
Rethinking the management of information in the strategic monitoring of public policies by agencies

Claude Rochet

The author

Claude Rochet is Researcher, Université de Versailles – St Quentin-en-Yvelines, Guyancourt, France.

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Abstract

The 2001 reform of the France basic law on financial legislation defines a new framework for the monitoring of public policies based on the evaluation of outputs and outcomes rather than resources allocations through a classical budgeting process. A new monitoring process is under design, based on the balanced scorecard method, aiming at achieving consistency between three levels. The reliability of these processes depends on the management of flows of strategic information. According to the double-loop organizational learning theory, the single loop learning deals with the management of the policy by the agency and answers the question "Are things getting done right and delivering the expected outputs?". Double loop learning deals with the gap between outputs and outcomes and answers the question "Are we doing the right things?", implying the revision of the governing variables themselves. Informations flows and measurement systems are in those cases very different. The paper is based on a survey carried out within the French administration in 2001 on the management of public policies by agencies. Comparing the current perspectives with the state of the art, analyzing case studies, the paper draws the future directions for the management of information in the strategic management of public policies and agencies.

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The 2001 reform of the France basic law on financial legislation defines a new framework for the monitoring of public policies based on the evaluation of outputs and outcomes rather than resources allocations through a classical budgeting process.

A strategic driven approach is planned to be implemented within the lag of five years (2006). The common frame of reference is accepted with the following features: an interactive approach in four stages at all levels, design, implement, assess, and adjust.

A new monitoring process is under design, based on the balanced scorecard method, aiming at achieving consistency between three levels: policy formulation, policy implementation and policy evaluation (see Figure 1).

The reliability of these processes depends on the management of flows of strategic information:

- Information to the parliament when voting the budget.
- Strategic information deployment along the administrative chain for the setting of objectives, strategies and actions.
- Collecting and processing information for the performance report.

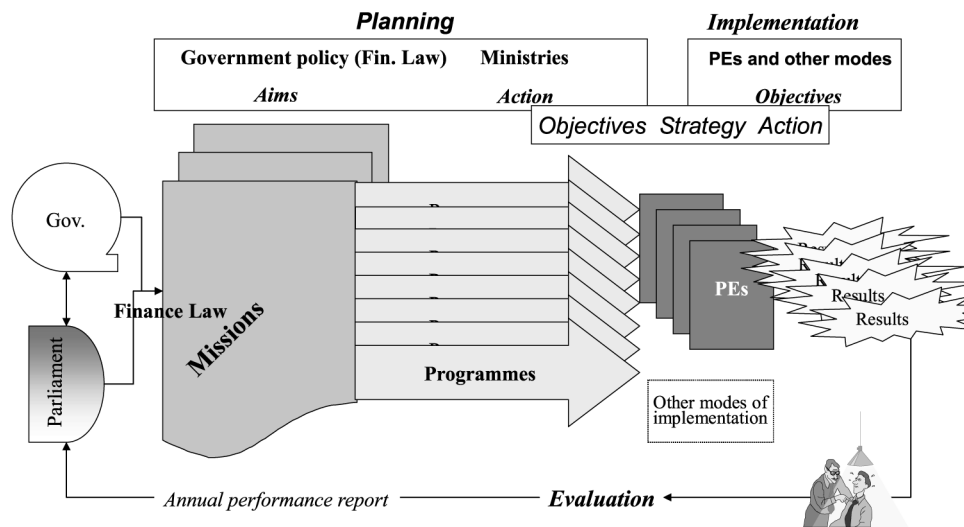
This last point is the most critical one, regarding the specificity of public policies and the difference in measuring outputs and outcomes.

According to the double-loop organizational learning theory (Argyris and Schön, 1978), the single loop learning deals with the management of the policy by the agency and answers the question: "Are things getting done right and delivering the expected outputs?" The double loop learning deals with the gap between outputs and outcomes and answers the question: "Are we doing the right things?" implying the revision of the governing variables themselves.

The paper is based on a survey carried out by the French government in 2001 on the management of public policies by agencies.

Comparing the current perspectives with the state of the art, analyzing case studies, the paper draws the future directions for the management of information in the strategic management of public policies and agencies.



