# Best Practice Guide to Strategic Reviews

CENTRE FOR GOOD GOVERNANCE
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# Chapter 1

## Introduction

### 1.1     Role and performance of Government

For over twenty years Governments in both developed and developing countries have been reassessing their roles in economic and social development by identifying the core functions of government, focusing on them, and improving the delivery of core services.

The Government of Andhra Pradesh has decided to refocus its role in line with its *Vision 2020* initiative for the economic and social development of the state.

### 1.2     Vision 2020

*Vision 2020*, published in 1999, sets out the economic and social development objectives and how the Government of Andhra Pradesh intends to secure their delivery over the first two decades of the 21st Century.  Part of this plan includes a new role for government.

> *The Government of Andhra Pradesh is committed to becoming a simple, moral, accountable, responsive and transparent government. To achieve this objective the Government will have to act decisively on several fronts. One of its primary tasks will be ensuring efficient and responsive services.*
>
> ***Vision 2020***

The challenge to realise 'SMART' (simple, moral, accountable, responsive and transparent) governance clearly includes a need to improve performance and responsiveness in the area of service delivery.

### 1.3     Good governance

There is a strong connection between civil service reform in relation to good governance and the alleviation of poverty.  Already, in the UK, Canada and New Zealand and a number of other Commonwealth countries, reformed Departments (or those governmental organisations resembling them) have improved governance through greater efficiency in the use of public funds and greater effectiveness in terms of customer service, effectiveness which has involved higher levels of transparency, accountability and responsiveness.

Increased efficiency and effectiveness is therefore an important facet of good governance and should be encouraged.  Jeffrey Sachs, Director of the Centre for International Development and Professor of International Trade at Harvard University says[1], "…*getting good governance is not the whole answer. But of all the ills that kill the poor, none is as lethal as bad governance.*"

This best practice guide to strategic reviews will show, through careful diagnostic work and well designed implementation action plans, how Departments can be helped to improve their levels of efficiency and effectiveness.

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[1] Sachs on Development, "Helping the World's Poorest," *The Economist*, August 14, 1999.
This article is available online at: http://www.cid.harvard.edu/cidinthenews/articles/sf9108.html

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## 1.4 Strategic review process

This guide is designed to support a strategic review process through which Government will improve both value for money in the delivery of its services and the quality of those services themselves. The process will clarify the purpose and strategic objectives of Departments in the context of Government policy priorities and identify how performance can be improved, better to enable Government to achieve its objectives effectively and efficiently.

## 1.5 Best practice

The guide draws on over twelve years' international consulting experience in carrying out strategic reviews of Government Departments. This experience has covered every sector and level of Government service delivery; from Agriculture to Zoology and from the overall structure of Government at the centre to the organisation of decentralised Government services at the service delivery level. It has included projects in Eastern Europe, Africa, South Asia, Latin America and the Caribbean. The guide also draws on public sector reform experience in the United Kingdom, Canada and New Zealand, including *Next Steps* and similar initiatives for the development of semi-autonomous Government operating agencies. The guide is informed by what has worked well in these environments.

One of the key reasons for the success of the approach set out in this guide is the principle of participation; involving stakeholders in the strategic review process itself. It is only by ensuring a high level of stakeholder involvement at the strategic review or diagnostic stage that the level of ownership and commitment required for successful implementation of the recommendations is built. And whilst well researched, well thought-through and cogent recommendations are important, it is implementation that matters.

## 1.6 Use of the guide

This best practice guide is written to guide professional consultants who already have considerable competence in organisational analysis, strategy development and change management. They will have the knowledge, skill and experience to understand and apply the techniques. It is not a training manual for the lay person.

## 1.7 Structure of the guide

After this introductory chapter the rest of the guide is set out as follows:

- Chapter Two - Overview;
- Chapter Three - Prior Options Review;
- Chapter Four - High - level Department Review;
- Chapter Five - Unit Reviews;
- Chapter Six - Strategic Review Report.

There are a number of Appendices that amplify and illustrate points made in the main body of the guide or which are tools that may be used in carrying out a strategic review, which are referred to in the text of this guide. They are:

- Appendix A - Identifying options for divestment;
- Appendix B - Guidance note for carrying out a SWOT analysis;
- Appendix C - Sample unit review questionnaire.

# Chapter 2

## Overview

### 2.1    Strategic reviews

A strategic review is a high level study of an organisation and its mission, vision, strategic objectives, key outputs, performance indicators and targets.  The main steps of the methodology are to:

- Secure the commitment of Ministers and senior officials to the strategic review of a Department and identify Government's overall policy objectives as a benchmark for the review;

- Put together a competent Management Group to guide the work;

- Put together a competent consultant Review Team (the users of this guide) to facilitate and undertake the work;

- Complete a prior options review;

- Identify and involve both internal and external stakeholders in the work as an Advisory Group;

- Carry out a high-level Department review;

- Identify and involve Change Agents and Performance Improvement Teams;

- Carry out unit review involving each of the units within the Department (and possibly some outside of it if they are involved in service delivery for which the Department is responsible);

- Analyse and bring together the results of the prior options, department and unit reviews;

- Hold discussions with Ministers and senior officials about the conclusions from the reviews;

- Draft and present a strategic review report.

At each stage of the strategic review there are a series of related methodologies, which enable in-depth analysis, and the generation of proposals for organisational restructuring and process improvements.

The following figure illustrates the strategic review process from the prior options review, through high- level Department and unit reviews and leading to the production of the strategic review report.



Strategic Review Process - Overview

Whole processes shown here as shaded boxes are detailed elsewhere

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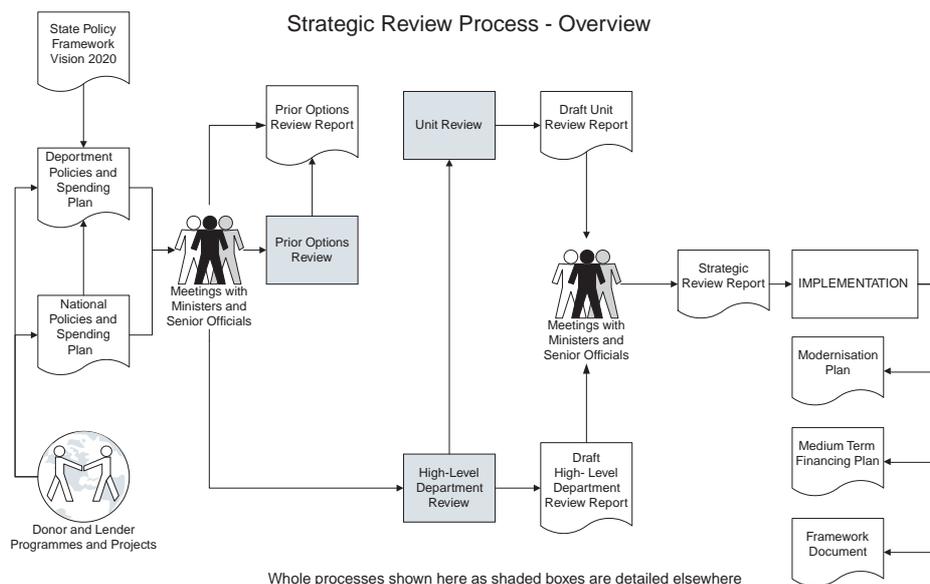
## 2.2    Prior options review

More than just another step on the road to reform, the prior options review is the basis of a Department's status.  During the review all the future options for the Department are considered.  It is only following such an open review that Ministers and officials can defend the decision to select a particular option for a Department.

Throughout the prior options review the key test is the extent to which a particular option offered better value for money to the taxpayer.  That is, whether a particular form of organisation offers more effective delivery of the service more efficiently than the alternatives.

There are a number of steps involved in a prior options review.  The first step is to assess the function being carried out by a Department to see whether it is necessary.  This is done by developing a clear mission, vision and strategic objectives for the sector in which the Department operates and comparing the functions of the Department against that strategic framework.  If the functions are deemed unnecessary, the Department should be abolished.

If the Government considers that the function is necessary, in whole or in part, the second step is to review whether the Government itself needs to carry out the function.  If not, the function should be privatised.  If deemed that it is a Government function, then the third step is to assess whether, even though the Government has policy responsibility for the function, it needs to be carried out by the public sector.  If not, and if better value for money is to be achieved through contracting out, then the function should be externalised.  If, however, the function is legally required to be carried out by officials or if better value for money is offered through keeping its delivery in house, then the Government should retain it.  The following diagram sets out the core of the prior options review process.



Core of Prior Options Review Process
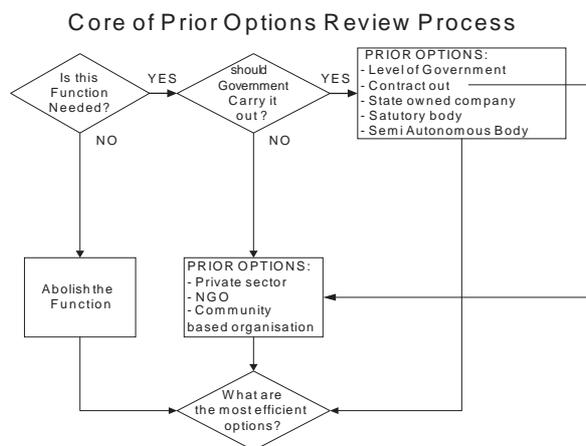
If the Ministers' decision is to retain the function in the public sector, and to reject the options of abolition, privatisation and contracting out, then the issues to be addressed are those of which type of public sector body is most appropriate to deliver the service - ministry, semi-autonomous Government organisation, statutory board, statutory corporation, or Government owned or controlled  company - and how the processes underpinning service delivery and SMART governance can be improved.  In addition, the cost of establishing the legal or institutional framework for bringing types of organisations into being is also taken into account.

The outcome of the prior options review is a report that is presented to and discussed with Ministers and senior officials.  Subject to agreement on the prior options to be adopted, the review then moves to the next stage, the high-level Department review.

## 2.3    High-level Department review

The next task is to carry out a high-level Department review.  The key tasks for this review are to:

- Put in place project management and participatory arrangements;

- Gather and study relevant reports and other key documentation;

- Establish the mission, vision, and strategic objectives of the Department;

- Construct an output map for the Department showing its key deliverables;

- Develop strategic performance indicators against each of the outputs to measure the extent to which strategic objectives are being achieved, the quantity and quality of key outputs and the efficiency with which the key outputs are produced;

- Establish, through a business development, marketing study or customer survey the clients' and customers' current views of the Department's products and services, what current and potential clients and customers will want from the Department and a business development strategy to meet these needs;

- Develop a picture of the current shared values (organisational culture) and style of management through a staff attitude survey;

- Review the human resources systems of the Department, including its structure, staffing and skills;

- Analyse the strengths, weaknesses, opportunities and threats (SWOT analysis) relating to the Department, in relation to its current performance;

- In the light of the mission, strategic objectives and the SWOT analysis, identify the core and non-core functions of the Department and prior options for those core and non-core functions;

- Make high level proposals to re-engineer the Department's service delivery systems, including information and communications technology (ICT), management and management information systems (including ICT), financial and accounting systems and human resources management systems;

- Review Department specific legislation to understand the legal mandate for its activities, if appropriate, and to identify any high level legislative changes necessary to enable it to operate as re-engineered business.

The last stage is to bring all of this thinking together in a structure, functions and (internal) prior options workshop to develop the recommendations for the draft high-level Department review report. This report, which includes recommendations is then submitted to and discussed with Ministers and senior officials. Subject to agreement on the recommendations to be adopted, the review then moves to the next stage, the high-level Department review.

## 2.4    Unit reviews

The next stage in the strategic review process is the unit reviews. Unit reviews are more detailed analyses of each unit in the Department, reviewing the outputs and activities of the units, and how they support the achievement of the Department's objectives. They allow a detailed exploration of strategic issues as they arise and/or impact on individual units. The results of the unit reviews will usually result in recommendations for the reorganisation (including staffing levels) and reconfiguration of units in line with new organisational objectives derived in the high-level Department review. The unit review process includes:

- The design of a unit review questionnaire to gather basic information about the unit, and its application to selected unit members;

- A series of interviews based around the questionnaire, to confirm and elaborate on the questionnaire responses and provide core information for the review and the workshops;

- Workshops with unit personnel, to identify:

  - The units' mission, strategic objectives and core functions;

  - Through output mapping, the outputs, performance indicators and targets of units;

- A SWOT analysis;
- Whether the functions of the unit should be abolished, privatised, contracted out or transferred to another unit;

■ Key process, organisational and staffing issues;

■ Any duplication or overlap amongst the activities and outputs of various units.

As with the high-level Department review, a central element of the unit review methodology is that the issues arising are discussed with officials in the workshops, to enable feedback to occur. The final stage in the process, therefore, is to bring all of this analysis together in a structure, functions and (unit) prior options workshop to develop the recommendations for the draft unit review report. This report, which includes recommendations on prior options, structure, staffing and new key job descriptions is then submitted to and discussed with Ministers and senior officials. Subject to agreement on the recommendations to be adopted, the review then moves to the next stage, the production of the strategic review report and an implementation action plan.

## 2.5    Strategic review report

The strategic review culminates in a strategic review report. This sets out the main findings of the diagnoses carried out during the review. And it sets out firm proposals for transformation of the Department.

All key stakeholders should discuss the strategic review report. They include, together with the review team and in this order:

■ The Advisory Group (stakeholder forum);

■ The Management Group (review steering committee);

■ Ministers and senior officials of the Department;

■ The Steering Committee of the CGG;

■ The Board of the CGG;

■ The staff of the Department and their union representatives.

Further to these discussions and consultations the strategic review report is amended and finalised. The decision to reform the Department is made in principle and the purpose and strategic objectives of the reform identified.

## 2.6    Implementation action plan

Following the strategic review, and the acceptance of the strategic review report, the reform of the Department requires the production of recommendations and an implementation action plan for the conversion and reform process. These recommendations and implementation action plan are set out in three key documents:

■ The Reform Plan (RP), which set out both the case for change and the detailed plan for implementing it;

■ The Medium Term Expenditure Framework (MTEF), which set out the financial implications of the RP;

■ The framework document (FD), which set out the governance arrangements for the Department, taking account of the prior options review. These arrangements include the relationship with the portfolio Minister and the arrangements for managing the agency including the performance contract between the Head of Department and the Minister.

# Chapter 3

## Prior Options Review

### 3.1  Introduction

The prior options review will help Government to decide on the most effective and efficient arrangements for service delivery in the Department.  The options may include outsourcing or divestment of functions and in some cases their abolition.  The outcome of the prior options review is likely to have major implications for staffing.  It will also inform the high-level Department review and the unit reviews, for both of which it is an essential first step.

The outputs of the prior options review will be a report that sets out:

- Recommendations, for each function of the Department, as whether it should be:
  - Retained as is;
  - Retained with changes and an indication of those changes flagged for further work during the high-level Department review that is to follow;
  - Abolished and an indication of the issues that would be involved in that abolition;
  - Divested, and the form of that divestment, and an indication of the issues that would be involved in that divestment;
- The advantages, in terms of service delivery, efficiency and SMART Government to Government of  implementing the recommendations;
- The costs to Government of implementing the recommendations;
- A risk analysis in relation to implementation issues.

The following sections set out in more detail the approach to the prior options review, which is also summarised in the following diagram.

