Introduction

In the smallest Pacific developing member countries (DMCs) like Kiribati and Tuvalu, the public sector generates around 80% of economic activity; hence, small efficiency increases can have measurable economic impacts. While many aspects of private sector management theory apply to improving public sector performance, key differences in the sector complicate the issue. Unlike their counterparts in the private sector, managers in the public sector must deal with
- a wide range of stakeholders demanding different services,
- more complex decision-making protocols,
- employees whose range of motivations are less homogenous than those in the private sector,
- a relative inability to shape staff behavior and performance through reward and negative consequences, and
- problems of alignment between the political aims of government and the technical focus of the public service.

These features of public sector management can combine to create an organizational inertia that is difficult to break.

Despite the complexities of public sector management, there is much to learn from the private sector planning process. Clarity, simplicity, focus, motivation, alignment, decision making, and information use are key advantages of private sector corporate planning. Moving toward them would facilitate improvements in public sector performance. In other words, improved public sector performance would require a public sector corporate planning process that encourages
- developing simplicity and clarity of purpose,
- exercising choice and balance between the competing demands of stakeholders,
- aligning and rewarding employees,
- developing and using management information systems, and
- implementing evidence-based decision making.

This note is based on ADB’s support for corporate planning reforms in Pacific DMCs. It discusses an integrated approach to corporate planning and reform which may assist Pacific DMC officials to work toward improved public service performance and service delivery to stakeholders.

The Importance of an Integrated Approach

Public sector management can be complex if not cohesively managed. For example, encouraging government organizations to reform their processes and to cut the share of the wage bill in the total budget is substantially undermined if the oversight department insists that the resulting savings be returned to the central fund, sharing nothing with the cost-cutting department. Similarly, reforming the budget process without reforming the organization planning process is likely to run into problems at implementation.

It is not possible to reform components of organization performance without improving the operating environment. As shown in Figure 1, all components of the management planning cycle work together to improve performance. Plans should link and cascade; the language, level, and timing of budget and planning should be aligned; and monitoring and evaluation feedback loops should provide for continuous improvement.

Figure 1: Components of Performance Improvement

Source: ADB. 2012. Results-Based Public Sector Management: A Rapid Assessment Guide. Manila.
Do:
✔ Ensure that political commitment to the reform is secured and the reform advocates are identified.
✔ Conduct an assessment of the forces supporting change and those opposing change.
✔ Ensure that the reform process is driven by improvements to stakeholder service delivery.
✔ Begin the reform in areas where the operating environment can be improved, which may not be across the whole of government.
✔ Ensure that corporate planning and budget guidance documentation are integrated.

Don’t:
✘ Have separate processes for budget, corporate planning, and performance management reforms. In reality these are all parts of the same reform process.

Recognizing the Current Reality

Corporate planning is concerned with improving government efficiency and effectiveness, i.e., delivery of higher standards of service while improving value for money of citizens. A core problem in implementing performance improvement in government organizations is the legacy of previous performance levels and expectations. It is not the lack of organizational standards of performance; this would be a relatively easy problem to deal with. The problem is that government organizations already have assumed standards of performance, which are accepted by staff and which are underpinned by a system of attitudes, beliefs, values, decisions, and cultures. The organizational processes and capacities are already perfectly aligned with the current results, even if the results being delivered are neither effective nor efficient. The old “organizational machine,” while being 100% capable of delivering the old services, may be completely incapable of bringing new, higher standards of performance without considerable reform.

Do:
✔ Remember that corporate planning works to align external results with internal systems and capacities.
✔ Remember that organizational development and realignment are critical to improved service delivery.

Ensuring Value in the Corporate Planning Process

In many public sector organizations, corporate planning has been reduced to an event—the production of the corporate plan itself. While the corporate plan is important as a source of information for budgeting and as a guide to performance monitoring and management, it is in the process of corporate planning where real performance improvement can be found—in the choices, decisions, and resource allocations made by the management. The thinking that identifies performance problems and solutions, that identifies and assesses risks, that sees the corporate plan as a performance and risk management document is the real advance in performance, not the document itself.