Figure 1 Strategic monitoring of PEs

Source: Rochet (2002a)

The new framework

The basic finance law has been reformed on 2 August 2001: Budget will be voted by programmes, gathered in missions defining an ensemble of programme dedicated to the same objectives of a public policy. Each programme must have precise and measurable objectives subject to an evaluation for the voting of the next year budget.

Doing so, the new budgeting process reduces the voting by the parliament from 848 chapters to 100 or 150 programmes and about 80 missions.

Changes are very pervasive: Parliament will not only have time to examine the public policy purpose of each budget but to measure and evaluate the efficiency of the policy carried out during the precedent years.

The success of this move is based on the assumption that a complete strategic steering process will be implemented in 2006.

It is clear that, under this new law, the same strategic monitoring principles will apply, whether policies are implemented through direct administration, agencies or other incorporated public bodies. Practically, each programme will be a complex project involving several actors and ways of implementation. However, for the definition of the progress yields, we have carried out a survey focused on the management of public agencies

(“Etablissements publics”, or EPs) which already have a record on building contracts with the central state and a beginning of success stories in performance measurements.

Our frame of reference in public policy strategic planning

The vital factor is to distinguish policy value from value-enhancing policy. For instance, the water industry generates very little value-added (even if water treatment costs are rising all the time!). Nevertheless, water policy is of great value to society (see Figure 2).

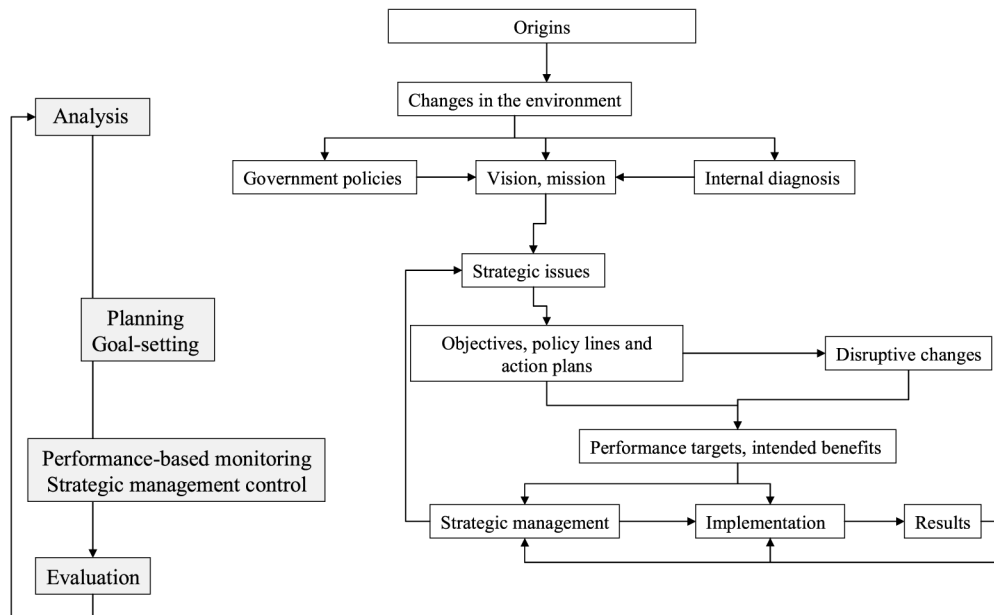
What strategic planning does is to link up policy value and value-enhancing policy.

Overall, the value of a policy lies in policy design and evaluation by the parent administration.

Our findings show that more effective implementation of government policy is the main reason for setting up a public agency (EP) in France. This comes much higher on the list than management-related concerns@

- EPs make a *de facto* contribution to government policy design by passing up to their parent bodies information about new policy issues.
- EPs can become centres of independent expertise, such as the AFSSA laboratory network (food safety).

Figure 2 Strategic policy: system of reference



- EPs embody the dynamic view of government policy and the role of the State, because they shape society around government policy.
- Take a dynamic approach to the notion of territory, through local branches of central agencies (e.g. IFREMER, France’s maritime research institute), or new policy-specific territorial units (e.g. waterways agencies for individual river basins).

Therefore, EPs appear to be a very successful way of enrichment and implementation of public policies.