Prior Options Review Process
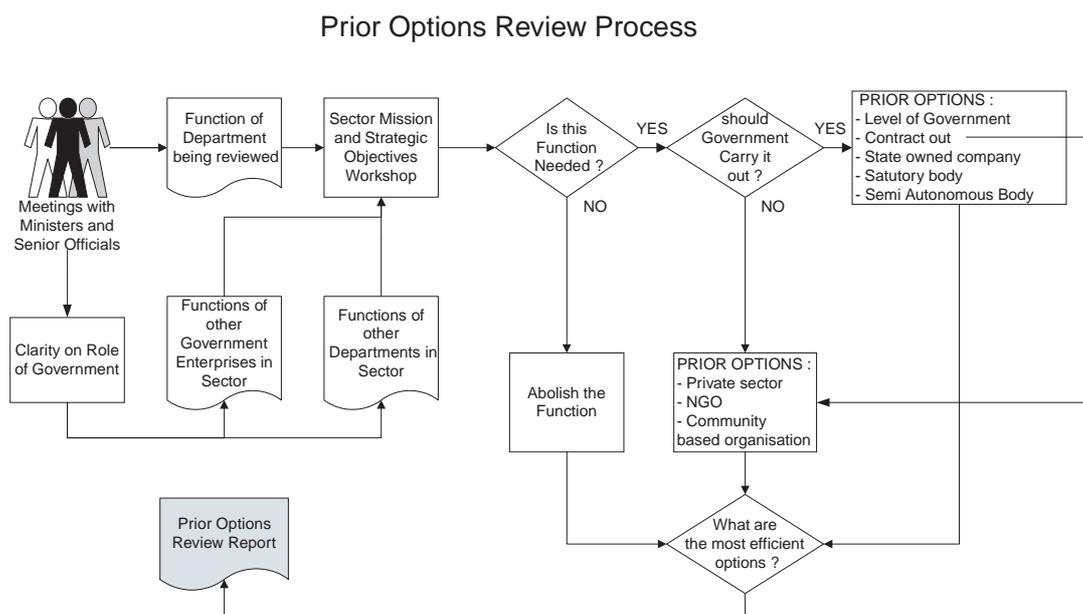
## 3.2    Policy framework and organisational alternatives

The first step is to ensure that there is clarity on the role of Government in relation to the private sector.  Policies on state ownership of the means of production, divestment plans and governance arrangements for the control of these and other public sector bodies will determine the available options not only in terms of privatisation but also for service delivery by statutory boards, authorities and semi-autonomous Government organisations.

The nature and suitability of legislation, regulation and policies relating to the management of private sector and civil society organisations (including companies, partnerships, friendly societies, cooperatives, NGOs, community based organisations and other mutual bodies) need to be fully understood as these will also determine the practical alternatives for governance and service delivery options.

## 3.3    Sector policy, mission, vision and strategic objectives

Next, in order to make decisions about the functions of the Department and options for their delivery the review team will need to clarify the overall policies of the sector within which the Department operates and then the mission, vision and strategic objectives for that sector.  This can be developed through:

■ A meeting with Ministers and Secretaries of likely sector Departments to agree the nature and scope of the particular sector.  For example, it may be agreed, as has happened for some previous strategic exercises, that there is a human development sector that includes Departments accountable for health, education and housing. Similar groupings may be decided for a farming sector, which could include Departments responsible for agriculture, livestock development, dairy development, fisheries, sericulture, horticulture and irrigation;

■ A study of existing documents including *Vision 2020* and the strategic plans, National plans, donor and lender programmes and projects, medium term expenditure frameworks, budgets and performance reports of the review Department and other Departments in the sector that has been identified;

■ A workshop with sector Ministers and senior officials, who should include Secretaries and Heads of Departments, that the review team would facilitate.

This process would lead to the drafting of a short paper setting out for the sector its mission, vision and strategic objectives, which, following further discussion with the stakeholders identified above, would be finalised for use in the review.  More detailed guidance for facilitators on developing missions, visions and strategic objectives is given in the following chapter.

Now the review team and stakeholders will have a good understanding of the strategic framework for the Department and the available alternatives the prior options review. They will then be able to ask these questions of the functions of the Department:

■ Does this work need to be done at all?
■ Does the Government need to be responsible for it?
■ Do civil servants need to perform the work?
■ Can the work be done more efficiently and effectively?
■ Can the work be done more simply, morally, transparently, accountably and responsively (SMART)?

The high-level department and unit reviews will only be able to go ahead if the answers to the first three questions are positive.  That is, only if the functions need to be carried out by civil servants will value for money in the provision of functions and SMART governance be enhanced by the high-level department and unit reviews.  The following sections set out the approach for finding the answers to these questions.

## 3.4    Overlap and duplication

Overlap and duplication of functions across Government is a significant cause of inefficiency and ineffectiveness.  The implications of overlap and duplication are:

■    There is duplication of staff doing similar work in different Departments, who could be more efficiently used if similar activities were brought together;

■    There is duplication of effort and resources;

■    Key tasks remain incomplete because no one takes responsibility for them.

The elimination of duplication and overlap will involve a review of all the Department's functions against the functions carried out by other Departments and bodies.  Some of this work can be carried out in a workshop with senior officers to introduce the 'prior options' approach.  This will be supplemented by review of documentation, interviews and discussions with the Department's senior officers.  An important element in the review of overlap and duplication will be co-ordination with the work of other Departments.  The review team will take responsibility for this element of the work.

The workshop will involve senior officers in a review of the functions of the Department to determine answers to the following questions:

■    Are there any other Departments that contribute to the delivery of the function?

■    From which Departments does this Department require input for this function effectively to be delivered?

■    Which Departments use the output of this Department for their work?

■    Does this Department share responsibility with any other Department in carrying out this function?

■    With which Departments would this Department be logically grouped?

■    Are there any other Government bodies capable of undertaking this function?

There is likely to be a considerable body of work which has already been carried out, or even in progress, upon which the review team can draw, including the reports of task forces, commissions, Finance Department, Planning Department and various consultancies.

The output of this part of the prior options review will be a series of recommendations for elimination of overlap and duplication through transfer of functions between Departments.  Where duplication exists, duplicate posts should be identified for abolition.  Where closely related functions are transferred to another Department to increase efficiency and effectiveness, elimination of support staff posts should normally take place.  Only technical staff should normally be transferred.

Recommendations will be quantified, in terms of savings in number of posts and of savings to the Department in terms of manpower and operating costs.

## 3.5    Abolition of functions

The scope for abolition of functions relates to those functions that will be abolished altogether and not those to be privatised or otherwise transferred out of the Department.

A review of functions to identify candidates for abolition is an important element in the prior options review.  Abolition of a function also means the deletion of all posts within that function from the establishment.  Abolition can take place at any time and can therefore deliver considerable efficiency savings in manpower and other operating costs in the short term.

A workshop should be held to review functions for abolition and for divestment.  This will be supplemented by interviews with senior officers and review of supporting documentation.

The starting point for the review will be the determination of the Department's current functions. Much of this will have been carried out whilst determining possible areas of overlap and duplication. The review team should also ensure that the following are considered:

- Any previous rationalisation reviews;

- Any ongoing work on the organisation or overall structure of Government;

- A review of relevant statutes, legislation, regulations and Government Orders.

Current functions should be reviewed against the mission, strategic objectives and key priorities for the sector. Any candidate function which does not appear to contribute to the central purpose of the sector will be identified. These functions will then need to be put through more detailed analysis to answer the above question: is this function required at all?

Based on discussions with senior officers of the Department, a preliminary list of functions for possible abolition should be prepared, which can be considered in more detail in the workshop.

The review team should carry out an evaluation of possible candidates for abolition against the following criteria:

| Criteria | YES | NO |
|---|---|---|
| Does this function relate directly to a core function or policy priority of Government? | | |
| Does it contribute directly to the sector's strategic objectives and key priorities? | | |
| Has this function been identified as one of the high priority functions of the Department? | | |
| Would there be any significant negative impact on the social and economic development of AP if this function were not carried out? | | |
| Does this function provide services for which the need cannot be satisfied by services provided by other bodies? | | |

Where most of the answers to the questions above are NO, it is likely that the function should be recommended for abolition.

It is important to keep in mind the fact that the existence of legislation enshrining the need for a particular function is not, on its own a sufficient reason for that function's continued existence. When a function is identified for abolition, a review of legislation should be undertaken to determine any barriers to implementation. Action to repeal or modify legislation can be built into an action plan.

There are a number of likely candidate functions for abolition. Functions which fall into any of these areas should be scrutinised carefully.

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**Likely candidates for abolition**:

- Regulatory functions, particularly those in commercial and trade areas where abolition would create a freer and less bureaucratic environment for the functioning of the private sector and the promotion of investment;

- Regulating boards and other organisations for which the need has been overtaken by newer regulatory functions;

- Licensing functions that collect less in Appropriations in Aid than they cost to deliver;

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> **Likely candidates for abolition**:
>
> ■ Licensing functions that do not relate to critical health and safety issues;
>
> ■ Research institutions (which may be merged, if they are not abolished completely);
>
> ■ Training institutions (which can similarly be merged, even if complete abolition is not recommended);
>
> ■ Functions that are delivered from regional offices, where parallel structures exist at district levels;
>
> ■ Field officers and extension officers (where similar posts in related functional areas could be brought together).

The outputs of this element of the prior options review will be a set of recommendations for abolition. These recommendations will be quantified, in terms of savings in number of posts and savings to the Department in terms of manpower and operating costs.

Implementation of recommendations for the abolition of functions will be set out in an action plan.

## 3.6    Divestment of functions

Divestment plays a central role in almost every public service reform programme. Divestment can be defined as:

> *the separation of a function or a set of functions from a ministry or other Government body through the creation of another organisation.*

The prior options review is used to define the functions which are appropriate for divestment. The starting point is an agreement that the function is required to be carried out. The decision to be made through the prior options review is how this function should be carried out, and who is in the best position to deliver the service: Government or the private sector? There are a number of different divestment options. The principal characteristics of each of the options which may be appropriate are summarised in the table below.

**Main divestment options**

| | |
|---|---|
| Privatisation | The service is divested to the private sector. Government gives up effective control to the private sector. Entrepreneurs take over the assets, and make decisions on price and service levels depending on market factors and demand. |
| | The service provider is usually profit oriented, and distributes the profit to shareholders. However, privatisation to community based organisations or to non-Governmental organisations may also occur. |
| | Privatised organisations can be regulated by Government. |
| Contracting out | Government retains responsibility for the service, but services are delivered under contract by a private sector company (this can include NGOs and community based organisations). Government pays the contractor for the provision of the service. The main concern of Government is on: |
| | ■ Levels of service obtained; |
| | ■ Quality of service provided. |
| | Targets and criteria against which the above would be assessed are specified in a contract. |

| Parastatal or other Statutory organisation | The organisation remains in the wider public sector, but draws upon private sector expertise, particularly in its Board members. The management board is typically made up of representatives from both public and private sectors and usually from other stakeholders as well. The Board can be executive or advisory in nature. |
|---|---|
| | The aim is for the organisation to operate in a commercial manner and to make a surplus that can be reinvested in the organisation. This organisation will normally have independent cash flow streams and will have authority for developing policy decisions relating to its operations. |
| Semi-autonomous Government Organisation (SAGO) | The SAGO remains a part of the public service, and staff remains as public servants. |
| | The Chief Executive of the SAGO, however, is given delegated budgets and freedom to manage. |
| | The SAGO is controlled by a Framework Document, which sets out the management, HR and financial flexibilities granted to it through the annual objectives and performance targets which are agreed between it and the Minister and its Department. |
| | The SAGO will focus on operational issues while the portfolio Minister and parent Department will continue to develop the policy for the function. |

A fuller set of questions that can be used in the analysis to identify appropriate options for divestment can be found in Appendix 1.

The key divestment options for the prior options review are:

- Privatisation;

- Contracting out.

Identification of functions for transfer to other parts of the public sector, for transformation into semi-autonomous organisations and for other forms of restructuring and commercialisation are dealt with in the following section. Implementation of these other reform initiatives has less of an immediate impact on public expenditure as they normally take longer to implement.

It is however important to note that the process of divestment may involve a long term development process, leading to privatisation. Preparation for privatisation may commence with restructuring while retaining the function in the public sector to increase levels of commercialisation leading to a subsequent sale. This is important where Government can realistically plan to reform a public enterprise and introduce a level of private sector participation in order to both ready it for ultimate sale and improve its market value and financial return to the public purse. Normally a careful cost-benefit study of the options would be carried out before deciding upon the best course of action.

## 3.7    Privatisation

Privatisation is one of the main ways in which the Government would be able to achieve efficiency gains, a policy that is supported by *Vision 2020*. However, although the Government no longer seeks substantial involvement in directing and delivering economic development itself, the legacy of former involvement remains. Privatisation of functions which no longer need to be delivered by Government is one approach to provide an enabling environment in which the private sector can actively and effectively grow, industrialise and create employment opportunities.

Privatisation may be an appropriate option for divestment in a number of cases. Assessing the potential benefits of privatisation may assist in taking decisions on the approach to implementation. Benefits might include:

- Broadening ownership of  businesses and widening entrepreneurship in the economy and promoting private sector development;

- Providing the scope to increase commercialisation, unlocking  potential income streams and opportunities for profit in this sector;

- The private sector will be in a better position to invest in equipment, technology, training and development.  Such investments in this functional area may be a lower priority for allocation of public resources;

- Improvements in service delivery, as a result of managing functions with a more commercial approach and increased competition.

The key criteria to be considered when considering privatisation are set out below:

- Is there scope for private sector participation in the delivery of this service?

Specifically:

- Are there no overriding security, national, or other state interest considerations to prevent privatisation?

- Is there scope for separation from Government?

- Can a business case with clear cash flows be developed?

- Is the scale of the operation sufficient to attract a number of operators in the private sector or to encourage community involvement?

- Will the function not need to be regulated, or will regulation be relatively straightforward?

- Does the private sector have capacity to absorb this function and operate it?

- Are there players in the market with competence to handle the function once privatised?  Issues of the scale of the operation need to be considered as well as management competence and access to adequate financial resources;

- What level of investment will be required to ensure that these services continue to be delivered?  This also involves assessing whether operators will be able to achieve adequate returns on their investment;

- What are the available financial structure options?  This is most often an issue when larger scale privatisation is being considered;

- What would be the level of complexity in transferring responsibility to the private sector?

- Will it be necessary to continue to regulate the delivery of this service?  If so, is there an existing regulatory framework?

- What level of preparation will be required to facilitate transfer of this function to the private sector?

- How will the transaction be packaged for implementation?  This involves defining the planned structure of ownership, the initial price, structure of ownership and planning for implementation;

- What will be the major customer concerns?  Consideration needs to be given to how these can be addressed;

A small number of relatively large scale privatisations may be identified. These will need to be treated in a similar manner to full commercial privatisations. However, it is likely that the prior options review process will also identify a number of smaller scale candidates for privatisation, where there is little likelihood of significant income to Government through sale of the assets. Privatisation of these functions might involve:

■ Transfer of the assets of the function to the private sector through a sale which will only result in a small revenue flow;

■ Withdrawal of Government from the function, in the expectation that the private sector will fill the gap created;

■ Transferring the function and its assets to a non-Governmental organisation together with exit plans for the Government;

■ Transferring the function and its assets, perhaps for a nominal fee to be managed by community based organisations.

The last of these options may be attractive for a number of functions linked to social services, small business, agriculture and natural resources areas. However, the state of readiness of the community groups to manage such functions must be carefully assessed and exit plans developed for each recommendation, to ensure that services which are necessary continue to be delivered after privatisation.

The impact of the privatisation recommendations should be quantified in terms of the number of posts that can be deleted and the saving in manpower and operating costs. The recommendations will include an identification of the function to be privatised together with a preliminary indication of the objectives that privatisation would be expected to achieve. The recommendations should not, however, attempt to assess any potential income flows to Government through sale of assets.

Action planning for implementation of privatisation is relatively complex. Implementation of privatisation decisions would be a major focus for the Government as they move forwards to manage the implementation of the prior options review recommendations and exit plans will need to be developed for each recommendation.

Privatisation options which involve withdrawal of Government from an area, or which involve transfer to NGOs are likely to be implemented quickly. The majority of privatisation decisions, however, will be implemented over a longer timescale to provide time for detailed planning and assessment of readiness of the market. This will involve considerable liaison with District offices. A small number of privatisation decisions may take even longer. These will generally be complex sales of significant assets or functions which are to be transferred to community groups, who require development and capacity building to enable them to take over responsibility.

## 3.8    Contracting out

Contracting out is appropriate for services where it is necessary that Government retains responsibility for the service, but where services could be delivered under contract by a private sector, NGO or community based organisation. It is one of the commonest forms of divestment.

