

## Unlocking the potential of a MoG change

MoG changes present opportunities for departments to have a broader reach and positive impact within Australia. To maximise these a structured approach across the three dimensions is required.

### Policy & Strategy

#### Plan for the long-term

MoG changes are predominantly conducted with a short-term planning mind-set. This can result in increased costs, funded by the departments, which can impact program sustainability and long-term productivity. Long-term planning can mitigate these risks and deliver long term value creation. **Long-term planning** takes into account the forecast effort required to align IT systems, manage industrial relations, and align cultures that may not surface in the immediate integration<sup>3</sup>.

#### Define the integration strategy

Integration is a highly tactical effort. While the intent of a MoG change may be clear, an integration strategy must be implemented that honours this intent. Failure to do so, can lead to an increase in costs and delays to a return to business as usual. To overcome this challenge, **priorities for the change should be identified** based on financial impact, probability of success and timelines requirements. This prioritisation will make it easier to operationalise changes, resulting in alignment of overall strategy<sup>3</sup>.

#### Commit resources to the MoG change

Although guidelines (APSC, 2012) require departments to cooperate fully to ensure “the best outcome from a whole-of-government perspective”, there is often a conflict of interest, each department wanting to acquire the most funding and talent possible. A **non-partisan integration team** dedicated to the priorities of the integration can help deliver a successful MoG change that best serves all impacted departments.

### Governance & People

#### Establish leadership at all levels

A MoG change can result in multiple governance structures brought into one, each with their own objectives, and without a clear collective strategy. This is often a consequence of an exodus of leadership staff, discouraged by disruptions to their jobs without appropriate support. To manage this risk, it is vital to have **visible leader support** to minimise uncertainty, assign accountability, and define role clarity. In addition, leaders are motivated by **performance incentives** that reward MoG change success, and are provided with **support** through capability development in change management.

#### Effective stakeholder communication

Due to the time constraints of a MoG change, communication is often condensed, infrequent and generic. This results in uncertainty and a lack of trust amongst stakeholders. Therefore, there needs to be early, tailored **communication with all stakeholders** addressing their concerns. This should include articulating the reasons for the change and the timing of key actions.

#### Focus on cultural fit

Poor culture fit has been cited as one of the major reasons for the failure of integrations<sup>5</sup>. A comprehensive and well executed people management strategy can help to manage cultural integration and its impact on productivity. A **people management strategy** should involve the employees in shaping the change through consultation to establish a **set of high-level values, shared goals, and setting expectations** that will influence the future culture.

### Finance & Operations

#### Conduct financial due diligence

While the APSC (2012) recommend open, transparent and good faith negotiations during a MoG change. There is a risk that if this does not occur there may be a lack of critical information to transfer the funding needed to run programs in a new department. **Due diligence of appropriations, conducted early** will ensure that normally unforeseen negative outcomes can be avoided, including a misappropriation of baseline and program funding, and ICT integration costs.

#### Capitalising synergies through alignment of technology platforms

Information and communication technology alignment is critical to minimising the disruption of a large scale change. The failure to align ICT can often lead to unforeseen departmental costs and system fragmentation. In the short-term, due diligence should be conducted to reduce fragmentation and ensure all costs are planned for. A long-term objective should be to build more flexible and **aligned ICT architecture** across the government, ensuring agility through a cloud based or plug-and-play system.

#### Align business processes with people capabilities

Changes to a department’s operating model affects its business processes which presents an opportunity to simplify and/or improve current operations. A department should ensure **appropriate alignment** between skills and capabilities with operations. Aligning these can result in service delivery that is more efficient.

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 2. Australian Public Service Commission (2011). *Implementing Machinery of Government Changes: A good practice guide*.  
 3. White, A. & Dunleavy, P. (2010) Making and breaking Whitehall departments: a guide to machinery of government changes. Institute for Government; LSE Public Policy Group, London, UK.  
 4. Hogwood, B. W. (1997). The machinery of government, 1979–97. *Political Studies*, 45(4), 704-715.  
 5. Bauer, F., & Matzler, K. (2013). Antecedents of M&A success: The role of strategic complementarity, cultural fit, and degree and speed of integration. *Strategic Management Journal*.

