

**HR hits the bottom line:
*Understanding the dynamic driving new HR
thinking in Commonwealth agencies***

By Terry Fewtrell

Workforce planning, succession planning and coaching have not been issues to which the public sector in the past has given a lot of focus or effort. Things are changing however and increasingly they are becoming part of the key HR repertoire of departments and agencies.

So why the change? You could say these are signs of a more mature HR culture emerging across the public sector. To some extent you would be right. Linkages from corporate plans to HR strategies that aim to ensure the organisation has, and retains, the capabilities to deliver on those objectives should be at the forefront of strategic HR practice, whether in the public or private sectors. What is often not appreciated in the context of federal public sector agencies is that the spotlight that is now shining on these types of issues is largely a downstream impact of a broader public sector reform agenda.

During the last two decades successive governments have seen the reform of the Australian public sector as a key micro economic reform element in the push for a globally competitive national economy. Just as we have seen an emphasis in the broader economy given to labour market reform, financial sector reform and the restructuring of individual industries, there has also been a largely unheralded reforming of commonwealth government administration, both in terms of its structure but more significantly, its internal dynamic.

How has this happened? And how does it filter through to HR at the start of the 21st century?

HR is doing its job when it is serving corporate organisational goals, particularly when it is interpreting the future and positioning the organisation to succeed in an unfolding environment. That evolving environment for federal agencies is one that is driven largely by key systemic initiatives which, were introduced as tools to foster a more business-like approach to the use and management of commonwealth resources. Commonwealth legislation with such seemingly tedious titles as:

- Financial Management and Accountability Act 1997;
- Commonwealth Authorities and Companies Act 1997; and
- Public Service Act 1999

In fact contain the dynamics that drive quite dramatic and on-going changes in the approach to managing Commonwealth entities.

While most of this legislative framework has been put in place by the Howard Government, much of it originated from development work done during the latter years of the Keating Labor Government. In fact there is an instructive parallel between the commercialisation reforms of large parts of commonwealth administration during that period, which brought business disciplines and imperatives into the delivery of many common services, and the more recent reforms to mainstream commonwealth services that now extend into all areas of policy and service delivery. What is different this time is that the dynamic that drives the reforms is more systemic and on-going.

It is perhaps significant that all the legislative reforms have won broad bipartisan support, necessary to ensure their passage through the Senate. The last piece of the framework was in fact the new Public Service Act which involved protracted negotiations, with ultimately the Government compromising on some of its agenda in the interests of getting the bulk of the reform thrust in place.

The impact of the legislative framework is essentially enabling. Key underlying principles are accountability, responsiveness, flexibility, the delegation of responsibilities out to agencies and a focus on the efficient, effective and ethical use of resources.

Nowhere is this change more apparent than in the area of employment. Whereas previously the employment relationship was in law and in practice contracted through a central service authority, it now clearly rests between the individual APS employee and the agency head. The flexibility this provides has become a key challenge for agency managers and an opportunity to apply creative solutions to organisational problems.

However as significant as the legislative framework has been, it is but a platform for what is clearly the dominant driver of HR and other reform in commonwealth departments and agencies. The key push factor has been the introduction of the accrual budgeting framework, heralded by the first accrual budget in May 1999. Paradox it may be but the reality is that the chemistry and imperatives unleashed by the accrual budgeting and reporting processes are driving HR and other “non economic” reform agendas. The accrual budgeting framework is the interpretive key in understanding why agencies are now increasingly focussed on the likes of workforce planning and succession planning.

The reason for this becomes clear once you deconstruct the elements involved. At the heart of the approach are changes in what things are measured and how they are measured. This involves far more than simply a change in the way the numbers are presented and interpreted. No longer is the emphasis on simply monitoring and tracking the inputs involved in delivering programs. Rather the challenge under the new system is to identify the outputs needed to achieve government policies (outcomes) and to specify those outputs in terms of the required quantity, quality and price.

At the heart of this new regime is the Portfolio Budget Statement which identifies the desired policy outcomes together with each of the outputs that will be achieved to attain them, along with the price of each output. The sharp edge is that government is in theory able to decide whether it is prepared to pay the price nominated for each output or whether it may decide to source the output elsewhere. Given the record of outsourcing this is no idle threat, and in fact the spark for a real negotiating dynamic. Furthermore the framers of the budget overall, the Department of Finance, settle pricing agreements with each agency in relation to their outputs and have a rolling program of pricing reviews, aimed at rigorously testing the value and alternate service options for each output.

In short market forces now operate at the centre of the public sector. It is not surprising therefore that there is increasing talk of convergence between public and private sectors.

Just as increasing the water flow down the Snowy River is designed to have a refreshing and restorative impact on the downstream ecology, so too the turning-on of an accrual based funding tap is now having serious downstream impacts for organisations. It may have taken a little time for the effects to flow downstream but they have now reached the stage where they are certainly breathing new life into HR and its relationship with management.

So what does this mean for the HR professional within government? Well far from being a threat the new regime is actually a great opportunity for HR to win senior management support for the types of strategic initiatives that have been considered previously to be out of reach. The smart HR professional will also sense that now at last the opportunity is emerging to demonstrate their worth to the organisation.

There are now far fewer obstacles along the road from corporate planning objectives to HR strategy. Increasingly there is recognition that articulating organisational goals leads logically to identifying the capabilities that the organisation must have to ensure its capacity to deliver on those goals. Capabilities in turn can be mapped against skills possessed by the organisation's workforce, leading to the development of strategies to acquire, develop and retain those capabilities. All this takes place within a context where the organisation's operating environment (both current and emerging) is monitored, assessed and responded to by linking strategies that underpin overall workforce plans.

It is against this background that senior managers are increasingly open to cleverly crafted initiatives that focus on building and retaining essential capabilities, including succession plans and coaching. Once managers would not have seen the need or the advantage and would have been frightened off by what were seen as merit principle complications. They are now open to these and other initiatives, based on the fact that they now have access to better real cost information and an ability to make real world judgements as to their value contribution to the organisation's objectives and bottom line.

The demands and imperatives of the accrual budgeting system, together with the devolved flexibilities and accountabilities of the enabling legislative framework mean that HR should no longer have to fight for credibility with management. Delivering workforce capabilities or proposing new recruitment strategies, based on business cases that demonstrate viable returns on investment, is singing from the outputs/outcomes songbook. Senior managers are now looking to HR professionals to develop strategies that will deliver value for money outputs that they can demonstrate in the face of rigorous probing by sceptical Finance pricing reviews. Like never before senior public sector managers need savvy HR performers. In the past they may have wanted to appear to be doing the right thing. Now they want a clear impact and an ability to show that the numbers add up commercially.

HR is no longer just about the soft, touchy feely issues. It is about the bottom line. The creative in-tune HR professionals in the commonwealth have worked this out and are increasingly looking beyond their traditional horizons to meet management needs.

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