Contracting out can bring a number of potential benefits to a Department. These include:

■ Value for money;

  - Decreased costs for similar levels of service;

  - Increased effectiveness, higher service levels, better quality services and greater flexibility can mean greater value for money, even if costs remain the same;

- Improvements in quality of service;

  - A private sector company is likely, through borrowing, to have the capacity to invest more in equipment and technology. It is likely to offer staff better training to improve their competence. The need to make a profit is likely to mean it is more willing to innovate than a public sector organisation;

- Improvements in customer satisfaction;

  - Private sector providers can be more flexible and responsive to changes in the environment;

- Greater focus within the Department;

  - Contracting out allows the Department to focus on its core functions and enable managers to be more focused;

- Developing the private sector;

  - Contracting out can stimulate the growth of the private sector, through releasing resources through contract payments, by encouraging entrepreneurs to innovate and offer a wider range of services, and through encouraging capable staff who are at present civil servants to transfer into the private sector.

The first thing to decide is whether there are fundamental reasons why a service or function should not be contracted out. There are some criteria which operated as 'show stoppers', effectively ruling out an option if it scores against them. They are as follows:

- **Statute**: a significant statutory impediment may exist which prevents the service from being contracted out;

- **Confidentiality**: the data involved in the service may be so sensitive that it would not be feasible to implement the option. In practice, there are very few cases where this applies;

- **Political sensitivity**: the option of contracting out may be ruled out on the grounds of political sensitivity;

- **Accountability**: contracting out could lead to ministers finding that they are no longer able to control activities for which they are accountable.

Detailed consideration of the appropriateness of contracting out should be undertaken for all services that are not ruled out by the above criteria. The following criteria are the key ones to use in assessing whether contracting out a specific service area is appropriate:

- Value for money;

  - Value for money is the most important criterion of all. Through contracting out, could the ministry secure better value for money through reduction in costs or, more likely through improvements in the quality or levels of service obtained?

- Scope for improvement. To assess the scope for improvement, current service levels and standards must be rigorously assessed. The Department must ask:

  - Can the current level or quality of service be improved upon?

  - Are there specific constraints on performance improvement that would be reduced by a move to the private sector?

- Nature of the market;

  - Government will normally form the primary market for the services to be contracted out and an assessment of the capacity to provide these services must be assessed. The most important

question is whether there are contractors available at present who would want to supply the services in question, and whether there is a risk of locking the public sector into a single supplier;

■ Ease of specification. Invitations to tender and the contract agreed subsequent to the tendering process must be tightly specified. Not only must the Department assess current service provision and the future requirements of the service, but performance standards and monitoring procedures must be set. Questions include:

- Is it possible to identify exactly what service, and what service level is required?

- Can specifications and output measures adequately define what has to be delivered?

An important part of this is setting robust output measures:

- What are the output measures and how is performance measured against them?

- Can robust output measures be set, which really reveal whether the service is being provided to an acceptable level?

- How can the output measures be built into a contract?

■ Strategic significance. The key issue here is whether carrying out a service internally adds unique value that could not be replicated externally. There are three different issues to be considered:

- Is the service of strategic significance to the country or state as a whole?

- Is the service so central to the Department, either now or in the future, that it must be carried out in-house?

- If this service is carried out internally, do we gain unique value that could not be replicated externally?

■ Acceptability to customers. There are a number of questions to be asked in order to consider the impact of contracting out in terms of acceptability to customers:

- How acceptable will delivery by a contractor be to customers?

- How acceptable will delivery by a contractor be to the general public, if they are not direct customers of this service?

The table below can be used in a workshop or discussion to assess the suitability of a function for contracting out. The table can be used to record the Minister's and senior officials' assessment of how appropriate contracting out is for different services.

| | How appropriate is contracting out? | | |
|---|---|---|---|
| Criteria | High | Medium | Low |
| Value for money potential | | | |
| Scope for improvement | | | |
| Nature of market | | | |
| Ease of specification | | | |
| Strategic significance | | | |
| Acceptability to customers | | | |

Andhra Pradesh already has had some successes in contracting out of services which should remain the responsibility of Government, but do not need to be carried out by civil servants. E-Seva centres deliver Government services using computer systems owned and operated by the private sector. Security services are effectively delivered by the private sector in some Departments and contracting out of catering and cleaning services has also proved successful. A large number of other support services are likely to be identified for contracting out, including:

- Maintenance services;

- Leasing of Government vehicles;

- Debt collection;

- Research and statistical services;

- Other technical professional services such as surveying or legal advice.

The prior options review will identify recommendations quantified in terms of the number of posts to be eliminated and the savings in manpower and operating costs. However, unlike abolition or privatisation, there will be a need to transfer much of the savings in the manpower and operations budget in order to cover the costs of the contract. Any initial assessment of savings through contracting out, from experience elsewhere, suggests that around 70% of the manpower cost savings and all of the operational cost savings will be transferred to the budget line for contract payments.

The recommendations should include a preliminary specification of the service to be contracted out and expected improvements in service delivery.

Implementation of individual contracting out decisions is likely to take between four and six months. However, implementation of contracting out is likely to take place over a one to two year timescale, as there will be a need to stagger the offer of contracts over a period of time. This will enable the market to respond to the invitations to tender and to reduce the burden of managing the contracting process within Departments.

Implementation of recommendations for contracting out will need to be co-ordinated, and improvements to Government procurement and contract management will be identified in parallel with the strategic reviews. This is being separately addressed by Government.

## 3.9 Other divestment options

The other divestment options available to restructure service delivery from central Government include:

- Establishment of statutory organisations;

- Identification of areas which are appropriate for semi-autonomous Government organisation (SAGO) status;

- Decentralisation of functions to District, Metropolitan, Mandal and Urban authorities.

### 3.9.1 Statutory organisations

A statutory organisation may be appropriate where the risks of transferring responsibility to the private sector are so large that they outweigh any likely benefits. It is a common option where monopoly provision of services vital to the public and to the economy is being considered. Areas where statutory organisations may be appropriate include training organisations and those providing social services.

The key features of a statutory organisation are:

■ Its functions can be operated in a more commercial manner, and it can recover some, if not all of its costs through charging directly for services;

■ It provides a vital service to the public and may be in a monopolistic supply position. It is easier for Government to control access to services and charges if it remains a public sector organisation;

■ It is governed by a Board of Directors, appointed by the relevant Minister, which reflects public and private sector interests, in particular those of customers and other stakeholders.

A statutory organisation is appropriate where:

■ The function should remain in the wider public sector;

■ It is vital that stakeholders outside Government should be involved in all executive decision making;

■ Policy making for the function can appropriately be passed to the Board of the statutory organisation.

### 3.9.2 *Semi-autonomous Government organisations*

A programme for establishing semi-autonomous Government organisations (SAGO) could focus on parts of the civil service where there are clear reasons why the functions should remain within Government, but where there is potential for increase in revenue with a more commercial approach and the separation of operations from policy making.

Likely candidates for SAGO status could therefore be identified during the prior options review. Implementation should not, however, commence until the recommendations for abolition, privatisation and contracting out have progressed.

Through setting up SAGOs, Government would be able to increase value for money through establishing clear operational targets and also by increasing managerial freedoms. Managers in these SAGOs would be clearly accountable for delivery of services, for generating revenue and for the management of financial and human resources to obtain best value for money.

Establishing a SAGO does not mean divesting the function to the private sector, or even to the wider public sector. SAGOs remain part of the civil service and their staff members remain core civil servants. However, a SAGO has a number of key characteristics:

■ It is concerned with operational aspects - the delivery of executive functions rather than the development of policy;

■ It is not a separate legal entity, although some legislative changes may be necessary to allow it sufficient managerial freedom, for example:

  - Powers to alter charge levels and introduce new charges;

  - Rules relating to the payment of revenue direct to the Consolidated Fund;

  - Delegation of human resource systems which retain safeguards to ensure that desirable public sector practices are retained;

■ It manages its own finances and has its own ring-fenced budget;

■ It is primarily funded by Government, but is encouraged to develop commercially focused charges for services which will cover some or all of its costs;

■ Surplus revenue will be retained by the Finance Department, but the SAGO may be allowed to carry over some operating and development funds into the new financial year;

- The Chief Executive of the SAGO is usually directly accountable to the portfolio Minister;

- A number of public service rules, for example, relating to terms and conditions for staff, may be treated more flexibly.

A SAGO programme could be a means of increasing commercialisation, and of increasing autonomy and accountability of senior managers in the civil service.

This approach has been widely and successfully used as part of public sector reform in the United Kingdom (Executive Agencies), Canada (Crown Entities) and New Zealand (State Owned Enterprises).

### 3.9.3   *Decentralisation*

Any functions which can be decentralised to District, Metropolitan, Mandal or Urban authorities will also be identified during the prior options review.  This is likely to be limited to functions where such authorities have already established capacity and there is overlap and duplication between central Government and those authorities.  Such recommendations are unlikely to result in significant savings to public expenditure. However, such a transfer may be recommended because of the scope for performance improvement through management at the local level and an increase in levels of transparency, responsiveness, and accountability.

Decentralisation options may also be considered in order to comply with the general decentralisation requirements of the 73$^{rd}$ and 74$^{th}$ Constitutional Amendments and subsequent State Laws delegating powers to Panchayati Raj institutions and Metropolitan and Urban authorities.

## 3.10   Prior options review report

The final stage of the prior options review is the production of a prior options review report.  This report should set out:

- A summary of the fact finding and analysis that has underpinned the recommendations;

- Recommendations, for each function of the Department, as whether it should be:

  - Retained as is;

  - Retained with changes and an indication of those changes flagged for further work during the high-level Department review that is to follow;

  - Abolished and an indication of the issues that would be involved in that abolition;

  - Divested, and the form of that divestment, and an indication of the issues that would be involved in that divestment;

- The advantages, in terms of service delivery, efficiency and SMART Government to Government of implementing the recommendations;

- The costs to Government of implementing the recommendations;

- A risk analysis in relation to implementation issues;

- Any other matters that may be important to consider in the subsequent high-level Department review.

# Chapter 4

## High-level Department Review

### 4.1    Introduction

The high-level Department review follows on from the prior options review where that review recommends that some or all of the current functions of the Department remain the principal responsibility of the civil service.   The high-level Department review is concerned with the efficiency and effectiveness of the Department.  And in terms of its effectiveness, the extent to which the delivery of services is also simple, moral, accountable, responsive and transparent (SMART).

The outputs of the unit review will be:

■ Prior options proposals for the functions carried out within the Department that have not been dealt with by broader recommendations coming from the prior options review;

■ A new strategic framework for the Department including proposals for high-level business process changes;

■ Organisational structures and outline staffing recommendations for each of the units that is to be retained as set out in the prior options review.

The following sections set out in more detail the approach to the high-level Department review, which is also summarised in the following diagram:



High-Level Department Review Process

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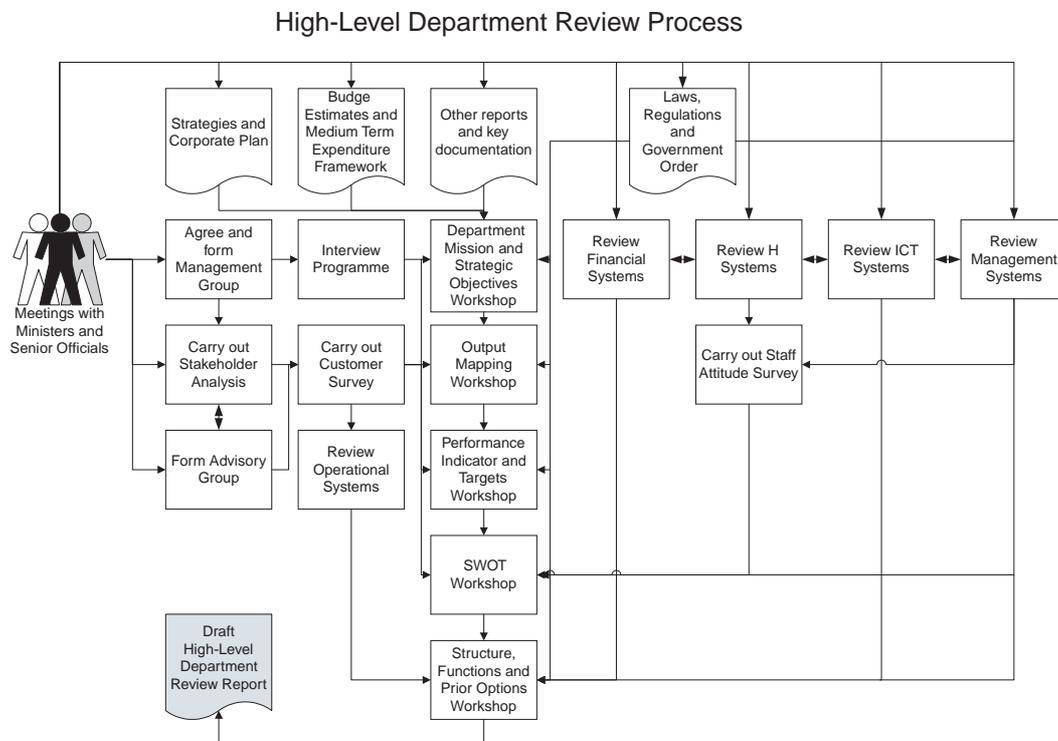
## 4.2    Participatory approach

Crucial to the success of the review is that it is participatory.  The advantages of involving Departmental officers, staff and external stakeholders in the review process are that it brings into play their understanding in all the areas of the Department's business and service delivery, it acts as a means of communicating the prospective changes to staff, and it confers ownership of the process on the Department and its customer-citizens.

This stage starts after a detailed discussion and agreement with Ministers and senior officials on the prior options review report and on the approach to this stage.  Only when this sign off is secured does the high-level Department review proceed.

The best practice methodologies for ensuring review participation are then:

■ The identification and appointment of a Management Group, comprising of relevant Secretaries, Heads of Department and Directors of key institutions within the Department.  The management group will meet regularly (probably weekly) to steer the process of the review and in particular it will also:

- Be the main point of contact and reference point for the Review Team during the course of the review;
- Approve the project plan for the review;
- Ensure that the Review Team have the information that they require to carry out their functions, including access to records and files;
- Make timely arrangements for workshops, meetings and interviews between the Review Team and the Management Group, officers and staff of the Department and its constituent institutions;
- Guide the Review Team in its analysis by providing feedback on discussion papers at key points of the review and supporting problem solving sessions;
- Work with the Review Team to develop recommendations for change and an implementation action plan;
- Work with the Review Team to facilitate the operation and meetings of the Advisory Group;

■ The identification and appointment of an Advisory Group, whose members will be the key internal and external stakeholders of the process and its likely outcomes.  The Management Group and the Review Team would hold an initial workshop to carry out a stakeholder analysis. This workshop would cover:

- A brainstorming session to identify the full range of internal and external stakeholders;
- Analysing the nature and level of interest of each of the identified stakeholders in the process and outcomes of the review and determining which to ask to participate as members of the Advisory Group in order to ensure the fullest possible levels of involvement and participation;

■ The Advisory Group would normally comprise:

- The Management Group;
- The Review Team;
- Senior officials from other relevant Departments and Institutions in the sector;
- Selected customer-citizen representatives;
- Selected representatives of the Gazetted staff of the Department, including those from District and Mandal level;
- Selected representatives of the ordinary staff of the Department, including those from District and Mandal level;
- Representatives of trade unions and staff associations;

- Representatives of donor or lender funded projects and programmes working within the Department, especially those with a pro-poor focus;
- Representatives of NGOs working in the sector;
- Representatives of Community Based organisations working in the sector;
- Representatives of academic or other research institutions working in the sector;

■ The Advisory Group will meet at the time of key milestones in the review process. The exact numbers and times of meetings will depend on the project plan for the particular Department, which will vary according to its size and nature, but there would normally be at least these meetings:

- An initial meeting to sensitise the Advisory Group on the outcome of the prior options review, the high-level Department review process and its likely outcomes, the methodology to be adopted and the project plan. The views of Advisory Group members would be sought on these issues and taken into account in any final changes to the project plan. The Advisory Group would also be asked to nominate stakeholder delegates to attend the series of workshops that are part of the project plan;
- A second meeting to seek Advisory Group members' views on the plans for and the contents of the customer survey and staff attitude survey;
- Further meetings to give feedback on the issues emerging from workshops on mission, vision, strategic objectives, outputs, indicators, targets, SWOT, structure, functions and prior options and to agree on the content and nature of public communications to stakeholders in general at each of these stages;
- A final meeting to test stakeholder views on draft recommendations before finalising the draft high-level Department review report;

■ A programme of workshops and seminars to brainstorm and debate key issues, involving stakeholders in the high level processes to build commitment and covering for the Department its proposed;

- Mission, vision and strategic objectives;
- Outputs and output mapping;
- Performance indicators and targets;
- Strengths, weaknesses, opportunities and threats (SWOT) analysis;
- Structure, functions and prior options;

■ A programme of structured interviews and meetings with individual members of the Management Group, Advisory Group and selected officers and staff at District, Mandal and service delivery level.

