examples of departments consuming common services without having to pay and therefore the expense not showing as an input toward their strategic outcomes. An

Department A

Strategic Outcome #1

- Program Activities
- Program Sub-activities
- Program Sub-sub-activities

Strategic Outcome #2

- Program Activities
- Program Sub-activities
- Program Sub-sub-activities

Figure. Under PAA, Departmental reporting will be organized by strategic outcome

example of this with significant dollar value is the cost of office accommodation that is, for the most part, paid centrally by PWGSC. In such cases, a transfer-pricing regime will need to be established to ensure that inputs are understood in terms of outcomes.

Managing Outcomes

During the implementation of the PAA, care will need to be exercised to ensure that departments don't simply put an "outcome" label on their current branches and continue with business as usual. The point is that only activities that contribute toward an outcome should roll up to it. The implementation cannot be allowed to become an exercise of hiding non-contributing activities under a strategic outcome. If activities are valid, they will contribute to an outcome either directly or indirectly. If they do not, they won't pass the basic program review questions, and those activities should be dropped.

Once the PAA is in place across government, it will be more evident where instances of shared outcomes exist. The outcomes based organization structure that

PAA brings to departments will require more attention to managing horizontal outcomes shared between departments. Areas of duplication can be eliminated, synergies can be more fully developed, and another round of outcomes-based government reorganization can be expected. Much like the service integration that was required during several Government Online (GOL) initiatives, this "outcomes integration" will require substantial goodwill and cooperation across departments. Managing outcomes in an integrated way will allow the Federal Government to operate more efficiently, by achieving outcomes with fewer resources, and more effectively, by achieving more outcomes. The PAA is another step away from managing the status-quo and a step toward managing for the future. ■

References

1. PRAS Guidelines, 1996.
2. PRAS Policy Review, Report of the Task Team, July 2002.
3. PRAS Guidelines, 1996.
4. Managing Better – Vol II, A review of Business Planning in the Government of Canada, 1996.