

**Strategic Management in a Road Agency - Main Roads Western Australia's
'Strategic Management Cycle'**

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Abstract:

Main Roads Western Australia needed to make the change from being a well managed government department to being an expertly managed public sector business. To achieve this many changes were needed, not least of which was the establishment of the high level process that would be used to ensure the corporate objectives were translated into works on the ground. This has been achieved with the development and implementation of the Strategic Management Cycle. The Strategic Management Cycle is the strong foundation on which the new Main Roads is being developed, an organisation that is well placed for the future, with systems in place that allow for strategic management principles to apply in the field of road provision. The Strategic Management Cycle provides the means whereby customer focus, value for money and strategic management cycle can work together for the betterment of all the people in Western Australia.

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Introduction

Strategic management has for some time been considered a good idea for road authorities. But getting it in place is another matter! Main Roads Western Australia (Main Roads) is well on the way to achieving this objective with its Strategic Management Cycle.

Main Roads is the state road agency. It is responsible for over seventeen thousand kilometres of roads, an annual budget of \$500 million and 1,600 employees. And like most road agencies in Australia it is undergoing major change.

Main Roads is moving from being a well managed government department to an expertly managed public sector business. This role change requires the organisation to move towards a more customer driven mode of operation and become increasingly strategically focussed whilst still providing excellent value for money.

Main Roads had to make major changes to its culture, organisational structure, work processes and practices in order to achieve the reform.

The management process developed for this purpose is the "Strategic Management Cycle". In broad terms the Strategic Management Cycle is:

The process used by Main Roads to go from finding out what Western Australian road users need to providing them with the best managed road system in Australia

The Strategic Management Cycle has had a huge impact on Main Roads. It is the core management process. Main Roads' future is being built around it, as evidenced by the new organisational structure (Figure 5).

The implementation of the Strategic Management Cycle has resulted in the embedment of strategic management and a commercial approach to business in Main Roads, and it is contributing significantly to the change process that had to take place.

Background

Main Roads was established in 1926 to build a state road network. Prior to then roads were a local responsibility as long distance transport was limited and mainly confined to the rail and road modes. Main Roads was established as an autonomous body with significant powers vested in the Commissioner, who headed the organisation. He (they have all been men) decided where roads were needed, put the case for road funds, and built the roads. Consultation was limited. In addition he would have been with Main Roads for a long time and had a very good knowledge of the State's road network and needs. His autonomy was quite deliberately set at a high level to limit political interference at a time when the placement of new roads was a very sensitive matter with the potential for conflicts of interest to arise. The mission was straight forward - to put in place a sealed primary road network connecting communities in the State, using a bottom up process.

The placing of such authority in the hands of one public servant is now less acceptable. The community and Government expect to have a bigger say and to have a much larger input into the road provision process. This has been recently recognised with changes to the Act under which Main Roads operates. There is now a provision for the establishment of an Advisory Board and the Minister now has additional authority to direct where works are undertaken. Community and stakeholder involvement is also acknowledged via the many stakeholder groups who are contributing to the formulation of strategy and policy.

The community at large want an equitable and structured approach to the provision of public infrastructure. They also want to be involved. A means of achieving this was needed. The Strategic Management Cycle provides the high level framework for their involvement.

The process developed for the purpose:

- is simple in concept and easy to communicate to all staff and stakeholders
- is robust and covers all aspects of Main Roads operations towards achieving the desired community needs oriented outcomes
- provides a foundation for the work processes that personnel follow in order that all work undertaken is driven by the organisation's objectives and service expectations