## 4.3 Study of key documents

As well as workshops, meetings and interviews, the Review Team will need to study key Departmental documents and files and relevant recent reports on the Department and its sector. Some of these papers will have been studied during the prior options review but the Review Team may still need to refresh itself and perhaps drill down to more detailed documents and reports for this stage of the strategic review. These documents would include as a minimum:

■ *Vision 2020*, National plans for the sector and recent policy statements and announcements;

■ Strategy documents for the Department and sector;

■ The Department's Corporate Plan and Medium Term Expenditure Framework;

■ The Department's Annual Operating Plan and Budget Estimates, including reports on expenditure against budget in the financial year to date and any issues arising from any variances;

- Monthly, quarterly and half-yearly reports of performance against indicators for the current financial year and annual performance reports for the previous two to three years;

- Laws, Regulations and Government Orders relating to the operations of the Department and its sector;

- Financial management and planning manuals, operating procedures, circulars, instructions and reports;

- HR management manuals, operating procedures, circulars, instructions and reports;

- Information and communications technology management manuals, operating procedures, circulars, instructions and reports;

- General management manuals, operating procedures, circulars, instructions and reports;

- The prior options review report from the previous stage in the overall strategic review process.

## 4.4 Business development study

The Review Team should carry out a business development study for two reasons. First, although officers in a Department know their business well, and will be able to make good progress on identifying the core elements of that business, their ideas still need to be checked against customer and citizens' views of what they expect the Department to deliver. Secondly, those customer and citizen's views will be used to shape service offerings in the future.

The objectives of a business development study are:

- To understand customer-citizen perspectives on the Department, including its profile and reputation and the degree of customer satisfaction with its services;

- To agree on a business development strategy identifying the Department's key customer-citizen groups and the services it should offer, in order to provide the Department with a secure foundation from which it can move forward;

- To identify areas of key market needs, and to assess the extent to which the Department's current service offerings are meeting those needs;

- To identify service areas where current provision needs development or revision;

- To assess the adequacy of the Department's systems and procedures for identifying clients' needs, and feeding this information into business planning and development.

The stages of a business development study are as follows:

- The holding of workshops with the Management and Advisory Groups to discuss the scope of the study;

- A scoping survey, involving interviews with a sample of customer-citizens;

- The design of a business development survey, based on the results of the sample study;

- A business development survey, involving in-depth interviews with a representative sample of customer-citizens, focus group discussions and questionnaires;

- A series of market focused surveys and interviews reviewing alternative suppliers of services.

A business development report sets out the proposed business development strategy for the Department, including:

- The key group of clients on which the Department should focus;

- The level and quality of services which should form the Department's core business;

- An outline of what the core business might include;

- Recommendations on how the services should be delivered.

The business strategy forms the framework within which future organisational development is to take place. Adoption of the business development strategy is likely to have a significant impact on management systems, organisation structures and policies. All of these need to be developed in meetings, interviews, and workshops.

## 4.5    Staff attitude survey

Before conducting the human resources work it is important to carry out a staff attitude survey to ascertain the extent to which some of the "soft" organisational issues will impact upon change. The staff attitude survey is carried out by questionnaire, distributed at random and without requiring those completing it to identify themselves. The questionnaire is then followed up by focus group discussions with selected staff in order to test and explore the results of the questionnaire analysis at a greater depth.

The questionnaire should be designed so that responses give the analyst a picture of the current culture, management style and skills. The results of this work will complement the SWOT analysis and the workshop programme.

## 4.6    Department specific legal issues

Finally, many Departments operate within one or more pieces of specific legislation at both National and state level. There will also be a range of Government Orders in place to be studied.

It is important, therefore, to review the impact of the existing legislative framework on the possible changes that are emerging from the high-level Department review. Particular issues to address are the impact of Department specific legislation on the ability to introduce new work processes and make staff changes.

## 4.7    Workshop programme

### 4.7.1    Introduction

Clarifying the mission, vision and strategic objectives of a Department is crucial to all the other aspects of its operation. Equally critical is developing a consensus among officers, staff and stakeholders about them. For these reasons the mission, vision and strategic objectives are not usually agreed in only one workshop. Rather, there is an iterative process as managers' thinking distilled, between the initial workshops and those on outputs, as the former inform the latter, and then are revisited. Once there is some settled agreement on the mission and vision, the results of the review are discussed with the Advisory Group. At this stage it is essential to gain the agreement of not only the Management Group but also the portfolio Minister and Secretary prior to proceeding to the rest of the review.

### 4.7.2    Mission, vision and strategic objectives

The Review Team will have already carried out this exercise for the sector as part of the prior options review. The task is now to develop a mission, vision and strategic objectives for the new Department that has been defined by the outcome of the prior options review. The Review Team will facilitate the workshop, whose other participants will be as set out in the sections above.

Establishing the mission and vision, and strategic objectives of a Department requires a basic reorientation on the part of most public sector officials. Used to thinking in terms of processes and carrying out activities prescribed by manuals or the law, they have difficulty identifying clearly the goals and outputs of the organisation in which they work. Moreover, experience shows that officials at the same managerial level have markedly different views about what the organisation's goals and outputs should be. It is, therefore, important that all of the management stakeholders are involved in this workshop and that its results are then clearly communicated to and discussed with the Advisory Group before finalisation.

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*4.7.2.1  Mission*

The mission statement defines the purpose for which the Department exists.  It sets out what the Department is seeking to achieve in relation to the core functions and policy priorities of Government.  The mission statement should:

- Provide direction and unity of purpose;

- Be clear and concise, and easily be understood;

- Focus on results - the outputs produced by the Department;

- Capture why the Department exists and what it produces, not how it carries out its work - the processes and activities it undertakes.

The workshop should ask and answer these initial questions:

- Why does this Department exist?

- What does this Department achieve?

As an example, when developing a mission statement for a Department of Personnel Management, the answers to these initial questions could be:

- Facilitating management of human resources by managers in line Departments;

- Enabling civil servants to acquire relevant skills;

- Building and developing ministry capacity to enable them to deliver the required services;

- Managing and developing human resources across the civil service;

- Enabling services to be delivered by civil servants.

Based upon these, a number of mission statements could be developed.  Examples include:

> To provide services to Departments which enable them effectively to manage their human resources to deliver services to the public

> To facilitate the acquisition of relevant skills by Departments' staff and to manage the utilisation of human resources across the civil service in order to deliver effective services to the public

> To develop and implement human resources policies and practices which produce competent and motivated public officers who are capable of delivering efficient and effective public services which contribute to Andhra Pradesh's  development

In many cases, mission statements already exist for Departments.  Even where a mission statement exists it needs to be reviewed to ensure that it meets the following criteria:

- It should be brief, concise and memorable, a maximum of 20-25 words in length;

- It should reflect Government's core functions and policy priorities;

- It should specifically state the outputs that the Department intends to achieve.

Two best practice examples of a mission statement, showing how it may need to change over time, are these from Microsoft.  At one time, its mission statement was:

> A computer on every desk and in every home

Now, it is:

> Empowering people through great software, any time, any place and on any device

A best practice example for a Department of Education could be:

> Help everyone learn the skills for life and work and make the most of themselves

### 4.7.2.2 Vision

The next step is to define the vision of the Department. This is a logical step from the development of the mission, because the vision is the mission expressed in a graphic way, a way that describes the outcome when the mission is fulfilled.

The vision of an organisation is a statement of the kind of organisation it wants to be, and where it wants to be in a defined time period.

An example of a vision for a civil service college is:

> The Centre of Excellence in the region for strengthening human resource capacity to support sustainable development

An example of a vision for a Department of Education is:

> A happy, healthy population in an inclusive, growing, knowledge-based society

### 4.7.2.3 Strategic objectives

Strategic objectives are statements of what has to be achieved by the Department in order to contribute to Government's core functions and policy priorities. They are high-level statements of achievement, contributing directly and obviously to the Department's mission and vision. They set out to highlight:

- What has to be achieved;
- The end result of its achievement or the standard expected.

The most common problems encountered with a Department's existing objectives, which must be avoided in this workshop, are:

- There are too many objectives, several of which overlap with each other;
- Objectives focus on activities rather than outputs;
- Objectives are too detailed to be strategic objectives;
- Because of the detail, it is not always clear which are the key objectives and outputs of the organisation.

The initial work to define new strategic objectives will be undertaken in a workshop with the Management Group and stakeholder representatives. In order to define strategic objectives for the Department, the Review Team will be guided by the following characteristics:

- Strategic objectives relate to the overall purpose of the Department and break the mission and vision into key areas;
- Each objective should be measurable, so that others can judge whether the objective has been achieved;
- Each objective should be realistic in relation to available resources;
- Strategic objectives for a Department will be few (limited to four to eight in number);
- Achievement of the strategic objectives is seen to determine the success or failure of the Department.

The workshop will consider the following questions:

- How does this Department contribute to Government core functions and policy priorities?

- What is this Department's unique contribution to Government or to Andhra Pradesh?

- What are the key outputs of the Department - the things or conditions that the ministry produces (for example, pupils enrolled in primary schools, teachers trained, pupils completing primary school, etc., are all key outputs)? If the Department achieved these outputs, will it be seen to have succeeded? If it did not, will it be seen to have failed? Would this have a significant negative impact on Government core functions and policy priorities?

Based on the answers to these questions, a set of strategic objectives should be determined which will:

- Contribute to Government core functions;

- Relate to a key output or set of outputs for the Department. Each key output should relate to a strategic objective.

Examples of strategic objectives which might be developed for a Directorate of Personnel Management could be:

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- To manage the Government wage bill within affordable levels;

- Identify and facilitate the provision of relevant skills within the civil service;

- To develop systems, policies and procedures for civil service personnel management;

- To develop rational organisation structures in the civil service;

- Design and co-ordinate the implementation of civil service reforms.

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The strategic objectives of a basic education sector could be to:

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- Ensure that children and adult learners enrol and attend at schools and learning centres and that they are retained in and pass through the entire learning system in order to be able to benefit from the opportunities offered;

- Ensure that children and adult learners enjoy their learning experiences and that they are treated with respect and dignity so that they learn good social behaviours from role models of best example and practice;

- Provide sufficient teachers, education volunteers, schools and classrooms, learning resources, and relevant curricula in order to deliver the learning required to enable learners to develop and equip themselves with the skills, knowledge and personal qualities needed for life and work;

- Train and develop teachers in learner centred facilitation methods, including educational technology, in order to maximise student motivation, learning opportunities and learning;

- Carry out meaningful quality assessments of learners and all direct and indirectly linked learning providers, including independent inspections, and track, report on and analyse the levels of learning outputs and outcomes in order to provide for continuous performance improvement in the sector;

- Involve the community in the design and delivery of learning programmes through communicating and sharing ideas with children and adult learners, parents, and community groups, in order to provide the best fit between learner needs and learning delivery;

- Minimise corruption in the sector through an accountability process that will result in improved value for money, remove distortions and exercise equity in service delivery.

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It is important to note that this stage of the review will focus on the determination of strategic Department objectives only. Detailed operational objectives focusing at unit level will not be developed or reviewed at this stage. Strategic Department objectives should continually be tested against core functions and Government policy priorities.

### 4.7.3 Output mapping

Following directly on from the identification of the mission, vision and strategic objectives, the next step is to run a workshop with the Management Group and stakeholder representatives to identify the key final and intermediate outputs of the Department.

Outputs are very closely related to the achievements of a Department. HM Treasury in the UK uses the following definition of an output.

> *outputs are the things or conditions produced by an individual or organisation...For each output there should be a corresponding objective. Outputs should be stated in a way which renders them observable*

The methodology for identifying outputs is output mapping. This requires workshop participants to distinguish between the inputs and activities of the organisation, and its final outputs. This is as difficult as establishing the aims and objectives of the Department, since it requires those at the workshop to think strategically about the whole Department, rather than to focus only on the area in which they work.

Central to the definition of an output was that, if possible, it should be related to an impact. For example, in the case of training, the final outputs of a training institution are not the courses it puts on but the more competent trainees who graduate. The courses are only intermediate outputs.

Output mapping allows workshop participants to move backwards from the key outputs to the intermediate outputs, which contribute to them, to the inputs to the intermediate outputs. Once the inputs and outputs are identified, then the relationships between them are clarified. Once the output map is drawn up, and the relationships identified, it becomes clear what the core business of the Department would be, and what are the processes and activities which do not support that.

Finally, it is important to distinguish between outputs and outcomes because a Department's portfolio Minister will be mainly concerned with policy outcomes. An outcome is the state of affairs to which outputs contribute. Whereas outputs are under the control of a Department, outcomes are not. For example, a Ministry of Commerce and Technology may pursue a policy outcome of trade, commerce and wealth creation. This outcome will require the outputs of a number of constituent organisations. The Departments within that Ministry must therefore ensure that their final outputs, which they control, directly contribute to this outcome.

The following two output maps were developed for a Department of School Education. The first output map is for the overall policy implementation and control of the sector. The second is for the delivery of services at the school level, for which the Department is also accountable. Each shows inputs, intermediate outputs, final outputs and the overall policy outcome desired by the portfolio Minister.

## BASIC EDUCATION SECRETARIAT LEVEL OUTPUT MAP

(Shaded boxes indicate sector level strategic outputs for measurement)

| INPUTS | INTERMEDIATE OUTPUTS | FINAL OUTPUT | OUTCOME |
|---|---|---|---|

**INPUTS**
- Overall Government Policies
- Finance
- Personnel
- Physical Infrastructure
- Information and Communications Technology

**INTERMEDIATE OUTPUTS**
- Curriculum in Place
- Teacher Training Curriculum in Place
- Teacher Training Facilities in Place
- Inspectors in Place
- Annual Operating Plan in Place
- Sector Plan in Place
- Alternate Learning Systems in Place
- Learning Materials Designed
- Inspection System in Place
- Annual Budget in Place
- Consultative Processes in Place
- Schools and Community Learning Centres in Place
- Citizens' Charter in Place
- Resource Allocation Systems in Place
- Examination System in Place
- Assessment System in Place
- Inspections Completed
- Management Information Systems in Place

**FINAL OUTPUT**
- Quality of Learning Assured

**OUTCOME**
- Happy, Healthy Population Living in an Inclusive and Growing Knowledge-Society

## BASIC EDUCATION SCHOOL and CLC LEVEL OUTPUT MAP
(Shaded boxes indicate sector level strategic outputs for measurement)

| INPUTS | INTERMEDIATE OUTPUTS | FINAL OUTPUTS | OUTCOMES |
|---|---|---|---|

**INPUTS**

- School Management
- Education Committee
- School/CLC Buildings
- Finance
- ICT

**INTERMEDIATE OUTPUTS**

- Teachers in Place → Learning Materials Available (C)
- School/CLC equipped → Classrooms Equipped
- Education Volunteers in Place → Teachers Supported
- Learning Resources Available (NC)
- Citizen Charter Performance Standards Displayed → Community Participating → Students Enrolled

Lessons Given

Midday Meal Consumed

Students Attend

Curriculum Delivered → Learning Experience Enjoyed → Students Retained → Students Assessed → Students Examined

**FINAL OUTPUTS**

- Students Prepared for Employment
- Students prepared for Intermediate and Vocational Education
- Students have Life Skills
- Students Functionally Literate
- Students aware of HIV/AIDS dangers and means of prevention

**OUTCOMES**

- Community, Employers, Parents and Students Satisfied

### 4.7.4    *Performance indicators and targets*

Identifying the mission, vision, strategic objectives and the final and intermediate outputs enables the development of performance measures and performance indicators.  This is a key stage in the review. It is vital to get the performance indicators right, for a number of reasons:

■ *'What you measure is what you get'*.  The introduction of performance indicators will affect the behaviour of officers and staff.  This is why it is so important to  focus on the key output areas;

■ Only a small number of indicators is required.  Too many will overburden the Department and its officers and staff with systems to gather the information;

■ A balanced range of measures is needed, to reflect all the key outputs and to provide both effectiveness and efficiency indicators.