Because of the difficult choices to be made and the risks to be assessed, the corporate planning process must involve the most senior management. It cannot be delegated to midlevel staff who possess neither the breadth of understanding nor the authority to make strategic choices or allocate resources on behalf of the organization.

Use tools such as ADB’s guide\(^1\) to results-based public sector management to conduct a rapid assessment of the current capacity of public service.

Don’t:
✘ Plan service delivery improvements that are too far in advance of efforts to change the systems and capacities of the organization. Outputs required of an organization and its reforming systems and capacities should always be aligned.

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Do:
✓ Focus on the process not on the document.
✓ Focus on analysis and decision making not on “cutting and pasting” last year’s plan into a new document.
✓ Make sure that corporate planning is not seen as a time-wasting event that takes people away from their work. Corporate planning should be an everyday event, a mainstreamed process that works to monitor and improve performance every day.
✓ Make sure that senior management, both political and executive, are involved in the process. They are essential not only from a decision-making point of view but also in providing leadership and showing commitment.
✓ Consider giving the corporate planning process some force through cabinet decisions.
✓ Recognize that failed attempts at corporate planning will leave a legacy of cynicism which must be overcome.
✓ Ensure that a dedicated team focuses on performance improvement throughout the year, not just during plan preparation.

Don’t:
✗ Allow consultants to manage the corporate planning process or the production of the corporate plan. It is critical that local staff make the decisions, allocate the resources, and own the process.
✗ Allow corporate planning to be delegated in the organization as a technical task. There are difficult choices to be made to balance the organization. These choices can be made only by senior management.
✗ Overestimate or underestimate the work involved in the corporate planning process. Mainstreaming the process will lessen the annual pressure caused by the need to produce a plan.

An Improved Planning Process
The process discussed below is designed to clarify, simplify, and implement good corporate planning.

Step 1: Building Clarity
Clearly identify the results that the organization is expected to deliver—the future desired state. Because of the complexity involved in public sector management, it is important to distinguish between different levels of results (as highlighted in Figure 2).

As outlined in Figure 3, the results are expressed as the desired future state, that is, the results that the organization should be producing. The outputs identified are the critical focus of the corporate plan. The outcome is why the organization is producing that output. The corporate plan links the activities of the organization through its outputs to the national and sector outcomes and impacts required. The planning process should cascade from the national impact to the outputs, and then to the individual job descriptions and performance appraisals of staff. Developing clarity through analysis and making difficult choices are key elements of the corporate planning process.

Developing clarity through analysis and making difficult choices are key elements of the corporate planning process as shown in Figure 4.2

Step 2: Performance Gap Analysis
Identify how the organization currently fails to deliver the desired outputs. There will be a difference between the future desired state of the outputs and the actual performance level of those outputs. The difference is a gap in output performance. A performance gap is a statement of the performance shortcoming. It is not a diagnosis or a solution. It is a simple statement of an output performance shortcoming.

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2 ADB. 2007. Results-Based Project Management for Pacific Developing Member Countries. Manila. (TA 6436-REG)
The key functions of the corporate plan are ensuring that outputs are aligned with outcomes, planning to close output performance gaps, and delivering improved performance, as shown in Figure 5.

**Step 3: Problem Analysis**

Identify the causes of the performance gaps. Output performance gaps are caused by either, or both, of two types of organizational weakness:

- weakness in the *systems* of the organization
- weakness in the *capacities* of the organization and of its people

In the context of the example of the performance gap in road repair, a *systems weakness* could be the inability to pass on the fault report to the maintenance department. A *capacity weakness* could be the lack of road maintenance equipment.

**Step 4: Closing the Performance Gaps**

Identify the options for improving the weaknesses in systems and capacities, and make better choices. Improving the delivery of the output will require plans to upgrade the system and capacity problems.

**Principles Underpinning the Improved Planning Process**

For the four-step planning process to work, it must be underpinned by two principles, each of which is easier said than done.