Strategic Management Cycle

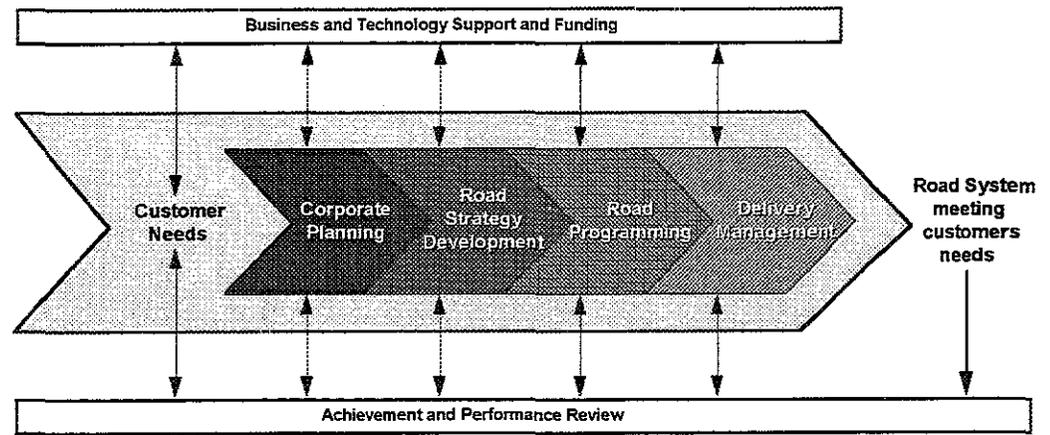


Figure 1 : Main Roads' Strategic Management Cycle

Key Elements of The Strategic Management Cycle

The Strategic Management Cycle is designed such that:

- the needs of customers envelop all Main Roads activities
- key processes work in a structured manner, from corporate objective setting through to delivery of services
- the biggest of needs can be translated into achievable services
- it recognises that it is Main Roads people that make the process work
- funding simply controls the amount of product delivered and does neither determine priorities nor necessarily limit performance to expectations

Underlying the whole process is the Achievement and Performance Review - i.e. performance management

The Strategic Management Cycle can also be seen as an ever tightening set of constraints:

- Corporate objectives are very broad - transport efficiency, etc
- Road strategy objectives are more specific - road widening is good, \$x million should be spent on road widening, \$y million of that in Region C
- Program objectives are tighter - widen road A between B and C in Region D
- Delivery objectives are very specific - contractor build the widened pavement to this standard, seal this way and so on

The Strategic Management Cycle is a process that allows strategic management to be a reality rather than simply an idea

Development Process

Initial key design criteria were that the Strategic Management Cycle be:

- simple in concept
- easy to communicate to staff
- all encompassing
- customer driven NOT budget driven
- incorporate existing government policies and management principles
- ultimately be "owned" by the staff

Over a period of two years the concept was workshopped heavily with a wide cross-section of employees. Early draft models were however plagued with complexity as too much detail was being put into a single picture. Gradually the complexities were aggregated and the model took shape. Information was examined on how the matter was being addressed by other organisations and worthwhile ideas explored.

Towards the end of the development period, external consultants were involved in order to gain an independent perspective and to ensure that wider ideas and experiences were considered.

The shared ownership of management and staff that developed throughout the development of the Strategic Management Cycle, made its acceptance a virtual formality.

The Strategic Management Cycle Process

Customer needs drive the process - they are the point of Main Roads' existence. The needs include those of Government (Federal, State and Local), road users of all types and the general community. They are established in many ways, from:

- Customer feedback and surveys, service councils, stakeholder groups, public forums
- Government, industry and interest groups
- Reading, watching, listening, analysing
- The Media, correspondence, parliamentary questions
- Corporate Planning

This sets the overall direction for the organisation stating planned community benefits (expected outcomes), road management objectives, organisational objectives, corporate strategies, performance indicators and targets. Rolling three year Corporate Plans have been developed since 1994. A more formal process for the development and

management of the Corporate Planning process is expected to be developed following the formation of the Main Roads Advisory Board

Road Strategy Development

The focus of Road Strategies is developing effective road objectives - that is doing the right thing. This involves taking an overview of the State road network to establish agreed strategic priorities and long term funding requirements.

The process that is used to develop strategies is shown in Figure 2. It is very much a process driven by customer needs.

The inputs to the road strategy development process are broad - largely the Corporate Objectives and customer input.