## Why PwC?

We help clients work through the disruption of a transformational change. By executing rapid integrations we enable a quick return to business as usual. Our focus is on working with clients, to avoid the common pitfalls, enhance the ability to successfully achieve change and deliver tangible value. This process starts early, from due diligence, to setting the integration strategy to implementation from day one and cultural change. We provide:

- A complete service offering from financial due diligence, business process re-engineering, taxation, legal services and human resource management to ICT and change Management.
- Experience in working with and delivery value to all Government departments.
- A deep understanding of the Australian Public Service.
- A highly experienced team of auditors and consultants.

## Our MoG change team

- **A structured approach and proven methodology**  
Delivered by an experienced and dedicated integration team with 100+ integrations locally and abroad. Our discipline will help achieve early and regular wins, and will tailor our services to compliment client needs and capabilities.
- **Integration management support**  
Our proven integration methodology, tools, templates and guides support across all phases of an integration.
- **Functional integration assistance**  
We have subject matter and process experience including finance, HR, IT and Operations.

## Contacts:



**Nick Myburgh**  
Partner  
02 6271 3705  
nick.myburgh@au.pwc.com



**Ash Bassili**  
Partner  
02 6271 3641  
ash.bassili@au.pwc.com



**Jeremy Thorpe**  
Partner  
02 6271 9179  
jeremy.thorpe@au.pwc.com



**Andrew Robson**  
Principal  
0262713010  
andrew.e.robson@au.pwc.com

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# Machinery of Government Change

## Realising the value

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**pwc**

What do you value?.....

## Machinery of Government change: realising the value

*Machinery of Government (MoG) changes are a necessary and useful instrument to meet existing and new policy challenges.*

The purpose, objective and potential advantages of undergoing a change through MoG is primarily focused on centralising policy formation to realise efficiency savings or better policy coordination. However, the process for managing the change is often a strong determinant of how long it takes to achieve the intended goals of a MoG change. This trend offers an opportunity for departments to identify and implement ways to minimise the risk of a MoG change and maximise the value achievable.

Australian MoG changes impact on the three main areas of any department: policy and strategy; governance and people; and operations and finance. These changes often result in various challenges. We have deep experience in addressing these challenges to achieve the best outcomes for departments.

As with any change of Government, MOG changes are underway



## Understanding the complexities of a MoG change

*The complexity of managing a MoG change is compounded by the requirement for the Government to deliver 'business as usual' services to the public<sup>3</sup>.*

MoG changes are a stable part of Australian Government practice at both the Federal and State levels. They are driven by the Government of the day to address priorities of social welfare, public good and economic development. It is therefore a necessary instrument to reshape and align government structures to best meet these priorities<sup>2</sup>.

The objectives of the Government and implications of a MoG change are significant. They involve the management of a large scale transitional change that is multidimensional and influences policies, programs, people and resources.

To effectively implement a MoG change that creates value, it is important to acknowledge the constraints and manage the disruption by ensuring alignment from strategy through to execution.

## Acknowledge the constraints

These constraints associated with a MoG change can place strain on the change process and it is important to acknowledge them. We understand that government departments need to adhere to the Commonwealth's legislative frameworks that make the public sector distinctive to the private sector including the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and the *Public Service (PS) Act (s72, PS Act)*.

Our point of view when dealing with a MoG change is this; develop an approach that minimises disruption, provides flexibility to work within constraints, is swift in its delivery and provides tangible benefits to the public.

A new department can cost up to \$10 million to establish<sup>2</sup>



Compared to the UK and Canada, Australia has the most extreme fluctuations in the number of departments<sup>1</sup>



## Managing disruption through alignment

*MoG changes require effective management of disruptions to ensure service delivery targets are still achieved. It is evidenced that this is often achieved through clear alignment between strategic objectives and departmental management to ensure a consistent interpretation and approach.*

Managing disruption	Alignment
Once a MoG change is announced, there is a requirement to manage a multitude of challenges and produce quick wins that support the reasons for the change. This presents a disruption to the business as usual activities.	To achieve alignment is to provide clear strategic intent. It is important that the strategic intent and management at all levels are working in synergy to execute the strategy on a daily basis.
Without appropriate management this strain on the departments can derail the change with minimal to show for it. The ability for the impacted departments to navigate through this disruption with clear intent and speed will determine the effectiveness of the change.	Failure to provide clear intent can result in management cascading their own interpretations and agendas instead of the department's strategic intent.
To navigate through disruption it is vital to focus on achieving alignment through programs to portfolios and at all levels of management.	To do so it is important to focus on three primary areas that will help realise the benefits of this alignment.