There are three dimensions to performance, known as the three "Es":

■ Economy: obtaining inputs or resources of appropriate quality at least cost;

■ Efficiency: obtaining the maximum possible output for a given level of input, or a minimum level of input for a given level of output;

■ Effectiveness: the level of output produced which meets the required standards, or whether the objectives were achieved.

There is a difference between performance measures and performance indicators.  Performance measures are aspects of performance that are easy to quantify.  They are directly relevant and understandable.  Performance indicators, on the other hand are used where direct measures are not readily available.  Other ways of judging performance are therefore needed.  Examples of performance indicators include:

■ Customer waiting time, as a proxy for the efficiency of production of encumbrance certificates at CARD;

■ The length of time to deliver exam results at a College, as a proxy for the efficiency of the Registrar.

So, whilst indicators may provide a good indication of achievement of the output the organisation is seeking to measure, they nevertheless are only proxies and will always need to be interpreted.

Performance information is essentially comparative.  One set of figures does not show whether a ministry has achieved satisfactory or unsatisfactory results unless there is a *planned figure* or a *target* set out in an annual plan.  In some cases, the actual achievement can be compared to the target or planned figure.  In other cases, the most valuable comparison is with the previous year, providing information on trends in a particular area.  In a few cases, the current performance may be compared to a 'benchmark', perhaps an international standard.

There are many different performance indicators, but they almost all are derived from one or more of the groups illustrated in the figure below.  For instance, effectiveness can be indicated in terms of quality, volume, time, or cost.  Efficiency is mostly indicated in terms of unit cost, the ratio of outputs (number of units produced) to inputs (the total cost of producing those inputs).

## What can we measure?

| Cost: | Time: |
|---|---|
| - unit price/cost<br>- total programme costs | - on schedule<br>- time per task |

| Quality: | Volume: |
|---|---|
| - customer satisfaction<br>- external standards met | - total output<br>- demand met |
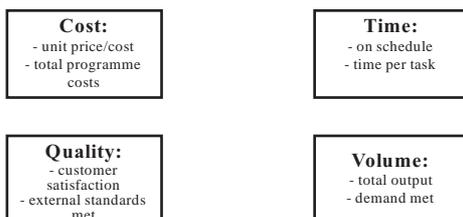
We must also remember Balanced Scorecard[1] performance measurement systems if we are to manage Departments for the future as well as assess how well we are doing in the present and have done in the past. This approach requires us to consider four aspects of performance:

- **Financial**; so that we know about income, expenditure, assets and liabilities. These measures are largely focused on the past;

- **Customer**; so we know about service quality and customer satisfaction levels. These measures are also largely focused on the present;

- **Process**; so we know how well we are producing our services and how we plan to improve production. These measures are also focused on the present, say, in terms of efficiency;

- **Development**; so we know that we are going to continue doing well. These measures are all focussed on the future and may include staff development, research and development of new services and investment in new and improved processes.

### 4.7.5    *Strengths, weaknesses, opportunities and threats*

At this point in the review there will be clarity on what the Department is really there for, what it should be doing and how well it should be doing it. The parallel process of interviews, visits and study of documents will be starting to throw up reasonable information on how the Department is performing against its revised set of indicators and maybe some indications of where the problems are. This will be supported by results coming in from the business development study and staff attitude survey. Now is the time to bring this all together in a workshop to analyse the strengths and weaknesses of the Department and the opportunities and threats it faces in order to start identifying the obstacles to performance improvement.

A SWOT analysis enables the organisation to better understand the reasons underlying gaps between current and planned performance levels (its internal weaknesses and situational threats) and to identify what might be the most effective levers for closing those gaps (internal strengths and situational opportunities); in other words, to identify strengths and opportunities to be built upon and weaknesses and threats to be overcome.

The opening stage of a SWOT analysis is a brainstorming session, which often produces original and helpful views of organisational and situational features, as well as standard responses. An excellent starting point for the analysis of strengths and weaknesses is a review of current organisational performance against key indicators of performance. In respect of opportunities and threats, a consideration of the political, economic, social and technical environment is essential.

The SWOT analysis will be based around a systematic review of Departmental performance drivers that is based on an organisational performance model that has been informed by tried and tested management theories[2]. This model has been applied and adapted in performance improvement assignments internationally. It provides a structure for the analysis and a checklist to ensure that each essential element of the organisational system is considered in the SWOT analysis.

Organisations in similar markets (situations) and with similar strategies, work and management processes (systems), staff and structures do not all perform as well. Some are successful (for instance, AT&T) and some are very unsuccessful (for instance, MCI WorldCom). The focus of attention in the analysis will be on the 'soft' elements such as style of management, shared values, skills and space for innovation and business development. This is because the research and

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[1] *The Balanced Scorecard: Translating Strategy into Action* - Robert S Kaplan and David P Norton, Harvard Business School, 1996.
[2] *In Search of Excellence: Lessons from America's Best Run Companies* - Thomas Peters and Robert H Waterman, Warner Books, 1984.
"Managing in the Whitespace"-Mark C. Maletz and Nitin Nohria, *Harvard Business Review*, February 2001.

experience upon which the model is based shows that deficiencies in these elements are more likely than other elements to explain poor performance in organisations. At MCI WorldCom, for instance, it can easily be argued that issues with its style of management and shared values (inflating turnover and profit figures and keeping the real facts from regulators and investment analysts) has caused its rather spectacular failure. At Lucent Technologies, the Chief Executive Officer's failure to respond to development engineer's requests to move faster into fibre-optic and digital switchgear has severely damaged its business and it has lost market share to faster moving operators such as Cisco Systems.

The model is best illustrated in the following diagram, which shows each of these elements in the organisational system and the relationships amongst them.
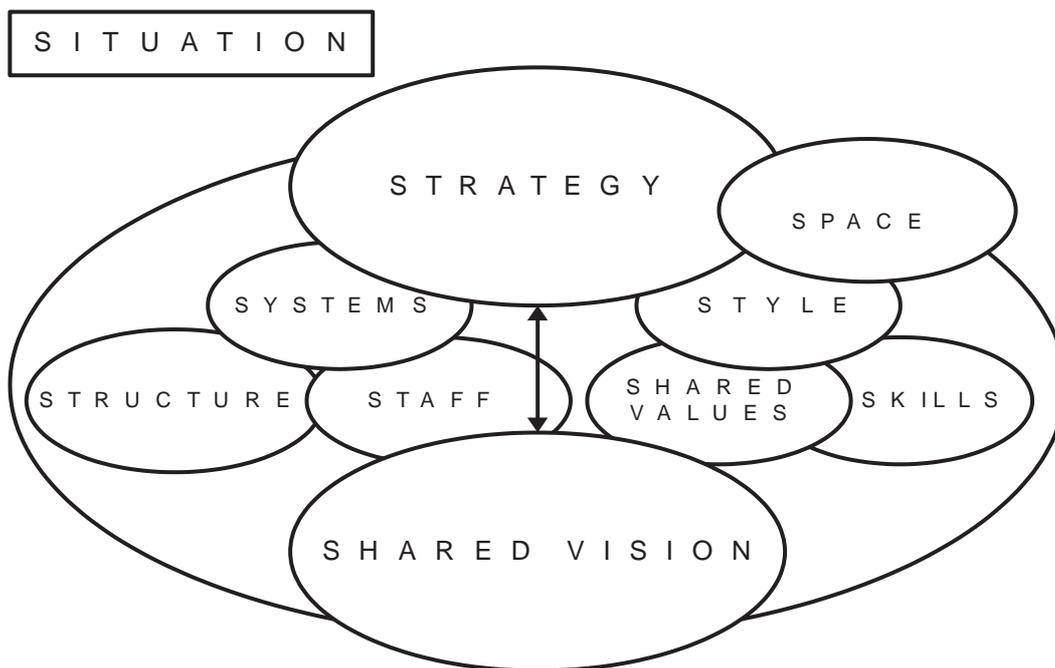


Using this performance model, the workshop will assess the effectiveness of the Department's current strategy in relation to its external situation, and analyse the contribution to that strategy of the Department's:

- Systems;
- Structure;
- Staffing;
- Style of management;
- Shared values;
- Skills.

The workshop will further assess the extent to which the strategy forms part of a shared vision within the Department, and the room or space that the Department has to respond creatively and innovatively to its changing environment. A detailed guidance note for carrying out a SWOT analysis in this way is included as Appendix 2.

This analysis will form the basis for the final workshop on structure, functions and prior options.

### *4.7.6 Structure, functions and prior options*

This is the final workshop that starts the process of recommending the new structure and functions of the Department.

The first task is a prior options review for the units of the Department in order to decide what major organisational 'surgery' is necessary, in terms of abolishing, privatising or contracting out functions of units, before moving on to the unit reviews.

Many public and private organisations discover that over the years they have accrued activities for some purpose, which is no longer relevant. A classic example is that of a Health Department hospital buildings division. When the policy of the Department is to reduce the number of hospitals, the staff of the division - now a maintenance division - seeks to keep open as many hospitals as possible.

The process for the prior options review of units within the Department is identical to the process set out in the preceding chapter for the prior options review of the Department within the sector. The reader is referred to the appropriate sections.

Once prior options and the core and non-core businesses have been identified, the issue arises about what is to be done to focus on the core business and withdraw from the non-core business. This issue is at the heart of the high-level Department review, which is concerned with how the Department will deliver its core services effectively and efficiently.

The next stage is to identify, based on the strategy, outputs and processes, the most appropriate organisational structure and staffing to deliver the core functions. This work is sufficiently detailed to warrant a whole best practice guide in its own right, which is well outside the scope of this overall guide to strategic reviews. This is why this guide recommends a sufficiently high level of competence in strategy and organisational development for the members of the Review Team. Some of the main factors affecting the shape and the size of the organisational structure will be:

- The key outputs identified in the output mapping stage - the reason being that responsibilities for results should be clear and units within the Department are likely to be structured around the functions that deliver those key outputs;

- Levels of activity and efficiency levels;

- The nature of operational processes within the Department and the impact on spans of control and numbers of management levels;

- The extent to which a culture of delegation and results oriented management can be introduced and the impact on spans of control and numbers of management levels;

- The sophistication of management information systems, the geographical displacement of officers and service delivery points and the flow of information and their impact on spans of control and numbers of management levels, with special reference to the introduction of e-governance solutions (for both management and service delivery purposes);

- Human resources policies that may require 'tall' organisational structures to be retained in order to accommodate schemes of service and career paths designed around narrow job definitions;

- The competence of the officers and staff in the structure;

- The efficiency and effectiveness of the materials and equipment with which the officers and staff are required to work;

- Legislative requirements for maintaining statutory functions of one sort or another.

## 4.8    Draft high-level Department review report

The final stage in the high-level Department review is to produce a draft high-level Department review report.  This report should set out for the Department the new:

■ Mission, vision and strategic objectives;

■ Key outputs, outcomes and output map;

■ Performance indicators and targets;

■ SWOT analysis;

■ Business development strategy;

■ Prior options recommendations;

■ Business process changes;

■ Changes to structure and staffing.

This report will then be presented to and discussed with Ministers and senior officials, including the Centre for Good Governance.  It will also be presented to and discussed with the Advisory Group. Subject to general agreement on the draft report, work can then start on the more detailed unit reviews that will be necessary to develop practical plans for change that can be set out in an overall strategic review report, which will include an implementation action plan.

# Chapter 5

## Unit Reviews

### 5.1 Introduction

The unit reviews follow on from the high-level Department review where that review recommends that some or all of the current functions of the units remain the principal responsibility of the civil service. The unit review is concerned with the efficiency and effectiveness of the units. And in terms of its effectiveness, the extent to which the delivery of services is also simple, moral, accountable, responsive and transparent (SMART).

The outputs of the unit review will be:

■ Prior options proposals for the functions carried out within the units that have not been dealt with by broader recommendations coming from the high-level Department review;

■ New business processes for the units, including e-governance solutions for service delivery wherever possible;

■ Detailed organisational structures and staffing for each of the units that is to be retained as set out in the high-level Department review;

■ Job descriptions for key posts in the units;

Many of the techniques and approaches recommended for the unit reviews are the same as those employed in the prior options and high-level Department reviews. The following sections set out in more detail the approach to the unit review, which is also summarised in the following diagram:

### Unit Review Process

CENTRE FOR GOOD GOVERNANCE
Knowledge ● Technology ● People
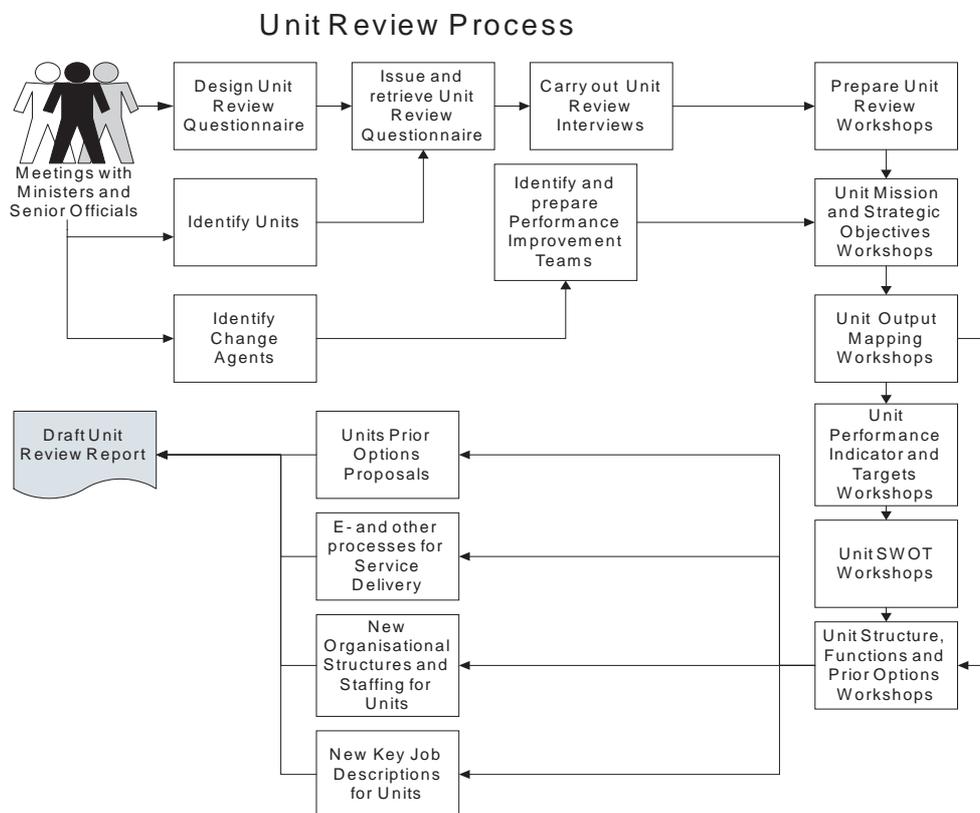
## 5.2 Participatory approach

As with the previous two stages, this stage only starts after a detailed discussion and agreement with Ministers and senior officials on the report from the previous stage and then on the approach to this stage. Only when this sign off is secured do the unit reviews proceed.

For the unit reviews, the participatory approach is not only desirable, it is essential. The number of units to be reviewed, except perhaps in the very smallest of Departments, would be too many for the members of the Review Team themselves to tackle within a reasonable timescale. Change Agents will need to be identified, briefed and trained, in order to tackle the unit review questionnaires and interviews and to manage the problem solving processes within each unit. Performance Improvement Team members, each working to a Change Agent, will need to be identified, briefed and trained in order support the problem solving process.