This process is managed by the Road Strategies Directorate. The road strategy areas are:

- Road Development
- Network Management
- Road Maintenance
- Road Safety
- Environment

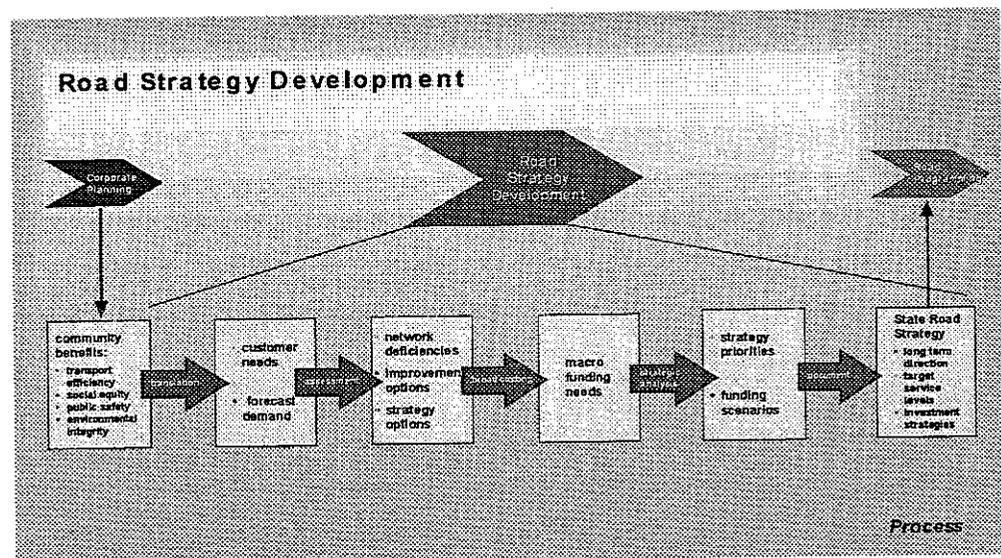


Figure 2 : Road Strategy Development Process

Road Programming

The focus of Road Programming is efficient resource allocation - that is using resources in the best way. Metropolitan and Rural Regions determine their prioritised needs based on the State Road Strategy. Program views are simultaneously monitored to ensure compliance with corporate and strategic direction, to produce the State Operational Road Plan (covering the next 7-10 years).

Road Programming's inputs are the outputs of Strategies and once again customer needs. A key input is road funding which requires that programs are budget constrained. Their major output is the road program and all matters associated with it. Key parts of Road Programming are the ten regional offices, Main Roads' major community contact point. In addition they have other sections coordinating the programming and planning works.