**Principle 1: Clarity, honesty, and realism**

Most public sector corporate plans fail to deliver their outputs, which is especially true in development and reform environments. The failure is partly due to poor implementation, but a great deal of the blame has to be attributed to flawed planning at the outset. A common problem is promising to deliver *outcomes* that lie beyond the control of the agency—a common problem in public sector corporate plans. Other problems are caused by a lack of honesty in terms of the capacities of the organization and the level of outputs it can reasonably be expected to deliver.
Often, service levels and outputs are set unrealistically high and do not reflect the capacities and systems of the organization. In many cases, the management knows that the promises are undeliverable at the outset. The lack of accountability in the system means that there is often no consequence for exaggerated planning and assessment of capacity.

These planning mistakes guarantee failure for the organization, the management, the budget, and the whole reform process. Being honest and clear in defining organization outcomes, outputs, and activities will drive an honest budget process which takes on the problems of service delivery at the outset rather waiting until failure sets in. Clarity and honesty create the potential to align employees behind a set of outputs, making the assessment of performance possible and useful.

**Do:**
- Conduct realistic stakeholder analysis to identify outputs required of the organization.
- Use the frameworks and language of results management in both the corporate planning and budget processes.
- Make sure that the outcomes and outputs identified are medium term in perspective—that is, those that the organization should be delivering according to the corporate plan.
- Cascade the delivery of outcomes and outputs through the organization, ensuring all staff know their contribution.
- Honestly identify organizational weaknesses that prevent the delivery of outputs. Weaknesses indicate a need for change and a change to the allocation of resources.
- Honestly identify organizational strengths that can be used to promote reform and behavior change.
- Use the clear identification of outputs and outcomes to help design the organization’s structure. The structure of the organization and its system of accountabilities and delegation should be driven by the outputs and outcomes the organization is required to deliver. Many government

![Figure 4: Cascading Results Mapping](image)

![Figure 5: Output Performance Gap](image)
Staff are under pressure from a multiplicity of stakeholders. Performance management and accountability tend to be budgeted in a 1-year, line-item way, encouraging much more than creating a good plan, although a good plan is a necessary starting point.

Principle 2: Adopting a balanced approach
Too many corporate plans in the public sector are heavily influenced by politics and by the competing demands of a multiplicity of stakeholders. Overly ambitious promises at the political level are translated into impossible outputs at the organizational level, creating an imbalance between the promised and exaggerated service levels on one hand and the resources of the organization on the other. This creates a planning imbalance. In reality, the outputs delivered by the organization will eventually shrink to meet the resources, bringing the system back into balance, but the damage will have already been done to operations, to the integrity of the budget process, and to the interests of stakeholders. Failure to deliver unrealistic plans is not good.

Do:
✓ Balance the plans of the organization with its available resources, capacities, and systems.
✓ Link realistic organization outputs and outcomes to budgets.
✓ Create balance by making brave, difficult choices between different sets of stakeholder needs. It is better to balance the organization by choosing to do three things very well than to choose to do 10 things badly. Good planning is as much about what not to do as it is about what to do.

Don’t:
× Make the mistake of cutting across-the-board in order to balance the organization. This will adversely affect service delivery to everyone.
× Postpone the balancing process until reality asserts itself through a failure to deliver inflated outputs; creating balance is a planning challenge.

The Importance of Good Implementation
As with all management processes, creating the plan is often the easier task. It is implementation that is much more difficult. Public service is littered with plans which had the best of intentions but which were never implemented or which ran out of energy before achieving what they were designed to achieve. This is a particular problem in the public sector where the requirements of powerful and competing stakeholders and democratic election cycles can change the level of commitment to an ongoing process of change in a very short time.

For implementation to be successful, the corporate plan should not only follow a rigorous process of analysis but should also be able to be implemented over the life of the plan. Bringing about real change in the public sector is much more than creating a good plan, although a good plan is a necessary starting point.