But fulfilling with such a commitment relies on the capability of the parent administration to really steer the policy and not only on allocating resources without a clear vision of targets and without instruments to measure the effectiveness and efficiency of the policy implemented by the EP. If the parent body fails to carry out this task, monitoring at EP-level alone (by developing management control, for instance) will not resolve questions about policy aims or manage to connect “value-enhancing policy” and “policy value”.

According to the state of the art based on managerial literature and the benchmark of the best practices among OECD countries, we decided to adopt the following approach

allowing to improve the same strategic management framework from the top (policy design) to the ground floor (policy enhancing):

- (1) An iterative approach in four stages:
 - design a strategy;
 - implement it;
 - evaluate the outcome; and
 - adjust where necessary.
- (2) A “cascade” approach. In theory, this approach applies first to the government as a whole; then to individual ministries; then to individual departments belonging to or reporting to a ministry; and finally to each team working in those departments, or individuals provided they have been set personal objectives. Each level draws up its own approach, based on the aims and objectives assigned to it by the next level up in the hierarchy.
- (3) An approach that does not vary with the type of institutional structure. This approach can also be used in administrations that do not have corporate status. The important point is the rationale behind the process, rather than the institutional arrangements, i.e. a rationale based on performance rather than best endeavour, where managerial freedom is given in exchange for a commitment to performance.

- (4) A long-term approach. Most of the countries that have adopted a performance-based monitoring approach began by:
- setting up isolated experiments in a few departments;
 - then introducing them more widely, but lowering requirements (e.g. allowing some deficiency or imprecision in the measurement of costs or performance);
 - finally reaching cruising speed, with every budgetary cycle bringing its own set of critical evaluations and improvements on the previous cycle.

For instance, the first piece of legislation to introduce performance-based monitoring in the USA (Government Performance and Results Act) was adopted in 1993 but did not become widespread until 1999, six years later.

This four stages steering cycle clearly shows the “policy value” aspects (design and evaluation) and the “value enhancing policy” aspects (implementing processes and organising activities) (see Figure 3).

However, this approach is due to be replicated at each level from the top to the bottom, we will focus on the interface between parent body and EP where take place the critical activities of formalising strategic objectives through plans, contracts and their deployment in operational budgets.

Doing so, the purpose of strategic monitoring is aimed to achieve consistency between three main levels:

- (1) Policy formulation by central government and administration.
- (2) Policy implementation via performance based monitoring.
- (3) Policy evaluation via accountability toward parent bodies, Parliament and the public.

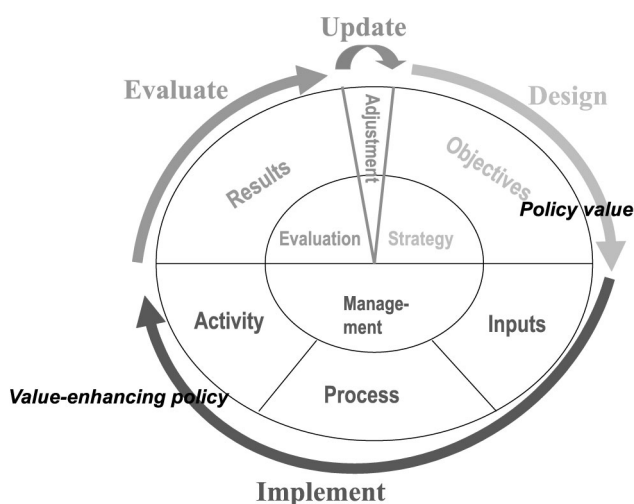
The current state of practices

Analysing the history of EPs, their strategic planning processes and contracting documents unveils the following strengths and weaknesses.