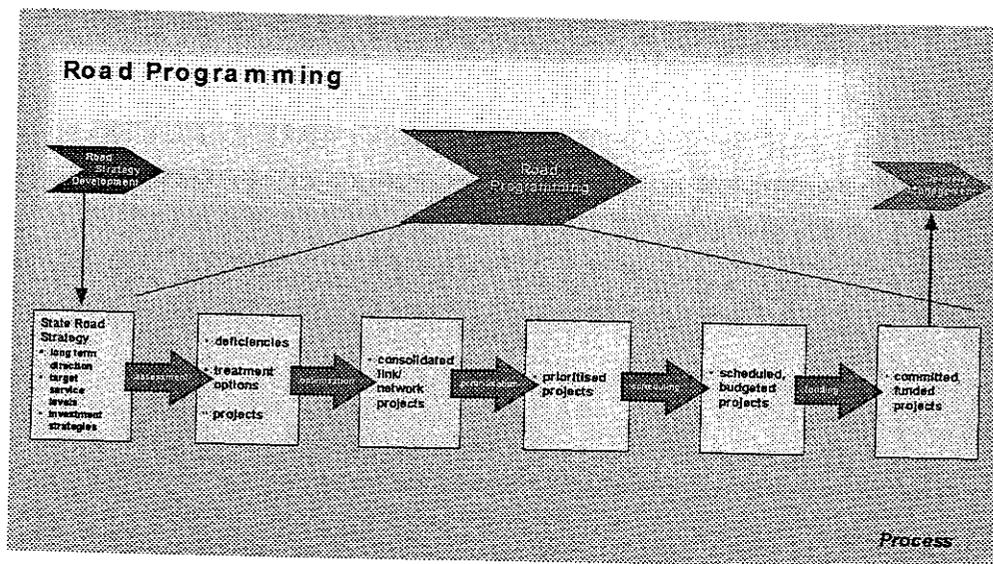


Figure 3 : Road Programming Process

Road Delivery Management

The focus of Road Delivery Management is productivity - that is about value for the dollar in delivering the State Operational Road Plan which results from Road Programming.

Tasks include:

- project management for defined projects
- network management to optimise efficiency and minimise traffic impacts

- road use and network monitoring, to identify changes in usage patterns and network condition.

Much of this task is contracted out, hence the need for good contract management processes, partnerships and alliances

The key input is the operational plan that has been developed by Programming, albeit with significant assistance from themselves. The outputs are the road works - maintenance, improved roads, new roads, and so on.

Key groups in this part of the organisation are the five Operations Centres and the contracts management groups.

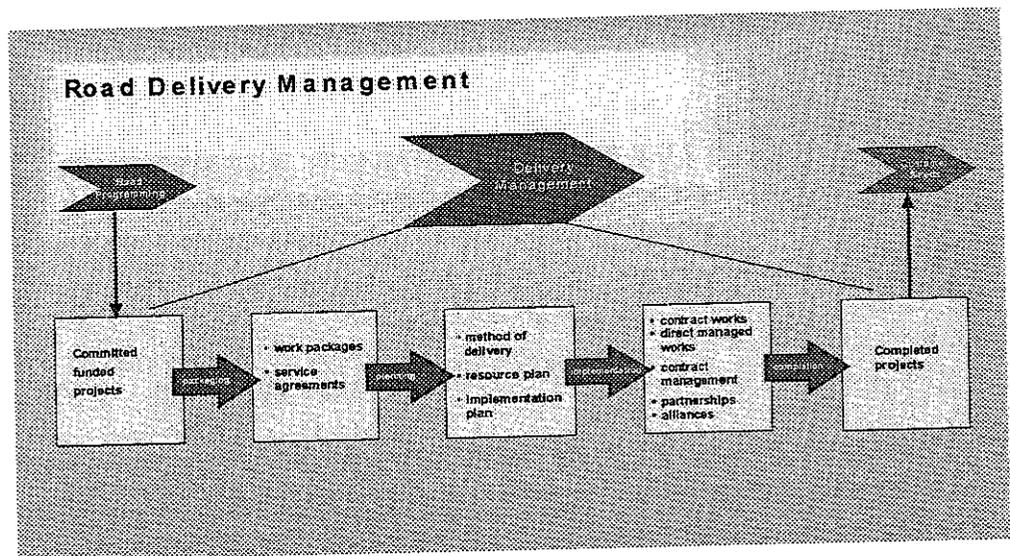


Figure 4 : Road Delivery Management Process

Business and Technology Support and Funding

This is provided through corporate and business units (eg finance, human resources, corporate development and technical services). Funding is the process of negotiation with Government to establish agreed funding, which determines the rate at which prioritised road projects can be delivered to the community.

The significance of these areas is recognised with the inclusion of the Directors of Road Technology, Corporate Services, and Corporate Policy and Strategies in the Corporate Executive (Figure 5)

These groups are not simply service providers - they are integral to the whole operation, suggesting and providing solutions in their areas of responsibility to the entire organisation.