Change Agents and their Performance Improvement Team members (Performance Improvement Teams--PIT) will be selected from amongst the managers and staff of the units. However, in order to ensure that cross-functional issues are dealt with and to maximise levels of creativity and innovation amongst the teams, the personnel selected for the PIT to work with a particular unit may not be a manager or member of staff from that unit. However, a critical mass of each team must come from its own unit in order to ensure ownership and commitment to implementation of the recommendations that they will arrive at.

The PIT approach will work like this:

- The Review Team will work with the Management Group to identify the heads and the location of each unit within the Department. They will also identify the Change Agents and Performance Improvement Team members. The Advisory Group will be consulted on this process and will advise on the communications issues;

- The Review Team will draw up a unit review questionnaire for the Management Group, and the Advisory Group will be asked to comment on it before it is finalised;

- An initial workshop will be held by the Review Team and the Management Group at which Change Agents will be:

  - Briefed on the prior options review recommendations;

  - Briefed on high-level Department review recommendations;

  - Briefed on plans for conducting the unit reviews;

  - Given the unit review questionnaires for distribution;

- A second workshop will be held for Change Agents. The emphasis this time will be on training and the Review Team will prepare and deliver a two to three day participatory programme covering:

  - Interviewing and fact finding skills

  - Data management and presentational skills;

  - Analysis and problem solving skills;

  - Team building skills;

  - Instructional techniques;

- A third workshop will be held with the Change Agents after they have completed their unit review interviews and before they start to run a series of workshops within every unit. These workshops, which will be facilitated by the Review Team and which the Management Group and Advisory Group will also attend, will take the form of:

- A presentation of general findings coming out of the unit review questionnaires and interviews by a selected group of Change Agents (who will need to do some preparatory work before undertaking this task);

- Drawing conclusions in relation to the findings and identifying issues to be dealt within the unit review workshops;

■ Change Agents will be given materials from the second workshop that they will take back to their units, where they will then arrange to gather their PIT together and deliver a similar, but only one to two day programme, covering:

- Interviewing and fact finding skills

- Data management and presentational skills;

- Analysis and problem solving skills;

■ A fourth two to three day workshop will be held for Change Agents. The focus of this workshop will be on facilitation skills and the understanding of processes to:

- Develop unit missions, visions and strategic objectives;

- Carry out output mapping exercises;

- Identify and express performance indicators and targets;

- Carry out a SWOT analysis;

- Identify core and non-core functions and carry out a prior options review;

- Present findings and recommendations in a compelling oral and written format.

## 5.3    Unit review questionnaire

The main instrument for the unit reviews is a questionnaire that will be used to gather core data about the performance, management, staffing and operation of each unit within the Department.

The secondary purpose of the questionnaire is to get unit heads and their senior staff thinking about performance improvement prior to detailed, structured interviews between them and Change Agents, who will be identified by the Review Team in consultation with the Management Group. The Change Agents, who may or may not be unit heads, will be trained by the Review Team.

A unit review questionnaire would normally ask for this information:

■ Name and location of the unit;

■ Name, job title and grade of the head of the unit;

■ Job titles and numbers of direct reports to the head of the unit;

■ An organisational chart of the unit showing the agreed posts, their arrangement and level and the numbers of posts;

■ A schedule of vacant posts;

■ A schedule showing the number of agreed and budgeted posts that are filled, and of those that are filled whether they are filled by persons who are Gazetted, non-Gazetted, by some other permanent employee, or by persons who are acting, temporary or casual;

■ A schedule showing the number and nature of any project staff working within the unit;

■ A schedule showing the number of unofficial (volunteer) persons present in the unit and who are under the control of the managers and staff;

■ A note of any major changes that have taken place to structure and staffing within the last two years and any major changes that are anticipated within the next two years;

- Details from the budget for the unit, if appropriate, showing expenditure (split as plan, non-plan and project, and broken down according to manpower, operational or capital cost);

- Space for the unit head to assess current performance and assess the extent to which performance problems are caused using the organisational performance model described in the SWOT analysis section in the previous chapter;

- Space for the unit head to make any other general comments relating to the unit or its performance.

An example of a unit review questionnaire is given as Appendix 3.

## 5.4    Unit review interviews

Change Agents will then arrange a series of interviews with each of the unit heads, using the completed unit review questionnaire to dig and explore the issues.  It may also be necessary to help some unit managers to complete parts of the questionnaire that they had not been able to do.

A report will be made to the workshop, as described above, and the Review Team will prepare a summary of this report for communications purposes.

## 5.5    Unit review workshops

The Change Agents and their PITs will then organise and run a series of workshops within the units for whose reviews they are responsible.  These workshops will be the same as the ones run by the Review Team at Department level in the previous stage of this review as set out in the previous chapter in some details.  Briefly, these workshops will be:

- Unit mission, vision and strategic objectives;

- Unit outputs, outcomes and output mapping;

- Unit performance indicators and targets;

- Unit SWOT;

- Unit prior options, functions, processes, structure and staffing.

## 5.6    Business systems

At this point in the unit review PITs would be ready to assess the business systems within each unit. The essence of these systems is that they must efficiently and effectively:

- Support the delivery of services;

- Respond to changes in customer-citizen's needs;

- Provide the information necessary for performance reporting.

In view of these, diagnoses were required of the units' reporting, administrative and financial systems.  The diagnoses were carried out by studies of each of these systems, generating reports, which set out for each system:

- The activities;

- The nature of the information in the system;

- The flows of information;

- The time scales within which information is generated;

- Staff responsibilities;

- The problems and obstacles in the system.

The reporting systems in public sector organisations are not yet fully geared to informing performance indicators. The management information systems providing data for the existing reports does not generate information on a regular basis, and the data produced was often unreliable. The financial systems are not only manual, but also they were based on recording vote income and expenditure, which meant that they were incapable of providing complete data about the costs of activities and thence outputs.

Analysing the business systems of a unit inevitably entails diagnoses of the ICT hardware and software systems in place. These were reviewed in terms of:

- Their adequacy to store and process information;
- Their ability to communicate with other units and central management processes;
- Whether they are dedicated packages, thereby ensuring ease of data entry, sophisticated data manipulation, and the ability for expansion.

## 5.7 Draft unit review reports

The final stage in the unit reviews is to produce a draft unit review report. This report should set out for each unit the new:

- Mission, vision and strategic objectives;
- Key outputs, outcomes and output map;
- Performance indicators and targets;
- SWOT analysis;
- Business development strategy;
- Prior options recommendations;
- Business process changes;
- Changes to structure and staffing.

These reports will then be consolidated into a single report by the Review Team and presented to and discussed with Ministers and senior officials, including the Centre for Good Governance. It will also be presented to and discussed with the Advisory Group. Subject to general agreement on the draft report then work can start on the overall strategic review report, which will include an implementation action plan.

# Chapter 6

## Strategic Review Report and Implementation

### 6.1    Introduction

The three stages of the strategic review, prior options, high-level Department and unit reviews culminate in a strategic review report.  This sets out the main findings of the diagnoses carried out during the review.  And it sets out firm proposals for transformation of the Department.

All key stakeholders should discuss the strategic review report.  They include, together with the review team and in this order:

■    The Advisory Group (stakeholder forum);

■    The Management Group (review steering committee);

■    Ministers and senior officials of the Department;

■    The Steering Committee of the CGG;

■    The Board of the CGG;

■    The staff of the Department and their union representatives (even though these stakeholders are included within the Advisory Group there will be particular and sensitive staff issues that need to be addressed separately).

Further to these discussions and consultations the strategic review report is amended and finalised. The decision to reform the Department is made in principle and the purpose and strategic objectives of the reform identified.

### 6.2    Quantification of recommendations

The key objective of the Centre for Good Governance is to improve the performance of the public service but the Government should also try to achieve significant efficiency gains in respect of public expenditure.  Hard financial targets for efficiency savings as a result of the prior options reviews should therefore be considered for all Departments.

The targets for efficiency gains through implementation of the recommendations in the Department, together with specific efficiency measures, should be agreed at the very highest levels of Government.  They could be expressed as:

■    To be delivered in the current financial year - **x%**

■    To be delivered in the following financial year - **y%**

■    To be delivered in each subsequent financial year - **z%**

( $x\%$ represents significant savings that might accrue now after many years without a critical review, where $y\%$ represents the savings that cannot be made immediately and where $z\%$ represents the ongoing target for continuous performance improvement in the Department).

To enable the Centre for Good Governance and the Finance and Planning Departments to monitor achievement of these targets through the prior options reviews recommendations, each recommendation must be quantified, in terms of number of posts to be deleted and the likely savings in manpower and operating costs.

### 6.2.1    Implementation action plan

Clear action plans for implementation of all recommendations must be prepared as a part of the prior options review report.  The action plan will need to set out:

■    Actions to be completed by the end of the current financial year.  These will include the recommendations for abolition of functions, transfer of functions to other ministries, elimination of overlap and duplication, and some privatisation recommendations;

■    Actions to be completed in the first six months of the following financial year.  These will primarily relate to recommendations for privatisation and contracting out.  Where other forms of divestment have been identified in the recommendations, implementation is likely to start in this financial year;

■    Actions to be completed in second half of the following financial year.  These will include much of the remaining recommendations for privatisation and contracting out.  Where other forms of divestment have been identified in the recommendations, implementation is likely to start in this part of the financial year;

■    Actions to be completed in the subsequent financial year.  These will include the remaining privatisation and contracting out decisions, where the need for significant capacity building has been identified.  Implementation of other forms of divestment will also occur in this financial year.

For each recommendation, the action plan should set out:

■    Actions for implementation;

■    Evidence of completion for each action;

■    Who is responsible for the action;

■    Savings expected to accrue from implementation.

## 6.3    Implementation

Following the strategic review, and the acceptance of the strategic review report, the reform of the Department requires the production of recommendations and an implementation action plan for the conversion and reform process.  These recommendations and implementation action plan are set out in three key documents:

■    The Reform Plan (RP), which set out both the case for change and the detailed plan for implementing it;

■    The Medium Term Expenditure Framework (MTEF), which set out the financial implications of the RP;

■    The Framework Document (FD), which set out the governance arrangements for the Department, taking account of the prior options review.  These arrangements include the relationship with the portfolio Minister and the arrangements for managing the agency including the performance contract between the Head of Department and the Minister.

## 6.4    Reform plan

In the light of the strategic review report, Ministers, the Secretaries and the CGG will decide upon the overall framework for taking the Department forward.  They will wish for changes of emphasis in certain areas.  But the most important thing is that the way 'forward' is clarified.

Once this is clarified, the Review Team and Management Group start work on the production of a detailed three to five year Reform Plan, Medium Term Expenditure Framework and Framework Document, which will guide the Department's officials, and the Minister and Secretary, in the change management process.

The production of the Reform Plan, the MTEF and the Framework Document involves:

■ Identifying the appropriate duration for the reform process;

■ Funding requirements and structure of funding;

■ The development of the detailed governance and management arrangements for any new Semi-Autonomous Government Organisation (SAGO) proposed by the prior options review.

The Reform Plan, and its associated documents, would not normally cover less than three years or more than five. Consideration should also be given to a period that allowed the timing of the Department's planning cycle to fall in step with that of the Five-Year National Plan. The term should be sufficient to allow for a transition year and a number of years of "live" operation where the Department can implement fully its new strategies. The number of years of "live" operation required to see full reform will depend upon the technology and services of the Department and the time that it will take to develop and bring its new products and services to the customer-citizen. One "live" year would be insufficient for most Departments, even the smallest, which would require a first "live" year to evaluate its performance and a second year to implement its changes from that learning process. Five years should be sufficient for even the largest and most complex Departments. In any event, planning over a longer time scale tends to become meaningless as future situations and risks become almost impossible to assess more than five years into the future.

The important feature of the Reform Plan will be to provide the foundation for a new style corporate plan with a three to five year rolling horizon. Thus, year two of the Reform Plan became year one of next year's corporate plan, and an additional year's plan was added as a new year, three to five.

The main areas to be covered in the Reform Plan are set out in the following sub-sections.

### 6.4.1    Policy framework

This section of the Plan should set out the basis of a policy framework for the creation of SAGOs in order to provide those implementing the particular prior options review recommendations of the Reform Plan with the principles within which the implementation should be pursued. Whilst the existence, if at all, and the number of SAGOs that may be created is a subject for the prior options review, experience elsewhere suggests that this organisational model may become a powerful vehicle for the reform of operational functions within Departments. It allows new, modern management methods unfettered by the restrictions of civil service rules and procedures whilst providing results and outcome oriented organisational cultures. It has been a huge success in Canada, New Zealand and in Britain. In Britain, over 80% of civil servants now work in SAGOs, which the British Government has called Executive Agencies.

### 6.4.2    Strategic review

This section derives from the strategic review report. It includes a definition of the core business, in terms of mission, vision, strategic objectives, key strategic outputs and performance indicators, and summarised the results of the prior options review, high-level Department review and unit reviews. It culminates with a review of current performance and the issues identified in the SWOT analysis, the identification of business development opportunities and the business development strategy.

### 6.4.3    Business development strategy

The business development strategy is the framework for the transformation of the Department. Drawing on the business development study, this section of the Plan sets out clearly where the Department is headed over the next three to five years, who the major customer-citizens are, and how those customer-citizen's needs would be satisfied.

### 6.4.4    Business process re-engineering

This section sets out the current activities in relation to the Department's outputs and targets and identifies the key problems with current business process. It then goes on to consider the

appropriateness of those activities in the light of the business development strategy. It examines:

- Process change objectives in the light of planned business and performance levels;

- Issues with current processes;

- The main process outputs that will be required;

- Proposals for business process improvement;

- Key process change enablers, including an appropriate IT infrastructure, timely and appropriate legislative changes and staff competency requirements.

The new proposals are developed during the unit reviews using cross-functional staff Performance Improvement Teams, facilitated by Change Agents, supported by the Review team.

### 6.4.5    Financial strategy

The financial management systems (FMS) of a Department may have to be upgraded because Vote accounting cannot provide the essential performance information needed about activities, particularly unit costs.

The FMS needs to store and manipulate information data on:

- Up to date expenditure data by category of expenditure;

- Historical expenditure data;

- Data on deflated real income and expenditure;

- Projections of income and expenditure for the next three to five years;

- Calculations of unit costs.

If the Government is to go ahead with the creation of SAGOs as a key strategy in its civil service reform agenda, as in Britain, New Zealand, Canada and elsewhere, the overall financial management framework within which SAGOs are to operate will have the following key points:

- Budgets will be created at sub-object level;

- SAGO management would have the ability (with appropriate controls) to vire between objects and sub-objects, allowing:

    - Full cost accounting on an accrual basis, including all direct costs, accruals, prepayments and non-cash costs such as depreciation;

    - Expenditure to be monitored at a central level but managed at departmental levels;

    - Commitment accounting and cash requirements for cash control;

    - Senior managers to receive monthly performance reports;

    - The statutory obligations of the SAGO to be met according to the financial policy framework;

- The accounting section would be responsible for the processing of payments to suppliers and the management of debt recovery;

- Key activities would be identified as cost centres within the SAGO.

The sensible way for SAGOs to ensure that this information is stored and processed is to purchase an IT finance package programme. This programme should also be capable of handling the following elements:

- Accounts payable: this system to be integrated with the general ledger system such that:
  - The same ledger codes were used in both systems;
  - Transactions entered into the accounts payable system were posted to the ledger immediately, identifying their payment status;

- Invoices: this facility gives the benefit of immediate ledger update and reduced errors;

- Payment processing: senior managers are made responsible for authorising payments with the actual production of payments controlled centrally. The payment process then provides the information required to undertake bank statement reconciliation;

- Purchase ordering: the responsibility for initiating a purchase order rests with the budget holder. Responsibility for authorising a purchase order rests with the CEO. The purchase ordering processes integrates with the general ledger and the accounts payable module;

- Accounts receivable: this element assists with the management of credit and the raising of invoices and processing payments received;

- Receipt management: the system ensures that revenue is posted to the correct ledger code for reconciliation with the bank statement;

- General ledger: the system will have a single chart of accounts across the SAGO. This will be incorporated into a standard object and transaction code list for analysis which will enable the SAGO to meet the reporting requirements of the Finance Department;

- Budgeting: where appropriate, budgets will be devolved to SAGOs, with other budgets retained within the Department for central functions.