Designing the policy

- *Little public debate.* Only 57 per cent of establishments were set up by law. Only 46 per cent saw their mission debated in Parliament. Only 28 per cent were the subject of a national debate when first set up.
- *Little formal strategic thinking.* Only 74 per cent of establishments say they hold strategic discussions with their parent body. But depending on the parent body, the process is formalised in only 26 per cent of all cases.
- *Parent bodies in a weak position.* EPs, set up as specialist bodies, often have more expertise than the parent body in their field. Parent bodies are therefore not always able to assume their strategic monitoring role, i.e. forward thinking, updating missions and objectives.
- *Good upstream analysis.* Strategic plans and planning contracts: these generally set out the establishment’s statutory mission; describe the context and the current challenges of the activity in question; and set out updated priorities or strategic objectives.
- *Great difficulty in relating to the operational side.* The strategic objectives are not expressed as numerical performance targets. Many projects and programmes fail to show clearly the contribution they make to the objectives, or the trade-offs on which they are based (priority to resource allocation).

Figure 3



- *No forward-looking scenarios.* Plans and contracts seldom mention the risks and uncertainties that might affect them. More importantly, they fail to suggest alternative scenarios.

This is consistent with the French political and administrative pattern where Parliament is forbidden to get involved in the current management of the administration, which is not accountable to him. The common case is that EPs budgets are voted globally with the parent ministry budget. It is only since recent times, where specific law have associated public policy with the set-up of an EP that a specific relationship with Parliament has begun to be implemented.

Globally, we can sum up the situation saying that public managers, mainly in EPs, have a good accommodation to strategic management but, due to the lack of practices and formalised processes, the resulting landscape is of bright and shadow, a promising laboratory of new management practices with already good results but needing to be strongly improved.

Implementing the policy

- *A tenuous link between strategy and management.* Across the various EPs, the budget process includes performance criteria in only 46 per cent of cases. In only 58 per cent of parent bodies do multi-annual plans and contracts lead to optimal budget allocation and performance measurement.
- *Involvement of parent bodies.* In 58 per cent of EPs, the Governing Board does not exercise a managerial role, even if it votes the budget and approves the strategic plan. In 58 per cent of cases too, decisions taken by the Governing Board are to some extent at least subject to prior approval by the parent body.
- *Linkage between activity and objectives.* Strategic objectives are not usually set out in the annual report, or are confined to a statement of intent by chairmen in their introduction to the reports.
- *Linkage between results and performance targets.* As performance targets are not set out in these reports, it is impossible to appreciate fully how good performance has

actually been. More important, the reports do not propose an analysis of the discrepancies between targets and achievements, nor any remedial steps that might be required.

- *Type of performance indicators.* Measurements showing the impact of the establishment's activities are extremely rare. Many establishments still reason in terms of inputs or processes. Activity indicators are seldom accompanied by quality or efficiency criteria (unit costs, productivity).

These results are consistent with the first point: without a formalised strategic planning process, policy implementation is means driven. Although they often intend to describe their results, EPs reports are unable to make the link between these results and the initial targets, and overall, to explain the discrepancies between the achieved and the expected results.

Evaluating the policy

Evaluation and indicators exist, but are not sense making:

- (1) *Depending on the establishment, monitoring may be fairly substantial:*
 - a total of 87 per cent of establishments say they have reporting systems to monitor their activity, 92 per cent to monitor their financial position, and 55 per cent to monitor the effectiveness of the policy they have introduced;
 - performance evaluation criteria are used to enhance service provision in 67 per cent of cases, to measure the impact of their activity on users in 72 per cent of cases, and to gauge financial equilibrium/management quality in 58 per cent of cases;
 - Reporting methods: 90 per cent of EPs publish annual reports, 95 per cent submit reports to the governing board, 70 per cent are subject to controls by parent-body inspectorates, and 60 per cent have external audits.
- (2) *Monitoring indicators but:*
 - they seldom measure outcomes, only activity or inputs;

- while certain clauses may provide for more complex evaluations, these are not systematic.
- (3) *Types of performance indicators.*
Measurement of an activity's impact is extremely rare. Many EPs still reason in terms of inputs or processes. Activity indicators are seldom combined with quality or efficiency criteria (unit costs, productivity).
- (4) *Linkage between results and performance goals.*
As performance targets are not mentioned in the annual report, it is impossible to appreciate fully the results they give. More importantly, the reports do not analyse discrepancies between targets and achievements, nor any remedial steps that might be necessary.

Evaluation appears to be the most critical activity. Without evaluation, it is not possible to close the strategic management cycle, allowing to update the policy and reconcile the "doing the right things" and "doing the things right" activities.

Improving evaluation: what should be done?