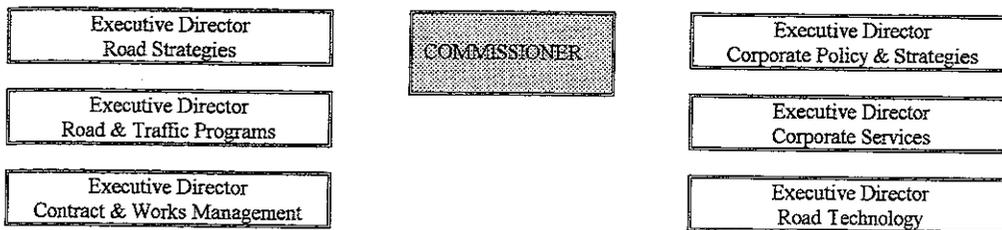


Figure 5 : Main Roads' Corporate Executive

Road System Meeting Customer Needs

This is the final outcome of the Strategic Management Cycle. The road system that has come about as a result of a structured process to translate strategic objectives into the roads and services needed.

Achievement and Performance Review

Strategic management is incomplete without a mechanism to check the success or otherwise of programs. Are the objectives being accomplished? Checking achievement and performance takes place continually. This is often across one or more phases of the Strategic Management Cycle. The Corporate Planners check whether the Corporate Objectives are being met; The Road Strategists do similarly; and so on.

Deployment

The Strategic Management Cycle has been widely discussed and disseminated throughout Main Roads via presentations and a brochure which was provided to all staff. The full documentation of the procedure is directly available to all staff in the 'On Line' computer library.

Much deployment took place during the iterations of its development, and the organisational restructuring, based on it, is also helping

The Strategic Management Cycle was completed and adopted in early 1996. The changes since are obvious. People have a better understanding of the corporate objectives and the process used to ensure they are achieved. The change process has been made easier as the Strategic Management Cycle has helped focus the people on strategic issues - the 'Bread and Butter' of Main Roads' future.

Examples of it working are already starting to appear. The allocation of funds for preservation is being made on the basis of assessed need, rather than historical distributions.

Future Development.

This is taking place continuously. The major challenges lie in ensuring the key process works, and ensuring that subsequent processes are developed and implemented.

Relationships between the key groups, Corporate Planning, Strategies, Programs and Delivery have to be nurtured like any long term relationship. Partnerships, alliances, good communication and agreement on what is the hand over between adjacent groups have to be continually developed. Keeping the process alive and working doesn't just happen - it needs to be made to happen.

Results and Outcomes.

The Strategic Management Cycle has had a significant impact on Main Roads. Improved service and value for money are already being realised. It has provided a single view of the high level process under which Main Roads operates. It is the model on which the Main Roads of the future is being built.

The new organisational structure is based on it, with three Executive Directors having as their core responsibilities:

- Road Strategy Development
- Road Programming
- Delivery Management

The management process is now more effective as people know where they fit into the 'big picture' and how their work contributes to the end result, i.e. a high quality service to Main Roads customers.

A greater degree of delegation is possible as based on the Strategic Management Cycle, it has made it clear to them how Main Roads operates, how decisions are made and how

the organisation is strategically managed. It is constantly used as the guide to how issues should be managed - who is accountable and so on.

The works program recommended to Government is being developed using the Strategic Management Cycle. The highest level objectives are implemented, as each stage in the process is reliant on the outputs of the previous stage. These outputs are progressively more specific the further the process goes towards delivery. At the Corporate Planning level they are limited to general concepts - the Mission, the key objectives. Road Delivery Management consists of many things - road building, road maintenance, putting bitumen on roads, traffic management, road safety treatments, technical services, etc.

Products and Services

The development of agreed products, services, timetables and service agreements between adjoining groups of the Strategic Management Cycle is now taking place. A strong linkage between Road Programming and Delivery Management is virtually assured as neither can exist without the other: Road Programming provides the works program for Delivery Management.

The linkage between Road Strategies and Road Programming is however of much greater concern. Road Programming can take place without Road Strategies, but if Road Strategies do not have a major influence on the shape of the road program they are irrelevant. A road program developed without a strategic input would however be inferior, delivering less benefits to the community as a whole than should be the case. Ensuring Road Strategies influence the road program is proving to be a major challenge.

Agreement on the products and services to be delivered to Road Programming by road Strategies is a major focus. Significant progress has been made with the preservation strategy: it is now significantly influencing the program. But the same cannot however be said about the other strategies at this stage.