The FMS will ensure that budgets balanced are at every level within the SAGO at all times and will maintain a full audit trail of all budget movements. The FMS will provide access restrictions to budgets by user and ensure that the appropriate authorisation for transfers between budgets is given.

### 6.4.6 *Information and communications technology*

The ICT systems supporting the provision and manipulation of management information will depend on the nature of the business. One of the most important features of the system that is chosen is that it must be capable of producing the reports required for performance management. These will be based on reports of performance against the indicators developed during the review process at every level in the Department.

### 6.4.7 *Human resource development*

The Departments will need to address key human resources issues better to meet the needs of their customer-citizens. These key issues include:

- Designing new jobs and a new organisational structure to allow better implementation of business processes to improve the quality and nature of operational performance and to develop new opportunities for product and service development and delivery;

- Identifying staffing requirements;

- Providing opportunities for personal development;

- Developing and implementing training and skills development plans to support performance improvements;

- Implementing and managing procedures for improving individual performance;

- Introducing new salary grades and reward systems that reflected the new jobs and the organisational structure, and which rewarded improved performance;

- Designing and implementing a rightsizing strategy to help the Department move from its current jobs and organisational structure to its new jobs and organisational structure;

■ Designing a set of human resources policies covering each area of HR responsibility being delegated to SAGOs from central Government.

The next task is to develop new results oriented job description formats. These new formats describe each job in the new organisation chart in terms of its reporting and controlling relationships, overall purpose, strategic objectives, key outputs, performance standards, duties and responsibilities and delegated authorities. They also describe the core competencies and qualifications necessary for the job to be performed successfully.

Key to the design of the new jobs is the intention to improve job satisfaction and staff motivation through job enrichment. This involves:

■ Combining tasks to provide skill variety and job commitment;

■ Forming natural work units to provide job commitment;

■ Designing jobs that wherever possible would increase skill variety;

■ Expanding jobs vertically so that they have some responsibilities and controls that were previously reserved for management, closing the gap between planning and doing, thereby increasing autonomy;

■ Facilitating better feedback through clear responsibility for results and awareness of performance by closeness to the final output (this is also a responsibility in managers' and supervisors' job descriptions).

### 6.4.8    Performance management

The performance indicators having been developed during the review, the drafting of the Reform Plan is the period during which the Department's performance targets are agreed, and arrangements for performance management are put in place.

Performance measurement and management are crucial to the success of Departments because:

■ Performance indicators reveal to a Department its levels of achievements at any point in time. In particular, they tell the Department the extent to which it is attaining its objectives. Without these indicators the Department does not know where it is or what is happening;

■ Armed with performance information, the Department can take remedial action, switching resources from areas which are satisfactory to those which are under-performing;

■ Performance data also helps the Department to plan its allocation of resources for the coming year, to buttress areas that will require additional assistance;

■ Organisational transformation, and the achievement of objectives, requires changed behaviour and consistent effort on the part of employees. Performance information shows employees how they are doing, and provides the basis on which the Government can reward them accordingly.

In order that a performance culture can be generated in a Department, there needs to be:

■ The development of performance targets for the Department, its SAGOs, Districts, Mandals, service delivery areas and for individual members of staff;

■ Arrangements for gathering and acting on performance data, in particular, a reporting system.

#### 6.4.8.1  Performance targets

■ Performance targets are quantified objectives with definite time scales usually associated with cost or efficiency levels. That is, a target is the level of performance required by a Department, displayed by the associated indicator. For example, the indicator may be the number of houses built in year; the target is that 10% more houses than last year should be built in a given year.

Targets should be SMART:

- Specific: they need clearly to relate to the output being measured;

- Measurable: they should as far as possible be quantified, and the data to support measurement should be available at acceptable cost;

- Achievable: they should not be set at such a level that they cannot be achieved - this would demoralise staff - but they also need to be challenging;

- Realistic: they should be compatible within both the organisation's resources and its market;

- Time bound: they should specify the level of outputs required over a specific period of time.

### 6.4.8.2 Performance reporting system

Once the indicators and targets are in place, information needs to be collected about them so that they can be used to manage the Department. The means of data collection will be set out in the Reform Plan sections on improving the ICT systems, described below. The information is brought together through the Department's reporting system.

Department reports should all be *performance* reports. A Department's performance indicators, and the targets associated with them, will be set out in the Framework Document, the Budget and Corporate Plan. Much of the Department's reporting will be oriented towards providing information related to these. The two overall types of reports required are those that were produced for external consumption, and those for internal scrutiny. The main features of these reports and the reporting systems are that they identify:

- What reports are required;

- What data they should contain;

- Who requires which reports;

- Who should provide reports, and to whom;

- The frequency of reports.

The reports that flow to the Secretary and senior officials should be analytical summaries, not lists. They will, in the main, include information about actual performance against targets presented in the following format:

- Current period (plan versus actual);

- Year to date (plan versus actual);

- Current period against previous period.

The financial and management systems of Departments will be upgraded to provide the information for these reports.

### 6.4.9    Implementation plan

The Reform Plan should culminate in an implementation action plan summarising the actions necessary to implement the proposals set out in the Reform Plan. The Implementation Action Plan gives an overview of the most important prerequisites for the implementation of the Reform Plan, including the performance targets to be achieved. The outline structure of the implementation programme summarises the key implementation activities, details for each year of the Reform Plan strategies for marketing and pricing, operations and ICT, finance, human resources, legal issues and the development of physical resources. Within each section there will be a number of tables that summarise the revenue and cost implications of the strategies. Finally, the Reform Plans will set out,

in tabular form, the main actions necessary for successful implementation in terms of responsibility and time scale, the prior conditions or resources required and indicators of successful completion for performance monitoring.

This Implementation Action Plan is an important aid and guide to the Management Group, who will act as the implementation managers or co-ordinators for the reforms. The Implementation Action Plan can be translated into a project plan, using Microsoft Project, a standard computer based planning tool.  This project plan will show the implementation actions in terms of timescale, the linkages between actions and the critical paths in the Implementation Action Plan, and allow resource planning to ensure that each action can be completed as planned.  However, even the best-laid plans need to be revised and updated as they unfold and things change.  The advantage of using a computer based project plan is that the plan can easily be updated to reflect those changes, remaining relevant and meaningful.

## 6.5    Medium term expenditure framework

The Medium Term Expenditure Framework sets out the financial implications of the Reform Plan. The two most important features of the MTEF will be that it is based on:

- A consideration of Finance Department and Plan funding constraints;

- Net funding requirements;

- Project funding;

- Income and expenditure statements (including any staff retrenchment costs);

- Any staff separation costs;

- Staff performance linked incentive costs;

- Cash flow statements.

## 6.6    Framework document

### 6.6.1   Overview

The Framework Document will form the basis of the performance contract between Secretaries, Heads of Department and the respective Ministers and set out the governance arrangements for the Department.  It would include:

- The mission, vision, strategic objectives, key outputs, indicators and principles of the Department. The principles will include statements about how best interests of its customer-citizens will be maintained, how it will consult stakeholders in its operations and its duty to meet efficiency, effectiveness, financial and other performance targets;

- A description of the roles and accountabilities of Legislative Assembly, the portfolio Minister, the Secretary, the Head of Department, the Public Accounts Committee, the Management Board and the Advisory Boards of SAGOs (where they are recommended) and the arrangement of responsibilities and the reporting arrangements amongst them;

- Arrangements for planning, monitoring and reporting, including outputs, performance indicators and targets;

- Arrangements for annual corporate and business planning and for reporting on performance;

- Financial responsibilities to be delegated and financial accountabilities;

- Human resources responsibilities to be delegated and human resources accountabilities;

- Support services responsibilities to be delegated, with particular reference to ICT, and support services accountabilities;

- Provisions for the review of the Framework Document;

- Signatures of the parties to the Framework Document-parent Minister, Secretary, Financial Secretary and Head of Department.

### 6.6.2 *SAGO governance arrangements*

The governance arrangements for SAGOs will need to be recommended for policy makers and legislators to consider if the advantages that are being enjoyed elsewhere in the world are to be had here.

Historically, Government has used either executive or advisory boards to supervise the activities of public sector bodies. It is found that the executive boards largely maintain their overall authority for the business of an organisation whilst vesting responsibility for service delivery to its top manager. This is inherently dysfunctional as those with responsibility for results need sufficient authority to make them happen. Organisations with no boards rely upon infrequent meetings with their very busy Ministers to discuss strategic issues, relying mostly upon the guidance of the Department Secretary or Head of Department for day-to-day management issues. Organisations with advisory boards seemed to have the right balance of providing the organisation with access to external advice and guidance, whilst it retained authority for delivering results at the head of organisation level.

These change needs can be addressed by:

- Forming a top management team within each SAGO, that has the responsibility for delivering results and the delegated authority to enable them to deliver. This top management team would be headed by the CEO and include a head of finance and administration and a head of operations, together with the head of human resources and head of other SAGO specific key functions. It may include a head of ICT, where e-governance is a core business process;

- Maintaining a board but requiring it to operate in an advisory capacity;

- Requiring the top management team to take counsel and advice from relevant professional and stakeholder groups when evaluating strategic performance and developing strategic plans through the appointment of a small number of non-executive members to their top management team meetings. Where an advisory board is recommended, suitable members of that advisory board are also co-opted as non executive members at quarterly performance review and planning meetings of the top management team;

- Requiring a senior official of the portfolio Department to be a non executive member of the top management team, in order to advise the Secretary on the SAGO's strategies and results in the context of the Minister's required overall policy outcomes.

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# Appendix 1

## Identifying options for divestment

A useful set of questions that can assist in establishing what might be the most appropriate options are set out in the following matrices. If the answer to the majority of questions in a particular matrix is 'yes', then, that option would be an appropriate divestment strategy. If the answer is 'no,' it tends to indicate that this option is inappropriate.

*Privatisation*

| | Yes | No |
|---|---|---|
| In principle can the function be delivered by the private sector rather than the public sector? | | |
| Are the potential income streams and profits high enough over the next 1-3 years for the private sector to purchase at a price or invest at a level that compensates for the loss of assets and future revenues to Government? | | |
| Is there immediate need for significant investment for development, which is unlikely to be met from public sources? | | |
| Is it clear that the functions could be managed more effectively if a purely commercial approach were adapted to service delivery and charges? | | |
| Are there adequate regulatory mechanisms in place which can easily be enforced? | | |

*Statutory organisation*

| | Yes | No |
|---|---|---|
| Is this service of such importance to the people and/or economy that it should remain within the public sector with government input into policy and management? | | |
| Are the other key stakeholders outside government who should be involved in policy and executive decisions? | | |
| Is government content to allow policy decisions in this area to be taken by an autonomous executive board? | | |
| Will there be significant increase in revenue if there is a more commercial approach to charging? | | |
| Do revenue and cost projections indicate that the organisation has the potential to break even over time? | | |
| Are the majority of staff specialists who are likely to spend most of their career within this operational area? | | |
| Will there be continued investment or development demands which may not be met by Government resources? | | |

*Semi-autonomous Government Organisation (SAGO)*

|  | Yes | No |
|---|---|---|
| Are there statutory reasons why this service should remain a part of Government? |  |  |
| Are the functions primarily of the operational service delivery type, with little involvement in policy development? |  |  |
| Is the organisation always likely to require substantial Government funding to meet its recurrent costs? |  |  |
| Would the majority of staff in clerical, administrative or other general functions look for career development across the public service? |  |  |
| Are potential investment requirements for development small enough for them to be met from Government resources? |  |  |

*Contracting out*

|  | Yes | No |
|---|---|---|
| Is this a function which Government must continue to manage but which could be managed through a contract? |  |  |
| Is the function 'non-core' for the Ministry concerned: Can the function be described as a support service? |  |  |
| Are the services required relatively generic (the type of services that all large organisations are likely to require)? |  |  |
| Can the service required be readily specified using output based specifications? |  |  |
| Is there a market already providing these services in the country, or is it likely that a market will develop if contracts are offered? |  |  |
| In the private sector, are there significantly lower costs for these services or much higher quality of service? |  |  |

# Appendix 2

## Guidance note for carrying out a SWOT analysis

### Introduction

This guidance note is for those carrying out, or participating in, a SWOT analysis, SWOT being the acronym for **s**trengths, **w**eaknesses, **o**pportunities and **t**hreats. It is a simple, popular technique which can be used in preparing or amending plans, in problem solving and decision making, or for making staff generally aware of the need for change.

### Definition

SWOT analysis is a general technique which can find suitable applications across diverse management functions and activities, but it is particularly appropriate in the early stages of strategic planning.

Performing a SWOT analysis involves the generation and recording of the strengths, weaknesses, opportunities, and threats concerning a task, individual, department, or organisation. It is customary for the analysis to take account of internal resources and capabilities (strengths and weakness) and factors external to the organisation (opportunities and threats).

### Benefits

SWOT analysis can provide:

- A framework for identifying and analysing strengths, weaknesses, opportunities and threats;
- An impetus to analyse a situation and develop suitable strategies and tactics;
- A basis for assessing core capabilities and competences;
- The evidence for, and cultural key to, change;
- A stimulus to participation in a group experience.

### Concerns

SWOT analysis is an overview approach which may be ineffective as a means of analysis if it leads to:

- The generation of long lists;
- The use of description, rather than analysis;
- A failure to prioritise;
- A failure to use it in the later stages of the planning and implementation process.

Workshop delegates should endeavour to avoid the above pitfalls in their group work.

### Action checklist

*Create a workshop environment*

Exploit the benefits of workshop sessions to compile and record the SWOT lists. Encourage an atmosphere conducive to the free flow of information and to participants saying what they feel to be appropriate, free from blame. The leader or facilitator has a key role and should allow time for free flow of thought, but not too much. Half an hour is often enough to spend, for example, on strengths, before moving on. It is important to be specific, evaluative and analytical at the stage of compiling and recording the SWOT lists - mere description is not enough.

*Establish the objectives*

The first key step in any project: be clear on what you are doing and why. The purpose of conducting a SWOT may be wide or narrow, general or specific - anything from getting staff to understand, think about and be more involved in organisational management, to re-thinking a strategy, or even re-thinking the direction of the organisation.

*Select appropriate contributors*

The selection of group members is important if the final recommendations are to result from consultation and discussion, not just personal views, however expert. So:

- Pick a mix of specialist and "ideas" people with the ability and enthusiasm to contribute;

- Consider how appropriate it would be to mix staff of different grades;

- Think about numbers: 6 - 10 people may be enough per group, especially in a SWOT workshop, but up to 25 or 30 can be useful if one of the aims is to get staff to see the need for change.

*Develop lists of strengths and weaknesses*

Gathering information on strengths and weaknesses should focus on the internal factors[1] of:

**Staff** (numbers, locations, types of jobs, resources to enable staff to be effective);

**Structure** (lines of reporting, spans of control, levels of authority, communications channels);

**Systems** (operational processes, customer relationship processes, financial management systems, human resource management systems, management information and performance reporting systems, file management systems, assets to support systems);

**Style** (how the organisation is managed, how staff are treated, the level of risk that managers take, the exercise of authority and control, delegation policy, level of empowerment);

**Shared values** (the culture of the organisation, or "how things are done around here." Attitude to customers, attitude to each other, attitude to work, staff objectives);

**Skills** (the competencies that managers and staff have; subject knowledge, job knowledge, ability to apply that knowledge, experience of work and levels of performance possible);

**Space** (does the organisation provide space for creativity and innovation, time for reflection, 'blue sky thinking' and 'thinking outside the box'. Does it regularly involve its staff and stakeholders in brainstorming and problem solving, does it provide budgets for these activities - does it use consultants for this purpose and are consultants the best mechanism to use?).

This session should not constitute an opportunity to slate the organisation but be an honest appraisal of the way things are. Key questions may include:

- What obstacles prevent progress?
- Which elements need strengthening?
- Where are the complaints coming from?
- Are there any real weak links in the chain?

Organisational performance is more often influenced by the strengths and weaknesses of the behavioural aspects of the organisation; style, shared values, skills and space. Bear this in mind during the analysis.

---

[1] The ideas given in brackets following each of the key factors in the following two lists are probably the key issues, but they are not necessarily exhaustive.