Encouraging change in the public sector can be notoriously difficult.
■ Staff are under pressure from a multiplicity of stakeholders. Seeking to satisfy them all leads to generic and nonspecific output statements and, commonly, a failure to deliver properly to any stakeholder.
■ Performance management and accountability tend to be weak, with poor assessment of actual performance and little incentive to improve performance behavior. The “public service mindset” of compliance and inertia is not supportive of performance improvement.
■ Budgets are allocated in a 1-year, line-item way, encouraging accurate bookkeeping but discouraging expenditure decision making designed to deliver outputs and support outcomes on a sustainable basis.

Without management activities focused on these problems, all the technical work in corporate planning will be undermined.
Do:
✓ Make sure that the corporate planning process clarifies organizational outputs and outcomes, making the difficult choices and providing staff with clear outputs and performance criteria.
✓ Align the accountability and staff performance management processes with the budget and the delivery of the outputs and outcomes of the corporate plan. Generic performance management systems, which are not linked to required future expected outputs and outcomes, are not helpful.
✓ Ensure that job descriptions are revised to reflect the outputs and outcomes required at all levels of the organization.
✓ Ensure that delivery of the required outputs attracts reward, and that resistance to change attracts censure.
✓ Follow the principle of good change management: Do not try to change everything at once. Find things that are easy to change and change them first, allowing people to see that change is possible.
✓ Seek to build a network of like-minded reformers to help champion the process.
✓ Encourage senior management to demand better information, decision making, and performance through a rigorous performance assessment directly linked to the delivery of the outputs of the corporate plan. Not being transparent is the enemy of good corporate planning.
✓ Anticipate the problems that arise when you try to improve efficiency and effectiveness. For example, there will often be excess capacity; have a plan ready to deal with it.
✓ Provide the organizations with all the technical and managerial help they need. Corporate planning is not an easy process and often requires long-term coordinated commitment from development partners.

Don’t:
✗ Delegate to the chief executive officers before ensuring that they have the capability to manage their new responsibilities. Capacity development is often essential.
✗ Delegate until proper performance and accountability mechanisms are in place.
✗ Consider ideas such as performance-based contracting until the corporate plans are well established, the job descriptions aligned, the performance assessment system accepted, and systems for reward and consequence developed.
✗ Expect change efforts to be successful in all areas or to have an immediate positive effect upon performance. Change efforts can often look bad at the outset. Change takes time.
✗ Allow conversations to focus on the same old topics, ignoring critical issues that are uncomfortable. For the planning process to work, uncomfortable issues need to be dealt with.
✗ Forget to integrate the staff of the oversight departments of finance and human resources into the implementation process. Improving performance is an integrated process involving everyone. Everything has to move forward together.

Improving performance, efficiency, and effectiveness in the public sector requires not only good planning. It also needs a strong implementation process driven by members of senior management who are dissatisfied with the status quo and have agreed to support the reform of central agencies of the government.
Causes of Corporate Planning Failure

Successful implementation of the corporate plan is as much about recognizing, managing, and avoiding the common causes of failure as it is about positive change management. Particular causes of corporate planning failure in the public sector include:

- a lack of knowledge and understanding of what corporate planning involves;
- a lack of appreciation that the real value lies in the planning process rather than in the documentation;
- a lack of senior management involvement, commitment, and leadership;
- a lack of the application of management judgment, risk assessment, and choice to the range of stakeholder requirements acting upon the organization;
- lack of accountability;
- a lack of alignment between the corporate plan and the job descriptions and performance assessment system;
- attempting to impose a private sector planning model upon the public sector without considering public–private sector differences;
- freezing the plan as soon as it is produced; corporate planning should be a living, evolving process;
- too little focus on implementation and change management;
- too little focus on managing the commitment of the staff toward the corporate plan;
- allowing the plan to become too complex and unwieldy to the point where it is not usable anymore as a day-to-day management document for all staff levels.

It is important that these barriers to improved performance through better planning are predictable and manageable through management involvement and capacity development. They are all under the control of organizational management.

Conclusion

Improving performance, efficiency, and effectiveness in the public sector requires not only good planning. It also needs a strong implementation process driven by members of senior management who are dissatisfied with the status quo and have agreed to support the reform of central agencies of the government. Aligning corporate planning process with the budget process, and corporate plans with ministry budgets, will provide a force for change and performance delivery.