Commercialisation

As noted earlier Main Roads is steadily changing into a public sector business. An essential element of this is the move to a more commercial form of operation. The Strategic Management Cycle is making the task of commercialisation simpler. The roles of Funder, Purchaser and Provider have been separated and business arrangements between them and the providers of services to them have been established, as would be the case in a private sector organisation.

Many services are provided by internal business units. The real cost of their services are now met by purchasers of services, and this has resulted in less wastage of resources and tighter specification of requirements. Rework has been considerably reduced and services are now only being provided when there is a client willing to pay for them.

There are of course some potential down sides to this, such as the loss of a long term focus in some areas - road data and research and development for example, where no obvious client existed. Mechanisms to address these concerns, such as some direct corporate funding, are being used to overcome the problem.

In the longer term road authorities could well move towards corporatisation. There is already the requirement to perform more like a public sector business. The Strategic Management Cycle will help as it gives a process which maximises the focus on the corporate objectives - those things that a business must get right in order to prosper. In Main Roads the corporate objectives are not yet of a direct financial basis - being more concerned with road issues: safety, preservation, use, development and environment; and customer focus. But the Strategic Management Cycle has provided the structured process through which these objects are pursued, and it offers the process for operating in a corporatised manner if the need arises.

Internal Customer Focus and Service Agreements

Internal customer focus has also improved. People are more aware of the need to 'sell' their services and have them tailored to meet customer needs. Internal service providers have little or no corporate budget, requiring them to pay their way on the basis of recouping costs from the groups to whom they provide services. They need to meet their customers needs in order to remain valuable and relevant.

There is also developing a commitment to service agreements. In house service providers such as those in Road Technology have service agreements with their users, such as Road Strategies, Road Programming and Delivery Management. This has also lead to better internal customer focus, with the service providers needing to ensure their product quality and timeliness meets the needs of the users, the people who pay the bills!

Strategic Management Cycle Improvement

Main Roads adheres to Total Quality Management principles and has successfully introduced a Total Quality Management culture. Formal assessments have occurred since 1995, and in 1996 an Australian Quality Award for Achievement in Business Excellence was received. The Strategic Management Cycle is very much in keeping with the primary Quality Management requirement to put in place processes to deliver Main Roads' products and services.

The practice of continuous improvement is imbedded in Main Roads operations and is being applied to the Strategic Management Cycle.

Many major reforms are taking place in Main Roads, many of which impact the core process. Each of these reforms raises new issues and their resolution often results in improvements to the Strategic Management Cycle.

As a consequence the Strategic Management Cycle is being continuously improved. Its fundamental structure has not changed, but components have been further developed and enhanced.

Some processes still need further development. Some of the detailed sub-processes which comprise elements of the Strategic Management Cycle are being progressively developed. These processes form the basis of branch structures, just as the senior structure mirrors the Strategic Management Cycle.

In addition new and recently promoted people need to be periodically trained in their role in the Strategic Management Cycle. The major challenges are to maintain the level of staff understanding and ensure their adherence to its processes, principles and practices, as the Strategic Management Cycle continues to be refined and improved.

Main Roads hope that others can learn from Main Roads experience by gaining an understanding of the power of change management strategies such as the implementation of the Strategic Management Cycle, and the importance of having a simple high level process to which all can relate, before addressing the detailed aspects.

Conclusion

Main Roads Western Australia needed to make the change from being a well managed government department to being an expertly managed public sector business. To achieve this many changes were needed, not least of which was the establishment of the high level process that would be used to ensure the corporate objectives were translated into works on the ground. This has been achieved with the development and implementation of the Strategic Management Cycle.

The Strategic Management Cycle is the strong foundation on which the new Main Roads is being developed, an organisation that is well placed for the future, with systems in place that allow for strategic management principles to apply in the field of road provision. The Strategic Management Cycle provides the means whereby customer focus, value for money and strategic management can work together for the betterment of all the people in Western Australia.