**Develop lists of opportunities and threats**

Gathering information on opportunities and threats should focus on the external factors (**situation**) over which there may be little or no control, such as:

**Political** (support for organisational change from the political system, State and National government policies, proximity of elections, relationship between government and donor/lender organisations and relationship between State and National Government, District politics and the nature of local representation and political participation, current and future legislation);

**Economic** (the distribution and control of resources, levels of growth, changes in growth patterns amongst various industry/economic sectors, distribution of wealth and income, National economics, world economics, globalisation);

**Environmental** (water sources and water pollution, air pollution, climate changes, town and country planning, building and other developments, forestry, natural resource use and exploitation, energy use and renewable energy resources, coastal protection, soil erosion and depletion, fisheries, human habitations and working conditions)

**Social** (demographics and demographic trends, spread of population, culture, religion, social movements, NGOs and civil society, the press, alternative social movements and their impact, external influences and trends, social divisions);

**Technical** (developments in technology and their applications, available support to technology, cost of technology);

**Market** (citizen-customer trends, demand for and supply of services, emerging needs and wants, required levels of performance, competition for supply of government services from private sector, NGOs and civil society - and their strengths and weaknesses - willingness to pay and providing best value for money in the provision of public services).

**Evaluate listed ideas against objectives**

With the lists compiled, sort and group facts and ideas in relation to the objectives. It may be necessary for the SWOT participants to select their five most important items from the list in order to gain a wider view. The key to this process is clarity of objectives, as evaluation and elimination will be necessary to sort the priorities from the less important. Although some aspects may require further information or research, a clear picture should, at this stage, start to emerge in response to the objectives.

**Dos and don'ts for SWOT analysis**

*Dos*

- Be analytical and specific;
- Record all thoughts and ideas on flip charts;
- Be selective in the final report;
- Choose the right mix of people for the exercise;
- Choose a suitable SWOT leader or facilitator.

*Don'ts*

- Try to disguise weaknesses;
- Merely list errors and mistakes;
- Lose sight of external influences and trends;
- Allow the SWOT to become a blame - laying exercise;
- Ignore the outcomes at later stages of the planning process.

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## Carry the findings forward

Make sure that the SWOT analysis is used in subsequent planning.  Revisit your findings at suitable time intervals to check that they are still valid.

## Implementing your ideas

After further refinement, you will use the results of your SWOT analysis to make changes to your organisational strategy, which defines the relationship between your organisation and its situation. But strategies do not implement themselves.  Along with the physical, financial, material, information and communications technology and human resources at your disposal, you must ensure that you develop a shared vision of the strategic outcomes; amongst the staff and between the organisation and its environment.  The following diagram shows the relationship amongst the internal organisational systems and between the organisation and its situation.  A good **strategy** and a **shared vision** are the key enablers of performance improvement.

**Organisational model for SWOT and problem solving analysis:**
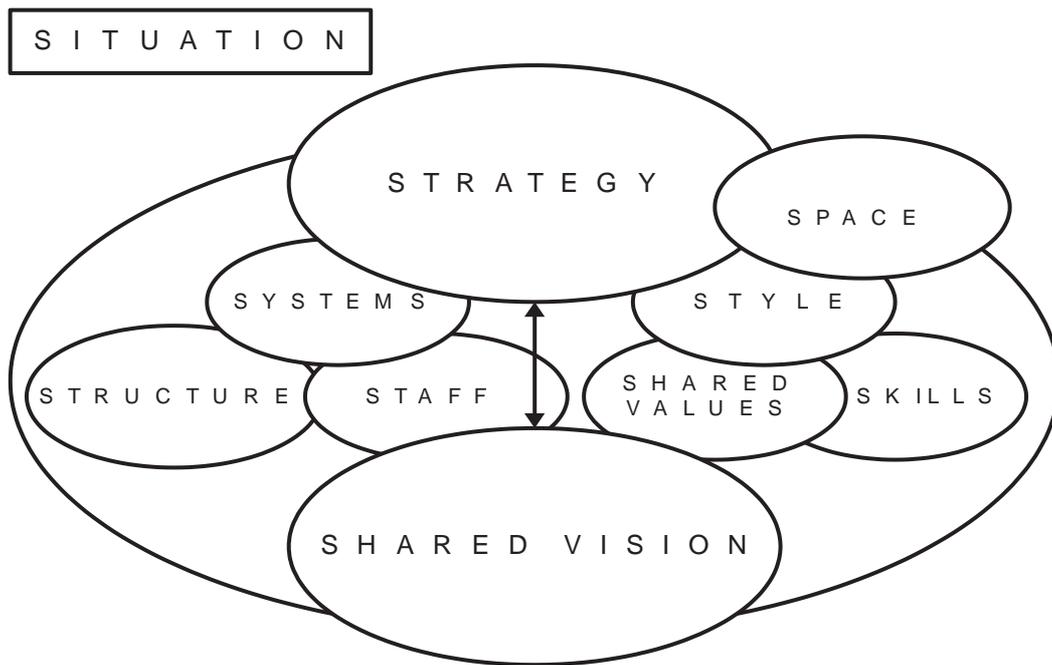
# Appendix 3

**Sample unit review questionnaire**

*Introduction*

The Secretary for (Department) is supervising a review of a number of units and their functions. This review is being led by consultants from the Centre for Good Governance. The review will examine the purpose, function, structure and performance of each unit within the context of the overall mission, vision, strategic objectives and outputs of the Department as a whole, in order to address issues of organisational fitness and relevance.

This unit review questionnaire is designed to collect important information about your unit. It is detailed and will take some time to complete. However, it is also designed to stimulate your thinking about the need for change and improvement within the Department and in your unit in particular and we hope that this will be useful to you in preparing for that change.

The information you give on this questionnaire will provide an important foundation for the review, which will also involve an interview programme and a series of workshops The Review Team will be contacting you to arrange an interview and will tell you when the workshops are to be arranged.

The parts of this questionnaire that you may not easily be able to complete at this time can be completed with the assistance of the interviewer during the interview or with the facilitator at one or more of the workshops. Thank you in advance for your help and cooperation in this matter.

**Please complete this questionnaire as fully as you can and return it to the Secretary for (Department) by (date). If you prefer, an electronic version of this form (in Microsoft Word) is available by e-mailing a request to (e-mail address). The electronic form should also be completed and returned to (e-mail address) by (date).**

**Information about the unit you manage:**

| | |
|---|---|
| Name of unit (full title, no initials) | |
| Name of Head of unit (your name) | |
| Grade of Head of unit (your grade) | |
| Job title of Head of unit (your job title) | |
| Location of unit (its postal address) | |
| Website address (if any) | www. |
| Your email address | @ |
| Your direct line phone number | |
| Your cellular phone number | |
| Your office phone number | |
| Your office fax number (state if the fax is in an open area or in area where confidential information can safely be sent) | |
| The person to whom you report (name) | |
| The person to whom you report (job title) | |
| The person to whom you report (grade) | |
| The person to whom you report (address) | |

**Information about individual sections [1] that are part of your unit:**

| | Name of section | Name of section head | Job title of section head | Location of section | Total posts in section [2] |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
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| 19 | | | | | |
| 20 | | | | | |

---

[1] Sections are separately managed parts of your unit. They may also be in a different location. For instance, if your unit is responsible for teacher training, some of the sections may be teacher training institutions. If your unit is responsible for education in the Mandal, some of the sections may be Mandal resource centres and other schools and colleges.

[2] Include all posts, whether occupied or vacant.

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**Strategic information:**

| | |
|---|---|
| **Policy[3] outcome** [4] that your unit supports (these will be found in Vision 2020 and in the 10th National Plan) | |
| **Mission**[5] (a short memorable sentence) | |
| **Vision**[6] (a short memorable sentence) | |
| **Strategic objectives**[7] (three to six short sentences, which are mutually exclusive and completely exhaustive, that set out what your unit plans to achieve and why) | |
| **Key outputs**[8] (three to six words or phrases that describe your deliverables against the strategic objectives, which are each expressed in a way that allows you to say whether it was produced or not) | |

---

[3] A statement of how Government translates its political vision into programmes and actions to deliver outcomes, desired changes in the real world.

[4] What actually happens as a result of specified outputs and how Government measures policy implementation?

[5] The main purpose for which your function existsIts overall purpose, linked to desired policy outcomes

[6] A high-level picture of where and what your function sees itself as in the futurewhat things will look like when the mission is being delivered.

[7] High-level statements of what is planned to be achieved in order to realise the mission and vision.

[8] The things or conditions produced by your function in order to achieve its strategic objectives.

| | |
|---|---|
| **Performance indicators**[9] (you would normally want to measure two to three aspects of performance against each of the outputs to give a rounded view of performance) | 63 |
| **Targets**[10] (there should be a target, normally an annual one for the current financial year, for each performance indicator) | |

---

[9] How you measure how well you produce your outputs. Indicators are usually expressed in terms of **Q**uality, **V**olume, **T**ime and **C**ost or of some ratio between them.

[10] Quantified objectives with definite time scales that are **S**pecific, **M**easurable, **A**ttainable, **R**ealistic, and **T**ime-bound.

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| **Main activities**[11] (these are the actual activities of your unit. If what your unit actually does is different to what it is supposed to do, in whole or in part, please be sure to list the actual activities. These are not your personal functions, but those of the unit you manage) | |
| --- | --- |
| | |

---

[11] The main things that you do in order to produce your outputs to the target levels of performance.

**Financial data about your unit:**

(If your unit does not have its own budget head then please estimate for each of the following categories)

| Category | Amount for FY200X/0Y |
|---|---|
| Recurrent expenditure - plan | IRs |
| Recurrent expenditure - non plan | IRs |
| Recurrent expenditure - donor funded projects | IRs |
| Total recurrent expenditure | IRs |
| Capital expenditure - plan | IRs |
| Capital expenditure - non plan | IRs |
| Capital expenditure - donor funded projects | IRs |
| Total capital expenditure | IRs |
| Revenue collected as taxes | IRs |
| Revenue collected for services provided | IRs |

**Human resources data about your unit:**

*Permanent posts*:

(Include only established permanent and pensionable posts.  Count posts, not persons)

| | |
|---|---|
| Number of posts (IAS managerial[12]) | |
| Number of posts (other Gazetted, managerial[13]) | |
| Number of posts (Gazetted, professional[14]) | |
| Number of posts (support[15]) | |
| Number of posts (ancillary[16]) | |
| Total number of permanent posts | |
| FY 200X/0Y manpower budget for these posts | IRs |

*Fixed term contract and temporary posts (non-permanent)*
Include only project and other temporary posts that are not a permanent part of the unit establishment.  Do not include consultants' posts that are not on your payroll.  Category definitions are the same as in the previous question)

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[12] This includes all IAS officer and other 'all India' posts, such as IPS, etc.

[13] This includes senior officer posts with management responsibility, but which are not in the above category and  would normally require a post-graduate level of education.

[14] This includes posts for which a graduate level education and formal post-graduate professional training is required but which do not have significant management responsibilities, for instance, teachers, engineers and lawyers.

[15] This includes posts for which a secondary school education and some sort of vocational education or training is  required, such as education volunteers, secretaries and laboratory or other technicians.

[16] This includes all other posts for which either a primary school education or basic functional literacy is required.  This should also include posts such as security guards, office attendants, messengers, drivers and cleaners, unless these services have been contracted out, and whether or not the current incumbents have completed primary education or attained functional literacy.

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| | |
|---|---|
| Number of posts (other managerial) | |
| Number of posts (professional) | |
| Number of posts (support) | |
| Number of posts (ancillary) | |
| Total number of non-permanent posts | |
| FY 2002/03 manpower budget for these posts | IRs |

**Analysis:**[17]

*Staffing*[18]

| | |
|---|---|
| What are the **staffing** issues, if any, that inhibit your unit's ability to perform as required? | |
| What practical steps can be taken to solve these **staffing** issues? | |
| What are the strengths, if any, of the current **staffing**? | |
| What practical steps can be taken to build on these **staffing** strengths? | |

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[17] IN THIS SECTION PLEASE PAY ATTENTION NOT ONLY TO HOW THINGS ARE (AS IS), BUT HOW THEY WILL BECOME (TO BE). IN OTHER WORDS, INCORPORATE IN YOUR REPLIES YOUR THINKING ABOUT ANY UPCOMING MAJOR CHANGES OF WHICH YOU ARE AWARE.

[18] This may include vacancy rates and recruitment difficulties, overstaffing, salary issues and job design.

*Structure*[19]

| What are the **structural** issues, if any, that inhibit your unit's ability to perform as required? | |
|---|---|
| What practical steps can be taken to solve these **structural** issues? | |
| What are the strengths, if any, of the current **structure**? | |
| What practical steps can be taken to build on these **structural** strengths? | |

*Systems*[20]

| What are the **systems** issues, if any, that inhibit your unit's ability to perform as required? | |
|---|---|
| What practical steps can be taken to solve these **systems** issues? | |
| What are the strengths, if any, of the current **systems**? | |
| What practical steps can be taken to build on these **systems** strengths? | |

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[19] Structure means the organisational structure of the function and its units and includes reporting lines, spans of control and levels of responsibility and authority.

[20] Systems mean the procedures and processes by which the work is carried out. They include how files are moved around and dealt with, how the customers of the function are served, and how information and communications technology is utilised.

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*Style[21]*

| | |
|---|---|
| What are the **management style** issues, if any, that inhibit your unit's ability to perform as required? | |
| What practical steps can be taken to solve these **management style** issues? | |
| What are the strengths, if any, of the current **management style**? | |
| What practical steps can be taken to build on these **management style** strengths? | |

*Space[22]*

| | |
|---|---|
| What are the **opportunities**, if any, that help your unit to think and creatively and innovatively and anticipate future demands? | |
| What practical steps can be taken to solve these **opportunity** issues? | |
| What are the strengths, if any, of the current **opportunity** issues? | |
| What practical steps can be taken to build on these **opportunity** strengths? | |

[21]Style relates to management style, or how authority is exercised.  Issues may relate to the accessibility of managers to staff, how they communicate with and delegate to their staff, how they involve staff in decision making and how they deal with performance issues, from coaching and developing staff to disciplining and sanctioning them.  It also relates to the issue of reactivity and proactivity; do managers anticipate problems and plan to solve them?  What is their attitude to risk and uncertainty?  Are they creative and innovative?

[22]Shared values relates to the culture of the organisation (not the culture of society). Organisational     culture has best been described as "the way things are done around here."  It is usually unwritten but is always understood by all members of the organisation.

*Shared values*[23]

| | |
|---|---|
| What are the **cultural** issues, if any, that inhibit your unit's ability to perform as required? | |
| What practical steps can be taken to solve these **cultural** issues? | |
| What are the strengths, if any, of the current **culture**? | |
| What practical steps can be taken to build on these **cultural** strengths? | |

*Skills*[24]

| | |
|---|---|
| What are the **competency** issues, if any, that inhibit your unit's ability to perform as required? | |
| What practical steps can be taken to solve these **competency** issues? | |
| What are the strengths, if any, of the current **competencies**? | |
| What practical steps can be taken to build on these **competency** strengths? | |

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[23] Shared values relates to the culture of the organisation (not the culture of society). Organisational culture has best been described as "the way things are done around here." It is usually unwritten but is always understood by all members of the organisation.

[24] Skill is used here as shorthand for competency, or the ability to do something to a required standard. Competency issues may be related to a lack of formal knowledge (for instance not knowing about a Government Order, an accounting technique or a work procedure), not knowing how to apply formal knowledge (for instance, a newly qualified accountant who may not yet be able to build a budget) or a lack of experience in dealing with a sufficient range of similar issues (for instance, having a degree in computing and skill in systems design, but not being able to resolve a systems integration problem, having never worked on a similar problem before).

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## Three wishes

If you could change any three things about your function, the way it works, how it fits into the overall sector that it is part of, how it serves its customers, or any other issue, what would those three things be? For instance, is there any duplication, overlap or redundancy amongst the units under your control? Are important activities and tasks being covered properly? Is there any major change pending with which the units are not properly equipped to deal? Please write your three wishes in the boxes below.

| 1 | |
|---|---|
| 2 | |
| 3 | |