Drawing up performance indicators to measure progress towards assumes that the data required to feed the information system has been properly collected and processed.

The data can be collected:

- Regularly, using management systems.
- On a one-off basis, from *ad hoc* surveys or in-depth evaluations.

Once data are collected, discrepancies between objectives and results should be measured and explained. They may stem from:

- Events that have occurred (if so, were they identified in the strategic scenarios? Why were steps not taken to deal with them in advance?).
- Faults in strategy implementation, insufficiently rigorous management (if so, have the nature and causes of these inadequacies been identified?).
- Unrealistic objectives (but then why were they set in the first place?).

- Errors of appreciation regarding the impact of outputs on outcomes (if so, what alternative model should be adopted? Does this mean that the strategy should be reformulated?).

Any action undertaken may have unexpected side effects. If so, they must be carefully identified and their impact evaluated on the same basis as effects that were expected and even intended. There may need to be changes in methods or strategy to avoid too much serious "collateral damage".

A comparison of results and objectives, comments on the discrepancies between them, and a study of unexpected side effects – all these should be widely published:

- Internally, so that staff can learn from them and feel motivated.
- Externally, to foster transparency and accountability *vis-à-vis* users, parent bodies, the public at large, taxpayers and the Parliament that represents them.

Analysing and publishing information on performance would be of no use if not combined with concrete steps to turn the situation around. This is where strategic monitoring converges with the budgetary debate as set out in the budgeting process.

Fostering this evaluation process faces a conflict of temporality between outputs and outcomes. A public service delivers day-to-day outputs and their measurement allows enhancing the management of the policy. Nevertheless, such measures do not give any information on the performance of outcomes.

Following Argyris and Schön (1974), a clear distinction must be done between single loop-learning comparing outputs to the strategy and its operational processes and a double-loop learning which questions the governing variables and the strategic issues themselves. The single loop puts emphasis on making techniques and processes more efficient. The double-loop, in contrast, involves questioning the basic assumptions of the strategy itself.

The single-loop fits with the annual budget cycle. The double-loop encompasses a wider cycle depending on the life cycle of the policy. It may be very long. The nuclear waste management agency (ANDRA) has to guarantee the safety of its underground storage

for 300 years. Moreover, this cycle must include the outputs of scientific discovery that may modify the initial storage hypothesis (see Figure 4)

Making the double loop learning work implies managing the strategy on a multi annual basis. In many cases, strategic plans are formalised by contracts between the agency and her parent administration on a four or five years basis.

This assumes a specific planning process exists where both parts actively discuss the main strategic issues and are able to deploy the necessary means in annual budgets.

The critical point, when discussing these issues, is defining the evaluation criteria when designing the policy: what is at stake? What are our assumptions about future environment evolutions? How will we measure our achievements? How will we actualise our assumptions? Our findings show that, in the best practices, managers have to dedicate about 30 per cent of their working time to evaluating outcomes and scenario planning.

Most of this time is dedicated to the building of the evaluation process and to the design of the information flows on which the performance measurement of the policy will rely. Our findings suggest that the condition for connecting policy evaluation with the steering system is that evaluation process must be built *a priori*, when designing the policy: anticipating the evaluation criteria becomes in itself a criterion to design a public policy. Doing so, evaluation *in itinere* becomes possible, allowing the connection between the single and the double loop. If not, as in the case of the current

evaluation practice created in France in 1998, only in-depth and *ex-post* evaluation are possible, consuming a lot of time and resources to frame the evaluation process. These evaluations are more instructive on the practice of evaluation in itself than on the performance of the policy due to the lack of previous definition of performance criteria and channels for collecting data when designing the policy.

What are the new practices, methods and tools to be implemented?

Two main issues are today at stake:

- (1) *Improving strategic decision making as an activity per se*. It means ensuring that strategy is not a hostage to management: in other words accepting being called into question, innovation, and disruptive change where necessary. Separation may be organic, as in Sweden or New Zealand, where separate departments and separate staff deal with design on the one hand and implementation on the other. However, functional separation is also possible: the same departments and staff deal with design and implementation, to some extent at least, but they agree to take on different roles – for the duration of the strategic approach – with different time horizons, different methods of analysis, and different decision-making criteria. Drawing up a strategy is in fact a dual wager:

- The first is a wager on the causal links between the action to be taken and the objectives to be met. For instance: will a cut in reimbursement rates reduce the consumption of medication?
- The second is a wager on developments in the policy environment. For instance: will the economic climate improve or deteriorate over the duration of the strategic plan?

A sound strategic plan is one that explicitly refers to this dual wager, i.e. the assumptions made in terms of the intended action, and in terms of potential developments in the policy environment. Where necessary, and if serious risks are likely, it is advisable to draw up alternative scenarios. Obviously, information channel

Figure 4 Choosing the right indicators

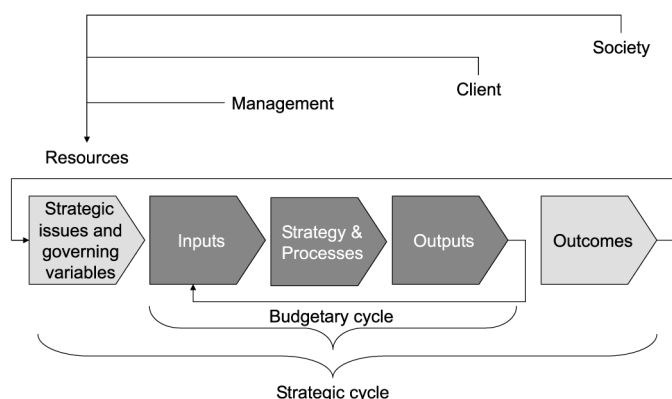
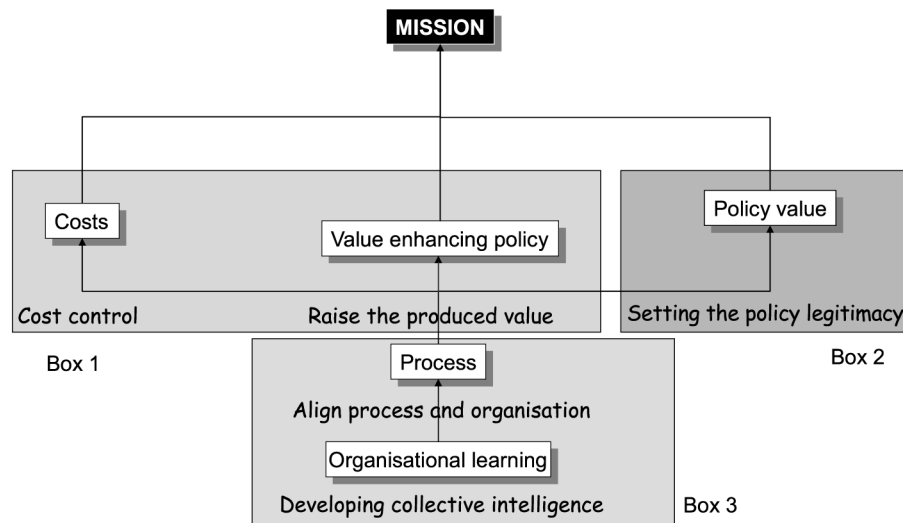


Figure 5 Aligning organisation on strategy

to collect data to measure these outcomes and evaluate these scenarios must be built when defining the policy.

- (2) *Steering strategic alignment with the balanced scorecard.* The balanced scorecard method, as developed by profs. Norton and Kaplan, seems to us of great benefit for public sector organisations (see Figure 5). It allows balancing short-term assignments (cost control on public expenses and effectiveness of outputs) with long-term issues on which relies the legitimacy of a public policy. Even if, as Robert Kaplan himself recognizes, connecting outputs to outcomes remains a tough task, we consider using BSC is able to initiate the implementation of strategic management between agencies and parent administrations, being a common tool from the top (including policy definition at the governmental level) to the shop floor.

Building a BSC requires architecting information system around strategic issues, connecting management control system (box 1), outcomes evaluation results (box 2) and internal efficiency measurement (box 3).

This process is under implementation and experimentation. The issue is crucial: by formalizing strategic thinking within the relationships between agencies and parent administration it will answer the question: “Is

there any public policy possible further from the pure means programming?”

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